



**Auditor of State  
Betty Montgomery**

# CITY OF JACKSON PERFORMANCE AUDIT

OCTOBER 20, 2003



**Auditor of State  
Betty Montgomery**

To the Citizens of the City of Jackson:

On November 18, 2002, the Auditor of State released a Certification of Deficit and Declaration of Fiscal Watch, pursuant to Ohio Revised Code (ORC) §118.022, declaring the City of Jackson in fiscal watch as of October 28, 2002 and certifying a deficit of \$5,918,000 in the General Fund. The General Fund deficit resulted from adjustments made by the City, in accordance with the finding for adjustment, for FYs 1989 to 2001. ORC §118.023 permits the Auditor of State's Office to conduct a performance audit of municipalities in fiscal watch.

The performance audit contains assessments of the following areas: financial systems, human resources, administrative operations, public safety, water distribution and treatment, electric department, and the service department. The information contained within the report is intended to assist the City in identifying cost savings, revenue enhancements, and efficiency improvements. The City is also encouraged to continue to assess overall operations and develop other recommendations independent of this performance audit.

An executive summary has been prepared which includes the project history, objectives and scope, and methodology of the performance audit. The executive summary also includes a summary of significant findings, recommendations and financial implications. This report has been provided to the City of Jackson and its contents have been discussed with members of City Council, the Mayor, and appropriate department management personnel. The City has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

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

Sincerely,

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

BETTY MONTGOMERY  
Auditor of State

October 20, 2003

# **Executive Summary**

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## **Project History**

The Auditor of State's Office (AOS) released a Special Audit report for the City of Jackson on June 4, 2002. The review included transfers made between January 1, 1989 and December 31, 2001. As a result, a significant finding for adjustment was made against the General Fund for \$6,056,262 in favor of the Water Fund (\$1,660,090), the Sewer Fund (\$1,945,533), the Electric Fund (\$2,272,176), and the Garbage Fund (\$178,463).

On November 18, 2002, AOS released a Certification of Deficit and Declaration of Fiscal Watch, pursuant to Ohio Revised Code (ORC) §118.022 declaring the City of Jackson in fiscal watch as of October 28, 2002 and certifying a deficit of \$5,918,000 in the General Fund. The General Fund deficit resulted from adjustments made by the City, in accordance with the finding for adjustment, for FYs 1989 to 2001.

ORC §118.023 permits the Auditor of State's Office (AOS) to conduct a performance audit of municipalities in fiscal watch. In accordance with AOS' statutory authority, this project included the following operational areas:

- Financial Systems and the Auditor's Office;
- Human Resources;
- Administrative Operations including: the Mayor's office and the service/safety director's office, the purchasing function, utility billing and community development;
- Public Safety comprising the Police Department and the Fire Department;
- Water Distribution and Treatment;
- The Electric Department; and
- The Service Departments including: the streets and alley, garbage, mechanical, cemetery, recreation, and municipal swimming pool departments.

On December 3, 2002, AOS staff began fieldwork for the performance audit in the City of Jackson.

## **Overview of the City of Jackson**

The City of Jackson (City) is located in Jackson County in South-central Ohio and has a population of 6,184. The City's economic climate is marked by unemployment rates above the state average. The unemployment rate for January 2003 was 9.6 percent. The median income for a four-person household in Jackson County is \$30,661, which is about 24 percent less than

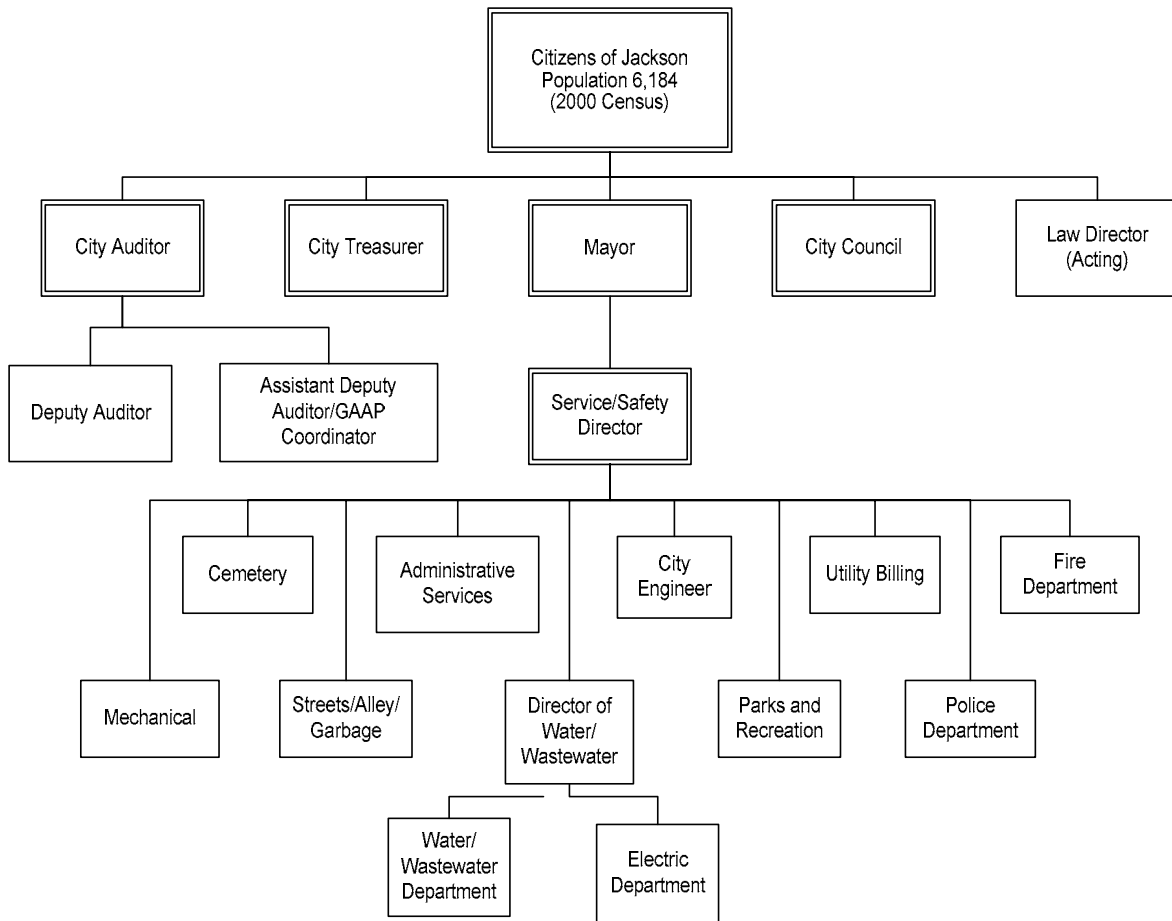
the state median income of \$40,956. The industry base of the City and surrounding communities consists primarily of manufacturing and trade enterprises.

The City of Jackson operates as a statutory city under the laws and regulations set forth under the Ohio Constitution. Legislative authority is vested in a seven-member City Council and a Council President elected by the voters of the city. The Council sets the levels of compensation received by city officials and employees, and enacts ordinances and resolutions. The City's chief administrative officer, elected by the voters, is the Mayor. The Mayor is responsible for basic city services such as police and fire protection, water, sewer, electric, and garbage services. The Mayor appoints a director of public service/safety, department heads, boards, and commissions. The City Auditor and Treasurer, both of whom are elected, are responsible for fiscal control of the financial resources of the City.

The City does not use an income tax to support its General Fund operations. The City has relied on transfers from enterprise funds, which did not comply with ORC §5705.14 to 5705.16. Additional information about the City's non-compliance with ORC requirements and AOS findings for recovery can be found in the Special Audit released on June 4, 2002.

**Chart 1-1** depicts the organizational structure of the City of Jackson.

**Chart 1-1: City of Jackson Organizational Chart**



**Source:** AOS designed this chart based on information provided by the City of Jackson

**Note:** The City Engineer, Director of Water/Wastewater, and Law Director work under employment contracts.

## **Conclusions and Key Recommendations**

Financial recovery and efficient operations at the City of Jackson are impacted by several overarching administrative issues. Planning, communication and cooperation among elected officials, and basic internal controls and financial management principles have not been implemented. Although systemic barriers to performance improvement were apparent in all departments, several instances of effective operations were noted, particularly in the Jackson Fire Department and Water/Waste Water Department. In addition, several departments within the City have begun implementation of the recommendations contained in this audit during the audit period.

Several areas of governance require cooperation and communication between elected officials. However, constructive communication does not exist between City Council and City Administration. The Mayor has not, at points in time, attended council meetings and, during those periods, communicated with Council almost exclusively by memo or written correspondence. Poor communication detracts from the City's effort to address the current fiscal condition. In addition, the Mayor relinquished a significant amount of responsibility to the service/safety director which impacted his ability to communicate with city personnel and effectively manage the performance of departments under his authority.

City elected officials and executive administrators exhibit considerable confusion concerning the appropriate duties and responsibilities of individual positions, both elected and appointed. In ORC §733.01, the executive power of cities is "vested in a mayor, president of council, auditor, treasurer, director of law, director of public service, director of public safety, and such other officers and departments as are provided by Title VII [7] of the Revised Code." The sections goes on to state that "such executive officers shall have exclusive right to appoint all officers, clerks, and employees in their respective departments or offices and remove or suspend any of such officers, clerks, or employees, subject to the civil service laws." However, past practices indicate that certain elected and appointed officials have overstepped their statutory roles and have subsumed decision making authority beyond the legal limits of their duties.

Internal controls and future planning are very weak within the City's operations. A comprehensive strategic plan that addresses the budgeting process has not been developed and ineffective communication between the Council, City Auditor, and administration has impacted efforts to balance the City's budget. The City also has a history of lax accounting practices as cited in financial audits for 1999, 2000, and 2001. These issues have contributed to the City's current financial condition. Contractual issues, negotiated in prior years, also have heavily contributed to the City's financial condition. Human resource management has been sporadic and has not contributed to strong employee relations or consistent treatment of staff. The City of Jackson compensates its employees for several items not normally found in bargaining agreements. These items cost the City close to \$500,000 each year.

In several operational areas, ineffective employee relations and inadequate planning have contributed to operational inefficiencies. Although Police Department operations are comparable to the peer departments, overtime and sick leave use is excessive and contributes to the high operational costs of the department. Fire Department training and fire prevention programs have suffered from the City's financial condition. Historically, water and wastewater rates have been higher than required for basic operations and have been used to support the General Fund. Instances of inefficiency were also noted in the Electric Department in the areas of overtime use and the absence of a formal work order system. Like the Water/Waste Water Department, surplus funds from the Electric Department have been used to support the General Fund. Lastly, the City's service operations were overly decentralized and lacked coordination. This contributed to duplication in functions and increased costs for basic operations.

Overall, the City of Jackson must increase the level of responsiveness to its citizenry and concentrate on improving basic service level efficiency. Subsidizing governmental operations through excess user fees has led to diminished financial responsibility within the City government. Efforts to improve operations or streamline costs have not been undertaken in the past. In order to achieve financial stability, Council, City administration, and department employees must make a concerted effort to resolve performance issues, increase levels of teamwork, and expand opportunities for partnerships within the community.

The following are the key recommendations of the performance audit:

- **Jackson City Council should address the current and projected operational losses and deficit General Fund balance. Options for consideration include additional expenditure reductions, elimination of City services, and/or the implementation of a 1 percent municipal income tax to be used for general operating purposes. A 1 percent income tax will provide a level of financial support to the General Fund commensurate with the transfers used in prior years. Also, the City should contract for the administration and collection of the proposed income tax. Outsourcing the function will allow the City to use experts in tax collection and benefit from professional management and technical assistance.**
- **Council should authorize the development and implementation of a five-year financial plan that would forecast future revenues and expenditures, enabling the City to identify financial trends and consider the future consequences of current decisions. Furthermore, City Council should adopt policies and procedures for developing a balanced budget and controlling operations through appropriate budgetary practices. City Council should not approve budgetary measures that might negatively impact the City's financial position.**
- **The City of Jackson should use the proposed financial forecast to evaluate the revised assumptions and recommendations presented within this performance audit**

and to determine the impact of the related cost savings on its financial condition. The City should also carefully consider implementation of the recommendations in this performance audit to improve its current and future financial situation. In addition, the City should update the forecast on an ongoing basis as critical financial issues are addressed.

- **The Mayor of the City of Jackson should implement and maintain an appropriate organizational structure and span of control rather than centralizing all authority over department heads under the service/safety director. A higher level of involvement and participative leadership by the Mayor will help ensure appropriate balance, objectivity, and accountability within City operations, and facilitate better communication and relationships between departments.**
- **The City of Jackson should realign departmental staffing levels for 2003-2004 to reflect the financial condition of the City and departmental needs. This should help achieve overall performance improvements and better serve the citizens of Jackson.**
- **In the next round of negotiations, the City of Jackson should consider limiting cost-of-living and merit increases for contract and management staff to 1 percent (for employees governed under the Fraternal Order of Police (FOP) labor agreement) and \$0.20 per hour increase (for AFSCME contract employees) for the next two years. For the remaining three years of the forecast period, cost-of-living increases should be limited to 2 percent for employees governed by the FOP contract, and \$0.35 per hour for those governed by the AFSCME contract. Limiting the cost-of-living increases for the contract periods would generate cost avoidances and improve the future financial condition of the General Fund.**
- **The City of Jackson should outsource the time and attendance and payroll functions to a professional payroll service provider to decrease errors, increase internal controls and supervisor accountability, and provide proper documentation to the City Auditor's Office for accounting purposes.**
- **The City of Jackson should reduce health care costs by increasing the employee share of the health care premium for single and family coverage to 15 percent. The City should also encourage employees with alternative insurance options to use the opt-out clause in the negotiated agreement.**
- **In light of the City's financial status, Council or its legal representative should appeal to the union president and union representatives in an attempt to negotiate a memorandum of understanding to suspend select contract terms for a specified period until City finances become stabilized. Pursuant to ORC § 4117, labor agreements can be renegotiated during the contract period in order to address**



issues not contemplated by the parties at the time of ratification. Deviations from common contractual terms relating to wages and benefits in the City's contracts have a direct negative impact on the City of Jackson's operating budget.

- **City Council should consider rescinding the early retirement incentive (ERI) or reducing the number of years covered by the ERI benefit plan from five years to one year because the City is unable to afford the current ERI terms. Council should delay consideration of another ERI until the City achieves a more stable fiscal status or until the end of the current forecast period. Also, the City of Jackson should conduct a thorough study to assess the costs and benefits of the ERI before offering future incentives.**
- **The City of Jackson should invest in formal training for City Council and the Mayor. Training should include: effective communication, fostering better working relationships, responsibilities of elected officials, and governmental finance. In addition, the Mayor should endeavor to attend all Council meetings and should actively participate in these meetings.**
- **The City of Jackson should develop mission, vision, and value statements. These statements should be developed by a representative group including City residents, business owners, and City staff and management, to ensure adequate inclusion of stakeholder input.**
- **The City of Jackson should develop and implement a strategic plan. City officials, employees, citizens, and businesses should participate in the strategic planning process and input from all participants should be considered. The plan should contain a vision and mission statement, values, goals, and objectives, as well as performance measures, and action plans. All current or potential projects and issues should be identified and prioritized. Planning participants should determine how the goals will be achieved by establishing key elements such as proposed funding sources, timelines for accomplishments, and the responsibility for implementation, monitoring, and maintenance of the plan.**
- **The City should adjust or reduce staffing levels several operational areas:**
  - **In the Mayor and service/safety director's offices, staffing should be reduced from three support staff to one support staff member. Under the revised staffing levels, the administrative assistant would not have supervisory duties and should be compensated accordingly.**
  - **The City should discontinue funding the janitor position in the City building and contract out cleaning services in a manner similar to the City annex building.**

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- **The City should revise the purchase order clerk position's reporting relationships so that the purchase order clerk reports to the City Auditor and add the function of a purchasing agent to the position. The service/safety director should continue to approve requisitions and verify that funds are available for the request.**
  - **The utility billing office should increase the current part-time cashier (0.54 FTE) to a full-time position to maintain the level of customer service directed by the current administration. This will allow for a separation between of duties and a reasonable level of customer service.**
  - **The Jackson Police Department should reduce staffing levels by eliminating vacant positions from its table of organization. The City should not fill six authorized positions: the vacant communications officer position, the secretarial position, and the four police officer positions.**
  - **The City should reduce staffing levels by eliminating the facility maintenance man position from the Jackson Water Department table of organization. Additionally, the City should eliminate the associated personnel expense which is currently paid through the Electric Fund.**
  - **Staffing in Jackson Streets Department should be reduced by 5.0 FTEs. In order to accomplish this goal, the department should shift the streets superintendent to the position of superintendent of operations, shift 1.0 FTE to Jackson Cemetery Department, eliminate the 1.0 FTE mechanical superintendent position, and eliminate 2.0 additional Jackson Streets Department FTEs. These actions will provide a net reduction of 3.0 FTEs to the City.**
  - **The Jackson Cemetery Department should expand the current staffing level to include one additional FTE and additional seasonal help.**
  - **The Jackson Police Department should develop and implement standard operating procedures (SOPs). SOPs should outline a clear mission for the department and detail general guidelines and processes for personnel to follow. Additionally, the Police Department should ensure SOPs are distributed to all employees. Employees should acknowledge receipt and understanding of SOPs through a signed statement maintained in the employee's personnel file. Finally, SOPs should be reviewed on an annual basis to determine if changes, deletions or additions are needed, as the police profession is not static but always evolving.**

- **The Jackson Police Department should work to limit overtime accrual to approximately 3 to 5 percent of total salary expenditures. Concerted efforts to reduce overtime should be a significant budgetary priority of the department since the department's overtime has a continued detrimental impact on the General Fund. Additionally, the department should institute effective overtime data analysis and management controls to ensure overtime costs are justified expenditures in terms of the work performed.**
  
- **The Jackson Fire Department should implement a formalized planning process to identify and determine the functions of the Fire Department in relation to community needs. The department should develop a statement to better describe its mission to the community. The Fire Department should identify appropriate programs and implement strategies to bring additional services to the residents of the City of Jackson.**
  
- **The Jackson Fire Department should develop a formal vehicle replacement plan and seek an additional fire department capital improvements levy to provide funds for the replacement of fire department vehicles.**
  
- **The Jackson Water Department should perform a formal assessment of its storm sewer system and develop a capital improvement plan based upon that assessment. The capital improvement plan should consider the needs of the community and incorporate schedules for the inspection and maintenance of all components of the storm sewer system. Also, the City should allocate a portion of incoming revenues to its sewer improvements fund. Similarly, the City should allocate a greater portion of incoming revenues to its water improvements fund. These funds should be allocated in accordance with Ohio Revised Code (ORC) §743.05 and should be used to fund Water and Sewer Department major capital improvement projects. Prior to making these allocations, the City should ensure that it has met the reserve requirements necessary to satisfy its various debt covenants. Finally, the Water Department should reduce its annual Water Fund Capital Outlay and Sewer Fund Capital Outlay budget allocations. The department should also ensure that the amount of money that is set aside for these line items accurately reflects the cost of projects that fall within the goals set forth by the City's strategic plan.**
  
- **The City should conduct a detailed rate study as it may be able to reduce its monthly minimum charge for water service by up to \$3.67. This reduction should be made in an attempt to reduce revenues for water service to a level more commensurate with the needs of the operation. Also, the City should eliminate the legislation providing for an automatic 4 percent annual sewer rate increase. Although Council has voted on an annual basis to forego the rate increases, any**

future increases in service fees should be predicated on the rising cost of providing services.

- **The City should use the recommended formal assessment and a detailed rate study to determine the appropriate monthly sewer rates for its consumers as it may be able to reduce its current minimum monthly sewer rates by up to \$4.67. A reduction in sewer rates should be carefully balanced with the requirements of the City's debt covenants. Likewise, requirements promulgated by the federal Environmental Protection Agency should be considered in the rate study. Once the City has completed its assessments and rate study, any rate changes should be clearly communicated to City residents.**
- **The City of Jackson should engage a consultant to perform a detailed electric rate study and provide recommendations. A rate analysis will determine the cost of service for each customer classification and provide rate adjustments based on cost of service. The cost of electrical service should not be greater than the cost of operations and necessary capital improvement funding.**
- **The City should hire a director of electric service that has significant experience in electric distribution, substation maintenance, and management. This person should have at least a Bachelor of Science (BS) in Electrical Engineering (EE) or Civil Engineering (CE) and appropriate related experience including power line construction and design, materials requirement planning, project costing, knowledge of electrical safety, and supervisory control and data acquisition (SCADA) systems.**
- **The Jackson Electric Department should consider outsourcing the tree trimming function for annual work completed to ensure appropriate line clearance.. Outsourcing this function would allow the operations of the department to be more focused on electrical distribution and provide a significant cost savings for the department.**

## **Additional Recommendations**

This section of the Executive Summary highlights additional recommendations from each area of the audit report.

### *Financial Systems and Auditor's Office*

- All department heads should be actively involved in the decision making-process regarding the financial position of their respective departments. The Mayor and City

Council should require department heads to be responsible for their expenditures. Using the reports provided to department heads to encourage participation in the financial planning and decision-making process will help ensure resources are used as intended and allow department heads to make recommendations for reallocation of resources as needed.

- City Council should develop and implement a plan outlining the specific actions needed to be compliant with GASB 34. The City should ensure it meets GASB 34 compliance requirements for the end of FY 2003.
- City Management must ensure it has a complete accounting of all assets and liabilities by including all transactions relevant to its finances in its accounting and reporting systems. JAO should ensure that all payments and accounts are appropriately managed.
- The Auditor should begin including financial analyses with the monthly financial statements distributed to Council. Financial analyses will help the City Council better understand the financial position of the City and its monthly financial activities.
- The City should prepare a Comprehensive Annual Financial Report (CAFR). The majority of the information needed for a CAFR exists in current budget information, annual financial audits, and other reports produced by the City. Preparing and distributing a CAFR is considered an important practice in communicating an entity's financial position to its citizenry.
- City management should formally communicate its commitment to internal controls. Senior management and elected officials should articulate the importance of internal controls in writing to employees at all levels of the organization. The City should prepare formal internal control objectives and issue a formal statement on the importance of internal controls.
- The City should develop a formal risk assessment program in accordance with the overall mission of the organization. The risk assessment program should include an annual self-evaluation to identify possible deficiencies within each specific area of responsibility and should identify the source and any contributing factors of potential risks facing the City. As a result of these findings, internal control policies may need to be revised to appropriately address any new or previously uncontrolled risks as they are identified. Internal control activities and monitoring should be centralized in JAO and supported by the Mayor and service/safety director.
- City departments should develop formal, written Standard Operating Procedures (SOPs) or policies for all functions. SOPs will allow the City to effectively standardize and communicate internal controls to be implemented in all departments. Furthermore, JAO

should oversee and assist in implementing formal SOPs and their corresponding internal controls. Finally, SOPs should be reviewed on an annual basis in conjunction with annual risk assessments.

- The City Auditor should ensure internal auditing functions are assigned to current positions within the office to assist in strengthening the City's internal control structure.
- City departments should be instructed to perform annual self-evaluations of internal controls in the absence of an annual internal audit. JAO should be available to serve as a resource to assist department directors in developing evaluation processes and modifying any internal controls determined to be weak.
- The Jackson Auditor's Office should prepare a departmental policy and procedures manual (or SOPs) to specifically document accounting policies and procedures. The responsibility for this function should be assigned to one employee to enhance accountability and consistency within the function. A formal, written policy and procedures manual is essential to the implementation of adequate internal controls.
- City Council should establish an Audit Committee as a standing subcommittee of the Council. The Committee should be responsible for overseeing internal and external audit functions and should be comprised of Council members who collectively possess expertise and experience in accounting, auditing, and financial reporting. Council may also choose to include professionals, such as attorneys and bankers, who are knowledgeable of City or financial operations. The Committee should meet regularly to monitor the City's reporting and internal control activities.
- The City should outsource its time and attendance and payroll systems to enhance internal controls and efficiency. It should fully employ an automated time and attendance system to reduce manual adjustments and the potential for errors.
- The City should develop and implement a comprehensive policy to increase its ability to properly account for its fixed assets, and ensure they are adequately safeguarded from loss, theft, or unauthorized use. The implementation of fixed asset tracking will assist the City in preparing for GASB 34 compliance.
- In order to adequately secure the Jackson Auditor's Office, locks to all office doors should be replaced. Once locks are replaced, keys should be distributed only to those persons who work in the office. One key should be held in a secure location outside the office, such as in the Jackson County Sheriff's Office or City Police Department, and should be made available to City officials only in emergency situations. Any spare keys should be stored in the Auditor's Office safe.

- All vendor checks should be mailed directly to the vendor. When the completion of work is in question, City department heads should verify work performed or goods received prior to releasing checks.
- All original grant applications and awards should be centrally maintained in the auditor's office along with supporting documentation. The City should have a formal policy for grant application and record keeping.
- City Council should formalize its Grants Committee. The committee should include a representative from each appropriate department within the City as well the Jackson Auditor's Office. The committee should meet regularly to discuss potential grants and determine if matching funds are needed or available. The committee should keep minutes and distribute these to Council, elected officials, and department heads.
- The auditor's office should update and revise the deputy auditor and GAAP coordinator job descriptions. Job descriptions should include all functions performed and the minimum qualifications required to perform the job functions.
- The City should evaluate the salaries of the Deputy Auditor and GAAP Coordinator. Based on the increased responsibilities and required educational background of Jackson Auditor's Office employees, the current salary levels should be revised to be consistent with other City employees with similar levels of responsibility. In addition, the City should consider a sliding pay scale for the elected position of City Auditor to account for advanced degrees and additional training when necessary.
- The City Auditor should seek an ordinance authorizing him, in the event of vacancies, to appoint a deputy auditor and other positions required to fulfill the statutory responsibilities of his office. The City Auditor is authorized by the ORC to undertake such measures as are necessary for the operation of his office and therefore should act upon the authority accorded to him.
- The City should review its index of funds and consider combining or reducing the number of funds to those necessary to ensure and demonstrate fiscal and operational accountability. In accordance with ORC §5705.14, any unexpended fund balances should be transferred after the termination of the activity or service and the payment of all obligations.
- Whether or not payroll is outsourced, the City should change its pay period to end on Friday. Payroll checks and direct deposits should be transitioned to accommodate a lag cycle appropriate to accommodate the payroll processing time. All employee payroll should be transitioned to be paid two weeks following the end of the pay period. Although subject to negotiation, the City should work with the collective bargaining unit

to determine an agreeable method that would allow for a reasonable extension of the payroll cycles, resulting in a negligible impact on employees. Friday pay periods would increase the time JAO has to process payroll, review data for accuracy and completeness, and send direct deposits to the bank.

### *Human Resources*

- The City of Jackson should develop up-to-date, comprehensive job descriptions for all positions. Descriptions should reflect actual duties performed and should be updated on a regular basis to ensure accuracy and validity.
- The City should use its job audit committee to complete job audits for applicable positions and should consider contracting with a human resources consulting firm to perform a professional job analysis. At minimum, the City should set standard qualification requirements for job audit committee members, set term limits for committee members, and change the job audit process to meet best practice standards.
- The City of Jackson should periodically review salaries and wages for each position in accordance with the Job Audit Committee Position Review Criteria. Periodic and regular salary reviews help determine the appropriateness of current salary schedules and the necessity for adjustments. This should be done in conjunction with the regular review and update of job descriptions and could be performed by the job audit committee or be outsourced to a professional human resources consulting firm if funds are available.
- If the City does not employ a third party vendor for time and attendance and payroll processing, it should discontinue hand-written adjustments to Payroll Punch Detail Reports. Furthermore, the City should implement a formal, written time and attendance-keeping policy which requires department heads to review, correct and approve employee time records prior to forwarding to the office of the service/safety director for final approval.
- The City of Jackson should establish and adhere to performance standards for hiring and selecting employees that are in line with best practices. Standards should include prompt referral of qualified applicants to hiring departments and baselines for forwarding applications to the appropriate personnel.
- Upon achievement of a stable financial condition, the City of Jackson should implement a basic training policy to ensure that employees are receiving appropriate instruction in order to succeed in their jobs. The policy should include proper tracking of various training or certification requirements which could be tracked and updated in a human resources software module.



- The City should restructure the existing technology committee as a Technology Steering Committee to centralize the needs assessment and decision-making process for procurement and subsequent management of computer hardware and software. Individual departments and buildings should not make technology decisions independently.

### *Administrative Operations*

- The City should invest in a citizen survey to help identify key services, programs and needs for the City. In addition, the City should begin tracking citizen complaints and calls. The results of the survey should be included in the strategic planning process to ensure the City is meeting the needs of its citizens.
- The Mayor should become more involved in the day-to-day operations of the City. This includes, but is not limited to, identifying issues and concerns in the community and developing initiatives and programs designed to address them. This should be done in combination with the strategic plan and a citizen survey. Beyond developing programs and initiatives, the Mayor should ensure appropriate management of the departments under his control.
- The City should develop a web site that includes essential City information. In addition, the City should enhance its overall use of technology by providing email accounts and Internet access to City officials. The City technology committee, recommended in the human resource section should be involved in developing and coordinating the implementation of the web site. The committee should investigate if the local school district or nearby colleges have students who could create and maintain such technology.
- The City of Jackson should replace the locks in all its buildings. Keys for each building should be tightly controlled. They should only be provided to certain staff members and each key should be marked with a “do not duplicate” stamp. In addition, the City should not provide a key to the City building to citizens who rent the gymnasium facility. Rather, a City employee should unlock the facility and ensure that it is secured at the end of the event. Once the City has replaced locks in the building, keys to the facility should be restricted and tracked to increase security and limit unauthorized building access.
- The City should develop a comprehensive preventive maintenance plan and ensure that the appropriate parties are involved in the planning process. The plan should include a schedule for regular maintenance of equipment, vehicles, and buildings. A tracking system for timelines, hours, and cost for each project should also be developed in conjunction with the plan.

- The City should develop citywide policies and procedures to govern its activities. The City administration should ensure that each department has the appropriate policies and procedures to govern specific activities. The policies and procedures should be specifically targeted to City operations and should clarify contractual agreements. All employees should be provided with a copy of the manual.
- The City should formally develop clear policies and procedures for purchasing from requisition through approval. These should include the procedures for encumbrance, receipt of goods, and record keeping, as well as any City ordinances that summarize current policies. Policies should be communicated through a procedures manual distributed to all staff involved in any portion of the purchasing process. City administration should ensure all department heads are aware of and follow the established policies and procedures.
- The City should ensure proper separation of duties in the utility billing office. Cashiers should only take payments and should not have access to modify accounts. The utility clerk and billing/assistant utility superintendent should not take payments as they are primarily responsible for changes in accounts.
- The utility billing office should have the lock on the safe changed. The superintendent and the assistant superintendent should be the only employees with a key to the safe.
- City Council should review the Utility Manual annually, in conjunction with the utility rate review, and update as often as necessary. In addition, a revision date should be added at the bottom of every page. This will help ensure that only pages needing replacement due to updates are changed in the manual.
- The City should maintain adequate records and ensure that all work is completed using the proper equipment and according to the specifications set forth in the Community Housing Improvement Program grant agreement and governed by Code of Federal Regulations and the Federal Office of Management and Budget circulars. The City should also ensure that all grants administered by any party other than the City are in compliance with terms and reporting requirements set forth by the grant agreement. In order to ensure compliance, the City must establish and implement procedures to conduct quarterly compliance reviews of all grants that are not directly administered by the City.
- The City of Jackson should seek additional funding for new community development services. Leighty and Snider, Inc. should consult with the Ohio Department of Development to determine what additional funding may be available. Since the City currently has no official community development department, a reputable third-party organization skilled in economic development activities may be able to assist the City with the grant application and administration processes.

- The City, in collaboration with the Jackson County Economic Development Board, should conduct a community-wide needs assessment and, based on its findings, establish and adopt a community and economic strategic plan

### *Public Safety*

- The Jackson Police Department should improve its control of overtime usage by using the City's automated time and attendance system to track overtime usage and shift scheduling.
- The Police Department should adopt sick leave policies and procedures to reduce the amount of sick leave used. During future contract negotiations, the department should attempt to modify any language in the union contract that hinders its ability to implement effective sick leave policies.
- The Jackson Police Department should consider negotiating changes to the collective bargaining agreement that would allow for flexibility in the assignment or call-out of staff for vacant shift staffing needs.
- The Police Department should apply for grants to fund current programs and training. The department should also vigorously pursue grant funding to offset costs for purchasing personal equipment and to fund crime awareness and enforcement initiatives. Finally, department management should assign grant administration functions to current departmental staff.
- The Jackson Police Department should improve and increase staff training opportunities. Training should include roll-call, annual in-service, and career development. Roll-call (shift briefing) should be undertaken to keep officers up-to-date on local incidents and apprise staff of any immediate changes to policies and procedures prior to annual updates. Similar to roll-call training, only in a more comprehensive form, annual in-service training should be held to inform personnel about new laws, technological improvements, tactical and administrative procedure updates, and revisions to agency policy, procedures, rules, and regulations.
- The Police Department should maintain up-to-date negotiated contracts for housing its prisoners. A prisoner housing agreement should contain provisions outlining fees, arresting agency and detaining agency responsibilities, payment schedule, reconciliation procedures, and should specify the period of time that the contract is in effect. Furthermore, such agreements should either be renegotiated prior to expiration or the department should, before contracts expire, seek to negotiate a contract with other detention facilities for housing prisoners.

- The Jackson Fire Department should implement a formal fire prevention program. The department should also consider implementing monthly fire prevention activities, and increasing community participation in fire prevention events. The Fire Department's fire prevention campaign should be focused on a few simple but essential safety lessons including installing and testing smoke detectors, testing ceiling sprinkler systems, practicing home escape plans, and hunting for home hazards.
- The Fire Department should develop and implement standard operating procedures (SOPs). The department should ensure the SOPs are distributed to all employees and volunteers and should consider making the SOPs available on-line. The procedures should be reviewed on an annual basis to determine if changes, deletions, or additions are needed. The Fire Department could use guidelines provided by the Federal Emergency Management Agency or the City of Phoenix on-line SOPs as a basis for developing SOPs tailored to the City of Jackson.
- The Jackson Fire Department should increase its training activities to raise the aggregate level of knowledge of fire safety processes and procedures within the department. Increased training will help the Fire Department better ensure the safety and competence of its volunteer personnel.
- The Fire Department should develop and implement an equipment replacement plan. Likewise, the department should identify potential facility needs and develop a capital replacement plan to encompass those needs.
- The Jackson Fire Department should formalize its mutual aid agreements with surrounding municipalities. In conjunction with other regional fire departments, the Jackson Fire Department should establish joint training programs and exchange procedures to ensure smooth functioning of mutual aid agreements.
- The Fire Department should increase its communication capabilities by developing communication plans for coordinating with applicable local, state, and federal agencies. The department should also investigate the feasibility of coordinating the implementation of a map coordinate system for independent fire departments within Jackson County. Finally, the department should request internet access through the City so that the department can more easily access on-line resources.
- The Fire Department should use performance data to identify and rectify performance issues. Likewise, performance data should be used to set goals and target performance standards based on these goals. The information provided to the State Fire Marshall, combined with the data maintained in the department's fire data management program, should provide a basis for measuring performance and setting performance targets.

*Water Distribution and Treatment*

- The Jackson Water/Wastewater Department should update its current position descriptions to specify qualifications such as EPA Operator and Laboratory Analyst certifications for positions where certifications are required. For positions that do not require certification, the position descriptions should specify certifications which the City would recommend or prefer that the employee obtain.
- The City should establish tap fees for new taps larger than four inches and increase fees for taps four inches or smaller. The City should undertake an annual review of its water tap fee structure to ensure charges are appropriate for the level of service being provided and are commensurate with customary charges by similar operations.
- The Water/Wastewater Department should compile an annual report of performance designed to reach its consumers. The report should be made available to City administration, City Council, and the public. The report should detail various aspects of departmental operations and provide a uniform source of information for the administration, council, and public to make judgments and evaluations of the department.
- The City should specify in the negotiated agreement all EPA approved certifications for which it will grant the pay supplement. The City should be aware of certifications which duplicate one another or apply to the same area of expertise. The City should not allow employees to obtain supplemental pay for multiple certifications which apply to similar areas of expertise, or those certifications which do not directly apply to the everyday duties of the position or the needs of the City.
- The Jackson Water/Wastewater Department should update its wastewater plant standard operating procedures. In addition, the department should develop a catalog of standard operating procedures for its water plant. Standard operating procedures should reflect the current operations of the plant to which they apply and should include detailed descriptions of equipment, staffing requirements, and maintenance procedures.
- The Water/Wastewater Department should identify areas for potential expenditure reduction. The department should also identify areas where cost consciousness can be improved within the organization. Finally, the department should encourage cost consciousness in these areas by seeking to establish targets, goals, and performance standards against performance can be evaluated.

*Electric Department*

- The Jackson Electric Department should implement a formal work order system to aid in scheduling and materials planning, and to use as a record of routine maintenance and project cost. This system should be coordinated with other city departments and the utilities billing office.
- The Electric Department should hire a part-time administrative assistant to enter information into the work order system, update the inventory, assist with scheduling, track blanket purchase orders, and order supplies. This could be a full time employee who splits their time with the operations department.
- The Electric Department should develop a policies and procedures manual specific to its operations. This manual should include emergency procedures, required training, approved safety gear, and general procedures of the department.
- The Jackson Electric Department should implement controls on authorization of overtime and assess the services that are provided after regular working hours. In addition, JED should investigate the possibility of assigning one employee per week to work a second shift in order to reduce overtime and call-out pay. A one-man crew, available in the evening from 4:00 pm – 12:00 am, may be able to perform most repairs and other maintenance type functions in a cost effective manner. The City should ensure that a one-man crew meets all Federal health and safety requirements for any tasks assigned to this position.
- The Electric Department should consider reducing the stand-by roster to one employee each week. Training should be provided for each crew member and crew leader to address the most common problems occurring after hours. Only qualified employees with proper training and experience should be placed on stand-by.
- The crew leaders and members should complete lineworker training programs and ensure that their training records reflect all coursework. Education and training requirements should be specifically stated in job descriptions, and training records should be maintained for each employee in the department.
- The Electric Department should formalize the capital improvement plan and link it to the city-wide capital improvement plan in order to improve budgeting and long term planning.
- The Jackson Electric Department should develop a system to record all system outages and their related causes in order to assess maintenance and service problems.

- The Jackson Electric Department should implement the National Rural Electric Cooperative Association's seven guiding principles in addition to its use of the AMP-Ohio guidelines. Principles that should be included in the department's operations include open membership (non-discrimination policies); concern for community; cooperation among cooperatives; education, training, and information; autonomy and independence; member allocation of surpluses (allowing citizens a more active role in allocating surpluses); and democratic member control (opening the decision-making process to include citizens of the City of Jackson). At a minimum, the department should provide an annual report to the city and its customers, detailing the financial activity of the department, operating statistics, major projects completed, and improvements planned for the coming year.

### *Service*

- The City of Jackson should restructure the service-related departments to allow all departments to report to a superintendent of operations. The position of superintendent of operations should be created from the positions of streets and alley and garbage superintendents. The superintendent of operations should report to the service/safety director. The departments previously known as streets and alley, garbage, mechanical, cemetery, swimming pool and recreation should be consolidated to make up the Jackson Operations Department.
- The City should develop a written policy and procedures manual for the Jackson Operations Department. A policy and procedures manual will inform employees about employer policies, procedures and practices and communicate expected standards of performance and conduct while at work. It will also serve as a blueprint for departmental operations. Policies and procedures should also be established, documented, and arranged into a clear and concise format that is available to the public upon request.
- The City should establish a capital improvement plan that includes an equipment and vehicle replacement plan for service related departments. The plan should be composed of two parts: a capital budget and a capital program. The capital budget should reflect the City's spending plan for assets, current on-going projects, and future projects that have a cost of at least \$5,000 and have a life expectancy of at least five years. The capital program is a plan that extends five years beyond the capital budget allowing for an accurate estimate of usage and replacement of vehicles and equipment.
- The superintendent of operation's responsibilities should include the creation of an annual planning schedule that addresses the functions and responsibilities for the upcoming year. The planning schedule should prioritize departmental functions and determine what needs to be accomplished given the total productive man hours for the

year. Planning should be detailed to help determine the man hours and funds necessary to perform each operation or special project.

- Operations supervisors should ensure that all leave and overtime request forms are filled out completely and accurately. Additionally, overtime calculations should be correct and clearly written. Such dedication to detail will help the administrative assistant who is responsible for payroll to summarize, produce, and maintain accurate records.
- The City of Jackson should propose a revised tax levy to replace the current Cemetery Tax Levy in 2006. The current levy provides for the maintenance of Fairmount Cemetery. This replacement levy should include the maintenance of the City parks in addition to its current provisions but should not require any other changes to the value of the levy.
- The City of Jackson should secure and maintain additional sources of revenue to enable implementation of a long term plan or strategy for local infrastructure improvements.
- The Jackson Operations Department should hire a part-time administrative assistant to enter information into the work order system, update inventory, assist with scheduling, track blanket purchase orders, record vehicle maintenance and order supplies. This could be a full time employee who splits their time with the electric department.
- The Streets Department should reduce the number of pieces of equipment and vehicles in its inventory. Because of reductions in staff and the reallocation of duties to other departments, the need for certain equipment will be eliminated from the Streets Department.
- The City should charge repair and replacement costs to persons who damage or destroy street and traffic signs and other City-related property. The Streets Department should issue a bill to persons that are reported for causing damage to such property. Departmental employees should survey for property damage on a regular basis and use the Police Department as a resource for accident records. Offenders who can be identified should be billed.
- The City should develop a snow and ice control plan that identifies specific levels of service. Control measures should be established which specify level of service requirements for arterial, collector, and residential streets. Procedures should be established that detail the amount of time required for the snow removal effort. They should also specify personnel, equipment, and materials to meet prescribed service levels. The line of communication should be redefined and implemented in the plan.



- The Jackson Streets Department should reduce brush and leaf pick up within the City to a designated period each year. The City should provide a compost pile location for residents to deposit brush, compost, and Christmas trees during the rest of the year.
- The City should transfer the mowing and park maintenance function from the Streets Department to the Cemetery Department. Related equipment should also be transferred to the Cemetery Department.
- The City should charge lot owners for mowing and maintaining their vacant lots. Those residents or business owners that are currently having their grass mowed or yards maintained by the Streets Department should be charged for labor and material costs.
- The City should review the option of outsourcing the waste collection function to decrease operations costs within the department and increase revenues for the City. The garbage equipment should be sold. If the City does not outsource the garbage function: It should decrease garbage expenses by implementing curb-side garbage pick up limitations, enforcing the City's garbage regulations, eliminating Saturday garbage routes, and reducing staff by one FTE in addition to not filling the vacant garbage position.
- The Jackson Street Department mechanics should begin tracking the work performed on each vehicle. Maintenance work order computer software, spreadsheets, or a database would allow the department to track all maintenance related costs for each vehicle and assist in determining which vehicles should be replaced. Accurate tracking of routine maintenance also would help contribute to the prolonged useful life of vehicles, reduce maintenance costs in the long run, and allow the department to receive reimbursement for services.
- The City should evaluate individual mechanics' productivity and departmental staffing needs. The department should develop preventative maintenance objectives and procedures commensurate with manufacturer or industry standards to enhance the efficient and effective operation of the fleet.
- The City should bill labor provided by the mechanics back to the department that had equipment or vehicles repaired or preventative maintenance performed.
- The City should amend its ordinances and implement cemetery rate changes. Similarly, the City should eliminate active and delinquent annual care (cemetery) accounts.

## **Objectives and Scope**

The goal of the performance audit process is to assist the City of Jackson in making decisions that will eliminate the conditions that brought about the declaration of fiscal watch. AOS designed the performance audit to develop recommendations that provide cost savings, revenue enhancements and/or efficiency improvements. These recommendations comprise options that the City can consider in its continuing efforts to stabilize its financial condition.

AOS has designed this performance audit with the objective of reviewing the financial and human resources systems, administrative operations, police and fire departments, water/waste water department, electric department, and service departments to develop recommendations for reducing costs, improving operations, and increasing accountability by enhancing management controls and oversight.

Specific objectives of this performance audit include the following:

- **Financial systems**, including an assessment of the City's five-year financial projections and the functions of the City Auditor.
- **Human resources**, including an evaluation of the organizational structure and staffing, compensation practices, benefits, contractual agreements and time and attendance monitoring.
- **Administrative operations**, including an assessment of the role of the Mayor's office and service/safety director's office, the City's planning process, compliance with the Ohio Revised Code, purchasing processes, and the utility billing function, as well as the City's community development practices.
- **Public safety**, including analyses of the police department functions, including operations, operational statistics training, and organization, and the fire department, including fire department operations, inventory and equipment, response times and training.
- **The Water/Wastewater Department**, including assessments of the organizational structure and staffing, revenues and expenditures, rates and operational efficiency.
- **The Electric Department**, including evaluations of the organizational structure, staffing, operational practices, rates and maintenance practices.

- **The service departments** (streets, garbage, mechanical, cemetery, and parks and recreation), including evaluations of expenditures, operational practices, staffing levels and organization, and service level accomplishment.

## **Methodology**

To complete this report, the auditors gathered and assessed a significant amount of information pertaining to the selected audit areas; conducted interviews with various individuals associated with the City of Jackson, and assessed available information from various peer cities. The auditors also distributed a two-part employee opinion survey to 99 employees and received a 39 percent rate of response. The auditors also spent a significant amount of time gathering and reviewing other pertinent documents and information, such as state and national best practices.

The following Ohio peer cities were used in comparisons for all areas except garbage collection and the electric department: Belpre, Hillsborough, and Upper Sandusky. Assessments of the garbage collection function included the Ohio peer cities of Belpre, Napoleon, and Upper Sandusky. Assessments of electric department functions used the Ohio cities of Bryan, Celina, and Napoleon. Other municipalities included in the report for comparison purposes include Marion County, Indiana; Phoenix, Arizona; and Santa Clara County, California.

Several sections make reference to Ohio Revised Code (ORC) and Ohio Administrative Code (OAC) statute and regulations. References are also made to Generally Accepted Accounting Principles (GAAP). Lastly, references are made throughout the report to the Auditor of State's Special Audit Report released February 11, 2002.

A number of organizations were used to provide comparative information and examples within the report. These organizations included the following:

- The Government Finance Officers Association (GFOA);
- The Government Accounting Standards Board (GASB);
- The Connecticut's Office of the State Comptroller, Office of Policy and Management and Auditors of Public Accounts;
- KPMG Audit Committee Institute (ACI);
- The National Committee on Fraudulent Financial Reporting;
- The Securities and Exchange Commission;
- The Ohio Municipal League;
- International City Managers Association (ICMA);
- Center for Technology in Government, University of Albany;
- General Accounting Office (GAO);
- The Ohio Environmental Protection Agency (Ohio EPA);

- United States Environmental Protection Association, Office of Environmental Information (OEI);
- American Municipal Power, Ohio (AMP Ohio);
- National Rural Electric Cooperative Association (NRECA);
- Occupational Safety and Health Administration (OSHA);
- South Central Power Company (South Central Power);
- The Ohio Department of Transportation (ODOT);
- American Public Works Association (AWPA) Best Management Practices;
- The University of Georgia (Municipal Benchmark Standards); and
- The International Facilities Management Association (IFMA)

The Auditor of State and staff express appreciation to the Mayor, City Council and department staff of the City of Jackson for their cooperation and assistance throughout the audit.

## Summary of Financial Implications

The following tables summarize those performance audit recommendations containing financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the report:

The performance audit recommendations that would affect the General Fund are presented in **Tables 1-1** and **1-2** and are broken down into two categories; those recommendations not subject to negotiation and those recommendations subject to negotiation.

**Table 1-1: General Fund Performance Audit Recommendations  
Not Subject to Negotiation**

	2003	2004	2005	2006	2007
<b>Revenue Enhancements</b>					
<b>R2.1</b> Implement income tax option		\$698,400	\$931,200	\$1,164,000	\$1,198,920
<b>R8.15</b> Charging for vacant lot maintenance		\$1,000	\$1,000	\$1,000	\$1,000
<b>Subtotal Revenue Enhancements</b>		<b>\$699,400</b>	<b>\$932,200</b>	<b>\$1,165,000</b>	<b>\$1,199,920</b>
<b>Cost Reductions</b>					
<b>R3.7</b> Elimination KRONOS support of current timekeeping system		\$4,000	\$4,000	\$4,000	\$4,000
<b>R4.7</b> Reduction of Admin Sec. and Admin Asst.	\$36,562	\$74,259	\$75,392	\$77,093	\$78,794
<b>R4.8</b> Reduction of Janitor and related supplies		\$47,600	\$47,600	\$47,600	\$47,600
<b>R5.2</b> Eliminate 6 unfilled positions in Police Dept	\$238,824	\$252,164	\$266,849	\$282,891	\$300,487
<b>R5.6</b> Limit overtime		\$39,000	\$39,000	\$39,000	\$39,000
<b>Subtotal Cost Reductions</b>	<b>\$275,386</b>	<b>\$417,023</b>	<b>\$432,841</b>	<b>\$450,584</b>	<b>\$469,881</b>
<b>Total</b>	<b>\$275,386</b>	<b>\$1,116,423</b>	<b>\$1,365,041</b>	<b>\$1,615,584</b>	<b>\$1,669,801</b>

**Table 1-2: General Fund Performance Audit Recommendations  
Subject to Negotiation**

	2003	2004	2005	2006	2007
<b>Cost Reductions</b>					
<b>R3.6</b> Reduce salary increases to 1%, 2% and \$.20, \$.35	\$17,621	\$57,766	\$93,454	\$128,696	\$167,628
<b>R3.9</b> Increase employee health care contribution to 15 percent		\$66,000	\$66,000	\$66,000	\$66,000
<b>R3.10</b> Eliminate non-standard provisions from negotiated agreements		\$577,000	\$577,000	\$577,000	\$577,000
<b>Total</b>	<b>\$17,621</b>	<b>\$700,766</b>	<b>\$736,454</b>	<b>\$771,696</b>	<b>\$810,628</b>

**Table 1-3** summarizes the implementation costs associated with various recommendations contained within the performance audit that would impact the General Fund. Each cost is dependent on The City's decision to implement the associated recommendation and the timing of that implementation.

**Table 1-3: General Fund Performance Audit Recommendation  
Implementation Costs**

	2003	2004	2005	2006	2007
<b>Implementation Costs</b>					
<b>R2.19</b> Change locks to auditor's office	\$300				
<b>R3.7</b> Outsourcing time and attendance and payroll		\$22,000	\$22,000	\$22,000	\$22,000
<b>R3.7</b> HR module with time and attendance		\$2,900	\$2,900	\$2,900	\$2,900
<b>R4.1</b> OML training and publications for Council and Mayor	\$770				
<b>R4.15</b> Increase part-time cashier to full time	\$9,400	\$18,800	\$18,800	\$18,800	\$18,800
<b>R4.8</b> Janitorial contract services	\$16,800	\$33,600	\$33,600	\$33,600	\$33,600
<b>Total</b>	<b>\$27,270</b>	<b>\$77,300</b>	<b>\$77,300</b>	<b>\$77,300</b>	<b>\$77,300</b>

**Table 1-4** details those performance audit recommendations that affect other funds within the City. **Table 1-5** shows implementation costs for other funds.

**Table 1-4: Performance Audit Recommendations for Other Funds**

	2003	2004	2005	2006	2007
<b>Revenue Enhancement</b>					
<b>R5.14</b> Two mill fire vehicle capital improvement levy			\$229,000	\$229,000	\$229,000
<b>R8.7</b> Implement additional motor vehicle levies		\$60,000	\$60,000	\$60,000	\$60,000
<b>R8.10</b> Sale of unnecessary equipment		\$36,500			
<b>R8.11</b> Charge for damaged street signs		\$210	\$210	\$210	\$210
<b>R8.16</b> Surcharge on garbage billing		\$18,000	\$18,000	\$18,000	\$18,000
<b>R8.17</b> Sale of unnecessary garbage equipment due to outsourcing		\$151,000			
<b>R8.25</b> Increase in Cemetery Rate		\$41,600	\$41,600	\$41,600	\$41,600
<b>R8.25</b> Increase in Perpetual Care Rate	\$1,000	\$2,000	\$2,000	\$2,000	\$2,000
<b>R8.26</b> Removing annual care accounts		\$3,850			
<b>Subtotal Revenue Enhancement</b>	<b>\$1,000</b>	<b>\$313,160</b>	<b>\$350,810</b>	<b>\$350,810</b>	<b>\$350,810</b>
<b>Revenue Surplus Reduction</b>					
<b>R6.6</b> Reduce minimum water rate by \$3.67	(\$150,749)	(\$150,749)	(\$150,749)	(\$150,749)	(\$150,749)
<b>R6.7</b> Reduce minimum sewer rates by \$4.67	(\$167,448)	(\$167,448)	(\$167,448)	(\$167,448)	(\$167,448)
<b>Subtotal Surplus Reduction</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>
<b>Cost Reductions</b>					
<b>R7.2</b> Reduce facilities maintenance position		\$39,168	\$39,855	\$40,626	\$41,493
<b>R7.4</b> Reduction of 3 tree trimming positions and contract service		\$40,000	\$40,000	\$40,000	\$40,000
<b>R7.8</b> Reduce overtime use to 5 percent		\$51,000	\$51,000	\$51,000	\$51,000
<b>R7.9</b> Reduce stand-by time		\$3,600	\$3,600	\$3,600	\$3,600
<b>R8.8</b> Reduce Mechanical Super position		\$50,417	\$51,308	\$52,310	\$53,350
<b>R8.8</b> Reduce Equipment Operator position		\$40,513	\$41,229	\$42,034	\$42,936
<b>R8.8</b> Reduce Skilled Laborer position		\$14,363	\$14,617	\$14,902	\$15,222
<b>R8.8</b> Reallocation of street and mechanical staff with net reduction of 3.0 FTE		\$111,000	\$111,000	\$111,000	\$111,000
<b>R8.18</b> Reduce garbage collection staff and eliminate Saturday pick-up		\$95,000	\$95,000	\$95,000	\$95,000
<b>R8.19</b> Reduce curb-side garbage pick-up		\$29,000	\$29,000	\$29,000	\$29,000
<b>R8.26</b> Remove annual care accounts		\$3,300	\$3,300	\$3,300	\$3,300
<b>Subtotal Cost Reductions</b>		<b>\$477,361</b>	<b>\$479,909</b>	<b>\$482,772</b>	<b>\$485,901</b>
<b>Total</b>	<b>(\$317,197)</b>	<b>\$472,324</b>	<b>\$512,522</b>	<b>\$515,385</b>	<b>\$518,514</b>

**Table 1-5: Implementation Costs for Other Funds**

	2003	2004	2005	2006	2007
<b>Implementation Costs</b>					
<b>R7.1</b> Consultant to perform rate study	\$10,000				
<b>R7.3</b> Hire experienced director of electric		\$77,683	\$79,046	\$80,575	\$82,294
<b>R7.5 and R8.4</b> Implementation of operations specific work order software		\$7,500	\$500	\$500	\$500
<b>R7.6 and R8.9</b> Add Administrative Assistant position to be shared		\$35,400	\$35,400	\$35,400	\$35,400
<b>R8.22</b> Certification for two mechanics	\$3,958	\$3,652	\$3,652	\$3,652	\$3,652
<b>R8.24</b> Hire additional cemetery staff		\$41,100	\$41,100	\$41,100	\$41,100
<b>R8.25</b> Add 1 laborer position		\$40,604	\$41,316	\$42,116	\$43,014
<b>Total</b>	<b>\$13,958</b>	<b>\$205,939</b>	<b>\$201,014</b>	<b>\$203,343</b>	<b>\$205,960</b>



## **Key Statistics and Comparisons**

The following table outlines key demographic and service information for the City of Jackson and the peers. More detailed information and supporting narratives are contained within the individual sections of the report.

**Table 1-6: Comparative Statistics**

	<b>Jackson</b>	<b>Belpre</b>	<b>Hillsborough</b>	<b>Upper Sandusky</b>
<b>Population (2002 Census)</b>	6,184	6,660	6,368	6,533
<b>Median Income</b>	\$26,728	\$29,603	\$25,998	\$35,613
<b>Unemployment Rate</b>	6.7%	4.1%	4.5%	4.0%
<b>Geographic Size (sq. mi.)</b>	7.6	4.3	3.6	5.1
<b>Revenues (2002)</b>	\$2,200,289	\$1,384,856	\$4,302,743	\$2,635,614
<b>Expenditures (2002)</b>	\$1,860,681	\$1,484,113	\$3,867,080	\$2,791,686
<b>Income Tax Rate</b>	0%	1%	1.5%	1%
<b>Taxable Property Value</b>	\$81,171,000	\$82,570,000	\$93,595,000	\$96,308,000

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# Financial Systems

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## Background

The City of Jackson Auditor's Office (JAO) is responsible for fiscal matters in the City of Jackson (the City), including accounts receivable, accounts payable, payroll, grant accounting, budget monitoring, GAAP conversion, and financial analysis. The City of Jackson Treasurer's Office (JTO) also keeps records of all moneys received and disbursed by the City.

Although the fiscal watch determination was based on the City's financial condition, administrative inefficiencies, such as the lack of internal controls and effective oversight, caused the conditions that precipitated the deficit. In recent financial audits the City has been cited repeatedly for overspending available cash balances, improper transfers, improper allocation of payroll and general governmental expenses to utility funds, certification of the availability of funds after the obligation was incurred, excessive and incorrect use of blanket purchase orders, and lack of detailed budgetary information for monitoring the financial activities of the City. In addition, issues of potential conflicts of interest concerning key officials have been referred to the Ohio Ethics Commission.

During three of the last four years, the City's General Fund has experienced an operating deficit, meaning that expenditures have exceeded available resources, and the City has transferred moneys from other funds to cover the deficit. In 2002, an AOS special audit required the City to return \$6.3 million to the funds from which the transfers originally occurred. In accordance with Ohio Revised Code (ORC) §118.021, AOS declared the City in fiscal watch as of October 28, 2002 due to a forecasted deficit of over \$5.9 million in the General Fund. The General Fund would have ended 2002 with a deficit of \$6,175,000. However, the State Tax Commissioner and Jackson County Court of Common Pleas authorized a transfer of \$3.5 million from the electric fund to the General Fund, reducing the deficit to \$2,675,000. On December 31, 2001 there were five other funds with deficit fund balances totaling \$639,664. These deficits were eliminated in all but two funds by December 31, 2002 and the remaining negative balances totaled \$48,800. It appears these deficits will be eliminated with future intergovernmental revenues.

The following areas were assessed but yielded no recommendations:

**The Treasurer:** The Jackson City Treasurer is an elected position with few significant responsibilities. Based on an assessment of these activities, it was determined that the area did not warrant further review.

## **A. Financial Forecast**

The AOS financial forecast presented in **Table 2-1** represents a projection of the City's present and future financial condition in the absence of significant increases in revenues or reductions in expenditures. The financial forecast does not use utility funds to cover operating deficits or general governmental expense allocations, practices which have been used by the City in prior years to balance General Fund revenues and expenditures. The forecast and accompanying assumptions were assembled through reports and discussion with the JAO, JTO, Jackson County Auditor, and other appropriate, qualified individuals. The City's financial projection in **Table 2-1** presents the expected revenues, expenditures and ending fund balances for the General Fund for each of the calendar years including 2003 through 2007, with historical (unaudited) information presented for the years 1999, 2000, 2001, and 2002.

The assumptions disclosed herein are based on information obtained from the City. Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

**Table 2-1: General Fund Five-Year Forecast (In Thousands)**

	Actual	Actual	Actual	Actual	Project	Project	Project	Project	Project
	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Summary of Revenues</b>									
Local Taxes	\$296	\$374	\$409	\$1,067	\$1,125	\$1,137	\$1,148	\$1,203	\$1,215
State Shared Taxes and Permits	\$330	\$377	\$417	\$387	\$388	\$390	\$391	\$393	\$395
Charges for Services	\$41	\$41	\$44	\$47	\$48	\$48	\$49	\$49	\$50
Fines, Licenses, and Permits	\$71	\$65	\$195	\$157	\$159	\$160	\$162	\$164	\$165
Other Miscellaneous Revenues	\$395	\$546	\$526	\$349	\$192	\$194	\$196	\$198	\$200
Nonoperating Revenue and Transfers	\$595	\$701	\$1,199	\$5	\$255	\$260	\$265	\$271	\$276
<b>Total Revenues</b>	<b>\$1,727</b>	<b>\$2,105</b>	<b>\$2,790</b>	<b>\$2,013</b>	<b>\$2,167</b>	<b>\$2,189</b>	<b>\$2,211</b>	<b>\$2,277</b>	<b>\$2,301</b>
<b>Summary of Expenses</b>									
Salaries, Wages, and Benefits	\$1,285	\$1,448	\$1,685	\$1,756	\$2,256	\$2,398	\$2,564	\$2,756	\$2,979
Contractual Services	\$120	\$83	\$45	\$144	\$145	\$124	\$126	\$127	\$128
Professional Services	\$22	\$26	\$37	\$162	\$163	\$165	\$38	\$38	\$38
Supplies and Other Expenses	\$151	\$136	\$127	\$150	\$161	\$168	\$165	\$172	\$168
Utilities	\$32	\$27	\$16	\$11	\$11	\$11	\$11	\$11	\$12
Education and Training	\$2	\$3	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Equipment	\$49	\$59	\$25	\$55	\$56	\$56	\$57	\$57	\$58
Building and Other Structures	\$6	\$0	\$0	\$0	\$12	\$12	\$12	\$12	\$12
Retirement of Principal	\$5	\$4	\$5	\$7	\$7	\$7	\$7	\$7	\$7
Interest	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Transfers Out	\$209	\$425	\$209	\$454	\$104	\$106	\$108	\$111	\$113
<b>Total Expenses</b>	<b>\$1,884</b>	<b>\$2,214</b>	<b>\$2,154</b>	<b>\$2,742</b>	<b>\$2,920</b>	<b>\$3,053</b>	<b>\$3,092</b>	<b>\$3,296</b>	<b>\$3,520</b>
<b>Excess Revenues Over (Under) Expenses</b>	<b>(\$157)</b>	<b>(\$109)</b>	<b>\$636</b>	<b>(\$729)</b>	<b>(\$753)</b>	<b>(\$864)</b>	<b>(\$880)</b>	<b>(\$1,018)</b>	<b>(\$1,220)</b>
<b>Beginning Cash</b>	<b>\$485</b>	<b>\$328</b>	<b>\$219</b>	<b>\$855</b>	<b>(\$2,675)</b>	<b>(\$3,428)</b>	<b>(\$4,292)</b>	<b>(\$5,173)</b>	<b>(\$6,191)</b>
<b>Cash Advance In</b>				<b>\$3,500</b>					
<b>AOS Special Audit adjustments</b>				<b>(\$6,301)</b>					
<b>Ending Cash Balance</b>	<b>\$328</b>	<b>\$219</b>	<b>\$855</b>	<b>(\$2,675)</b>	<b>(\$3,428)</b>	<b>(\$4,292)</b>	<b>(\$5,173)</b>	<b>(\$6,191)</b>	<b>(\$7,411)</b>

Source: City of Jackson Financial Statements

Major assumptions are based on historical information and data provided by the City. The assumptions used by the Auditor of State of Ohio (AOS) to develop the five-year forecast were as follows:

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**Revenues**

- Estimated revenues for 2003, 2004, 2005, 2006, and 2007 are projected at an inflation rate of 2 percent. Due to economic conditions both locally and nationally, a conservative growth estimate was used.

*Local Taxes and State Shared Taxes and Permits*

- The Jackson County Auditor is concerned that Local Government Funding from the State will be frozen, reduced, or eliminated due to State budget problems. Therefore, the projection for 2003 through 2007 is at the same level as 2002. If reductions occur, the pass through to the City of Jackson will be reduced or eliminated. The State has not made any reductions as of January 2003. All other revenues from the County are forecasted flat or with a slight increase.
- Local taxes for 2002 increased by \$658,000 due to an increase in property valuation. The Jackson County Auditor provided the property valuation of \$114,544,866 for 2003 tax collections for the City of Jackson. Property taxes are expected to increase in 2003 with the tri-annual update that is based on market factors. Every year the County Auditor assesses new construction for tax purposes, however, an estimated amount had not been determined at the time of reporting. The County Auditor projects property tax to increase 10 percent in 2006 due to the re-valuation. As a result of economic conditions experienced nationally and locally, the projection for 2006 was estimated conservatively.
- City Ordinance 23-88 established a transient occupancy tax of 3 percent on January 1, 1986. City Ordinance 4-94 raised the tax to 6 percent. Monies raised are allocated 50 percent to the Convention & Visitors Bureau Operating Account and 50 percent to the General Revenue Fund. A Red Roof Inn is anticipated to open in the City in the spring of 2003, but according to the County Auditor, this will not result in a significant increase to revenue.

*Non-operating Revenues and Transfers*

- The City routinely transferred funds into the General Fund from its enterprise funds in violation of ORC §5705.14 through ORC §5705.16. Therefore, for 2002, transfers into the General Fund, pursuant to law, have been limited to the City's unclaimed money fund.

For FYs 2003-2007, Maximus cost allocations for overhead are also shown as payments to the General Fund from the enterprise funds. These payments are essentially to pay "charge-backs" for services provided to the enterprise funds by the City's administration. These amounts are based on the Maximus report for FY 2003 that uses data from 2001.

Maximus will produce annual cost allocation reports for future years to be used by the City in preparing its annual budget. Although the 2003 report only covered one year, a 2 percent inflationary amount was used to project the allocations for future years.

In future years, the City should classify these payments as *charges for services* and should project them as a separate line item in its forecast. Because the payments are not transfers, they should be separated from other types of revenue. Also, the City should ensure that corresponding expenditures are recorded in the appropriate enterprise funds. These most likely will be shown as *other expenditures*.

#### *Charges for Services; Fines, Licenses and Permits; and other Miscellaneous Revenues*

- Charges for services; and fines, licenses and permits were forecast at 2 percent. Other miscellaneous revenues were reduced in 2003 to reflect actual and budgeted collections of interest on accounts. These are projected to increase at a rate of two percent through the forecast period, using the 2003 budget as a base.

#### **Expenditures**

- Because of current economic conditions and the City's financial condition, most increases have been forecast at a conservative rate of 2 percent.

#### *Salaries, Wages and Benefits*

- The master contract between the City of Jackson and the American Federation of State, County, and Municipal Employees (AFSCME) dated September 1, 2001 to August 31, 2004, allows for annual raises at \$.50 per hour and, in the absence of other contracts, it is assumed this \$.50 per hour increase will continue. The Ohio Fraternal Order of Police (FOP) contract has a 4.0 percent increase effective September 22, 2002. For the purpose of projections, it is assumed that the annual 4.0 percent increase will continue through the forecast period.
- The City contracted with Maximus, Inc. to prepare a cost allocation plan in 2002. Based on its recommendations, certain position salaries are shown as being charged to the General Fund. These positions include: the Director of Public Service and Safety; the Executive Assistant; and the City Engineer. All expenses related to the fire department, which were charged to the General Fund in 2002, are shown as being charged to the Fire Department Tax Levy Funds beginning in 2003.
- Fringe Benefits - The City's employees participate in the Public Employees Retirement System of Ohio (PERS), except police and fire employees who participate in the Ohio Police and Fire Pension Fund (OP&F) for retirement and disability benefits. The City

contributes 13.55 percent and 19.5 percent respectively, of the employees' salaries to PERS and OP&F. According to McNelly, Patrick & Associates, who handle group insurance for the City, medical and health benefits are expected to increase 25 percent per year. A detailed discussion of benefits is found in the **human resources** section of this report

*Contractual Services and Professional Services*

- Contractual and professional services encompass consultant, accounting and legal services, and jail contracts. This line item increased in 2002 due to an increase in audit expenses and legal fees. Contractual services were forecasted to remain high in 2003, then return to historical levels (increasing at a rate of 2 percent annually) through the forecast period. Professional services were forecasted to remain high through 2004, then return to historical levels (increasing at a rate of two percent annually) through the forecast period.

*Supplies and Other Expenses; Equipment; Utilities; Education and Training; Transfers Out*

- Supplies and other expenses, and equipment includes office supplies, safety equipment, maintenance equipment, county fees, and election costs and is forecast to increase at a rate of 2 percent annually. Utilities, including costs for electricity and water, are forecast to increase at 2 percent. Education and training costs are based on historical averages and forecast to increase at 2 percent. Finally, transfers out, also based on historical rates, are forecast to increase at 2 percent.

*Buildings and Other Structures*

- Projections include a planned addition to the Jackson firehouse.

*Retirement of Principle*

- The retirement of principle encompasses payments on debts owed by the City. The rate of payment is based on a schedule provided by the City's accounting department.

*Interest*

- Interest is projected flat because of the current national economic conditions.



As shown in **Table 2-1**, projections indicate an increasing operating deficit through the five-year period. In prior years, the operating deficit was off-set by transfers from special revenue funds. Because ORC §5705.14 through ORC §5705.16 prohibits transfers of this kind and this revenue has been eliminated from future years, the City's operating deficit will continue to grow throughout the forecast period. The cumulative projected deficit in 2007 is approximately \$7.4 million if conditions within the City remain unchanged. However, **Table 2-8** shows the effect of performance audit recommendations which would eliminate the cumulative deficit by 2006.

## **B. Financial Management**

### **Background**

Sound financial management in the City is the responsibility of all City employees, particularly the elected offices of the Jackson City Auditor (JAO), Jackson City Treasurer (JTO), the City Council, and the Mayor. Elected Council members and the Mayor have the responsibility to maintain spending within available resources and adopt prudent, efficient practices to provide City services.

According to the Ohio Revised Code (ORC), the auditor is responsible for keeping the books of the City, preparing accurate statements of moneys received and expended, and maintaining an inventory of all property owned by the City. At year-end, the auditor is required to audit the accounts of all officers and departments within the City. The auditor prescribes the form of accounts and reports and the form and method of keeping accounts by all other departments. He can require daily reports showing all money received and the disposition thereof, to be made to him by each department and, subject to the powers and duties of the Auditor of State of Ohio (AOS), has the right to inspect and revise all accounts. The auditor may not allow the amount set aside for any appropriation to be overdrawn, or the amount appropriated for one item of expense to be drawn upon for any other purpose. He also cannot allow a voucher to be paid unless sufficient funds are in the treasury in the fund upon which the voucher is drawn. JAO is made up of three positions; the Auditor, Deputy Auditor, and Assistant Deputy Auditor/GAAP Coordinator (GAAP Coordinator).

According to ORC, the treasurer is the custodian of all municipal corporation moneys. He keeps these moneys in a manner and place determined by the legislative authority and pays out money on warrants issued by the auditor. The Treasurer is a part-time position in the City of Jackson and the peer cities. JTO does not maintain a record of receipts and disbursements separate from the Auditor and does not authorize or pay out of its own funds. The Treasurer of the City of Jackson picks up daily deposits for the city departments and ensures they are correct before depositing them with the Auditor. The JTO is made-up of one part-time position independent of JAO.

## Recommendations

**R2.1 The five-year forecast (Table 2-1) clearly shows the necessity for the City of Jackson to make significant policy decisions regarding the financing of City operations. Facing a deficit of approximately \$7.4 million by 2007, the City needs to act promptly to address its financial stability and begin processes to achieve a positive fund balance. Options for the City to consider, separately or in combination, include the following:**

- **Reduce expenditures;**
- **Eliminate selected City services; and/or,**
- **Implement a 1 percent municipal income tax for general operating purposes.**

If the City maintains current operational practices, and spending and revenue patterns continue as illustrated in the financial forecast, the City's General Fund is projected to have an operating deficit each year of the forecast period increasing from \$752,977 for 2003 to \$1,219,560 for 2007. The cumulative cash balance deficit is projected to be \$7,410,799 at the end of 2007. The City has historically supported General Fund operating costs with transfers from enterprise funds.

Reductions in expenditures and/or the elimination of City services would help the City offset losses from operations as projected in the forecast. These reductions would then help reduce the current deficit fund balance. In order to address its deficit, the City would need to identify additional areas where expenditure and/or service reductions could be achieved, as the recommendations contained within this report would not be sufficient to offset the deficit.

In accordance with ORC §718.01, a uniform income tax rate up to 1 percent could be levied by the City without a vote of the people. According to the Ohio Department of Taxation, 231 cities and 311 villages in Ohio have levied a municipal income tax. The rates in 2000 ranged from a low of 0.50 percent to a high of 2.38 percent (including voted amounts), for total collections of \$3.3 billion dollars. A 1 percent income tax would help the City reestablish a positive ending fund balance within the five-year forecast period without the need for additional reductions in expenditures and services. The effect of the income tax option is shown below and included in the financial recovery plan to demonstrate its effect on the City's fiscal stability.

### *Income Tax Option*

Municipal income taxes are generally imposed on wages, salaries, commissions, and other compensation earned by residents and nonresidents who work in the municipality

and are also applied to business net profits attributable to activities in the municipality. Municipal income taxes can be administered by the City or a central collection agency representing several municipalities. In addition, many municipalities allow a partial or full tax credit to residents for municipal income tax paid to another municipality where they work.

**Table 2-2** represents income tax revenue projections for the City at income tax rates of 1.0 percent, 0.75 percent, and 0.50 percent and tax credits of 100.0 percent, 50.0 percent, and zero percent.

**Table 2-2: Municipal Income Tax Revenue Projections – First Year Collections**

<b>Tax Rate</b>	<b>1 Percent</b>	<b>.75 Percent</b>	<b>.50 Percent</b>
Collections with no Tax Credit	\$720,000	\$540,000	\$360,000
Collections with 50 Percent Tax Credit	\$540,000	\$405,000	\$270,000
Collections with 100 Percent Tax Credit	\$420,000	\$315,000	\$210,000

**Source:** Regional Income Tax Authority (RITA)

**Note:** Assumes only 60 percent of the taxes assessed will be collected in the first year of implementation.

In February 2001, the Regional Income Tax Authority (RITA), a central collection agency, prepared a municipal income tax projection for the City of Jackson at a 1 percent tax rate. RITA noted only 60 percent of the projected income tax revenue will be received in the first full year, with 100 percent received by the third year. A 1.0 percent municipal income tax with no tax credit would provide the City of Jackson an opportunity to generate \$720,000 in the first year, \$960,000 in the second year, \$1.2 million in the third and fourth years for a total of \$4.1 million over a four year period.

The City of Wellston, which has demographics similar to Jackson, implemented a 0.75 percent income tax effective June 1, 2001. The City of Wellston contracts with RITA to facilitate the income tax process and does not maintain an income tax department. **Table 2-3** shows the income tax rates (including collections), revenues and other tax related statistics for Jackson, Wellston and the peers.

**Table 2-3: Municipal Income Tax Peer Comparison for the Year 2002**

Data	Jackson <sup>1</sup>	Wellston	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>Year Implemented</b>	2004 <sup>2</sup>	2001	1973	1971	1969	NA
<b>Population</b>	6,184	6,078	6,660	6,368	6,553	6,415
<b>Tax Rate</b>	1%	0.75%	1%	1.5%	1%	1.1%
<b>Tax Credit</b>	0%	100%	100%	100%	100%	100%
<b>Tax Collected</b>	\$720,000	\$651,175	\$922,500	\$2,782,771	\$2,211,899	\$1,642,086
<b>Per Capita Taxes</b>	\$116	\$107	\$139	\$437	\$338	\$255
<b>Total Revenue</b>	\$19,575,761	\$6,529,651	\$4,952,566	\$12,146,566	\$12,141,826	\$8,942,652
<b>Income Tax as Percentage of Total Revenue</b>	4%	10%	19%	23%	18%	17%

Source: RITA, City of Jackson, and peer cities

<sup>1</sup> Estimated Income Tax Revenue at 60percent of collections with 0 percent or no tax credit for the first year.

<sup>2</sup> Projected based on performance audit recommendations

The implementation of a 1 percent income tax in Jackson would compare closely with the peers and the peer average while maintaining a per capita tax significantly (120.0 percent) below the peer average. Municipal income tax collections were a significant part of the peer's total revenue. Excluding Wellston, the peer average indicates 20 percent of total revenue was generated from a municipal income tax.

**Table 2-4** presents the impact of a 1 percent city income tax with no tax credit and a three percent collection fee on the General Fund's annual operating deficit. **Table 2-4** also shows the City's increasing negative General Fund balance if no new revenue is generated.

**Table 2-4: Impact of Proposed 1 Percent City Income Tax Revenue as of December 31, for Each Year**

	2003	2004	2005	2006	2007
<b>Projected Excess of Revenues Over (Under) Expenditures</b>	<b>(\$752,977)</b>	<b>(\$864,118)</b>	<b>(\$880,478)</b>	<b>(\$1,018,256)</b>	<b>(\$1,219,560)</b>
<b>Proposed 1% Income Tax Net Collections <sup>1</sup></b>	0	698,400	931,200	1,164,000	1,198,920
<b>Excess of Revenue Over (Under) Expenditures Net of 1% Income Tax</b>	<b>(\$752,977)</b>	<b>(\$165,718)</b>	<b>\$50,722</b>	<b>\$145,744</b>	<b>(\$20,640)</b>
<b>Projected Fund Balance at January 1</b>	<b>(2,675,390)</b>	<b>(3,428,367)</b>	<b>(3,594,085)</b>	<b>(3,543,363)</b>	<b>(3,397,619)</b>
<b>Projected Fund Balance at December 31 Net of Income Tax</b>	<b>(\$3,428,367)</b>	<b>(\$3,594,085)</b>	<b>(\$3,543,363)</b>	<b>(\$3,397,619)</b>	<b>(\$3,418,259)</b>
<b>Projected Fund Balance at December 31 Without Income Tax</b>	<b>(\$3,428,366)</b>	<b>(\$4,292,485)</b>	<b>(\$5,172,963)</b>	<b>(\$6,191,219)</b>	<b>(\$7,410,799)</b>

Source: Regional Income Tax Agency (RITA) and the five-year forecast as presented in Table 2-1.

<sup>1</sup> Income tax collections are net of costs of 3 percent; with projected collections, allowing for timing, of 60 percent in 2004, 80 percent in 2005, 100 percent in 2006, and 103 percent in 2007.

Based on **Table 2-4**, even with a 1.0 percent income tax generating more than \$3.9 million (net of expenses) over the next four years, Jackson will continue to face financial difficulties without additional cost saving measures. Because of the significance of the General Fund deficit and the fiscal watch declaration, the City should adopt and implement a 1 percent income tax effective January 1, 2004, with no tax credit. Once the City corrects its fiscal deficiencies, it should reconsider allowing an income tax credit.

*Financial Implication:* Financial implications for reducing expenditures and/or eliminating City services beyond the recommendations contained within this report would depend on policy decisions made by the City of Jackson and, therefore, could not be quantified. By implementing a 1.0 percent income tax and outsourcing the operations to a collection agency, the City of Jackson could increase the General Fund revenue by \$698,400 in the first year, \$931,200 in the second year, \$1,164,000 in the third year and \$1,198,920 in the fourth year for a total of \$3.9 million over a four-year period. The magnitude of the effect of the income tax revenue on the General Fund's deficit will be influenced by the implementation of other interrelated recommendations.

**R2.2 If the City decides to implement the 1 percent municipal income tax, it should outsource the administration and collection of the proposed income tax. Outsourcing the function would allow the City to use experts in tax collection and benefit from professional management and technical assistance.**

Many cities and villages in Ohio outsource the collection and processing of income tax. Outsourcing the income tax administration and collection function usually costs about 3 to 4 percent of the revenue received. The peer cities have one or two people dedicated to income tax operations, except Wellston, who use RITA

If the income tax option is implemented, the City should consider a contract with an agency such as RITA to administer and oversee income tax collection. RITA is a central collection agency created by the Regional Council of Governments (RCOG), a not-for-profit organization created under ORC Chapter 167 to manage the mutual tax problems and concerns of its participants. By using an outside contractor, the City would incur minimal costs to process the 1.0 percent income tax.

Table 2-5 shows the staffing and costs of the income tax operations among the peers.

**Table 2-5: Income Tax Staffing and Expenditures Comparison for 2002**

Data	Wellston <sup>1</sup>	Belpre	Hillsboro	Upper Sandusky	Peer Average
Population	6,078	6,660	6,368	6,553	6,415
Income Tax Staffing (FTE)	0.0	1.0	2.0	1.5	1.1
Income Tax Staffing Costs	\$16,362	\$47,400	\$105,804	\$106,911	\$69,119
Expenditures Per Capita	\$3	\$7	\$17	\$16	\$11

Source: City of Wellston, peer cities

<sup>1</sup> Income tax operations administered by a central collection agency at 3 percent of collections.

The City of Wellston's staffing costs were significantly below the peer costs and approximately 322.0 percent less than the peer average. The peer average cost to process income tax collections was \$69,119. During 2002, RITA's average cost per municipality was approximately 3 percent of gross collections. The projected central collection agency fee to the City of Jackson would be \$22,000, about one-third the cost of dedicating at least one full time employee to administer the income tax operation. The central collection agency would provide experience and expertise and could assist in the implementation and collection of the new income tax through the following actions:

- Sending informational letters to potential taxpayers, business and employers;
- Performing a cross-match to utility billings and the Ohio Department of Taxation to help to ensure all potential taxpayers have been contacted;
- Conducting educational presentations for residents, business owners, and employers in the City;
- Assisting in identifying residents not required to file, such as retirees;
- Mailing and processing tax returns;
- Processing all collections and pursuing delinquent accounts; and
- Providing monitoring and analysis of collections.

Since the City of Jackson is already experiencing financial difficulties, outsourcing the income tax administration to a central collection agency would be the most cost effective and efficient way to implement the new income tax.

*Financial Implication:* The cost of outsourcing the income tax operation would be approximately 3 to 4 percent of the total income tax collections and would eliminate the need to hire or dedicate staff to income tax operations. Based on projected collections, the cost to the City of Jackson to outsource income tax collection would be approximately \$22,000 per year.

**R2.3 Council should authorize the development and implementation of a five-year financial plan that would forecast future revenues and expenditures, and enable the City to identify financial trends and consider the future consequences of current decisions. The forecast should be a dynamic document, revised at least annually or as the City's economic environment changes.**

The City of Jackson tracks annual revenues by major source; however, revenues are not forecasted beyond one year. In the past, when the General Fund experienced an operating deficit, the City transferred moneys from other funds to cover it. Similarly, the City does not develop a cash forecast or calculate any of the financial ratios often used as the basis for analysis of a municipality's financial health. City management has not implemented the financial planning, forecasting, and budgeting processes that are essential internal controls for sound financial management. The current process does not provide the information the City needs to make informed financial decisions.

According to the Government Finance Officers Association (GFOA), a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs and assumptions, and develops appropriate strategies to achieve its goals. A key component in determining future options, potential problems, and opportunities is the forecast of revenues and expenditures. Revenue and expenditure forecasting does the following:

- Provides an understanding of available funding;
- Evaluates financial risk;
- Assesses the likelihood that services can be sustained;
- Assesses the level at which capital investment can be made;
- Identifies future commitments and resource demands; and
- Identifies key variables that cause change in the level of revenue.

The forecast should extend at least five years beyond the budget period and should be regularly monitored and periodically updated (at least annually). The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available



to participants in the budget process. It also should be referenced in the final budget document. To improve future forecasting, the variances between previous forecasts and actual amounts should be analyzed. The variance analysis should identify factors that influence revenue collections, expenditure levels and forecast assumptions. Forecasts play an important role in helping governmental entities establish long-term financial plans. The GFOA recommends that long-term financial plans include:

- An analysis of past financial records;
- Long-term forecasts of future revenues and expenditures that use alternative scenarios, planning, and policy assumptions;
- Capital planning and debt affordability analysis; and
- An assessment of future shortfalls, evaluating the impact of strategies to address the shortfalls.

By presenting projected financial information, and including detailed accompanying assumptions, explanatory comments and the methodology used in deriving the financial estimates, the City will provide management, as well as the general public, a more comprehensive understanding of its anticipated financial condition.

A financial forecast is a significant part of a city's overall strategic plan and should be used as a tool to help the City of Jackson emerge from fiscal watch status. Trends in revenues, cash flows, expenses and key financial ratios can provide the basis for long-term forecasting of the City's resources and needs. Forecasting will also help in establishing appropriate controls on spending which need to be in place through the budget and planning process to control expenditures.

As financial conditions permit, the City should consider sending three employees to GFOA training classes on financial planning and forecasting. GFOA offers courses such as *Governmental Budgeting and Strategic Planning*; *Financial Planning and Multi-year Budgeting*; *Effective Budget Presentation*; and *Best Practices in Budgeting*. Attending the training would cost \$550 per person plus appropriate travel expenses. The expenses for training should be included in a training budget. As an alternative, the City could consider contracting with GFOA to provide technical assistance in the development and implementation of budgeting practices.

**R2.4 City Council should adopt policies and procedures for developing a balanced budget and controlling operations through appropriate budgetary practices. A budget timeline and preparation package should be provided to all department heads. JAO should be involved throughout the budget process to ensure that estimated expenditures do not exceed estimated revenues. City Council should not approve budgetary measures that might negatively impact the City's financial position.**

**Finally, JAO and the service/safety director should prepare a budget summary to assist City Council and Jackson residents in understanding the budget request.**

A budget should be based on objectives established for each function/department and the estimated costs to accomplish the objectives. This method helps promote departmental responsibility for the funds spent. However, the AOS special audit noted the City transferred funds and disproportionately allocated payroll and expenditures to utility funds for general governmental operations of the City in order to maintain a positive ending fund balance. These practices violate ORC requirements and do not promote sound financial management.

JAO participates only minimally in the budget process. Currently, participation is limited to preparing estimated revenues for the budget year (Tax Budget), which are provided to the service/safety director. The service/safety director completes all other budgeting activities and presents the budget to Council. In past years, the budget presented by the service/safety director has not been balanced and does not include a list of approved, new, and deleted positions. JAO does not receive a copy of the budget until Council has approved it.

The purpose of a budget process is to help decision makers make informed choices about the allocation of resources. Therefore, the City should develop a formal timetable outlining specific budgetary activities and allowing sufficient time for planning. The timetable should include the participation of all individuals involved in the budget process including the mayor, JAO, department heads, and City Council.

In preparing a budget, the GFOA recommends governments establish a formal policy on the level of unreserved fund balance that should be maintained in the General Fund. GFOA also encourages the adoption of similar policies for other types of government funds. The adequacy of the unreserved balance in the General Fund should be assessed based on a government's unique circumstances. GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unreserved fund balance in the General Fund of no less than 5 to 15 percent of regular General Fund operating revenues, or no less than 1 to 2 months of regular General Fund operating expenditures.

To prepare a budget to meet the City's goals, service levels, and proposed projects for next year, the City should provide to departments a budget package that includes the following:

- A general discussion of the budget philosophy and methodology;
- Long-term goals of the City and major changes that will affect the budget year;
- City demographic and economic trends (inflation rate and union contracts);
- City finances, including funding from outside sources and revenue projections;

- A chart of accounts, including fund descriptions and definitions of revenue and expenditure lines;
- Budget organization/classification, i.e.: safety services, leisure services, utility services, etc.;
- A timetable for the entire budget process, up to and including approval by Council;
- A summary, by department, of prior years' staffing, expenses and revenues (3 years);
- Forms to be used, including instructions, departmental program descriptions, goals and objectives, staffing, operating expenses, and capital items;
- New/completed programs and economic benefit to government and the city; and
- Performance measures/units of service, changes in service, and factors contributing to the service change.

JAO should be involved throughout the budget process to ensure the final proposed budget does not exceed estimated resources. City Council must support sound financial management by not approving budgets which exceed projected revenues. JAO should serve as a consultant to City Council to ensure prudent budgeting practices have been followed.

The City also does not prepare a written summary of the budget to assist readers with understanding key issues. Because of the time and educational level required to read and understand the entire budget document, a concise summary and guide to key issues in the budget is valuable to ensure the education and involvement of City Council and the public. Council members and the public have various backgrounds and training, and do not always understand the financial information presented. According to GFOA, a summary should do the following:

- Summarize the major changes in priorities or service levels from the current year and the factors leading to those changes;
- Articulate the priorities and key issues for the new budget period;
- Identify and summarize major financial factors and trends affecting the budget, such as economic factors; long term outlook; current and future debt obligations; and significant use of, or increase in, fund balance or retained earnings;
- Provide financial summary data on revenues, other resources, and expenditures for at least a three-year period, including prior year actual, current year budget and/or estimated current year, and actual and proposed budget; and
- Define a balanced budget and explain state and local requirements for balancing the budget.

The summary should be available and disseminated in an easily accessible manner that is likely to be widely communicated to the public and generate interest. In addition, the

summary should be as non-technical and easy to read as possible. The summary can take many forms, including a transmittal letter, budget message, executive summary or budget-in-brief. JAO and the safety/service director should work together to prepare a summary for the City's budget document.

Preparing a well planned, accurate budget and budget summary will allow the City of Jackson to better meet its responsibilities to manage services, programs, and resources as efficiently and effectively as possible, and to communicate the results of these efforts to the taxpaying public. The City should consider adding a planning and budgeting position when its financial conditions improve.

Although implementing a budgeting process has no direct costs, education on budgeting processes will be necessary for department heads, JAO, the Mayor, and City Council. There are a number of budgeting seminars available through GFOA which could benefit the City, for a cost of approximately \$550 per person including necessary travel expenses. Seminars include: *Best Practices in Budgeting*; *Budgeting for Budget Analysts*; *Advanced Governmental Budgeting*; *Capital Budgeting and Infrastructure Finance*; *Designing Performance Measurement Systems*; and *Effective Budget Presentation*. The expense of training seminars should be included in a training budget.

**R2.5 All department heads should be actively involved in the decision making-process regarding the financial position of their respective departments. The Mayor and City Council should require department heads to be responsible for their expenditures. Using the reports provided to department heads to encourage participation in the financial planning and decision-making process will help ensure resources are used as intended and allow department heads to make recommendations for reallocation of resources as needed.**

Although monthly budget reports are distributed to department heads, the service/safety director usually makes all decisions regarding the condition of the departments' budgets. Department heads are not actively involved in decisions to reduce costs or reallocate resources within each department. Similarly, they are not actively involved in determining future resource allocations or needs.

Budgetary control is a primary management tool used for carrying out and controlling operations. It establishes predetermined objectives and provides a basis for measuring performance against these objectives. Organizations that adopt budgetary controls have better control of operations and are better able to modify them to meet changes such as decreases in tax revenue and emergency expenses. Budgetary control is implemented through regular monitoring of budget to actual reports. Monitoring can occur at the executive or department level within an entity, but departmental level monitoring encourages greater departmental responsibility for resource allocation and use. Once

regular monitoring is achieved, mechanisms for resource reallocation also must be implemented to allow department managers to direct resources to key areas when budgetary shortfalls occur.

The City Council and Mayor should require department directors to monitor their department's budget to actual expenditures activity. Furthermore, department directors should be required to live within the resources provided. As they will have been involved in the development of the budget (see **R2.4**), department directors should be familiar with the level of resources provided to them and should have planned expenditures to coincide with funding levels. By requiring active participation by departments in the City's financial management processes, the City will be able to encourage departmental accountability for costs related to their specific operations. Monitoring the budget provides city officials with a basis for measuring anticipated resources and determining whether operations are achieving management's objectives and goals. In addition, because senior management may be in a position to override internal controls, the review by department heads would help identify inappropriate or misclassified expenditures and/or errors that could otherwise go undetected.

**R2.6 City Council should develop and implement a plan outlining the specific actions needed to be compliant with GASB 34. The City should ensure it meets GASB 34 compliance requirements for the end of FY 2003.**

Statement No. 34 of the Governmental Accounting Standards Board (GASB) Basic Financial Statements and Management Discussion and Analysis for State and Local Governments establishes requirements for basic financial statements and required supplementary information for financial reporting. The City of Jackson is required to implement GASB 34 for the year ending December 31, 2003.

As of February 2003, the City did not have a formal implementation plan documenting how the City will address the significant changes and additional information required by GASB 34. GASB issued Statement No. 34 in June 1999 for the purpose of making financial reports easier to understand and more useful for oversight bodies, investors, and citizens. GASB 34 will significantly change annual financial reporting. The most significant changes and additional informational requirements will require the City to develop the following:

- *Management discussion and analysis (MD&A)*: MD&A will be an introductory narrative analysis of the financial statements and an analytical review of financial activities. The MD&A's goal is to give readers an objective and easily-readable overview of the government's financial performance.

- *Government-wide financial statements:* These statements will use the full accrual accounting method and include all organization funds and activities. In addition, GASB has decided to continue requiring fund basis accounting. This means fund financial statements and new government-wide statements will need to be prepared and a reconciliation statement between the two will be required. The focus of the fund financial statements will change from fund types (general, enterprise, special revenue, etc.) to major individual funds. Minor funds will be grouped together.
- *Budgetary Reporting:* Governments currently include a final budget to actual comparison as part of the basic financial statements. The new standard requires this comparison to also include the original budget before amendments. The intent is to provide analytical information for assessing the organization's ability to estimate and manage resources. Currently, governments prepare this comparison by fund type. The new standard requires budgetary comparisons for the General Fund and individual major Special Revenue funds.
- *Infrastructure and Depreciation Reporting:* Governments will now need to report all capital and infrastructure assets, such as roads, bridges, storm sewers, etc. in the government-wide financial statements. In most instances, these assets must be depreciated; however, an alternative is to employ an asset management system and document that assets are being preserved at or above a certain level.

For the purposes of GASB 34 implementation, the City of Jackson is in the category of Phase 3 governments with less than \$10 million total annual revenue in the first fiscal year ending after June 15, 1999. For the City of Jackson, this is the calendar year ending December 31, 1999 when revenues were approximately \$4.7 million. Phase 3 governments are required to implement GASB 34 in the first period beginning after June 15, 2003. Therefore, the City of Jackson is required to implement GASB 34 for the year ending December 31, 2003. Proper research and documentation are essential to successfully completing the conversion to the new reporting model.

The City should prepare technical research memos and supporting calculations documenting the City's research and decisions. This research should be shared with the City's financial auditors as the City progresses, so the financial auditors have an opportunity to inform the City if they disagree with the methods or have major reservations about the City's approach. The City should consider categorizing the work into the following four groups:

- Government-Wide Accrual Basis Statements;
- Fund Statements and Required Supplementary Information;

- MD&A and Transmittal Letter; and
- Capitalized and Depreciated Government Fixed Assets.

These four steps form the basis for a GASB 34 implementation plan.

By creating a GASB 34 implementation plan, the City will be better able to provide the highest level of financial reporting to citizens and other interested parties in a timely manner. In addition, by planning and documenting the City's efforts in implementing GASB 34, the City could make better use of limited staff resources in completing this project in conjunction with the City's normal daily activities. If the City does not meet GASB 34 reporting requirements, its financial statements may be *qualified* to indicate noncompliance with this standard. A qualified financial statement could impact the City's ability to borrow funds.

**R2.7 City Management must ensure it has a complete accounting of all assets and liabilities by including all transactions relevant to its finances in its accounting and reporting systems. JAO should ensure that all payments and accounts are appropriately managed.**

Ten debt reserve accounts for utilities at Fifth Third Bank were not included in the City's accounting system, annual budget, monthly bank reconciliation, or other reports to Council and elected officials. As of December 31, 2002, these accounts totaled approximately \$1.3 million dollars. Also, the city auditor made monthly debt service payments and received monthly bank statements, but did not post the balances in the debt reserve accounts to the City's accounting system. Annually, the accounts were added to the City's cash position in compliance with GAAP reporting requirements.

Financial reports contain management's representation of the government's finances and are assumed to be timely, accurate, complete and accessible to decision makers as well as those responsible for implementing the decisions. By not reporting the entire fund balances in the monthly financial statements, the assets of the City are not fairly stated or correct. The misleading information could result in inappropriate expenditures of resources. To ensure that the City's financial position is portrayed in an accurate and complete manner at all times, all transactions and accounts should be included in the JAO accounting system.

**R2.8 The Auditor should begin including financial analyses with the monthly financial statements distributed to Council. Financial analyses will help the City Council better understand the financial position of the City and its monthly financial activities.**

While the Auditor does send reports to Council every month, the reports do not include an analysis of the financial activity the numbers represent. As financial decision makers, government managers and elected officials need to have timely financial information on which to base decisions. Internal reports are designed to meet this need and management is normally free to determine the appropriate contents, format, and timing of such reports. In the public sector, internal financial statements are usually prepared using the budgetary basis of accounting, which may differ from GAAP basis accounting. The timing of internal management reports can vary from one government to the next, depending upon how often management believes it is necessary or practical to gather the information needed for such reports. In most cases, reports are generated and distributed on a bi-weekly or monthly basis.

It is important that schedules on general governmental revenues and expenditures be supplemented by narrative explanations. Narrative explanations describe the conditions and events that impact the financial position of the government. A narrative could include discussions such as the cause and significance of unusually large increase or decrease in given revenue or expenditure, any legal actions or restrictions on the governments, significant variances from budget to expenditures, unfunded mandates from higher levels of government and their financial impact, and the financial impact of union contracts and other liabilities. Fund balance and unreserved fund balance is a frequent focus of attention for governmental financial reports. A government may wish to compare unreserved fund balance of the current year in the General Fund with the same amount for the previous year, and explain the reason for the increase or decrease. A government with a formal balance policy may wish to monitor the degree of success in its implementation. Also, a government's enterprise funds might warrant the same analysis. When there is a significant relationship between the enterprise and General Funds (such as the ongoing subsidy of one fund from the other), this should also be analyzed.

Improving the quality of financial reports received by City Council, the Mayor and City department heads will be critical in the financial recovery of the City. By providing narrative explanations for activities, JAO can help educate City officials about the factors impacting the City's financial position and encourage more active responsibility for the City's financial health. Over time, the length and level of detail in narrative explanations may be reduced as City officials' knowledge of governmental accounting increases.

**R2.9 The City should prepare a Comprehensive Annual Financial Report (CAFR). The majority of the information needed for a CAFR exists in current budget information, annual financial audits, and other reports produced by the City. Preparing and distributing a CAFR is considered an important practice in communicating an entity's financial position to its citizenry.**



The City does not currently prepare a CAFR. Instead, the City records its receipts and expenditures on a cash basis of accounting throughout the year and prepares an annual General Purpose Financial Statement (GPFS).

The GFOA encourages governments to issue a CAFR in conformity with generally accepted accounting principles (GAAP). A CAFR is the highest level of GAAP basis financial reporting a government unit can prepare. The CAFR takes GAAP basis reporting, budgetary reporting, and socioeconomic reporting which, when coupled with financial reporting, creates a financial report containing a complete financial disclosure. A CAFR contains three major sections:

- *The Introduction Section:* This section has no official requirements. The introductory section can be a letter of transmittal from the elected body to the citizens. GASB recommends that the introductory section include a discussion of past financial performance, future financial direction and financial capacity.
- *The Financial Section:* This section is the most formal of the sections in the CAFR and is guided by GAAP. It contains the audited financial statements as well as budgetary statements, combining statements, and certain other related schedules. The financial statements cover all performance aspects such as project success, operating conditions, and compliance for past fiscal year.
- *The Statistical Section:* This section usually contains descriptions of characteristics of the government. The statistical section includes data for several previous years to permit comparisons. This information is not contained in the accounting system but provides disclosures that are more detailed for the user of the financial report, such as population, income levels, and other relevant socioeconomic indicators.

Although there are no formal requirements for cities to produce a CAFR, the practice is supported by several professional organizations, such as GFOA. GFOA's CAFR Program is designed to encourage and assist governments in preparing high quality comprehensive annual financial reports. Presenting additional information in the form of a CAFR will assist the Mayor, City Council, and citizens in making more informed financial decisions. Other groups also rely on the CAFR, including agencies that rate state and local governments for the purpose of the sale of bonds.

Preparation and distribution of a CAFR would improve the City's communication with its residents and indicate its intent to embrace and implement sound financial management practices. This recommendation should be implemented after the City has achieved financial stability and a position can be added to the JAO staff to complete this task.

## **C. Internal Controls**

### **Background**

Internal control is broadly defined as a process, affected by an agency's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

Internal controls are tools that help agencies be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Internal controls are the structure, policies, and procedures put in place to provide reasonable assurance that management meets its objectives and fulfills its responsibilities. Internal controls also facilitate the achievement of management objectives by serving as checks and balances against undesired actions.

A well-designed internal control structure reduces improper activity. Designing and implementing internal controls is a continuous process. As conditions change, control procedures may become outdated or inadequate. Management must anticipate that certain procedures will become obsolete and modify internal control systems in response to these changes.

The internal control process has five components: control environment, risk assessment, control activities, information and communication, and monitoring. Major internal control areas include budget management, payroll administration, procurement and disbursement, property management and personnel (conflicts of interest, acceptance of gifts, and employment of relatives). Most internal controls are classified as either preventive or detective. Preventive controls are designed to discourage errors or irregularities, while detective controls are designed to identify an error or irregularity after it has occurred.

The City of Jackson is responsible for establishing and maintaining internal controls to protect against the loss, theft, or misuse of its assets, as well as to reduce errors. The AOS special audit indicated concerns with several internal control areas: these concerns were also identified in annual financial audits.

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## Recommendations

**R2.10 City management should formally communicate its commitment to internal controls. Senior management and elected officials should articulate the importance of internal controls in writing to employees at all levels of the organization. The City should prepare formal internal control objectives and issue a formal statement on the importance of internal controls.**

City management has undermined the City's internal control environment through its past actions, such as making illegal transfers to balance its budget, and current practices, characterized by the communication impasse between elected officials (see **R4.1**). Also, the AOS special audit report cites several examples of ineffective internal controls, including controls over purchasing. The City has not implemented procedures to address these issues. Its current controls are largely procedural and have not been formalized in written form. The City also does not maintain an internal audit function.

Internal controls are likely to function more effectively if management believes that those controls are important and communicates that view to employees at all levels. An effective internal control environment:

- Sets the tone of an organization, influencing the control consciousness of its people;
- Is an intangible factor that is the foundation for all other components of internal control, providing discipline and structure;
- Describes the organizational culture;
- Includes a commitment to hire, train, and retain qualified staff; and
- Encompasses both technical competence and ethical commitment.

If management views controls as unrelated to agency-wide objective achievement, or worse, as an obstacle, this attitude will also be communicated. Despite policies to the contrary, employees will view internal controls as procedures that should be circumvented to expedite work processes.

Management support of internal controls is best measured by the operational practices and outcomes of an agency. In agencies with effective internal controls, programs and functions achieve their intended results (they are effective). Likewise, resource use is consistent with the agency mission (it is efficient) and laws and regulations are followed (it meets compliance requirements). Finally, accurate and timely information is prepared and reporting is reliable.

Effective internal controls begin with written goals and objectives including:

- Operational objectives;
- Financial reporting objectives; and
- Compliance objectives.

Objectives should be formalized and documented in writing. Also, objectives should be included in formal planning documents and taken into account when developing the agency's vision and goals (see **R4.2**).

In light of the recent AOS reports on City financial activities, formal support for identifying internal control needs, implementing internal control procedures, and monitoring those procedures is an important component of ensuring agency compliance with all laws and regulations.

**R2.11 The City should develop a formal risk assessment program in accordance with the overall mission of the organization. The risk assessment program should include an annual self-evaluation to identify possible deficiencies within each specific area of responsibility and should identify the source and any contributing factors of potential risks facing the City. As a result of these findings, internal control policies may need to be revised to appropriately address any new or previously uncontrolled risks as they are identified. Internal control activities and monitoring should be centralized in JAO and supported by the Mayor and safety/service director.**

The City's internal controls are weak and, when employed, tend to be reactive in nature. In most cases, serious internal control weaknesses have been identified in the City's annual financial audits and in the AOS special audit. The City has not identified areas of internal control weakness outside of these reports.

Risk assessment is the process used to identify, analyze, and manage potential risks that could hinder or prevent an agency from achieving its objectives. Risks can arise or change for a number of reasons, including the following:

- Risk increases during a time of change, for example, turnover in personnel, rapid growth, changes in the operating environment, new technology, or establishment of new services.
- Other potential high risk factors include complex programs or activities, cash receipts, direct third party beneficiaries, and prior problems.

The following factors should be used to measure risks and evaluate existing internal controls:

- Recognition of crime aspects other than money (time, information, threat to safety, gratuities, conflict of interest, or other unethical activities);
- Recognition of vulnerability to other serious criminal activities, like the abuse of influence, corruption, secret commissions, and dishonest advantage;
- Past history of crime or unethical activity in the organization; and
- Results of internal and external audits of the organization.

Connecticut's Office of the State Comptroller, Office of Policy and Management, and Auditors of Public Accounts cooperatively developed a formal risk assessment program to help Connecticut State agencies evaluate and strengthen their internal controls. Part of the formal risk assessment program includes the development of an annual self-evaluation, which is performed between regular audit cycles. Connecticut's comprehensive risk assessment program takes the form of internal control questionnaires, written narratives, and flow charts (purchasing, cash receipts, property control, payroll and personnel and receivables and revenues). The intent of the questionnaire is to obtain a working knowledge of the existing internal control structure. The existence of flow charts of agency functions and narratives describing the transaction cycles gives management an opportunity to better understand operations in their area of responsibility, however simple or complex. Connecticut's self-evaluation process allows each agency to discover what has changed and how that change has affected the potential for negative implications. The self-evaluation process also allows Connecticut to identify and address potential problems before they occur.

The following are attributes of a strong risk management program:

- Consistently applied across the organization's operations;
- Provides a risk rating for each type of fraud;
- Amenable to fine tuning;
- Capable of being replicated;
- Examines risks as if there are no controls in place; and
- Measures the effectiveness of existing controls.

The risk management assessments are used to help ensure internal controls are effectively implemented across the organization.

From an internal control perspective, a risk assessment program should identify and evaluate the internal and external factors that could adversely affect the achievement of the City's operational, informational, and compliance objectives. To establish a risk assessment program, the City should set organizational goals and objectives to help identify, measure, and set limits on possible risk exposures that the City will accept in

order to achieve its objectives. The formal internal control processes should be developed from risk assessments to ensure objectives and policies are communicated and implemented, that compliance is monitored, and that deviations are corrected in accordance with management's policies. Establishing a formalized risk assessment program will provide the City with the planning and communication mechanisms for identifying risks before circumstances occur. Additionally, a formal risk assessment program will eliminate any ambiguity and provide the means by which effective internal controls can be established, maintained, and communicated.

The City should revisit its risk assessments on an annual basis. An annual self-assessment will allow the City to discover what has changed and how that change has affected its mission and internal control system. Whatever the findings from an annual self-evaluation, it is a beneficial process to identify and become aware of potential internal control problems before such problems become overwhelming or embarrassing.

**R2.12 City departments should develop formal, written Standard Operating Procedures (SOPs) or policies for all functions. SOPs will allow the City to effectively standardize and communicate internal controls to be implemented in all departments. Furthermore, JAO should oversee and assist in implementing formal SOPs and their corresponding internal controls. Finally, SOPs should be reviewed on an annual basis in conjunction with annual risk assessments.**

The City does not have SOPs for its departments (see **R4.11**). Organizations establish policies and procedures so that identified risks do not prevent an organization from reaching its objectives. Policies and procedures provide operational direction but should also provide the following:

- Clear identification of activities to minimize risk and enhance effectiveness.
- Built-in internal controls that are not separate from the policies and procedures but an integral part of them.
- Preventive and detective processes to support strong internal controls.
- Sufficient, but not onerous, control as excessive controls result in increased bureaucracy and reduced productivity.

When developing policies and procedures for functional areas not currently covered under existing documents, or reviewing existing policies and procedures, City managers should ensure the following areas are included in the policies:

- **Personnel Information**, including skill requirements, competencies, lines of authority, and responsibilities.

- **Authorization Procedures**, including a review of supporting information to confirm the validity of transactions.
- **Segregation of Duties**, because an individual should not have responsibility for more than one of the three transaction components (authorization, custody, and recordkeeping) to reduce the likelihood of errors and irregularities.
- **Physical Restrictions**, which are the first line of protective measures and include safe combinations, critical forms and documents and alarms systems.
- **Documentation and Record Retention**, which are used to provide reasonable assurance that assets are controlled and transactions are correctly recorded.
- **Monitoring of Operations**, which is essential to verify that controls are operating properly. Reconciliation, confirmations, and exception reports can provide this type of information.

Ideally, internal control procedures should be formalized within a comprehensive manual which identifies specific policies and procedures for management and operational audits, informational systems audits, investigations, roles and responsibilities of audit and security personnel. The annual risk assessments and assessments of SOPs should include the following basic areas:

- **Segregation of Duties**: Separating responsibility for physical custody of an asset from the related record keeping is a critical control.
- **Access to Assets**: Internal controls should provide safeguards for physical objects, restricted information, critical forms, and update applications.
- **Knowledge Policies**: Managers must stay abreast of changes and understand their responsibilities.
- **Form Over Substance**: Controls can appear to be well designed but still lack substance, as is often the case with required approvals.
- **Control Override**: Exceptions to established policies are sometimes necessary to accomplish a specific task, but can pose a significant risk if not effectively monitored and limited.
- **Inherent Limitations**: There is no such thing as a perfect control system. Staff size limitations may obstruct efforts to properly segregate duties, which requires the implementation of compensating controls to ensure that objectives are achieved. A limitation inherent in any system is the element of human error (e.g., misunderstandings, fatigue, and stress).

The purpose of SOPs is to ensure a uniform decision-making process and to routinize daily operations so that staff members have a reference tool. Access to SOPs ensures continuity and consistent application of all City regulations.

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**R2.13 The City Auditor should ensure internal auditing functions are assigned to current positions within the office to assist in strengthening the City's internal control structure.**

Internal auditing is used to ensure that a government's internal control structure is properly designed and functioning efficiently and effectively. In fulfilling this role, the internal audit function itself becomes an integral part of a sound internal control structure.

Throughout this audit, it was noted that many of the City's problems are attributable to poor internal controls. Areas noted as deficient include:

- There are no written policy and procedures manual for staff use and reference (R2.15);
- Payroll does not interface with the time and attendance system (TAS) and many adjustments are hand written with no supporting documentation (R2.17);
- Appropriate grants documentation is not available to the auditor's office (R2.21);
- Monthly financial reports are not routinely distributed to department heads (R2.5);
- A balanced budget (R2.4) and five-year forecast for planning are not prepared on an annual basis (R2.3); and
- Management reporting to Council is regular, but reporting has had some limitations that precluded the receipt of management decision-making information by Council (R2.8).

The implementation of regular internal auditing, either through formal planned audits or self assessments, will help ensure internal control objectives are met. Furthermore, regular internal audits will help identify areas of high risk and address them in a more timely manner. Inclusion of less risky departments and the development and use of an annual audit plan will serve to strengthen the role of internal auditing in safeguarding City resources.

**R2.14 City departments should be instructed to perform annual self-evaluations of internal controls in the absence of an annual internal audit. JAO should be available to serve as a resource to assist department directors in developing evaluation processes and modifying any internal controls determined to be weak.**

Annual self-assessments are important to evaluate the effectiveness of internal controls in the absence of regular internal audits. Best practices suggest that managers document internal controls in the form of internal control questionnaires, written narratives, or flow charts. The traditional method of describing an internal control structure is to complete a standardized internal control questionnaire. Most internal control questionnaires are designed so that a "no" answer to a question indicates a control weakness. The review of



these questions should be documented by a report noting weaknesses and recommending solutions. Whenever remedial action is required, the department should prepare and implement an action plan to correct any identified deficiencies.

By reassessing internal controls on an annual basis, department supervisors can help provide City management with reasonable assurance of the functioning of the control environment and achievement of agency-wide objectives. Department audits should include elements of inventory, payroll and purchasing, and revenue audits. A critical component of a strong internal control environment is planning and regularly monitoring various control weaknesses and problem areas which may hinder agency-wide objective achievement. After internal controls are put in place, their effectiveness should be periodically monitored to ensure continued adequacy and functionality. Furthermore, previously identified problems must also be monitored to ensure correction.

**R2.15 JAO should prepare a departmental policy and procedures manual (or SOPs) to specifically document accounting policies and procedures. The responsibility for this function should be assigned to one employee to enhance accountability and consistency within the function. A formal, written policy and procedures manual is essential to the implementation of adequate internal controls.**

**The City Auditor should ensure the policy and procedures manual is distributed to JAO employees, as well as City management. Employees should acknowledge receipt and understanding of the policy and procedures manual through a signed statement that should be maintained in the employee's personnel file.**

JAO does not have a departmental policy and procedures manual nor has it developed a manual to guide City departments and officials in financial management practices. GFOA recommends that accounting policy and procedures manuals delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. The manual should indicate which employees/positions are to perform which procedures. Procedures should be described as they are actually intended to be performed and should explain the design and purpose of control-related procedures. This would enhance employee understanding and support of controls. The manual should be reviewed on an annual basis to determine if changes, deletions, or additions are needed. Changes in policies and procedures that occur between review dates should be made to the manual as they occur.

A manual will establish a uniform decision making process for daily operations. Also, access to a policy and procedure manual is important to ensure continuity and consistent application of JAO, City, and departmental regulations. Clarity in departmental policies reduces the chance of misunderstandings and also helps preserve institutional memory when turnover occurs. In addition, documented and enforced policies and procedures

would increase the level of internal control and accountability throughout the City. The absence of a policy manual has led to inconsistencies in the management of grant accounts, payment of invoices, management of accounts receivable, and payroll reporting.

**R2.16 City Council should establish an Audit Committee as a standing subcommittee of the Council. The Committee should be responsible for overseeing internal and external audit functions and should be comprised of Council members who collectively possess expertise and experience in accounting, auditing, and financial reporting. Council may also choose to include professionals, such as attorneys and bankers, who are knowledgeable of City or financial operations. The Committee should meet regularly to monitor the City’s reporting and internal control activities.**

The National Committee on Fraudulent Financial Reporting (the Treadway Commission) has stated that audit committees can serve as “informed, vigilant and effective overseers of the...reporting and internal controls process.” The Securities and Exchange Commission also recommends the implementation of audit committees (particularly in the private sector) and has furnished guidance on what the proper and effective functioning of an audit committee should constitute. An audit committee must have three important qualities:

- Control of its agenda;
- Ability to exercise diligence; and
- Ability to ask the hard questions.

The agenda control should cover the following:

- The criteria used to evaluate the competence and independence of the outside auditor;
- Accounting issues of concern to management or internal or external auditors. ;
- The effectiveness of internal controls and the internal audit staff;
- The scope of the work that outside auditors are to perform as a result of the assessment of the internal controls and internal audit;
- An annual review of the agency code of conduct or ethics policy;
- Candid assessments of the competence of the financial professionals; and
- Necessary unrestricted access to management, the internal audit staff, and the outside auditors.

The audit committee should be informed about the financial and operational aspects of the agency and, should receive sufficient and timely information. Audit committee members must devote sufficient time to obtain an adequate understanding of what the agency's financial statements represent. To be vigilant, the audit committee should ask

probing questions about the quality of the agency's internal controls. This task requires the committee to keep abreast of reporting developments affecting the agency.

To be an effective independent overseer, the audit committee must be positioned between senior management and the external auditors. This organizational structure allows the audit committee to question management's judgments about financial reporting matters and to suggest improvements in the internal control system. The committee's charter defines its mission, duties, and responsibilities, and describes the processes for planning its annual agenda and documenting its findings and conclusions.

KPMG's Audit Committee Institute (ACI) recommends that audit committees be designed to fit the needs of the agency. Members of the committee should be selected with particular attention to those members with the skills and vigilance to be effective and objective. The Committee should continually evaluate the tone projected by management to ensure that agency ethics and integrity are foremost in financial and operational reporting. Furthermore, the committee must continually reinforce the accountability of internal and external auditors to the committee members who serve as stakeholder representatives. ACI also recommends that audit committees develop processes that support internal controls, transparency, and reporting.

The development and implementation of an audit committee as a sub-committee of the Council will help to ensure the integrity of the City's internal controls and the quality of the City's financial and operational reporting.

**R2.17 The City should outsource its time and attendance (TAS) and payroll systems to enhance internal controls and efficiency. It should fully employ an automated TAS to reduce manual adjustments and the potential for errors.**

The City is not using its automated Kronos Timekeeper System to its fullest capability and has not updated the program in three years. As a result, the Deputy Auditor must manually input information in the payroll system even though it is already in the Kronos Timekeeper system. Approved paper copies of punch detail reports for each employee are sent to the Deputy Auditor for data entry into the payroll system. The supporting documentation for changes to time and attendance is not provided with the punch detail reports. Also, there are frequent hand-written changes and/or comments on the punch detail reports. The Deputy Auditor reviews the punch card detail reports for correct calculations, completeness, and appropriate approvals. After this review, original data and changes are manually entered into the payroll system. After the preliminary payroll calculations are complete, proofed, and reconciled to the check register, payroll reports are sent to the office of the service/safety director where they are approved a second time. Checks are then printed and sent to the office of the service/safety director for distribution.

The primary objectives of internal controls in a TAS are to ensure the system complies with applicable legal requirements, supports reporting of reliable financial information, and operates effectively and efficiently. It is important for the City to implement and maintain well-defined internal controls in its payroll system to provide management confidence that the system is working as intended and that the risks for fraud are minimal. Controls over TAS information should give consideration to:

- The control environment in which time and attendance processing occurs;
- Any applicable risks;
- The needs of users of TAS information; and
- The results of control monitoring and evaluation.

Time and attendance information that supports cost and financial reporting should be auditable. Also, controls over TAS information should provide reasonable assurance that such information:

- Is recorded completely, accurately, and as promptly as practical;
- Relates to authorized individuals;
- Reflects actual work performed and leave taken or other absences during authorized work hours and periods;
- Is sufficiently detailed to allow verification;
- Complies with legal requirements; and
- Is supported by recorded evidence of supervisory review and approval.

Access to TAS information should be limited only to those who require the information for the purpose of carrying out their official duties.

The City has created a weak internal control environment in the payroll process by providing opportunities for duplication of duties, errors, fraud, and misinterpretations. The TAS does not support the payroll system and there is no way to verify the validity of information in the payroll system through the current punch card system. Payroll is the largest expense (and considered high risk) for the City, and good internal controls and an audit trail are necessary to ensure a reduction of risk to an acceptable level. Outsourcing time and attendance and payroll would provide updated software, create an audit trail, ensure the accuracy of reporting, and save time needed for more productive activities. Whether or not the City outsources TAS, it should implement adequate controls over the payroll process. See the **human resources** section for additional recommendations concerning payroll processing and the outsourcing of this operation.

**R2.18 The City should develop and implement a comprehensive policy to increase its ability to properly account for its fixed assets, and ensure they are adequately safeguarded from loss, theft, or unauthorized use. The implementation of fixed asset tracking will assist the City in preparing for GASB 34 compliance.**

The City does not have a written fixed asset policy or a formal process to address capital expenditures and repairs. The City does not maintain a perpetual inventory, however, it do perform an annual fixed asset inventory. The inventory is paper only and does not include physical verification, just written updates from department heads. The City relied upon its GAAP coordinator to calculate the fixed asset balances and related depreciation expense and accumulated depreciation reported in the financial statements.

At a minimum, a fixed asset policy should provide guidance on the following:

- **The types of fixed asset records to maintain**, such as a detailed listing of plant, property and equipment or a current professional appraisal of assets. The list should include beginning balances, additions, deletions (including gains or losses on sales), transfers, ending balances, and depreciation expense and accumulated depreciation (where applicable).
- **The categories of fixed assets**, such as land, land improvements, buildings and structures, machinery, equipment, furniture, tools, donated assets, and leasehold and leasehold improvements.
- **A basis for valuing assets** at either the cost or estimated historical cost and capitalization thresholds which establishes the criteria for determining when expenditures should be capitalized, excluding repairs and maintenance.
- **The depreciation and amortization method**, such as straight line over the useful lives of the assets, salvage values, procedures for the depreciation of additions and retirements, and the accounting for fully depreciated assets.
- **An annual fixed asset inventory**, which should be performed by visually comparing the asset and the information on the detailed fixed asset listing.
- **Authorized use of assets**, such as a log noting date, person, purpose, and location for the use of the asset.

Each year, the existence, location, and condition of fixed assets should be compared with the City's records. When assets are disposed of in a manner consistent with the City's disposal method, the disposition and sale proceeds should be recorded.

The development of a formal policy would promote the consistent treatment of similar assets and accurate reporting of the fixed assets and related depreciation on the financial statements. Furthermore, the completion of an annual physical inventory, by an entity independent from the department heads, would ensure accurate accounting records and decrease the risk that assets which may have been lost, stolen, or improperly used, could go undetected.

**R2.19 In order to adequately secure the JAO, locks to all office doors should be replaced. Once locks are replaced, keys should be distributed only to those persons who work in the office. One key should be held in a secure location outside the office, such as in the Jackson County Sheriff's Office or City Police Department, and should be made available to City officials only in emergency situations. Any spare keys should be stored in the JAO safe.**

Over the years many people have been given keys to the auditor's office. Staff could not recall when the locks had last been changed and the number and location of outstanding keys. Because of confidentiality issues access to the auditor's office should be controlled.

The practice of distributing multiple keys and not maintaining records of who has received keys undermines physical internal controls. The absence of effective physical controls at JAO results in an unsecured atmosphere for sensitive information, check signing machines, the safe, and staff who have responsibility for the security of the records. Locks should be changed with each change in the elected Auditor or when key JAO employees change. (See **R4.9**)

*Financial Implication:* The cost to have three locks replaced on the main and inner office doors in the JAO would be approximately \$300.

**R2.20 All vendor checks should be mailed directly to the vendor. When the completion of work is in question, City department heads should verify work performed or goods received prior to releasing checks.**

Most City vendor checks are mailed directly to the vendor. However, a department head may pick up checks to personally deliver to the vendor. Staff report this occurs because there is an expectation that the work be completed before the vendor check is released.

Internal control procedures recommend removing the handling and recording of any one transaction from beginning to end from the control of a single employee. The function of initiation and authorization of an activity should be separate from the accounting for it. Making different employees responsible for different functions of a transaction serves as a cross-check which facilitates the detection of errors, both accidental and deliberate.

Allowing a department head to pick up and deliver checks to the vendor circumvents the segregation of duties established for internal control and creates a potential situation for fraud and abuse. However, because department heads are responsible for ensuring work is completed, they may request that the JAO hold checks until such time as the department head has verified work completion and notify the JAO to mail the check to the vendor.

**R2.21 All original grant applications and awards should be centrally maintained in the auditor's office along with supporting documentation. The City should have a formal policy for grant application and record keeping.**

**City Council should formalize its Grants Committee. The committee should include a representative from each appropriate department within the City as well the JAO. The committee should meet regularly to discuss potential grants and determine if matching funds are needed or available. The committee should keep minutes and distribute these to Council, elected officials, and department heads.**

Grant documents are stored in various City departments or in the mayor's office. Often the JAO is not notified when grants are awarded. Therefore, the Auditor does not have the appropriate information for accounting for and monitoring grants, and does not have the records for the annual audit. Currently, grant documentation is not stored centrally and some of the documentation could not be located.

As the fiscal officer, the Auditor needs grant information to process receipts, payments, and track expenditures. Without grant documentation, the Auditor may not be aware of the accounting requirements, matching funds, restrictions on expenditures, and appropriate set up in the chart of accounts. Additionally, without adequate documentation, the City will not be able to fulfill its reporting requirements for an annual audit.

A Grants Committee was recently formed to discuss and pursue city grant opportunities. Currently, the committee is comprised of individuals from departments active in grants such as: utilities, police, fire, street and alleys, and the JAO. Staff reports that participation on the committee has allowed greater access to grant information and documentation. The committee, however, has not been formalized and JAO still does not receive all appropriate information needed for complete reporting. Staff is not required to participate on the committee or to provide information to JAO. As a result of not having all pertinent grant information, the JAO has trouble tracking grant revenue and expenditures and matching funds. This has caused problems in the annual audit and increased the risk that grant funds be misspent or overspent. By providing the JAO with all the necessary information via the Grant Committee, these risks can be greatly reduced.

## D. Auditor's Office

### Recommendations

**R2.22 The auditor's office should update and revise the deputy auditor and GAAP coordinator job descriptions. Job descriptions should include all functions performed and the minimum qualifications required to perform the job functions.**

The Deputy Auditor retired at the end of January 2003, and the new Deputy Auditor assumed a different set of duties. The GAAP coordinator position also will be assuming duties which differ from the current job description. Current job descriptions do not include:

- GASB 34 reporting;
- Monthly and yearly close-outs;
- Treasury functions performed by the JAO;
- Grant accounting and grants committee participation;
- Maintenance of fixed asset accounting and depreciation;
- Cost allocations;
- Assistance with budget preparation (revenues, expenditures, and statistics) and five-year forecasting;
- Appropriations;
- Strategic planning and capital projects accounting; and
- CAFR preparation and other related responsibilities.

Based on prior job duties, the positions within JAO did not require a high degree of skill. However, the new duties will require an accounting degree or some formal accounting courses with equivalent accounting experience. Updated job descriptions, including relevant educational requirements, will help ensure that all functions of the office are assigned and completed, prevent confusion among staff, and increase accountability.

**R2.23 The City should evaluate the salaries of the Deputy Auditor and GAAP Coordinator. Based on the increased responsibilities and required educational background of JAO employees, the current salary levels should be revised to be commensurate with other City employees with similar levels of responsibility. In addition, the City should consider a sliding pay scale for the elected position of City Auditor to account for advanced degrees and additional training when necessary.**

Current salaries for these positions are not consistent with the required educational background and job duties when compared with other employees within the City. The disparity may interfere with the City's ability to attract and maintain qualified candidates.



Tables 2-6 and 2-7 compare salaries of several City positions.

**Table 2-6: Jackson Hourly Rate Comparisons of Specific Positions as of December 31, 2002**

Position	Base Hourly Rate	Base Annual Salary
Deputy Auditor	\$12.90	\$26,832
GAAP Coordinator	\$12.90	\$26,832
PO Clerk	\$13.58	\$28,246
Janitor	\$13.44	\$27,955
Administrative Assistant	\$12.90	\$26,832
Secretary	\$12.90	\$26,832
Billing/Assistant Utility Superintendent	\$13.34	\$27,747
Recreation Laborer	\$13.05	\$27,144
Cemetery Laborer	\$13.05	\$27,144
Facility Maintenance Man	\$13.50	\$28,080

Source: City of Jackson AFSCME contract.

Table 2-6 shows that the Deputy Auditor and GAAP Coordinator are paid less than other employees in the City. JAO positions are paid at a clerical level but require higher educational levels, such as an associate's or bachelor's degree in finance or accounting. The positions used in Table 2-6 for comparative purposes require a high school education.

In Table 2-7, the City Auditor is compared to other selected city management positions showing that this position is the lowest paid among the group. The City Auditor holds a college degree and is a Certified Public Accountant (CPA).

**Table 2-7: Comparison of Administrative Annual Salaries as of December 31, 2002**

Position	Base Hourly Rate	Base Annual Salary
Auditor	\$18.35	\$38,168
City Engineer	\$26.94	\$56,035
Safety/Service Director	\$35.34	\$73,507/reduced for 2003 to \$40,000
Utility Supervisor	\$18.35	\$38,168
Police Chief	\$18.35	\$38,168
Executive Assistant	\$18.50	\$42,515/reduced for 2003 to \$26,832

Source: City of Jackson payroll records.

The educational and certification levels for the Auditor and engineer are similar, yet the engineer's base annual salary is approximately 47 percent greater than the Auditor's base salary. The Auditor is an elected position and therefore does not have any education or certification requirements. However, the City may consider implementing a sliding pay scale to account for advanced degrees and training. Any changes to the Auditor's salary should be made in accordance with governing laws and regulations.

Any review by the City should consider local economic conditions and current job market pressures for like-credentialed positions. Adjustments to salaries should be considered when the financial condition of the City improves. A more equitable and competitive salary structure will help ensure the recruitment and retention of quality staff and elected officials. Attracting and retaining qualified, knowledgeable individuals within JAO will be key in assuring the City's financial recovery and future financial stability.

**R2.24 The City Auditor should seek an ordinance authorizing him, in the event of vacancies, to appoint a deputy auditor and other positions required to fulfill the statutory responsibilities of his office. The City Auditor is authorized by the ORC to undertake such measures as are necessary for the operation of his office and therefore should act upon the authority accorded to his office.**

There has been confusion within the City as to the authority of the City Auditor to hire staff in his office. The Mayor has assumed the authority to make decisions concerning the staffing of the JAO. The Mayor and Auditor have different interpretations of their respective authority and their opposing views have created conflict and delayed the smooth transition of responsibilities from the current Deputy Auditor to a replacement.

The Auditor is an elected official of the City and therefore, according to the ORC §733.01, has vested executive power. Such executive officers have exclusive right to appoint all officers, clerks, and employees in their respective departments or offices, and to remove and suspend any such officers, clerks, or employees, subject to the civil service laws. In addition, ORC §733.19 stipulates that the City Auditor may, when authorized by ordinance, appoint a deputy who, in the absence of the auditor, can perform these duties. The City Auditor should seek the requisite authorization to make appointments to ensure the smooth and effective functioning of his office.

**R2.25 The City should review its index of funds and consider combining or reducing the number of funds to those necessary to ensure and demonstrate fiscal and operational accountability. In accordance with ORC §5705.14, any unexpended fund balances should be transferred after the termination of the activity or service and the payment of all obligations.**

The City has 107 funds of which 63 (59 percent) have a zero balance or no change in fund balance, and limited or no transactions during 2001 and 2002. This indicates the City may have dormant and unnecessary funds. The following funds had a zero balance or no change in fund balance, with limited or no transactions during 2001 and 2002:

- 37 of the 55 special revenue funds (67 percent);
- 2 of the 4 debt service funds;
- 11 of the 14 capital projects funds (79 percent);

- The Medical Benefits funds; and
- 4 of the 23 enterprise funds.

In many instances segregation of activities can and should be accomplished by the use of account and object codes rather than establishing a separate fund. Only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds may result in inflexibility, undue complexity, and inefficient financial administration.

JAO should consolidate the dormant funds consistent with applicable laws and regulations. Consolidation of funds will also simplify the City's implementation of GASB 34 (see **R2.6**).

**R2.26 Whether or not payroll is outsourced, the City should change its pay period to end on Friday. Payroll checks and direct deposits should be transitioned to accommodate a lag cycle appropriate to accommodate the payroll processing time. All employee payroll should be transitioned to be paid two weeks following the end of the pay period. Although subject to negotiation, the City should work with the collective bargaining unit to determine an agreeable method that would allow for a reasonable extension of the payroll cycles, resulting in a negligible impact on employees. Friday pay periods would increase the time JAO has to process payroll, review for accuracy and completeness, and send direct deposits to the bank.**

Currently, the City pay period is biweekly, and ends on Wednesday. The JAO does not receive payroll time and attendance sheets until the Monday following the close of the pay period. The lag in receipt of information and the labor intensive manual data entry process does not allow sufficient time (only two working days) for the JAO to enter payroll and validate all payroll changes, which must be completed by Wednesday morning in order to be processed and sent to the bank for the following payday. If the pay period ended on a Friday, information would not be due to the bank until the following Friday, which would allow staff four full working days to enter, review, and validate all the payroll data.

The City is responsible for establishing and maintaining internal controls to protect against the loss, theft or misuse of its assets, as well as to reduce errors. Payroll administration is one of the major areas of internal control. Moving the pay period end to Friday would help allow for increased preventive controls designed to discourage errors or irregularities.

In negotiations with the collective bargaining unit, the City should reiterate that employees will not experience reductions in salary. Rather, the disbursement of paychecks will be redistributed so that employees receive a regular pay check while allowing the JAO a longer processing time to reduce errors.

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## E. Financial Recovery Plan

**R2.27** The City of Jackson should use the proposed financial forecast outlined in **Table 2-8** to evaluate the revised assumptions and recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. The City should also carefully consider implementation of the recommendations in this performance audit to improve its current and future financial situation. In addition, the City should update the forecast on an ongoing basis as critical financial issues are addressed.

**Table 2-8** demonstrates the effect of the performance audit recommendations in this report and includes the beginning cash balance for each year and the adjusted cash balance reflecting the effect of the recommendations. The revised forecast contains the same financial projections presented in **Table 2-1**, with additional lines to incorporate the financial savings and implementation costs associated with the performance audit recommendations.

Accompanying tables (**Table 2-9**, **Table 2-10** and **Table 2-11**) summarize the financial implications associated with the recommendations contained within this report that affect the General Fund. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. Finally, **Table 2-12** and **Table 2-13** show the effects of proposed recommendations that would impact other funds.

**Table 2-8 Five-Year Forecast with Performance Audit Recommendations  
(in 000's)**

	Actual				Projected				
	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Summary of Revenues</b>									
Local Taxes	\$296	\$374	\$409	\$1,067	\$1,125	\$1,137	\$1,148	\$1,203	\$1,215
State Shared Taxes and Permits	\$330	\$377	\$417	\$387	\$388	\$390	\$391	\$393	\$395
Charges for Services	\$41	\$41	\$44	\$47	\$48	\$48	\$49	\$49	\$50
Fines, Licenses, and Permits	\$71	\$65	\$195	\$157	\$159	\$160	\$162	\$164	\$165
Other Miscellaneous Revenues	\$395	\$546	\$526	\$349	\$192	\$194	\$196	\$198	\$200
Non-operating Revenue and Transfers	\$595	\$701	\$1,199	\$5	\$255	\$260	\$265	\$271	\$276
<b>Total Revenues</b>	<b>\$1,727</b>	<b>\$2,105</b>	<b>\$2,790</b>	<b>\$2,013</b>	<b>\$2,167</b>	<b>\$2,189</b>	<b>\$2,211</b>	<b>\$2,277</b>	<b>\$2,301</b>
<b>Summary of Expenses</b>									
Salaries, Wages, and Benefits	\$1,285	\$1,448	\$1,685	\$1,756	\$2,256	\$2,398	\$2,564	\$2,756	\$2,979
Contractual Services	\$120	\$83	\$45	\$144	\$145	\$124	\$126	\$127	\$128
Professional Services	\$22	\$26	\$37	\$162	\$163	\$165	\$38	\$38	\$38
Supplies and Other Expenses	\$151	\$136	\$127	\$150	\$161	\$168	\$165	\$172	\$168
Utilities	\$32	\$27	\$16	\$11	\$11	\$11	\$11	\$11	\$12
Education and Training	\$2	\$3	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Equipment	\$49	\$59	\$25	\$55	\$56	\$56	\$57	\$57	\$58
Building and Other Structures	\$6	\$0	\$0	\$0	\$12	\$12	\$12	\$12	\$12
Retirement of Principal	\$5	\$4	\$5	\$7	\$7	\$7	\$7	\$7	\$7
Interest	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Transfers Out	\$209	\$425	\$209	\$454	\$104	\$106	\$108	\$111	\$113
<b>Total Expenses</b>	<b>\$1,884</b>	<b>\$2,214</b>	<b>\$2,154</b>	<b>\$2,742</b>	<b>\$2,920</b>	<b>\$3,053</b>	<b>\$3,092</b>	<b>\$3,296</b>	<b>\$3,520</b>
<b>Performance Audit Recommendations-Not Subject to Negotiations</b>					\$275	\$1,116	\$1,365	\$1,616	\$1,670
<b>Performance Audit Recommendations-Subject to Negotiations</b>					\$18	\$701	\$736	\$772	\$811
<b>Performance Audit-Implementation Costs</b>					(\$27)	(\$77)	(\$77)	(\$77)	(\$77)
<b>Excess Revenues Over (Under) Expenses</b>	<b>(\$157)</b>	<b>(\$109)</b>	<b>\$636</b>	<b>(\$729)</b>	<b>(\$487)</b>	<b>\$876</b>	<b>\$1,144</b>	<b>\$1,292</b>	<b>\$1,184</b>
<b>Beginning Cash</b>	<b>\$485</b>	<b>\$328</b>	<b>\$219</b>	<b>\$855</b>	<b>(\$2,675)</b>	<b>(\$3,163)</b>	<b>(\$2,287)</b>	<b>(\$1,143)</b>	<b>\$149</b>
<b>Cash Advance In</b>				<b>\$3,500</b>					
<b>AOS Special Audit adjustments</b>				<b>(\$6,301)</b>					
<b>Ending Cash Balance</b>	<b>\$328</b>	<b>\$219</b>	<b>\$855</b>	<b>(\$2,675)</b>	<b>(\$3,163)</b>	<b>(\$2,287)</b>	<b>(\$1,143)</b>	<b>\$149</b>	<b>\$1,332</b>

The performance audit recommendations that would affect the General Fund presented in **Tables 2-9** and **2-10** are broken down into two categories; those recommendations not subject to negotiation and those recommendations subject to negotiation.

**Table 2-9: Performance Audit Recommendations Not Subject to Negotiation for the General Fund**

	2003	2004	2005	2006	2007
<b>Revenue Enhancements</b>					
<b>R2.1</b> Implement a 1 percent income tax less expenses		\$698,400	\$931,200	\$1,164,000	\$1,198,920
<b>R8.15</b> Charging for vacant lot maintenance		\$1,000	\$1,000	\$1,000	\$1,000
<b>Subtotal Revenue Enhancements</b>		<b>\$699,400</b>	<b>\$932,200</b>	<b>\$1,165,000</b>	<b>\$1,199,920</b>
<b>Cost Reductions</b>					
<b>R3.7</b> Elimination KRONOS support of current timekeeping system		\$4,000	\$4,000	\$4,000	\$4,000
<b>R4.7</b> Reduction of Admin Sec. and Admin Asst.	\$36,562	\$74,259	\$75,392	\$77,093	\$78,794
<b>R4.8</b> Reduction of Janitor and related supplies		\$47,600	\$47,600	\$47,600	\$47,600
<b>R5.2</b> Eliminate 6 unfilled positions in Police Dept	\$238,824	\$252,164	\$266,849	\$282,891	\$300,487
<b>R5.6</b> Limit overtime		\$39,000	\$39,000	\$39,000	\$39,000
<b>Subtotal Cost Reductions</b>	<b>\$275,386</b>	<b>\$417,023</b>	<b>\$432,841</b>	<b>\$450,584</b>	<b>\$469,881</b>
<b>Total</b>	<b>\$275,386</b>	<b>\$1,116,423</b>	<b>\$1,365,041</b>	<b>\$1,615,584</b>	<b>\$1,669,801</b>

**Table 2-10: Performance Audit Recommendations Subject to Negotiation for the General Fund**

	2003	2004	2005	2006	2007
<b>Cost Reductions</b>					
<b>R3.6</b> Reduce salary increases to 1%, 2% and \$.20, \$.35	\$17,621	\$57,766	\$93,454	\$128,696	\$167,628
<b>R3.9</b> Increase employee health care contribution to 15 percent		\$66,000	\$66,000	\$66,000	\$66,000
<b>R3.10</b> Eliminate non-standard provisions from negotiated agreements		\$577,000	\$577,000	\$577,000	\$577,000
<b>Total</b>	<b>\$17,621</b>	<b>\$700,766</b>	<b>\$736,454</b>	<b>\$771,696</b>	<b>\$810,628</b>

**Table 2-11** summarizes the implementation costs associated with various recommendations contained within the performance audit that would impact the General Fund. Each cost is dependent on the City's decision to implement the associated recommendation and the timing of that implementation.

**Table 2-11: Performance Audit Recommendation Implementation Costs for the General Fund**

	2003	2004	2005	2006	2007
<b>Implementation Costs</b>					
<b>R2.19</b> Change locks to auditor's office	\$300				
<b>R3.7</b> Outsourcing time and attendance and payroll		\$22,000	\$22,000	\$22,000	\$22,000
<b>R3.7</b> HR module with time and attendance		\$2,900	\$2,900	\$2,900	\$2,900
<b>R4.1</b> OML training and publications for Council and Mayor	\$770				
<b>R4.15</b> Increase part-time cashier to full time	\$9,400	\$18,800	\$18,800	\$18,800	\$18,800
<b>R4.8</b> Janitorial contract services	\$16,800	\$33,600	\$33,600	\$33,600	\$33,600
<b>Total</b>	<b>\$27,270</b>	<b>\$77,300</b>	<b>\$77,300</b>	<b>\$77,300</b>	<b>\$77,300</b>



**Table 2-12** details those performance audit recommendations that affect other funds within the City. **Table 2-13** shows implementation costs for other funds.

**Table 2-12: Performance Audit Recommendations for Other Funds**

	2003	2004	2005	2006	2007
<b>Revenue Enhancement</b>					
<b>R5.14</b> Two mill fire vehicle capital improvement levy			\$229,000	\$229,000	\$229,000
<b>R8.7</b> Implement additional motor vehicle levies		\$60,000	\$60,000	\$60,000	\$60,000
<b>R8.10</b> Sale of unnecessary equipment		\$36,500			
<b>R8.11</b> Charge for damaged street signs		\$210	\$210	\$210	\$210
<b>R8.16</b> Surcharge on garbage billing		\$18,000	\$18,000	\$18,000	\$18,000
<b>R8.17</b> Sale of unnecessary garbage equipment due to outsourcing		\$151,000			
<b>R8.25</b> Increase in Cemetery Rate		\$41,600	\$41,600	\$41,600	\$41,600
<b>R8.25</b> Increase in Perpetual Care Rate	\$1,000	\$2,000	\$2,000	\$2,000	\$2,000
<b>R8.26</b> Removing annual care accounts		\$3,850			
<b>Subtotal Revenue Enhancement</b>	<b>\$1,000</b>	<b>\$313,160</b>	<b>\$350,810</b>	<b>\$350,810</b>	<b>\$350,810</b>
<b>Revenue Surplus Reduction</b>					
<b>R6.6</b> Reduce minimum water rate by \$3.67	(\$150,749)	(\$150,749)	(\$150,749)	(\$150,749)	(\$150,749)
<b>R6.7</b> Reduce minimum sewer rates by \$4.67	(\$167,448)	(\$167,448)	(\$167,448)	(\$167,448)	(\$167,448)
<b>Subtotal Surplus Reduction</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>	<b>(\$318,197)</b>
<b>Cost Reductions</b>					
<b>R7.2</b> Reduce facilities maintenance position		\$39,168	\$39,855	\$40,626	\$41,493
<b>R7.4</b> Reduction of 3 tree trimming positions and contract service		\$40,000	\$40,000	\$40,000	\$40,000
<b>R7.8</b> Reduce overtime use to 5 percent		\$51,000	\$51,000	\$51,000	\$51,000
<b>R7.9</b> Reduce stand-by time		\$3,600	\$3,600	\$3,600	\$3,600
<b>R8.8</b> Reduce Mechanical Super position		\$50,417	\$51,308	\$52,310	\$53,350
<b>R8.8</b> Reduce Equipment Operator position		\$40,513	\$41,229	\$42,034	\$42,936
<b>R8.8</b> Reduce Skilled Laborer position		\$14,363	\$14,617	\$14,902	\$15,222
<b>R8.8</b> Reallocation of street and mechanical staff with net reduction of 3.0 FTE		\$111,000	\$111,000	\$111,000	\$111,000
<b>R8.18</b> Reduce garbage collection staff and eliminate Saturday pick-up		\$95,000	\$95,000	\$95,000	\$95,000
<b>R8.19</b> Reduce curb-side garbage pick-up		\$29,000	\$29,000	\$29,000	\$29,000
<b>R8.26</b> Remove annual care accounts		\$3,300	\$3,300	\$3,300	\$3,300
<b>Subtotal Cost Reductions</b>		<b>\$477,361</b>	<b>\$479,909</b>	<b>\$482,772</b>	<b>\$485,901</b>
<b>Total</b>	<b>(\$317,197)</b>	<b>\$472,324</b>	<b>\$512,522</b>	<b>\$515,385</b>	<b>\$518,514</b>

**Table 2-13: Implementation Costs for Other Funds**

	2003	2004	2005	2006	2007
<b>Implementation Costs</b>					
<b>R7.1</b> Consultant to perform rate study	\$10,000				
<b>R7.3</b> Hire experienced director of electric		\$77,683	\$79,046	\$80,575	\$82,294
<b>R7.5 and R8.4</b> Implementation of operations specific work order software		\$7,500	\$500	\$500	\$500
<b>R7.6 and R8.9</b> Add Administrative Assistant position to be shared		\$35,400	\$35,400	\$35,400	\$35,400
<b>R8.22</b> Certification for two mechanics	\$3,958	\$3,652	\$3,652	\$3,652	\$3,652
<b>R8.24</b> Hire additional cemetery staff		\$41,100	\$41,100	\$41,100	\$41,100
<b>R8.25</b> Add 1 laborer position		\$40,604	\$41,316	\$42,116	\$43,014
<b>Total</b>	<b>\$13,958</b>	<b>\$205,939</b>	<b>\$201,014</b>	<b>\$203,343</b>	<b>\$205,960</b>

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# Human Resources

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## Background

This section of the report focuses on various human resources operations within the City of Jackson. The City of Jackson operates under the legislative authority of City Council as a statutory city. The City of Jackson regularly employs 105 individuals, or 101.3 full-time equivalents (FTEs) to carry out City operations. The total FTE calculations, based on a 40 hour work week, were gathered for each department from City of Jackson personnel records.

The primary human resources responsibilities are completed by the payroll/purchase order clerk, executive assistant and administrative assistant within the Administrative Services department (under the mayor and service/safety director). The primary human resources responsibilities include maintaining personnel files; coordinating activities for the recruitment and selection of employees; monitoring compliance with employment contracts; facilitating employee performance evaluations; administering and monitoring grievance policies and procedures; negotiating and administering union contracts; conducting disciplinary hearings; and administering health insurance plans for City employees.

As part of the human resources assessment, a two-part questionnaire was distributed to all regular city employees to provide an opportunity for employee feedback and help in diagnosing areas of needed improvement. Part I of the Employee Opinion Survey was intended to assess organizational values. Results are depicted in the Competing Values Model of Effectiveness in **Appendix A**. Part II consisted of six items that indicate measures of organizational features including the following which are also summarized in **Appendix A**:

- Leadership;
- Worker motivation;
- Communications;
- Decisions and values;
- Goal-setting; and
- Control and autonomy.

In addition to the analyses presented in this report, further assessments were conducted on several areas. The following areas within the **human resources** section did not warrant changes and did not yield any recommendations:

- **Personnel Records:** Personnel records-retention was determined to have adequate controls and processes which were followed by staff.

- **Dental Benefits:** Dental benefits were lower than the SERB average for single employee coverage and only marginally higher than the average for family coverage. Employees at the City of Jackson pay a six percent share of the premium cost for dental, vision and hearing insurance benefits; peer cities did not require cost sharing for these fringe benefits.
- **Employee Grievances:** Grievance policies and procedures were determined to be in line with industry standards. One grievance was filed in 2002 which required resolution through arbitration.

## Recommendations

### *Structure and Staffing*

- R3.1 The Mayor of the City of Jackson should implement and maintain an appropriate organizational structure and span of control rather than centralizing all authority over department heads under the position of service/safety director. The Mayor should hold weekly meetings with department heads to discuss departmental activities and assist in setting departmental priorities in accordance with an overall strategic plan for the City. A higher level of involvement and participative leadership by the Mayor will help ensure appropriate balance, objectivity and accountability within City operations, and facilitate both communication and relationships between departments.**

Based on the organization chart showing reporting relationships (see **Chart 1-1** in the **executive summary**), the span of control of the service/safety director position is too broad. Industry standards suggest that an organization's span of control between a low of 1:8 to a high of 1:15. All department heads and administrative services staff report to the service/safety director, making the span of control above what is considered best practice. (See **administrative operations** section.) However, on the departmental level, the City's management to staff ratio appears to be appropriate and comparable to the peers.

In order to alleviate the potential span of control issues related to the service/safety director position, the Mayor should take a more active role in the leadership and guidance of City departments. The Mayor and service/safety director should collaborate on the division of duties between their positions. The service/safety director should retain oversight of at least the police department, the fire department and the operations department as recommended in **R8.1**.

- R3.2 The City of Jackson should realign departmental staffing levels for 2003-2004 based on the financial condition of the City and departmental needs. This should help achieve overall performance improvements and better serve the citizens of Jackson.**

The needs of the City can be better served by maintaining appropriate departmental staffing and work distribution. Through departmental restructuring and workforce realignment, the City could more appropriately cover operational and administrative needs while reducing the overall number of FTE employee positions. Implementation of this recommendation would require both staffing changes and newly designed core processes in certain departmental areas. **Table 3-1** shows staffing levels by department in the City of Jackson and the peers. Additional staffing discussions may be found in individual report sections.

**Table 3-1: Comparison of Staffing Levels by Classification**

	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>Population</b>	<b>6,184</b>	<b>6,660</b>	<b>6,368</b>	<b>6,533</b>	<b>6,520</b>
<b>Administrative Services</b>	8.0	3.5	4.0	3.0	3.5
<b>City Auditor's Office</b>	3.00	5.0	4.0	1.5	3.5
<b>Utility Billing</b>	7.54 <sup>1</sup>	2.0	2.0	3.0	2.33
<b>Water/Wastewater</b>	27.80	8.0	19.0	11.0	12.66
<b>Electric</b> <sup>2</sup>	11.5	N/A	N/A	N/A	9.33 <sup>5</sup>
<b>Police</b>	24.0	16.0	22.0	18.0	18.66
<b>Fire</b> <sup>3</sup>	2.0	1.0	14.0	2.0	5.66
<b>Service</b> <sup>4</sup>	16.82	10.0	11.0	11.0	10.66
<b>Total FTE's</b>	<b>100.18</b>	<b>45.5</b>	<b>76.0</b>	<b>49.5</b>	<b>57.0</b> <sup>5</sup>

Source: Census Bureau, City of Jackson and peer municipalities

<sup>1</sup> This figure includes two meter readers and a maintenance man. These positions are not included in the peer Utility Billing Office numbers.

<sup>2</sup> The primary peer cities do not have a separate electric department, therefore, other peer cities with electric departments are shown.

<sup>3</sup> Figures do not include volunteer firefighters.

<sup>4</sup> See the **service** section for peer comparisons of seasonal staffing use, garbage operations, streets and parks maintenance.

<sup>5</sup> 9.33 FTEs is the peer average staffing for the electric departments in Bryon, Celina and Napoleon.

The total FTE count for the City listed in **Table 3-1** does not include two additional positions, the law director at 1.0 FTE and treasurer at 0.12 FTE. These positions were not included in the table for purposes of ensuring an analogous comparison with the peers. Including the law director and treasurer for the City increases the FTE count to 101.3 (see **Appendix B**).

As illustrated in **Table 3-1**, the City of Jackson has a higher FTE staffing allocation as compared to the peers in the following classifications:

- **Administrative Services:** Staffing levels in the area of administrative services is high in terms of administrative staff. See the **administrative operations** section for further discussion.
- **Utility Billing:** Utility billing staffing level is also discussed in the **administrative operations** section.
- **Water/Wastewater:** The water/wastewater operations staff is also high compared to the peers due to expanded duties performed at Jackson that are not performed by the peers. See the **water/wastewater services** section for further explanation.

- **Electric:** The electric department undertakes incidental services that the peers either refer to their respective service departments or outsource. See the **electric department** section for further explanation.
- **Police:** Three of the police department employees are dedicated full-time as School Resource Officers. Peers do not participate in the School Resource Officer program and therefore do not experience the same sort of staffing issues. See the **public safety** section for further explanation.
- **Service:** Service staffing levels are higher than the peers because the City of Jackson offers services, such as garbage collection, which are outsourced or not offered at the peer cities.

**Table 3-2** compares staffing levels per 1,000 citizens of all departmental personnel at the City of Jackson with the peer municipalities’ staffing levels for 2002.

**Table 3-2: Comparison of City Employees Per 1,000 Citizens**

	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>Administrative Services</b>	1.29	0.53	0.63	0.61	0.59
<b>City Auditor’s Office</b>	0.49	0.75	0.63	0.23	0.54
<b>Utility Billing</b>	1.22	0.30	0.31	0.46	0.36
<b>Water/Wastewater</b>	4.17	1.20	2.98	1.69	1.96
<b>Police</b>	3.88	2.40	3.45	2.76	2.88
<b>Fire<sup>1</sup></b>	0.32	0.15	2.20	0.31	0.88
<b>Service<sup>2</sup></b>	1.78	0.75	0.79	0.61	0.72
<b>Total FTEs</b>	<b>13.15</b>	<b>6.08</b>	<b>10.99</b>	<b>6.66</b>	<b>7.91</b>

**Source:** City of Jackson; peer municipalities

**Note:** Base comparative staffing levels have been adjusted to account for services not provided by the peer cities. Per 1,000 for Jackson electric services is 1.86 and for the peers is 1.40.

<sup>1</sup>Hillsboro has a paid fire department and is therefore higher than the peer cities.

As illustrated in **Table 3-2**, the City of Jackson has higher staffing levels in nearly every category. Based on the staffing information in FTEs and per 1,000 residents, several classifications should be considered for reduction, or left vacant, if that is the current status. **Table 3-3** shows the recommended staffing reductions by recommendation.

**Table 3-3: Classifications Recommended for Reduction**

Recommendation	Department	Position	Proposed Reductions (FTEs)
R4.7	Administrative Services	Administrative Assistant	2.0
R4.8	Administrative Services	Janitor	1.0
R5.2	Police Department	Secretary	1.0
R5.2	Police Department	Communications Officer	1.0
R5.2	Police Department	Patrol Officer	4.0
R6.1	Water/Wastewater	Facility Maintenance	1.0
R7.4	Electric Department	Tree Trimmers	3.0
R8.1	Service	Mechanical Supervisor	1.0
R8.1	Service	Garbage Laborer	2.0
R8.1	Service	Equipment Operator	1.0
R8.1	Service	Skilled Laborer	1.0
<b>Total</b>			<b>18.0</b>
<b>Estimated Cost Savings<sup>1</sup></b>			<b>\$662,959</b>

<sup>1</sup> Estimated savings are based on the financial implication noted in individual report sections.

**Note:** The City is currently under a restraining order regarding terminations that may impact its ability to implement staffing reductions in the short term.

Although the City is overstaffed in several areas, critical services remain unfulfilled because of staffing shortages in other areas. **Table 3-4** shows recommended additions to the City's table of organization as funds become available. Most recommended positions are needed to improve financial management, internal control, or operational oversight.

**Table 3-4: Additional Recommended Positions**

Recommendation	Department	Position	Proposed Additions (FTEs)
R4.15	Utility Billing	Billing Clerk	0.5
R7.3	Electric Department	Director	1.0
R7.6, R8.9	Electric/Service	Administrative Assistant <sup>1</sup>	1.0
R8.24	Cemetery Department	Laborer	1.0
<b>Total</b>			<b>3.5</b>
<b>Estimated Annual Cost<sup>2</sup></b>			<b>\$173,800</b>

<sup>1</sup> This is a shared position between the Electric and Service departments which would serve the new Operations department.

<sup>2</sup> Estimated cost is based on the financial implication noted in individual report sections.

Realignment in staffing will help the City of Jackson reduce costs and improve efficiency in key service areas. The cost savings or operational benefits of the staffing recommendations are discussed in the respective recommendations.

**R3.3 The City of Jackson should develop up-to-date, comprehensive job descriptions for all City positions. Descriptions should reflect actual duties performed and should be updated on a regular basis to ensure accuracy and validity.**



The City of Jackson does not maintain updated job descriptions for all positions. Reviews indicated job descriptions were outdated, missing, or duplicative for many of the City's positions. In addition, staff reported that although the labor agreement with the American Federation of State and County Municipal Employees (AFSCME) stipulates a copy of all job descriptions be filed with the contract representative, this practice has not been implemented. Although the City began a process of updating job descriptions in March 2002, staff were unsure as to the reason descriptions had not been updated and finalized. Without current and accurate job descriptions, the City is unable to effectively convey the responsibilities and requirements of positions to its employees.

Well written job descriptions offer the employer assistance in staffing vacant positions. More importantly, they aid in performance management, human resources planning, and career development. Job descriptions also increase organizational effectiveness by guaranteeing essential tasks and duties fall within the correct positions and are not duplicated unnecessarily. Additionally, job descriptions can create a common understanding of job responsibilities and act as an essential tool to create or manage compensation and recognition programs.

Job descriptions require the involvement of managers, department heads, and the person currently in the position (if applicable). In most organizations, the personnel manager maintains ownership of this function as they can obtain the necessary feedback and transform collected data into understandable job requirements. The personnel manager is also usually responsible for ensuring the descriptions comply with any applicable legal requirements. Although the City does not have a personnel manager, an administrative assistant within the Mayor and service/safety director's offices performs this function.

Job descriptions should contain the following elements:

- Position title;
- Reporting structure;
- Position overview and purpose;
- Essential duties and responsibilities; and
- Essential job requirements including education, experience, skills, knowledge, and qualifications.

To maintain version control, the job descriptions should include a revision date and the name of the preparer. Job descriptions should be stored in a central repository so positions can be easily reviewed and compared. It is also a good practice to put a copy in the individual employee's personnel file so it can be reviewed and revised in conjunction with performance evaluations.

Some employers choose to hire an external consultant to conduct job analysis, data gathering, and write job descriptions. By using an external consultant, collected data from interviews and comparisons of positions tend to be unbiased, data is focused more on how a job is performed, and legal compliance increases. Because external consultants are outside the day to day operations, they are better able to assess the responsibilities of staff without undue biases. The task remains a priority and thereby is completed more quickly and effectively.

The City could update its job descriptions using current staff resources. The task should be assigned to the administrative assistant responsible for human resources functions. The City should ensure that a consistent format is used to update the descriptions. Electronic versions of job description templates are available commercially and can also be found on the Internet.

**R3.4 The City should use its job audit committee to complete job audits for applicable positions and should consider contracting with a human resources consulting firm to perform a professional job analysis. At minimum, the City should set standard qualification requirements for job audit committee members, set term limits for committee members, and change the job audit process to meet best practice standards.**

The job audit committee is comprised of four individuals; two union employees appointed by the union president, and two non-AFSCME union employees appointed by either the Mayor or service/safety director to serve throughout the contract term. During the course of the performance audit, sample job audits conducted by the City's job audit committee were reviewed. Staff also reported that additional job audits were requested but never took place. In those audits completed, no one outside the review committee was contacted for input, such as the respective department head or individuals employed in similar positions either within the City or in neighboring municipalities. Also, membership on the job audit committee does not require certain qualifications and membership is indefinite.

According to human resources best practice standards from HR On-line Inc., a consulting services firm, an appropriate job analysis leading to a potential job classification change starts with a current job description that has been created and revised using input from department heads, senior administrators and outside professional resources. Since job descriptions in Jackson are not kept current, the job audit process is inherently flawed. Furthermore, failure to respond to employee job audit requests gives the appearance of unresponsiveness as indicated in the survey responses contained in **Appendix A**. The City could reduce the frequency of requests for job audits by regularly updating job descriptions and ensuring that revisions are discussed with employees, linked to the

performance appraisal process, and considered in classification and pay rate changes. See **R3.3** regarding job descriptions.

Using an outside consultant will help avoid biases that may arise when this function is performed internally and should increase employee confidence that judgments are fair and research based. This option should be considered once the City has attained reasonable financial stability. In the interim, the City's job audit committee should respond to recent requests and survey employees to determine which positions may require job audits.

The City should establish targets for completing the process and start benchmarking its progress in meeting target standards. According to *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards*, a reasonable target for completion of job audits is 30 days after the initial request. Job audit committee members should be selected based on their experience in human resources and should be alternated each contract term.

### *Compensation*

**R3.5 Because of disparities in wage rates compared to industry standards, the City of Jackson should periodically review salaries and wages for each position in accordance with the Job Audit Committee Position Review Criteria (Appendix C of AFSCME contract). Periodic and regular salary reviews help determine the appropriateness of current salary schedules and necessity for adjustments.**

**This should be done in conjunction with the regular review and update of job descriptions and could be performed by the job audit committee or be outsourced to a professional human resources consulting firm if funds are available. A periodic review of the job market targeted to specific job classifications would provide the City of Jackson with the information necessary to make critical decisions concerning position salaries. At minimum, the City should survey surrounding cities concerning the minimum and maximum salary ranges, average starting salaries, and average salary in range for specified positions. (See R3.3 regarding review and update of position descriptions.)**

**Table 3-5** compares the total salaries within the following classifications between the City of Jackson and the average minimum salary for the same position according to The Ohio Municipal League (OML) 2002 Survey of Salaries of Elected and Appointed Officials and Selected Employee Classifications in Cities.

**Table 3-5: Comparison of Average Annual Salaries**

Classification	Jackson	OML Average Salary for SE Ohio <sup>1</sup>
Mayor <sup>2</sup>	\$25,000	\$25,700
Service/Safety Director <sup>3</sup>	\$40,000 <sup>3</sup>	\$50,929
Administrative Assistant	\$28,496	\$26,942
City Auditor	\$37,128	\$44,780
Deputy Auditor	\$26,416	\$34,660
Chief Water Treatment Plant Operator	\$34,465	\$35,439
Streets /Alleys Superintendent	\$40,856	\$39,201
Police Chief	\$39,000	\$39,500 <sup>4</sup>

Source: Contracts, payroll reports; OML 2002 Salary Survey

<sup>1</sup> Figures reflect the average minimum salary among those surveyed by OML.

<sup>2</sup> Position is part time

<sup>3</sup> Figure reflects current salary after recent reduction by Council from \$73,507 in late 2002. The reduction prompted the director's retirement and subsequent collection of early retirement incentive (ERI) benefits. After 60 days of retirement, required by PERS before re-entering the public sector job force, the director was reappointed by the mayor and served in the same position. The director was subsequently placed on administrative leave on April 21, 2003. An acting director was appointed on April 24, 2003.

<sup>4</sup> Figure based on national ICMA average.

As illustrated in **Table 3-5**, the City of Jackson's base salaries are generally lower in the City Auditor's Office and generally higher for administrative assistant positions in comparison to the 2002 OML Salary Survey. The salary for the service/safety director position was formerly set too high at \$73,507. Council recently adjusted the service/safety director's salary to \$40,000 which may now be somewhat low.

The City's minimum administrative personnel salaries appear to be similar to peers. According to the OML 2002 Survey of Salaries for Elected and Appointed Officials and Selected Employee Classifications in Cites, it appears that the average administrative salary for the region is \$43,500. Although higher salaries at the administrative level help draw experienced administrators, the increased cost reduces available resources for important operational activities. The current financial condition of the City, as portrayed in the City's financial forecast, will not be able to support increased salaries and staffing levels during the forecast period. To optimize potential cost savings, the City of Jackson should begin limiting salary increases in administrative and specific contracted classifications.

**R3.6 In the next round of negotiations, the City of Jackson should consider limiting cost-of-living and merit increases for contract and management staff to 1 percent (for employees governed under the Fraternal Order of Police (FOP) labor agreement) and \$0.20 per hour increase (for AFSCME contract employees) for the next two years. For the remaining three years of the forecast period, cost-of-living increases should be limited to 2 percent for employees governed by the FOP contract, and \$0.35 per hour for those governed by the AFSCME contract. Limiting the cost-of-**

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**living increases for the contract periods would generate cost avoidance and improve the future financial condition of the General Fund.**

The current FOP collective bargaining agreement allows for an annual 4 percent pay increase, effective September 22 of each contract year. However, at the end of the current contract term (September 2003), the City should negotiate a smaller increase of 1 percent for the first two years of the following contract period and 2 percent for the following three years. The current AFSCME agreement allows for a \$0.50 per hour pay increase effective September 1 of each contract year. However, at the end of the current contract term (September 2004), the City should negotiate an increase of \$0.20 per hour for the first two years, and \$0.35 per hour for the following three years.

The current financial status of the City, based on the City's financial forecast, will not be able to support increased salaries and staffing levels during the forecast period. To minimize future costs, the City of Jackson should begin limiting salary increases within specified classifications.

*Financial Implication:* The City of Jackson should negotiate a lower cost-of-living increase for employees to assist the City in recovering from its current fiscal problems. Employees working under the FOP labor agreement should be limited to a 1 percent cost-of-living increase for years 2003 through 2004, and a 2 percent increase for years 2005 through 2007. Employees governed by the AFSCME labor agreement should be limited to and \$0.20 per hour for years 2003 through 2004, and a \$0.35 per hour increase through 2007. Based on the calculated increase to employees governed by the FOP agreement and the calculated percentage increase to those governed by the AFSCME agreement, and based on an average salary of \$25,000 per year, the overall savings in salaries and benefits would be about \$465,000 for the forecast period. See the **financial systems** section for additional details.

### *Timekeeping and Payroll Processes*

**R3.7 The City of Jackson should outsource the time and attendance and payroll functions to a professional payroll service provider to decrease errors, increase internal controls and supervisor accountability, and provide proper documentation to the City Auditor's Office for accounting purposes (see R2.17).**

The City's current use of the KRONOS System Basic Timekeeper to record employee time and attendance for payroll purposes is inadequate and underutilizes the KRONOS system functions. The KRONOS system was purchased and implemented several years ago and the City currently pays an annual fee of over \$4,000 for user support and maintenance. However, the system has not been upgraded and the City does not make use of all of the available system capabilities. In addition, staff is not properly trained on

how to use the system appropriately. The timekeeping system is not integrated with the Software Solutions Incorporated (SSI) program used in the City Auditor's Office to complete payroll processing.

A sampling of punch detail reports shows time and attendance changes handwritten on the punch detail reports and forwarded to the City Auditor's Office to process payroll without the appropriate accompanying documentation to verify and reconcile the changes. Data must then be re-keyed into SSI which inherently increases the potential for human errors in time and payroll calculations. The practice of making handwritten changes on punch detail reports is a problem. Outsourcing the TAS functions would effectively resolve the issue.

According to national best practice standards, employee time and attendance adjustments should be adequately documented (electronically if possible) and approved by a supervisor. Both Hillsboro and Upper Sandusky perform manual time and attendance reporting. However, the City of Belpre uses an outside contractor for time and attendance functions at a monthly cost of approximately \$350. Outsourcing time and attendance and payroll functions to a payroll service provider would provide several benefits including the following:

- Reduction of time spent in data entry both in administrative services and the City Auditor's office;
- Provision of enhanced supervisory oversight;
- Reduction of paperwork and payroll errors;
- Provision of a means for reconciliation between the time-keeping and payroll systems; and
- Enhancement of overall internal controls.

Outsourcing the time and attendance, and payroll functions would also eliminate within the City Auditor's Office the time currently required to complete manual data entry into the payroll system from punch detail reports. The financial impact of this time savings is not included since the time would likely be reallocated to other duties within the City Auditor's Office.

The cost of obtaining a month-to-month subscription from an outside vendor for time and attendance and payroll functions would be approximately \$22,000 annually for the City of Jackson. This includes a monthly cost for time and attendance and payroll of approximately \$604 and \$1,250 respectively. Use of the additional human resources module to conduct various functions including employment records, government compliance reporting, compensation analyses, benefits administration, succession planning, and education and training tracking would cost the City an additional \$2,900 per year. Including the human resource module, the aggregate cost to the City would be

approximately \$25,000 annually. This cost would be offset by the reduction in staffing costs in the administrative services department of approximately \$38,000, as well as an annual reduction of over \$4,000 for KRONOS support.

Based on recommendations in the **financial systems** section of the report, the City would increase its accuracy and internal controls over payroll by using a fully automated system maintained and processed through a third-party vendor. The City should discontinue making handwritten changes to punch detail reports once the new system is implemented.

*Financial Implication:* If the City contracts only for time and attendance, and payroll processing, the net annual cost would be approximately \$22,000. The additional annual cost for use of the HR module would be approximately \$2,900 for a total annual cost of \$24,900. In addition, annual cost savings would amount to \$4,000 for the reduction in KRONOS support.

**R3.8 If the City does not employ a third party vendor for time and attendance and payroll processing, it should discontinue hand-written adjustments to Payroll Punch Detail Reports. Furthermore, the City should implement a formal, written time and attendance-keeping policy which requires department heads to review, correct and approve employee time records prior to forwarding to the office of the service/safety director for final approval.**

All City of Jackson employees except elected officials and fire department staff use computerized cards to swipe in and out to record time and attendance. However, the subsequent process used to determine accurate timekeeping and complete payroll is inadequate and cumbersome. A sampling of punch detail reports shows that time and attendance changes are handwritten on punch detail reports and forwarded to the City Auditor's Office to process payroll without appropriate accompanying documentation. Currently, the administrative assistant is responsible for summarizing time and attendance punch detail changes based on numerous handwritten time change forms from each department. These cards list failure to clock on or out, overtime and compensatory time, leave usage, wage changes, licensing and longevity pay as common reasons for the changes. Upon examination, time calculation errors were found between the bi-weekly overtime sheets and the punch detail reports sent to the Auditor's Office for completion of payroll. The current system has inherent potential for errors in time-keeping as well as payroll processing which can be costly for the City and problematic for the employee. See the **financial systems** section for additional information.

Based on the current KRONOS system capabilities, punch detail reports should be printed at the end to which each bi-weekly payroll to document employee hours for each of the funds to which their duties relate. This practice is also referenced in the AOS Supplement to the Special Audit Report. A process for observing staff work time and

making time changes electronically would eliminate errors associated with handwritten time adjustments and is an appropriate duty of supervisors. According to national best practices, employee time and attendance adjustments should be adequately documented in writing and approved by a supervisor.

Employees use identification cards to swipe through a time-keeping device located at the entrance to their respective offices upon arrival and departure. Fire department staff use time sheets to manually record hours worked. The time sheets are submitted to the service/safety director's office for final approval.

The KRONOS system is capable of the following functions not currently used:

- Exception codes to identify unusual punches;
- A comment section for non-typical exceptions in employee attendance;
- Exceptions reports for reviewing time punch errors needing correction;
- Work schedule views of all employees including exempt employees; and
- Interface with Software Solutions payroll system used by the City Auditor's office.

Implementing the full capabilities of KRONOS, whether or not the City decides to outsource the payroll function, would reduce the time spent in data entry both in administrative services and the City Auditor's offices, provide enhanced supervisory oversight, and reduce paperwork and payroll errors. According to KRONOS, the cost to upgrade the current system used by the City of Jackson would be approximately \$3,500. The upgrade would include installation of software to provide an interface between KRONOS and SSI for completion of payroll processing.

### *Health Care and Other Fringe Benefits*

**R3.9 The City of Jackson should reduce health care costs by increasing the employee share of the health care premium for single and family coverage to 15 percent. The City should also encourage employees with alternative insurance options to use the opt-out clause in the negotiated agreement.**

City of Jackson employees currently pay 6 percent of health, dental, vision, and hearing insurance premium costs. The analysis in **Table 3-6** compares benefits between the health insurance plans at City of Jackson and the peer cities.



**Table 3-6: Key Medical Plan Benefits <sup>1</sup>**

	City of Jackson Anthem BC/BS	City of Belpre	City of Hillsboro	City of Upper Sandusky
<b>Employee’s share of premium</b>	Single: 6% Family: 6%	Single: 15% Family: 15%	Single: 10% Family: 10%	Single: 10% Family: 10%
<b>Office visits</b>	\$15 co-payment, then 100%	\$10 co-payment, then 100 %	\$15 co-payment, then 100%	90%
<b>Employee annual deductible</b>	Single: \$0 Family: \$50	Single: \$250 Family: \$500	None	Single: \$100 Family: \$200
<b>Out-of-pocket maximum</b>	\$500 (S) \$1,000 (F)	\$1,500 (S) \$2,000 (F)	\$500(S) \$1,000(F)	\$200 (S) \$400 (F)
<b>Prescription plan included</b>	Yes	Yes	Yes	Yes
<b>Prescription co-pay</b>	\$12 generic \$24 brand	Network Pharmacy (30 day supply): \$10 - \$30 Mail Order (90 day supply): \$20 - \$60	Network Pharmacy (30 day supply): \$10 - \$30 Mail Order (90 day supply): \$20 - \$60	Pharmacy: 90% Mail Order: 100% after \$10 co-pay
<b>Need to choose primary physician</b>	No	No	No	No
<b>Maternity</b>	100%	10% co-pay	100%	90%
<b>Well-child care</b>	N/A	N/A	N/A	0-9 year: 100%; \$500 max
<b>Inpatient hospital care</b>	100%	10% co-pay	100%	90%

Source: City of Jackson and peer cities’ health care insurance benefit books

<sup>1</sup> For all health care plans, information presented assumes the employee chooses an authorized provider within the network, if applicable.

Based on key medical benefits information in **Table 3-6**, the City of Jackson is comparable to the peers in terms of benefit coverage. However, an increase in the employee share of premium payments is appropriate to maintain current benefits and cover the rising cost of providing health care benefits to employees who elect coverage (see **Table 3-7**). Likewise, an increase in the employee share to 15 percent will not place undue burden on employees for health care coverage.

City employees currently pay 6 percent of the premium cost for family coverage under the Blue Cross and Blue Shield plan (combined plan for health, dental, and vision insurance). Employees who are under the single coverage also pay 6 percent of the premium cost. Equitably sharing health care premium costs at this level helps employees take a more active role in managing the use of their health care benefit and results in lower annual claims. The City currently has 19 employees enrolled under single coverage and 69 enrolled under family coverage.

**Table 3-7** compares the monthly medical insurance premiums at City of Jackson with the monthly medical insurance premiums at the peer cities.

**Table 3-7: Health Insurance Premium Comparisons**

City	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Employee+1 Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Jackson	Anthem BC/BS	\$321.01	\$20.73 <sup>1</sup>	N/A	N/A	\$796.70	\$51.62
Belpre <sup>2</sup>	Anthem BC/BS	\$514.80	\$77.22	N/A	N/A	\$514.80	\$77.22
Hillsboro	Anthem BC/BS	\$467.01	\$25.00	N/A	N/A	\$981.43	\$25.00
Upper Sandusky	BORMA <sup>3</sup>	Contract: \$275.00	\$27.50	\$440.00	\$44.00	\$660.00	\$66.00
		Non-Contract: \$303.30	\$30.33	\$484.80	\$48.48	\$757.50	\$75.75

Source: Documentation from City of Jackson and peer cities; 2001 SERB report on the Cost of Health Insurance in Ohio's Public Sector

<sup>1</sup> This payment represents 6 percent of the monthly health premium plus the dental, vision, and hearing premium.

<sup>2</sup> Monthly cost of insurance includes medical and dental premium at a rate of \$2.97 per hour per employee. Employee pays 15 percent share.

<sup>3</sup> Buckeye Ohio Risk Management Association is a self-insurance co-operative for medical and prescription insurance benefits.

Based on **Table 3-7**, it appears premium costs and employee contributions are an issue at the City of Jackson. Jackson employees currently pay 6 percent of the premium costs for combined insurance benefits, whereas employees of Belpre pay 15 percent. The City of Hillsboro recently switched benefits administrators and is still in the process of determining employee share. Until the process is finalized, Hillsboro employees are only required to pay a straight \$25 per month. Upper Sandusky employees pay 10 percent of the cost for health insurance benefits.

Eleven employees take the opt-out benefit of an additional \$.55 per hour in exchange for not enrolling for insurance benefits. This costs the City approximately \$1,100 per year per employee. In contrast, it costs the city an average of about \$6,700 annually per employee for health coverage. This amounts to a savings of approximately \$5,600 per year per employee who enrolls in the opt-out program. By encouraging employees to use this option, the City could achieve substantial savings on annual health benefit costs.

*Financial Implication:* Based on 2003 health benefit costs, if the City of Jackson raised the employee contribution from 6 percent to 15 percent for both single and family coverage, it could save approximately \$66,000 annually. Health care premiums are anticipated to increase at approximately 25 percent per year. Please see the **financial systems** section for information on how these increases will impact the City of Jackson.

### *Collective Bargaining Agreements and Contractual Issues*

**R3.10 In light of the City's financial status, Council or its legal representative should appeal to the union president and union representatives in an attempt to negotiate a memorandum of understanding to suspend select contract terms for a specified period until City finances become stabilized. Pursuant to ORC § 4117, labor**

agreements can be renegotiated during the contract period in order to address issues not contemplated by the parties at the time of ratification.

Furthermore, Council should look to standards outlined by legal staff within the Ohio Department of Administrative Services, Office of Collective Bargaining (OCB) to guide future negotiations. During the performance audit, certain contractual terms and employment issues were assessed and compared to peer districts and to state standards. Deviations from common contractual terms relating to wages and benefits in the City's contracts have a direct negative impact on the City of Jackson's operating budget. Council should make attempts to ensure that negotiators provide it with fiscal projections prior to the start of negotiations. Council should clarify with the mayor and contract negotiators what specific terms it will and will not ratify. Council should be fully informed as to the financial effects of contract terms prior to the start of negotiations.

The current AFSCME contract was approved by Council on August 13, 2001 by ordinance #69-01 after being declared an emergency, and was later signed by the Mayor on August 20, 2001. In fact, there was no emergency and ORC § 4117.10(B), provides the legislative body with 30 days to reject or approve in whole the submission of any labor agreement. Council should take advantage of this lawful opportunity to discuss and/or scrutinize negotiated agreements and assess of their potential impact on employees, citizens, and the City.

**Table 3-8** illustrates key contractual issues in the negotiated agreements or applicable policies and procedures compared to standards of the Office of Collective Bargaining within the Ohio Department of Administrative Services.

**Table 3-8: Comparison of Contractual Provisions to OCB Standards**

	City of Jackson	OCB Standard	Financial Implication
<b>Actual time worked per day</b>	7.5 hours per day	8 hours per day	\$119,000 per year <sup>1</sup>
<b>Sick Leave Accrual</b>	4.6 hours for every 80 hours worked	3.1 hours of sick leave for every 80 in active pay status, excluding overtime hours, not to exceed 80 hours in one year	\$64,350 per year <sup>2</sup>
<b>Max. # of sick days paid out at retirement</b>	Upon retirement, an employee must have at least 2 years of service to receive cash pay-out of all (100%) of accumulated sick leave.	An employee with a minimum of 5 years of state service with the State of Ohio who terminates state service or retires, shall convert to cash any sick leave accrued at the employee's regular rate of pay earned at the time of separation within three years of separation at the rate of 55% for retirement separation and 50% for all other separations.	\$259,390 (approximately 2,494 days)
<b>Vacation time accumulation</b>	1-3 years: 10 days or 80 hours 4-5 years: 15 days or 120 hours 6-10 years: 20 days or 160 hours 11-20 years: 25 days or 200 hours 21+ years: 30 days or 240 hours	1-5 years: 80 hours 5-10 years: 120 hours 10-15 years: 160 hours 15-20 years: 180 hours 20-25 years: 200 hours 25+ years: 240 hours	\$43,000 per year <sup>3</sup>
<b>Number of Holidays</b>	13 days per year (one of which is employee birthday)	10 days per year	\$38,610 per year <sup>4</sup>
<b>Minimum Call-In Hours Paid</b>	Minimum 4 hours of pay at appropriate overtime rate.	Minimum of 4 hours at the straight time regular rate of pay or actual hours worked at the overtime rate, whichever is greater providing such time does not abut the employee's regular shift. Call-back pay at straight time is excluded from overtime calculation.	The City could save approximately \$24.00 per call-in if it paid the straight rate instead of overtime rates <sup>2</sup>
<b>Stand-by Pay</b>	Employees shall be compensated for stand-by status at a rate of 8 hours per week at regular pay. Employees will receive a minimum of 1 hour at one and one-half rate for each call out.	An employee entitled to stand-by pay shall receive 25% of his/her base rate of pay for each hour he/she is in stand-by status	\$21,280 per year
<b>Leave exchange</b>	With 5 + years of service, employees with accumulated sick leave in excess of 480 hours may exchange up to 120 hours to vacation leave per year; employees with over 1,000 hours of sick leave shall receive a separate payroll check for payment of all hours over 1,000 the second week of November upon request.	None	\$32,370 per year
<b>Pay Supplements</b>	The City shall pay for any approved license, employee shall receive an additional \$.40 per hour per license or approved Ohio certification.	None	Cost could not be calculated
<b>Miscellaneous</b>	The City shall reimburse employees up to \$300 per year for tool allowance.	None	\$1,200 per year
<b>Total Cost</b>	n/a	n/a	\$577,529

Source: City of Jackson Collective Bargaining Agreements; DAS Office of Collective Bargaining, Legal Division

<sup>1</sup> Calculation based on half hour paid lunch at an average rate of \$12.50 per hour plus 32 percent benefits for 100 FTEs.

<sup>2</sup> Accumulation rate is 1.5 additional hours per pay period per employee. Total cost to City per year is based on average rate of \$12.50 per hour plus 32 percent benefits for 100 FTEs.

<sup>3</sup> Based on an average salary of \$25,000 per year plus 32 percent benefits; shows additional cost to the City per year (\$33,000)

<sup>4</sup> Based on an average salary of \$25,000 per year plus 32 percent benefits; shows additional cost to the City per year (\$33,000)

While some of the contract terms appear not to be excessive, the gradual cost to the City over time has, and will continue to have, a severely negative impact on the City's financial condition. The financial implication of this table is nearly equivalent to 11 FTEs of salary and benefits. Council or its representative should attempt to enter into memoranda of understanding regarding the following items:

- Vacation accrual;
- Sick leave pay out;
- Sick leave accrual;
- Holidays paid;
- Sick leave exchange; and
- Stand-by pay and call-in time.

As seen in **Table 3-8**, the City's rate of accrual for vacation is higher than the state standard. This can be a significant burden to the City's financial viability and therefore, should be reviewed during the next round of contract negotiations. Likewise, the City should look into re-negotiating policies on sick leave pay out and accrual to be in line with ORC standards. In addition, the financial impact of sick leave accrual is significant. The City should further consider negotiating other benefits to employees such as a one-time sick leave incentive per year or per quarter in order to avoid the current financial commitment required to uphold the current contract terms regarding sick leave. The City of Belpre, for example, offers a \$50 bonus pay per quarter for unused sick time. Another option would be to offer one annual incentive bonus prior to the holidays. This is a way that employees can be recognized for their dedication that provides a financially viable cost avoidance. The City may want to consider using a bank or leave share option. The City could also encourage use of PERS disability provision for those using extended sick leave. This avoids City employees being able to accrue unlimited sick leave leading to enormous potential financial liability to the City. The City should consult a professional benefits administrator to research and review the cost to implement a long-term disability option.

Employees on stand-by should be compensated at a rate of 25 percent of regular pay while on stand by. When actually called in, the employee should be compensated for a minimum of two hours, rather than four hours, at the overtime rate of one and one-half times the regular pay, assuming the employee is already working a regular work week.

The following represent secondary contractual issues that should be addressed at a future date after those previously discussed:

- Pay supplements;
- Miscellaneous tool purchases;

- Actual hours worked (paid lunch); and
- Lengths of bereavement leave when travel is required.

The City has the ability to reach out to the union representatives and attempt to renegotiate certain contract terms due to the City's financial difficulties. It is difficult to "roll back" wage and benefit packages once in place. However some of the contract terms are out of line with similar size cities and agencies and have substantial negative impact on the City's solvency. These issues should be discussed with employees and the union. Members can agree to any combination of a number of different contract options during the time the City remains financially unstable. Members may agree to forego longevity pay, one half hour paid lunch, and other non-essential benefits. The State unions have agreed to increase health care premiums and zero wage increases for FYs 2003-04 and 2004-05 due to the State's budget woes. The cumulative sharing and sacrifice of all employees will help the City recover more quickly and will encourage more creative options in future union negotiations.

*Financial Implication:* If the City were able to reopen contract negotiations and successfully negotiate costly items out of its union agreements, it could save up to \$577,000.

**R3.11 City Council should consider rescinding the early retirement incentive (ERI) issue or reducing the number of years covered by the ERI benefit plan from five years to one year because the City is unable to afford the current ERI terms. Council should delay consideration of another ERI until the City achieves a more stable fiscal status or at least until the end of the current forecast period. Also, the City of Jackson should conduct a thorough study to assess the costs and benefits of the ERI before offering future incentives.**

In May 2001, Council passed (Ordinance #11-01) a five-year ERI buy out plan for employees of the City of Jackson. The service/safety director and deputy auditor have since retired and are recipients of the 5-year buy out benefit under the ERI terms. The City has also since rehired the service/safety director. The City should not rehire retirees that are already taking advantage of the ERI as this practice defeats the goal and purpose of the offering of a retirement incentive. Before considering approval of ERI's in the future, the City should conduct a thorough analysis of the cost versus benefit of the plan. The City could reduce cost in the following ways:

- Reduce the number of years covered by the ERI
- Reduce the percentage of eligible employees.

In addition, a greater level of financial certainty could be achieved if the City included a "financial feasibility review" to the process. The review should indicate whether it is

financially feasible to implement an ERI. The importance of the review is illustrated by the fact that while in fiscal caution or emergency, the City must incur additional costs, excluding interest, to fund the ERI.

### *Hiring and Selection*

**R3.12 The City of Jackson should establish and adhere to performance standards for hiring and selecting employees that are in line with best practices. Standards should include prompt referral of qualified applicants to hiring departments and baselines for forwarding applications to the appropriate personnel.**

The City of Jackson does not appropriately recruit to fill positions in order to adequately support City operations. For example, the position of assistant service/safety director, which was filled by the city engineer in 1998, was rescinded effective July 12, 2002. On March 7, 2003 the Mayor appointed the City's executive assistant to the position of assistant service/safety director until further notice. An appropriate search for a qualified assistant service/safety director was not conducted.

Article 4 of the AFSCME contract addresses management rights of the City, including the right to hire employees, and further states, "Reorganization, discontinuation or enlargement of any department or division shall be under the discretion of the respective department head or service department." However, Council must first approve the hiring of any position. Based on section one of Article 12, if a newly added position is included in the bargaining unit (or a current job is substantially changed), the wage rate will be determined by City Council.

All vacant union positions that the City intends to fill are posted in a conspicuous manner throughout the City in accordance with Article 15 of the AFSCME contract. Vacancy notices list the deadline for application, pay, class title, and working hours or shift. Specific knowledge and skill requirements and duties for the position are also listed. The posting remains for 10 working days. Interested employees must file a timely application during the 10-day period and may do so regardless of seniority. If an employee revokes his bid or does not work beyond 20 work days in the new position, the job shall be filled by the next senior person who bid.

According to Section 5 of Article 15 of the AFSCME agreement regarding employee selection,

"The City shall review the bids of the applicants. Interviews may be scheduled at the discretion of the City. The job shall be awarded within two (2) weeks from the end of the posting period (unless the bid goes to the outside). If the employer cannot fill the position within two (2) weeks, it shall meet with the union to explain why it needs additional time. The job shall be awarded to

the qualified employee with the most departmental seniority unless the City can show a junior employee is demonstrably superior to the senior employee.”

Outside applicants are considered if there is no interest expressed internally or if specific qualifications are not met by internal applicants.

According to *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards*, some cities have decentralized the duties associated with hiring and selection, allowing department heads to handle most of the process. Others have centralized personnel departments to handle these duties. Best practice organizations provide prompt referral of qualified applicants to hiring departments. Otherwise, delays in the process may lead to the loss of top candidates, who decide not to wait and instead accept offers from more timely employers. Most cities strive to secure five or more qualified applicants for at least 90 percent of their vacancies as a hiring standard. Some establish local standards for promptness in conducting qualifying examinations. Dayton, Ohio, for example, tries to schedule at least 80 percent of all employment tests within 120 days from the request date.

Guidelines also state it is reasonable to expect applications be forwarded to the hiring department within a few days. When an eligibility list is required, periods ranging from five weeks to three months are not uncommon, due primarily to the testing process. For example, the City of Oak Ridge, Tennessee expects to proceed from the application deadline to selection in three months for managerial positions, two months for public safety employees, and one month for all other positions.

While it may be appropriate to set different time frames for hiring certain positions, the City should establish an appropriate baseline standard from which to proceed with recruitment, hiring and selection for non-contract positions. When positions are not filled internally, the City should begin by using a standard of recruiting on a statewide basis and should strive to achieve a pool of at least five candidates. The City should list vacancies externally for 30 days and then seek to interview all candidates within 30 days of the close of the posting. Finally, the City should seek to ensure that new hires start within 90 days of the original posting date.

## *Training*

**R3.13 Upon achievement of a stable financial condition, the City of Jackson should implement a basic training policy to ensure that employees are receiving appropriate instruction in order to succeed in their jobs. The policy should include proper tracking of various training or certification requirements which could be tracked and updated in a human resources software module.**



The City of Jackson does not have a written policy to address training nor does it have a formal training budget. Also, there is currently no system in place for tracking training needs. According to the American Society for Training and Development (ASTD) and Developmental Dimensions International (DDI), as reported in their State of the Industry Report for 2003, training budgets should be approximately 1.9 percent of total expenditures. The average number of annual training hours for training-eligible employees is 29.3 hours. Based on an estimated cost of \$165 (including hand-out materials and lunch) per 8-hour training seminar, the cost for a training-eligible employee to attend three seminars over one year's time is approximately \$495. Results and comments from the internal employee survey indicate the need for training in the following priority areas:

- Civility;
- Budgetary processes; and
- Interpersonal communications.

Investing in ongoing training for employees is important to maintain or increase skill levels, job satisfaction, and proficiency. Furthermore, department heads accountable for reviewing updated training information could schedule only qualified and trained employees when stand-by status is necessary in order to avoid double scheduling. (See **R7.9** in the **electric section** for further information.) The City should assess the cost to implement appropriate training practices but should not proceed with implementation until it has achieved stable financial status. Once the City is prepared to implement training, it should expect a cost approximately \$55,000 if the City follows the 1.9 percent ASTD guideline.

### *Technology Use*

**R3.14 The City should restructure the existing technology committee as a Technology Steering Committee to centralize the needs assessment and decision-making process for procurement and subsequent management of computer hardware and software. Individual departments and buildings should not make technology decisions independently.**

The City does not have an integrated computer network. Only a few employees use stand-alone computers. To date, the City has not allocated the resources necessary to develop its technology infrastructure. The City has a functioning technology committee, comprised of members appointed by the Mayor. The committee meets twice per month and generally discusses viruses, passwords, new computer acquisition, and other issues. The committee does not, at this time, do any planning for future city-wide technology needs.

In an effort to enhance interdepartmental communications and technological functioning, the City should ensure the new Technology Steering Committee is comprised of a representative group of internal and external members. The City should recruit individuals with computer skills from various sources including the community. The Technology Steering Committee should concentrate on identifying future informational needs and assessing the extent to which the current technology system addresses those needs. Centralization of these functions through the Technology Committee would enable the City to manage its technical resources and assets in an efficient manner. In order to achieve more advanced technology, the City should also consider the following actions:

- Submit a request for proposal to contract establishment of a network between city offices to allow enhanced communications through email correspondence, file transfers, and department head access to human resources information and employee time records.
- Centrally manage computer hardware repair and track hardware warranties through the Technology Steering Committee.
- Perform annual physical inventories of the hardware and software licenses to ensure software is still on the assigned hardware and that unauthorized software is not being used within the City.
- Seek grants or other additional funding to implement technology needs, thereby reducing the need to tap into operating funds. (Examples of such grants are listed in the *Catalogue of Federal Domestic Assistance* and the *AOS Grant Source*.)
- Develop and enforce an Internet use policy and require all employees having Internet access to read and sign the agreement.

Based on the methodology outlined in *Government Finance Review* for conducting needs assessments for technology investment decisions, responsibilities for the Technology Committee should include the following:

- Setting expectations for technology system performance in the short and long term;
- Evaluating and reviewing current technology deficiencies through input from all staffing levels;

- Identifying alternatives based on peer practices, publications or seminars that address specific needs;
- Establishing options and presenting recommendations in a draft proposal to administration and council;
- Designing a procurement strategy for selection and implementation of technology; and
- Researching and recommending technical training based on end-user requirements and skills.

The needs assessment approach is particularly valuable to organizations that lack consensus about how and when to proceed with technology upgrade or replacement issues. Therefore, it is a good starting point for the City of Jackson to plan for future technology need which may serve as a framework for decision-making. By identifying future technology needs and planning for the resources to secure these, the City can strive to better and more efficiently serve its citizens.

## Financial Implications Summary

The following table is a summary of estimated annual cost savings and implementation costs from the above recommendations. The City of Jackson should consider reallocating a portion of the **Estimated Annual Cost Savings** to cover the **Estimated Annual Implementation Costs**. The financial implications are divided into two groups: those that are, and those that are not subject to negotiations. Implementation of those recommendations subject to negotiations would require an agreement of the affected bargaining units.

### Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Estimated Annual Cost
<b>R3.7</b> Outsource the payroll functions.		\$22,000
Additional annual cost for HR Module		\$2,900
<b>R3.7</b> Reduction in KRONOS Support	\$4,000	
<b>Totals</b>	<b>\$4,000</b>	<b>\$24,900</b>

### Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Estimated Cumulative Cost Savings
<b>R3.6</b> Negotiate a 1percent pay increase for 2003-2004, and a 2 percent increase for 2005-2007.		\$465,000
<b>R3.9</b> Increase the employee share of health coverage to 15 percent.	\$66,000	
<b>R3.10</b> Eliminate non-standard provisions from the negotiated agreements.	\$577,000	
<b>Total</b>	<b>\$643,000</b>	<b>\$465,000</b>

# Administrative Operations

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## Introduction

This section of the performance audit focuses on the City of Jackson (the City) administrative operations including: the Mayor's office and the service/safety director's office (section A), the purchasing function (section B), utility billing (section C), and community development (section D).

The following areas were assessed but yielded no recommendations:

- **Mayor's outside involvement in organizations:** The Mayor actively participates in outside organizations and is on several statewide committees.
- **Utility billing procedures:** All City utility bills are consolidated into one bill and the billing process is efficient and effective.
- **Delinquent utility accounts:** The City's delinquent accounts process is outlined in the utility billing manual. The City follows its procedures, notifies delinquent customers, and turns delinquent accounts over to a collection agency. After two years, the accounts are generally written off following approval from the service/safety director.
- **Utility billing relationships with other City departments:** The utility billing office has appropriate relationships with the auditor and service/safety director, which is where most interaction occurs. The office collects work order requests for water/wastewater and electric and passes these to the appropriate department for resolution.

## **A. Mayor and Service/Safety Director**

### **Background**

The Mayor of the City of Jackson is elected to a four-year term and appoints the service/safety director to oversee the day-to-day operations of the City. All department heads, except other elected officials, are appointed by the Mayor and report directly to the service/safety director.

The Mayor is one of the officers in the City with executive power as outlined in the Ohio Revised Code (ORC). The president of council, auditor, treasurer, director of law, director of public service, and director of public safety also have executive powers in the City.

The Mayor and service/safety director share administrative staff. The administrative support staff in the Mayor and service/safety director's office totals 3 FTEs, including an executive assistant and two administrative assistants. In addition to support staff, the janitor and purchase order clerk fall under the organizational structure of the service/safety director's office. The administrative assistant, administrative secretary, janitor, and purchase order clerk are under the direct supervision of the executive assistant. All department heads and contract employees (community development and city engineer) report to the service/safety director. Other departments' functions, except those of the city engineer, are assessed in the respective sections of the report.

## Recommendations

**R4.1 The City of Jackson should invest in formal training for City Council and the Mayor. Training should include: effective communication, fostering better working relationships, responsibilities of elected officials, and governmental finance. In addition, the Mayor should endeavor to attend all Council meetings and should actively participate in these meetings.**

The Mayor and other city elected officials do not effectively interact on a regular basis. The communication of issues between elected officials has deteriorated over the last year. For example, the Mayor has not regularly attended Council meetings including the Council meeting to give the State of the City address. According to the Mayor, communication and working relationships have deteriorated due to a difference of opinions on the Special Audit from the Auditor of State's Office, as well as the job duties of specific elected officials (outlined in Chapter 7 of the ORC). The Mayor reports that he does not attend Council meetings because he is not placed on the agenda.

ORC §733.06 places the legislative power of the City with Council and the executive power with the mayor, president of council, auditor, treasurer, director of law, director of public service, and director of public safety. In order for a city to operate, all elected officials must understand their appropriate roles and communicate effectively with other officials in the City.

The January 2002 edition of *Executive Excellence* states that the primary foundation of a productive workplace is strong relationships. When the quality of the work environment declines, productivity, teamwork, and creativity also suffer. More specifically, ORC §733.06 states that the mayor, directors and officers should attend meetings of Council when requested. It also states, "the mayor shall make such recommendations, in writing, to the legislative authority for the welfare of the City as seem wise to him."

Municipal training programs are offered by a number of organizations. Training programs could help the mayor and Council improve communication and better manage relationships between the legislative and executive functions of the City. The Auditor of State offers a general on-line training to local government officials that is based on the Government Finance Officers Association's (GFOA) Elected Officials Guide series. The cost of the on-line training is \$65 per person. Extensive training is also available from the Ohio Municipal League (OML). The cost of this training is \$85 per person. This training covers issues such as:

- General powers of municipalities and officers;
- Fiscal management;

- Public personnel management;
- Ethics; and,
- Networking and communications.

OML offers additional publications that would also be beneficial to the City. These publications range in price from \$10 to \$25 per issue. The publications cover a number of topics including *Municipal Government in Ohio*, which is an explanation of the powers and duties of municipal officials, organization of municipalities, and municipal finance.

The absence of effective communication and a working relationship between the Mayor's office and other elected officials in the City has caused a breakdown of City governance. When the Mayor does not attend Council meetings, he is unable to address concerns of Council and effectively communicate with other elected officials about issues and concerns of the City. In addition, when the Mayor is not available to answer questions from council members, the Council may not have sufficient information to make informed decisions affecting City governance. Moreover, the law contemplates that interaction between Council, the Mayor and other City officials is one of understanding and grounded in a spirit of cooperation so that the citizenry can be ensured of good governance and effective City operations. Uncooperative actions between the Council, Mayor, and City Auditor have not allowed the City Auditor to perform his statutory duties by managing the financial records of the City. (Refer to **financial systems** for detailed discussion.) The current environment impacts the ability of the Mayor's office and City Council to provide economical and efficient government services to the citizens of Jackson. Improving relationships between elected officials and the executive and legislative branch will enable Jackson to agree on the current needs of the City and its future direction, and facilitate decision making to improve the efficiency of the City government.

*Financial Implication:* The cost of providing OML training for the president of council, mayor, and service/safety director is approximately \$255. It would cost approximately \$455 for all seven Council members to participate in the GFOA on-line training. In addition, the cost of recommended OML municipal publications is approximately \$60. The actual cost to the City would depend on the type of training selected and the number of elected officials that participate.

**R4.2 The City of Jackson should develop mission, vision, and value statements. These statements should be developed by a representative group including City residents, business owners, and City staff and management, to ensure adequate inclusion of stakeholder input.**

The City of Jackson does not have a mission or vision statement. The absence of formalized mission, vision, and value statements may result in ineffective communication



of the purpose and function of the City to the public. By formalizing and communicating the mission and vision of the City to employees and the citizens, the City will be better able to improve both employee and community morale and begin addressing the negative thoughts of the citizens. These statements provide a brief description of the direction the City is headed.

The Society for Human Resource Management (SHRM) recommends that the mission, vision, and value statements reflect the purpose, intent, and core principles of an organization. Additionally, this information should be stated at the beginning of the employee handbook. These statements can guide behavior, strategic planning, and implementation by providing both internal and external organizational direction.

According to the American Public Works Association (APWA), an agency's value statement establishes the core values that assist in fulfilling its mission. This statement answers the questions of what culture the leadership of the agency wants to create and how all employees are to act. Formalized statements would help to ensure effective communication and a common direction toward the same goals. By taking a proactive role in the development of initiatives, the City would be able to provide better direction and oversight of City operations.

**R4.3 The City of Jackson should develop and implement a strategic plan. City officials, employees, citizens, and businesses should participate in the strategic planning process and input from all participants should be considered. The plan should contain a vision and mission statement, values, goals, and objectives, as well as performance measures, and action plans. All current or potential projects and issues should be identified and prioritized.**

**Planning participants should determine how the goals will be achieved by establishing key elements such as proposed funding sources, timelines for accomplishments, and the responsibility for implementation, monitoring and maintenance of the plan. When the strategic plan is developed and adopted, it should provide a framework for the development of department operational plans. Furthermore, the strategic plan should be updated annually and communicated to the community and City employees.**

The City does not have a process to formally define, prioritize, and report long-term and/or annual goals, objectives, and strategies for the City as a whole and for each department. The City has not identified a need for, nor sought guidance in preparing, such a plan. The City of Jackson also does not have any specific programs or initiatives.

Without a planning process, it is difficult to ascertain whether departments are meeting customer needs. Furthermore, it is difficult for the City to make appropriate allocation

changes since it is unable to evaluate the performance of departments or programs within the City as there is no baseline against which performance can be measured. The City cannot accurately determine the impact of a resource allocation or change without information on baselines or the expected outputs and outcomes of each department.

A strategic plan can assist City officials in identifying key issues and enable government to devote resources and time to achieve the goals and provide community services. The International City Managers Association (ICMA) states that strategic planning is essential for directing limited resources in smaller communities. Planning enables an organization to do the following:

- Prepare for contingencies that could prevent it from attaining its goals;
- Prepare a framework for the organization's growth and progress; and
- Create a strategy for the allocation of resources in a manner that allows the organization to meet its goals.

A strategic plan is a practical, action-oriented guide, based on the examination of internal and external factors that direct goal-setting and resource allocation to achieve meaningful results. Unlike long-range planning, strategic planning relies heavily on identifying and resolving issues.

A strategic plan, while important in establishing a city's overall mission, is difficult to implement over time and across administrations without the input and support of essential stakeholders. Therefore, it is important that any strategic planning process include a formal process of citizen engagement to define, prioritize, and report long-term goals and objectives. Effective strategic plans incorporate a broad base of representatives from the business, labor, education, art, entertainment, nonprofit, and faith-based communities. The State of California, Department of Finance provided strategic planning guidelines to all agencies to assist in the planning process. The State of California states that the strategic planning process helps to answer four basic questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?
4. How do we measure our progress?

The State of California also recommends that strategic plans:

- Be flexible;
- Be inclusive of all stakeholders;
- Be clear as to responsibilities and timelines;

- Be realistic about goals, objectives, resources and outcomes; and
- Ensure accountability for results.

Strategic planning also guides the budget process. It establishes and affords management an opportunity to reevaluate existing allocations of funds. Agencies can develop strategies and action plans that detail what will be accomplished to achieve strategic planning goals and objectives each year. These action plans, together with performance measures, provide the strongest links between the operating and capital outlay budgets. Including these features in Jackson's strategic plan will help ensure the success of the City's strategic plan.

A strategic plan would enable the City, citizens and businesses to know what direction the City is going. A plan would also help identify key issues and provide planning opportunities in addition to measuring performance. Without a strategic plan to outline these programs, it is difficult to gain the support of residents and local businesses. Likewise, the absence of a plan makes it difficult for all City officials to have unified goals. The development of a Strategic plan will act as a stepping stone for the Mayor to identify initiatives to be supported through his office.

**R4.4 The City should invest in a citizen survey to help identify key services, programs and needs for the City. In addition, the City should begin tracking citizen complaints and calls. The results of the survey should be included in the strategic planning process to ensure the City is meeting the needs of its citizens.**

The City does not seek citizen involvement in several facets of City governance. Citizen involvement in Council meetings is low. In addition, the City does not formally track citizen complaints or comments. City administrators may speak at various civic organizations when requested, but do not actively seek to promote City issues. Beyond an open door policy and the local newspapers reporting City business, the citizens of Jackson are relatively uninformed of the issues and challenges facing the City.

The City also lacks a process in place to determine the needs and concerns of the citizens. The Mayor stated that complaints come into his office and he addresses those concerns as they are reported, but City staff does not track the type or number of complaints or the resolutions. The Mayor indicated that because the City is small and he has an open door policy, such tracking is not needed.

ICMA recommends holding focus groups, or conducting telephone or mail surveys to increase citizen participation in local government. It is essential that the City inform citizens of the challenges and issues confronting it and seek their opinions. The cost involved in encouraging citizen participation is an investment in the future success of

government. A survey provides the quickest, least expensive and most accurate way to gather public opinion.

ICMA provides three rules for conducting good citizen surveys.

- Maximize the representativeness of the sample and give all residents a chance to participate.
- Compare your results with results from similar communities.
- Enlist a team to review the results and recommend the next steps.

Survey results can be brought into discussions with City officials when discussing strategic planning initiatives and can be used to monitor results of tracking the quality of service delivery. By monitoring results in combination with citizen input, cities can reallocate resources where most needed.

A citizen survey would help the City administration identify the concerns of citizens and provide a forum in which to address these concerns. If survey responses indicate a need for programs in a specific area, then the City administration can work with stakeholders to identify the most economic and efficient ways to meet citizens' needs. Without a clear understanding of the expectations of its citizens, the City may not meet resident expectations or may provide unneeded or undesired services.

**R4.5 The Mayor should become more involved in the day-to-day operations of the City. This includes, but is not limited to, identifying issues and concerns in the community and developing initiatives and programs designed to address them. This should be done in combination with the strategic plan (see R4.3) and a citizen survey (see R4.4) Beyond developing programs and initiatives, the Mayor should ensure appropriate management of the departments under his control.**

The Mayor has provided the service/safety director with the authority to oversee the City's day-to-day operations. Monthly staff meetings, which the Mayor attends, are held with all department heads to discuss major initiatives and projects. However, the Mayor stated that one of his primary job responsibilities is managing crises. He did not refer to specific programs or initiatives that are initiated or supported by the Mayor's office.

By delegating the essential planning and City management to the service/safety director and not taking an active role in planning and assessing needs of the City, the Mayor may be addressing problems reactively instead of taking a proactive approach to governance. In order to effectively and efficiently deliver services to citizens, the Mayor should be directly involved in managing day-to-day operations.

Studies of organizational behavior and organizational effectiveness indicate that effective management requires a proactive approach to problem solving. Proactive problem solving and management require active involvement in the decision making processes of an organization. Abdication of decision making authority reduces coordination and adherence to current and planned initiatives and minimizes the effectiveness of an entity. Active involvement in City business by the Mayor, including assisting and overseeing departmental managers, is critical to ensure the City's financial recovery. Likewise, communication and coordination between the efforts of the Mayor and Council is necessary to improve efficiency and effectiveness within City government. By working more closely with the service/safety director, department heads and Council, the Mayor should be able to bridge communication gaps and begin providing greater direction to City services.

**R4.6 The City should develop a web site that includes essential City information. In addition, the City should enhance its overall use of technology by providing email accounts and Internet access to City officials. The City technology committee, recommended in the human resource section (See R3.14), should be involved in developing and coordinating the implementation of the web site. The committee should investigate if the local school district or nearby colleges have students who could create and maintain such technology.**

The City has not developed a web site. The primary means of communication with the public is through the local newspapers and the local cable access channel.

According to the Center for Technology in Government, University of Albany (CTG), e-government holds potential for improving the way government works. CTG defines e-government as the use of information technology to support government operations, engage citizens, and provide government services. There are four dimensions within e-government. E-services are the electronic delivery of information, programs, and some services over the internet. E-management is the use of technology to improve the management of government by streamlining business processes to improve information flow. E-democracy is the use of electronic communication, such as email and the Internet, to increase citizen participation. E-commerce is the exchange of money for goods and services over the Internet, such as paying utility bills and vehicle registration.

Investing in e-government takes time to plan and implement and some cost for set-up and maintenance. However, there are many benefits to its implementation. Using email internally can help departments within the City keep up-to-date on what is going on with various projects. The Internet can help local governments provide better customer service by providing self-service access to information about the city, even when government offices are not open. Electronic information also provides a way to attract

new residents and businesses looking for a progressive and forward-thinking community. Finally, e-government provides a medium for promoting government work.

CTG indicates the starting place for smaller local governments moving toward the e-government initiative is e-services. Although some local government web sites include a wide range of information, many start with posting general information such as descriptions of government departments and officials, contact information, calendars of events, meeting minutes, local ordinances, public safety information, special announcements, and historical information. Once an entity is comfortable with posting information, it may move toward more interactive activities such as printing forms, submitting forms on-line, searching codes, and meeting minutes. Citizen participation can be increased by posting agendas for upcoming meetings. This provides citizens an opportunity to identify key issues in the City and attend the meetings when a subject of interest to them is being discussed.

The Cities of Belpre, Hillsboro, and Upper Sandusky all have web sites. While the information contained on each varies, it provides a place to look for basic information about the city. Examples of information included on web sites include the following:

- Names and contact information for elected and other key city officials;
- Hours of operation;
- Downloadable city permits;
- Photos of city events, buildings and landmarks;
- City history;
- List of community resources, such as, radio and television stations and local newspapers;
- Recreation activities; and
- Listing of various fees in the city, such as, utility and garbage.

As technology continues to advance, cities can benefit from using Internet and e-government capacities to broaden public communication and participation. By having a web site, the City would be able to reach businesses outside the area. In addition, citizens would be able to access pertinent information in a more accessible format.

In addition, email provides an easy form of communication for businesses and citizens of the community. By providing City officials with email accounts, the City opens additional doors of communication with cities of similar size. Use of email could also foster internal communication by providing a much needed link between City departments. A move toward e-government should be included in the City's strategic planning process (see **R4.3**).

**R4.7 The City should reduce staffing levels in the Mayor and service/safety director's office from three to one support staff member. The Mayor and service/safety director should share one administrative assistant whose job functions would include general office duties such as correspondence, customer service, human resource functions, and tracking and coordinating training for City employees. Human resource duties would include benefits and new hires paperwork. This position would also maintain the human resource administration module of the time and attendance system recommended in the human resource section of the report as part of contracting out the TAS functions. Under the revised staffing levels, the administrative assistant would not have supervisory duties and should be compensated accordingly.**

The service/safety director is the only City employee reporting directly to the Mayor. The service/safety director has a total of five FTEs in his office in addition to all department heads who report directly to him. The executive assistant reports directly to the service/safety director and also supervises four FTEs (administrative assistant, administrative secretary, purchase order clerk and janitor) under the current organizational structure. The executive assistant, administrative assistant and administrative secretary all have similar job duties which include answering telephones, typing correspondence, taking applications and scheduling of the Jisco Lake recreation area and the auditorium, and accepting building permits. In addition to assisting in the Mayor and service/safety director's office, the administrative support staff assists department heads as needed with administrative functions. (See **R4.12** for a detailed description of the purchase order clerk.) The administrative assistant spends approximately 40 percent of her time on the time and attendance function for the City. Based on **R3.7** in the **human resources** section of this report, this function should be outsourced to a payroll/time and attendance vendor which would eliminate the need for such a position. All other job duties have been duplicated in each of the administrative assistant positions. However, human resource functions such as processing new hire and benefit information would still need to be completed. Therefore, the administrative assistant should be responsible for these functions regardless of whether the TAS functions are contracted out.

Peer cities have an average of 1 FTE in the City administration offices and have similar job duties and responsibilities. The City has not evaluated staffing level needs or placement of essential functions, and therefore, has not been able to determine the appropriate staffing levels and allocation of job duties. The current organizational structure in the administrative offices is inefficient. A consolidation of administrative functions in conjunction with updated time and attendance and human resource functions will provide the City with better use of resources while reducing costs and duplication of duties. A reorganization and reduction in staff will allow the District to continue providing services in a more cost efficient manner.

*Financial Implication:* The minimum cost savings in wages and benefits to the City by reducing staffing levels in administrative support by two FTEs is \$74,259. The City would also recognize a cost savings by reducing or downgrading the top paying administrative position, the executive assistant, to a level commensurate with her amended job duties. Please refer to **R3.7** in the **human resources** section of this report for more information on costs and savings for outsourcing TAS functions.

**R4.8 The City should discontinue funding the janitor position in the City building and contract out cleaning services in a manner similar to the City annex building.**

The City has a janitor assigned to the City municipal building. His primary responsibilities are to maintain and clean the municipal building and grounds. In addition to custodial duties, he unlocks the building in the morning. The cleaning of the City annex building is contracted out to a private vendor. This vendor charges \$2,500 a month (\$30,000 annually) for both cleaning and all supplies (including paper towels, trash bags, toilet paper, and cleaning supplies). The City paid the janitor \$36,000 in 2002 of which \$4,300 was in overtime. With benefits and overtime payroll costs, the expense for the City to employ a full-time janitor to maintain only the City municipal building is approximately \$46,565 annually. In addition to the salary and benefits, the City spent approximately \$1,100 on supplies for the City building. The vendor providing services for the City annex indicated that the City building could be cleaned at an approximate cost of \$2,800 a month (\$33,600 annually). The police department could assume responsibility for unlocking the doors in the morning and ensuring the building is secure at the end of the workday. In addition, the police department could unlock and secure the building for special events.

*Financial Implication:* The City would realize an annual cost savings of approximately \$14,000 annually for salary, benefits, and supplies by contracting out the cleaning of the City building.

**R4.9 The City of Jackson should replace the locks in all its buildings. Keys for each building should be tightly controlled. They should only be provided to certain staff members and each key should be marked with a “do not duplicate” stamp.**

**In addition, the City should not provide a key to the City building to citizens who rent the gymnasium facility. Rather, a City employee should unlock the facility and ensure that it is secured at the end of the event. Once the City has replaced locks in the building, keys to the facility should be restricted and tracked to increase security and limit unauthorized building access.**

The City has provided keys to residents who rent out the gymnasium facility. While the City policy is to hand out the keys to the auditorium when individuals rent, there is no



accounting of how many old keys citizens or previous employees have. The City also does not change the locks when administration or key personnel change. By not changing the locks, the City building, the security of staff, and access to City files and records is at risk.

The General Accounting Office's (GAO) report on *Standards for Internal Control in Federal Government* states that control activities are just one of the components of essential internal controls for government. Control activities are the policies, procedures, techniques, and mechanisms that enforce management objectives. This includes physical control over assets including cash, inventory, and equipment that may be vulnerable to loss or unauthorized use. To ensure an effective internal control climate, City records and equipment must be safeguarded and protected from the risk of loss or unauthorized use. To ensure physical internal control of records and files, as well as basic security of staff, the City should periodically change City locks, especially when the administration or key personnel change. Changing City locks and accounting for all keys increases the internal controls for safety and security of City records and equipment.

**R4.10 The City should develop a comprehensive preventive maintenance plan and ensure that the appropriate parties are involved in the planning process. The plan should include a schedule for regular maintenance of equipment, vehicles, and buildings. A tracking system for timelines, hours, and cost for each project should also be developed in conjunction with the plan.**

Currently the tracking and planning of maintenance is sporadic and inconsistent. The City does not have an efficient way of scheduling maintenance on vehicles, equipment or buildings. Most of the repairs are done on an as-needed basis, increasing costs for emergency repairs. The records that are kept are generally incomplete and difficult to decipher.

Preventive maintenance includes regularly scheduled repairs and maintenance necessary to keep building components operating efficiently and to extend their useful life. Preventive maintenance also entails periodic inspections, lubrication, calibrations, and equipment replacement. Effective preventive maintenance is a planned approach designed to avoid equipment breakdowns and prevent minor problems from escalating into major ones.

The State of Minnesota identified the following seven key practices to effectively manage preventive maintenance for local governments:

1. Inventory building components and assess their conditions. This step will help local governments identify needed maintenance.

2. Build the capacity for ranking maintenance projects and evaluating their costs. Governments should use an objective process to set priorities for repair projects. Another tool to assist in making cost-effective decisions between replacing or maintaining components is life-cycle costing.
3. Plan strategically for preventive maintenance in the long- and short-term. Local jurisdictions should look out a minimum of three years and develop facility plans to guide maintenance that meets their overall needs. This should be linked to the strategic plan and capital improvement plan. In addition, all costs should be included in the yearly operating and capital budgets.
4. Structure a framework for operating a preventive maintenance program. Yearly timelines should be set for preventive maintenance activities and all projects should be coordinated throughout the City.
5. Use tools to optimize the preventive maintenance program. Governments should incorporate preventive tasks into their work-order system. Doing so controls maintenance jobs and provides a written work record.
6. Enhance the competence of maintenance workers and managers. Governments should ensure that maintenance employees receive appropriate training to competently complete their tasks.
7. Involve appropriate maintenance personnel in decision making and in communicating building needs. The appropriate personnel should be involved in the early stages of the decision-making process when purchasing major components.

The City could benefit from a city-wide preventive maintenance plan by tracking current projects, and planning for regular maintenance rather than haphazardly performing maintenance operations. Tracking all maintenance will assist the City in forecasting expenditures and help in the planning of capital improvements. An effective maintenance program can extend equipment life, decrease energy consumption, reduce maintenance and capital expenditures, reduce the number of work orders, and improve worker productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies. The absence of a comprehensive preventive maintenance program increases the risk of incurring high costs for emergency repairs.

**R4.11 The City should develop citywide policies and procedures to govern its activities. The City administration should ensure that each department has the appropriate policies and procedures to govern specific activities. The policies and procedures**

**should be specifically targeted to City operations and should clarify contractual agreements. All employees should be provided with a copy of the manual.**

The City does not have formal policies and procedures for daily operations. Some departments have a manual specific to their operations, such as the utility billing office, although other departments do not. Although the audit team requested a copy of city-wide policies and procedures on numerous occasions and from a variety of officials, a copy of a manual was not provided to the audit team. Upon subsequent investigation, the audit team was able to locate a single copy of a document entitled “policies and procedures” in the new service/safety director’s office. It was dated 1990 and approved by the prior service/safety director and mayor. An update was recorded in October of 2002; however, the changes made to the manual could not be discerned. A review of the manual contents showed that it contained material that appeared to be drawn directly from the negotiated agreements, without elaboration or an expansion of topics. No additional copies of the manual could be located.

A City-wide policy and procedures manual should include information specific to fiscal policy, personnel policy, City organization, and other procedures that are similar throughout the City. In addition, City management should ensure that various departments also have written policies and procedures where needed.

The Government Finance Officers Association (GFOA) *Accounting Issues and Practices: A Guide For Smaller Governments* states that a policy and procedures manual can be a valuable tool in circumstances where a key employee is unexpectedly absent for an extended period of time. The manual can also be a tool for new staff and internal training. By taking the time to develop a formal policy and procedures manual, the City will be better able to ensure that all staff have knowledge of the appropriate ways in which to handle certain aspects of city management.

Established operational policies and procedures provide the City with documentation of communicated policies and procedures, which limits liability from internal and external clients, provided the City follows its established policies and procedures. By adopting uniform policies and procedures for purchasing, payroll, and other City services, the City ensures that all employees are adhering to consistent processes and internal controls.

## B. Purchasing

### Background

This section of the performance audit focuses on the City of Jackson's purchasing function located in the service/safety director's office.

The purchase order clerk processes all of the City's requisitions approved by the service/safety director into purchase orders. Purchase requisitions are completed by department heads and sent directly to the service/safety director. The service/safety director reviews the request, verifies fund availability, and either approves or disapproves the request.

If a request is approved, it is forwarded to the purchase order clerk who inputs the request into Software Solutions and creates a purchase order. The purchase orders are transferred into the City auditor's system and he then approves the purchase order based on the availability of funds. The auditor's signature on the purchase order indicates fund availability. Two copies of the purchase order are made. One is retained in the purchase order clerk's office and the other is sent to the department head. Once the products are received by department heads, they complete a receiving form and forward it with the invoice to the purchase order clerk who matches all documents and forwards the invoice to the auditor's office to be paid.

### Recommendations

**R4.12 The City should revise the purchase order clerk's reporting relationships so that the position reports to the City Auditor and add the function of a purchasing agent to the position. The service/safety director should maintain the function of approving requisitions and verifying that funds are available for the request.**

The purchase order clerk reports directly to the executive assistant in the service/safety director's office. The purchase order clerk creates purchase orders from requisitions signed by the service/safety director. The location of the purchase order clerk in the service/safety director's office creates the potential for the creation and payment of false requisitions. The individual responsible for processing and creating the purchase order falls under the control of the service/safety director, who approves all requisitions. In this circumstance, the purchase order clerk does not have the degree of separation from the approval authority needed to question requisitions and apply due diligence in ensuring the validity of requests. In this situation, a separation of duties is required to maintain appropriate internal controls and reduce the likelihood of improper purchases. Internal control in purchasing is weakened by having the position responsible for creating purchase orders reporting to the office responsible for approving requisitions. Over the years, the City has centralized many job duties and functions into the administrative

offices and has not reviewed staffing services and functions to ensure the appropriate location of various functions, including purchasing.

Purchasing is a financial function and the City Auditor has primary responsibility for ensuring proper financial records and controls for the City. Therefore, the purchasing function should be in the JAO, not the administrative office.

The GAO *Standards for Internal Control in the Federal Government* report states that another component of control activities is ensuring that there is a clear segregation of duties for certain key functions. This requires that key duties and responsibilities are divided or segregated among different people or offices to reduce the risk of error or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, and reviewing the transactions. Reorganization will provide the separation of duties needed to ensure the City maintains the proper level of internal control. The separation of duties required in the area of purchase order processing is not only of ensuring that separate individuals are approving and processing purchase orders, but also that there is not a direct reporting line between the individual approving and processing the request.

GFOA states that centralizing any major accounting or budgeting function is not only cost beneficial, but provides a good internal control environment. Therefore, by moving the purchase order clerk into the JAO, internal controls are enhanced. In addition, it will eliminate a duplication of efforts because the purchase order clerk maintains a copy of all invoices and the originals are also kept with the JAO. By moving the purchase order function into the JAO only one copy of invoices will be maintained which will reduce paperwork.

Also, GFOA recommends that the purchasing agent (in this case the JAO) should determine the availability of funds for the purchase and whether it is an appropriate purchase for the account to which it will be charged. GFOA states that monitoring of the budget is the most important phase of the purchasing agent's duty. If the purchasing position is located in the JAO, the Auditor can determine the account or accounts to which the purchase will be charged and review it to determine what has been spent to date and if there are any outstanding encumbrances. If the Auditor determines that there are sufficient funds available and the purchase is valid, then a purchase order is generated, however if the Auditor does not approve the requisition, the requisition should be returned to the department head with an attached explanation for its denial.

In addition to enhancing internal controls by separating duties and eliminating duplication, moving the purchase order clerk to the JAO provides an opportunity for that person to act as the purchasing agent for the City, assuring that the best possible price is secured for each purchase. The relocation also enhances the ability to ensure that

purchase requisitions are charged to the appropriate department/fund. The purchase order clerk should also ensure that all supporting documentation accompanies requisitions prior to creating purchase orders.

**R4.13 The City should formally develop clear policies and procedures for purchasing from requisition through approval. Policies should include the procedures for encumbrance, receipt of goods and record keeping as well as any City ordinances that summarize current policies. Policies should be communicated through a procedure manual distributed to all staff involved in any portion of the purchasing process. City administration should ensure all department heads are aware of and follow the established policies and procedures.**

The City does not have formal policies and procedures for purchasing. Without formalized procedures, the City is unable to ensure consistency and adherence to City regulations in the purchasing process. Department heads are not aware of appropriate procedures for requesting items or deciding what may be purchased.

According to *Purchasing and Supply Management*, subjects that should be included in a purchasing manual include: authority to requisition, competitive bidding, blanket purchase orders, personal service purchases, and authority to select suppliers, invoice, clearance and payment. This is not an exhaustive list, but key subjects that should be included in a purchasing policy. The City should also reference the GFOA's, *Accounting Issues and Practices: A Guide For Smaller Governments* for further guidance on how to develop a purchasing policies and procedures manual. Lastly, the City should also review the Ohio Compliance Supplement Section A for Statutory Municipalities for applicable laws and regulations regarding purchasing.

Without established policies and procedures dictating the process for City purchases, thresholds of bidding, and what items can be purchased, there is an increased risk that employees and departments may misspend City funds. For example, an employee could use an open purchase order at a local retailer to purchase items not intended for City use, as identified in the 2001 AOS Special Audit. Formalized polices and procedures would decrease this risk and provide City officials a guide for determining allowable expenses and procedures for purchases.

## C. Utility Billing Department

### Background

Utility billing falls under the umbrella of the service/safety director's office. The office has 7.54 FTEs reporting to the utility superintendent. The utility billing office is responsible for billing and collecting water, sewer, electric, and garbage fees. In addition, the office takes all customer calls for service or general questions.

### Recommendations

**R4.14 The City should ensure proper separation of duties in the utility billing office. Cashiers should only take payments and should not have access to modify accounts. The utility clerk and billing/assistant utility superintendent should not take payments as they are primarily responsible for changes in accounts.**

The utility billing office has one full-time cashier and a part-time cashier. The primary responsibility of this position is receiving and posting payments to customer accounts. Other functions such as establishing new accounts, finalizing accounts, making adjustments and delinquency notices are the utility clerk's responsibility.

The billing/assistant utility superintendent is responsible for downloading account information to and from the billing system to the meter reader's handheld units, checking all notes on accounts for work orders, making credit adjustments, running various month-end and billing reports, and processing, printing, and mailing utility bills. In addition, this position is responsible for verifying day-end totals with payments received. The utility clerk and the billing/assistant utility superintendent are cross-trained in each other's job duties. In addition to their primary job duties, each of these positions has been receiving and posting payments.

The City administration indicated that when the utility billing office moved from the City building to the annex, additional customer service was needed and all employees should have cashier duties. By adding the cashier responsibility and modifying access to accounts, the internal controls were weakened. The department no longer separates receiving payments from making account modifications. The utility clerk and the billing/assistant utility superintendent could fill in as needed for the cashier function; however, this should not occur on a regular basis.

As indicated in **R4.12**, the GAO *Standards for Internal Control in the Federal Government* states that clear segregation of duties is necessary to maintain a strong internal control environment. The segregation of duties includes separating the

responsibilities for authorizing transactions, processing and recording them, and reviewing the transactions. The report states that no individual should have the authority to complete all of these functions.

Under the current staffing configuration, a cashier could make a modification to a customer's account to reduce the payment in the billing system or take a payment and fraudulently keep a portion. Segregating duties would ensure that the potential for error and fraud in payment processing would be reduced.

**R4.15 The utility billing office should increase the current part-time cashier (0.54 FTE) to a full-time position to maintain the level of customer service directed by the current administration. This will allow for a separation of duties (see R4.14) and a reasonable level of customer service. Increasing the current part-time position to full-time allows for greater flexibility in scheduling to ensure two cashiers are available the majority of the time. The City indicated that the position had been increased during the audit period.**

The utility billing office has four employees receiving payments. Based on **R4.14**, billing and modification of accounts should remain separate from the cashier function. In order to maintain high levels of internal control and customer service it is recommended that the current 1.54 cashier FTEs be increased to 2 FTEs. If the office does not increase cashier staffing levels, internal controls may be compromised as the office will not be able to sufficiently separate the duties of receiving payments and making modifications as indicated in **R4.14**. While the peers may have fewer FTEs, adding 0.46 FTE would be beneficial in assuring internal controls are maintained.

*Financial Implication:* The cost (salary and benefits) of increasing the staffing level of the part-time cashier to full-time is an additional \$18,800 annually.

**R4.16 The utility billing office should have the lock on the safe changed. The superintendent and the assistant superintendent should be the only employees with a key to the safe.**

The lock to the safe in the utility billing department was not changed when the previous utility superintendent retired and a new person was appointed to the position. The previous superintendent had a key to the safe, as did the Mayor, and the billing/assistant superintendent. For internal control purposes, the lock on the safe should be changed when there is a change in administration. In addition, to improve the security of documents and enhance internal controls, the number of keys issued should be limited to the superintendent and the billing/assistant utility superintendent.



As indicated in **R4.9** periodically changing locks and providing keys to only those personnel who need access improves physical internal controls. Periodically changing safe locks, especially after a change in administration, will reduce the risk of unauthorized use or theft of City assets. Providing only essential personnel (the utility superintendent and the assistant superintendent) with keys to the safe will ensure the utility billing office safeguards cash assets.

**R4.17 City Council should review the Utility Manual annually in conjunction with the utility rate review and update as often as necessary. In addition, a revision date should be added at the bottom of every page. This will help ensure that only pages needing replacement due to updates are changed in the manual.**

The City utility manual was last updated in 1998 by the service/safety director, with the exception of a memo issued by the utility superintendent. The memo changes the requirement for identification as specified in the manual. The manual has not been updated because the service/safety director did not see a need for updates. He reported that there have not been any significant changes in processes with the exception of rate changes. By not updating the manual on a consistent basis, the staff does not have a clear direction on department operating policies and procedures.

GFOA recommends that every government maintain and follow an up-to-date policies and procedures manual. GFOA also contends that a policies and procedures manual can be an excellent training tool for new staff and especially helpful to smaller governments where segregation of duties and cross-training are not always possible or affordable. Often, many functions can be concentrated in one or several individuals, and these employees may be the only ones who are thoroughly familiar with current operations. GFOA states that a policies and procedures manual can be an invaluable tool in circumstances where key employees may be unexpectedly absent for an extended period and job responsibilities must be turned over to an employee or employees unfamiliar with the proper procedures. This enables the City to have flexibility in staffing while assuring that all job tasks can be completed. It also reduces the dependence on certain personnel while providing a consistent guide for operations.

## **D. Community Development**

### **Background**

In 1994, the City closed its Community Development Department (CDD) due to a reduction in funding. The City now contracts with Leighty and Snider, Inc. a private consulting firm, who then subcontracts with two other private consulting firms (Trecos Inc., and Multicom, Inc.), to provide all Community Development services on behalf of the City. Leighty and Snider, Inc. is responsible for obtaining, overseeing, and administering the Federal Community Development Block Grant (CDBG) and the Community Housing Improvement Program (CHIP) grant the City received from the Ohio Department of Development (ODOD). The private consulting firms are responsible for seeking, administering, and overseeing any and all grant projects on behalf of the City. Economic development grants are managed through the not-for-profit Jackson County Economic Development Board.

Leighty and Snider, Inc. administers the CHIP grant. This is the only funding administered by the CDD. The CHIP grant provides funding for the City to offer residents the following direct services:

- Acquisition, rehabilitation, purchasing, building, and selling of homes; and
- Emergency home repair services.

Leighty and Snider, Inc. is also responsible for preparing the CHIP application and other general grant administration processes. Leighty and Snider, Inc., then sub-contracts with Trecos, Inc., and Multicom Inc., also private consulting firms, to provide the housing specialist, administrative assistant, specification preparer, and homebuyer counseling functions. Besides administering and overseeing the grant, these private consulting firms are responsible for the following:

- Receipt, review and analysis of all rehabilitation applications to determine eligibility and priority;
- Initial inspection of property to determine Office of Housing and Community Partnership (OHCP) Residential Rehabilitation Standards violations;
- Homebuyer counseling;
- Preparation of documents and participation in purchase closing;
- Preparation of bid documents and awarding of contracts;
- Inspection of work in progress;
- Review and approval of contract pay requests;
- Final inspections;

- Quarterly monitoring of all expenditures to insure program and financial compliance; and
- Yearly review of occupancy to assure compliance with regulations.

The CHIP grant is governed under the Code of Federal Regulations (CFR) 24 and Office of Management and Budget (OMB) circulars. CDD has received the CHIP grant, awarded on a ten-year basis, since 1997 and will seek to continue CHIP funding by re-applying for the grant in April of 2003.

## Recommendations

**R4.18 The City should maintain adequate records and ensure that all work is completed using the proper equipment and according to the specifications set forth in the CHIP grant agreement and governed by CFR and the OMB. The City should also ensure that all grants administered by any party other than the City are in compliance with terms and reporting requirements set forth by the grant agreement. In order to ensure compliance, the City must establish and implement procedures to conduct quarterly compliance reviews of all grants that are not directly administered by the City.**

The City's CHIP grant is currently the only funding Leighty and Snider, Inc. administers. Representatives from the ODOD stated that the City is in compliance with its grant requirements; however, in their last compliance visit on June 20, 2001, there were some minor instances of non-compliance. These included problems related to work that had been done such as using wrong equipment, not meeting specification standards, and missing change orders, as well as not having the proper documentation on file in the citizen participation work file. The file was missing copies of the minutes for two public hearings .

Furthermore, the FY 2001 Single Audit of the City cited problems with the City's grant management procedures regarding CDBG and other grant monies. These monies were administered by the Jackson County Economic Development Board (JCEDB). The audit questioned costs and other significant grant compliance citations. Items cited included the following:

- Not monitoring money given to the JCEDB.
- Cash management non-compliance with the Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook which states that a grantee must develop a cash management system to ensure compliance with the Fifteen-Day rule relating to prompt disbursement of funds.
- Non-compliance/questioned cost with 24 CFR 570.202 stating that Community Development Block grant funds may be used to finance the rehabilitation of

manufactured housing when such housing constitutes part of the community's permanent housing stock.

- Reporting non-compliance with the "Statement of Agreement" section of the Small Cities Community Development Block Grant Program, Discretionary Program (Holzer Clinic Water Tank Project). The section stated that if funds are not expended in accordance with the terms, conditions, and time period set forth in the Agreement or the total amount of funds exceeds the eligible costs of the projects, the amounts improperly expended or not expended shall be returned to the grantor within thirty (30) days after the expiration or termination of the grant agreement.
- Non-compliance/questioned costs with regards to the OHCP Financial Management Rules and Regulations Handbook stating that the final performance report must be completed and submitted to the OHCP. OMB Circular A-87, Section C.1.J requires costs charged to Federal programs be adequately documented.
- Reporting non-compliance/material weakness with regards to the Community Development Block Grant ARC Grant. The City did not have supporting documentation for various requirements in the grant agreements for the Small Cities Community Development Block Grant Programs.

The City needs to ensure compliance with all requirements stipulated in grant agreements whether the grants are administered by the City or by a third party. If the City is the official recipient of the funds, which are administered by another party, the City is still responsible for ensuring that all parties are complying with the terms and conditions set forth in the grant agreements.

Currently, the CHIP grant is the only funding the City administers. It is imperative for the City to be in compliance with all the requirements as outlined by ODOD, CFR, and OMB regulations, including appropriate documentation, records retention, and reporting requirements. Failure to be in compliance with grant requirements could potentially cause the City to lose its funding. If the City loses the CHIP grant, it would be losing the only community development program currently offered to City residents. The total loss in funding would be approximately \$500,000.

**R4.19 The City of Jackson should seek additional funding for new community development services. Leighty and Snider, Inc. should consult with ODOD to determine what additional funding may be available. Since the City currently has no official community development department, a reputable third-party organization, skilled in economic development activities, may be able to assist the City with the grant application and administration processes.**

As previously mentioned, the only community development program the City participates in is CHIP. The CHIP grant has provided the City with resources; however, the City has not taken an active role in acquiring additional funds. Representative from Leighty and Snider Inc. stated that the City would not see enough large enough amounts of funding to justify the time and effort necessary to secure the funding.

GFOA recommends that all government bodies adopt a policy that encourages a diversity of revenue sources in order to improve their ability to handle fluctuations in funding flow and limit dependence on a single source. The following shows additional resources for community development that may be available to the City.

- Rural Development Administration (RDA):
  - Community Facility Guaranteed Loans;
  - Water and Waste Disposal Loans and Grants;
  - Solid Waster Management Grants;
  
- Ohio Water Development Authority (OWDA) & Ohio Environmental Protection Agency (OEPA):
  - Ohio Water Pollution Control Fund;
  - Construction Loans;
  - Planning Loans;
  - Municipal Wastewater Assistance Program;
  
- Ohio Department of Natural Resources (ODNR):
  - Grant and Loan Programs;
  
- Ohio Public Works Commission (OPWC):
  - State Capital Improvements Program (Issue 2);
  - Local Transportation Improvements Program (Issue 2);
  
- Governor's Office of Appalachia (GOA):
  - Appalachia Regional Commission; and
  
- Ohio Department of Transportation (ODOT):
  - Various Programs.

Table 4-1 shows community development project funds received by the peer cities.

**Table 4-1: Peer City Community Development Funding**

<b>Fiscal Year</b>	<b>Hillsboro</b>	<b>Belpre</b>	<b>Upper Sandusky</b>
2000	\$8,279 Street Development \$580,000 Neighborhood Revitalization \$35,700 Community Development Block Grant \$41,260 Revolving Loan (Micro Enterprise grant)	\$240,000 Street Paving (Ohio Public Works Commission) \$35,000 Community Development Block Grant (Parks) \$100,000 Ohio Department of Transportation Enhancement Grant (River Front Park Project)	\$400,000 Community Development Block Grant Downtown Revitalization
2001	\$1,510 Revolving Loan (Micro Enterprise grant) \$243,363 Neighborhood Revitalization	\$900,000 (ongoing and some loan funds) sewer plant upgrade (Ohio Public Works Commission) \$125,000 Ohio Department of Transportation \$35,000 Community Development Block Grant (Parks)	\$25,678 Nature Works
2002	\$21,433 Soil Conservation \$66,140 Nature Works \$7,230 Revolving Loan (Micro Enterprise grant) \$178,437 Neighborhood Revitalization \$171,000 Federal \$295,200 Issue 2	\$35,000 Community Development Block Grant (Parks)	\$400,000 Community Development Block Grant Downtown Revitalization \$17,852 Nature Works \$280,000 Ohio Department of Transportation

Like the peer cities listed above, the City of Jackson should apply for some additional funding beyond CDBG CHIP funds, which can only be used for housing revitalization. The City should look for grant funding that can aid in funding its community capital improvement projects. This would help defray capital improvement costs to the City.

The City should take advantage of additional grants offered to help meet the needs of the community. If the City does not take advantage of additional funding it may have to use its own internal resources to fund needed community development projects or may not be able to do them at all.

**R4.20 The City currently does not have a community development strategic plan. Therefore the City, in collaboration with the JCEDB, should conduct a community-wide needs assessment and, based on its findings, use the City-wide strategic plan recommended in R4.3, to establish and adopt a community and economic strategic plan. Establishing a strategic plan will allow the City to obtain additional grant funding for needed community and economic improvements in the City.**

A community-wide needs assessment will enable the City and County to identify community needs and priorities, which can then be used to develop a comprehensive strategic plan. The strategic plan will allow City managers to implement programs to address issues identified in the needs assessment and will act as a blueprint for the priorities and goals of the City. Working in conjunction with the JCEDB will provide the City with opportunities for coordination, leveraging of resources, and maximization of benefits provided by community development funding.

## Financial Implication Summary

The following table is a summary of total estimated annual cost savings and implementation costs from the above recommendations for the general and utility funds.

### Summary of General Fund Financial Implications for Administrative Operations

Recommendations	Estimated Implementation Cost	Estimated Annual Cost Savings
R4.1 OML training and publications	\$770	
R4.7 Reduction of administrative staffing		\$74,259
R4.8 Contract janitorial services of City building		\$14,000
<b>Total General Fund</b>	<b>\$770</b>	<b>\$88,259</b>

### Summary of Special Revenue Fund Financial Implications for Administrative Operations

Recommendations	Estimated Annual Cost
R4.15 Increase part-time cashier to full-time	\$18,800
<b>Total Utility Fund</b>	<b>\$18,800</b>



# Public Safety

This section of the performance audit focuses on the City of Jackson's Public Safety operations. Included is a performance review of the City of Jackson Police Department (JPD) and the City of Jackson Fire Department (JFD).

## A. Police Department

### Background

The primary responsibility of JPD is to serve and protect citizens through the enforcement of federal, state and local laws. The majority of JPD's work is proactive, in that it undertakes prevention, deterrence, detection and investigation of criminal activity. JPD operates with a staff of 24 employees, of which 18 are full-time commissioned police officers. JPD sworn officers and dispatch personnel, excluding the chief, assistant chief, are all represented by the Fraternal Order of Police/Ohio Labor Council for Rank Officers (FOP). The agreement is in force from September 22, 2000 through September 21, 2003.

**Table 5-1: 2002 Police Department Operating Costs, Peer Comparisons**

	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>Total Departmental Costs</b>	\$1,449,446	\$792,054	\$1,415,047	\$1,068,562	\$1,091,888
<b>Total Population<sup>1</sup></b>	6,184	6,660	6,368	6,533	6,520
<b>Total Traffic Citations</b>	297	2,166	1,076	610	1,284
<b>Total Criminal Arrests</b>	1,483	771	1,243	293	769
<b>Total Cost per Incident</b>	\$814	\$270	\$610	\$1,183	\$688
<b>Cost Per 100 Residents</b>	\$23,439	\$11,893	\$22,221	\$16,356	\$16,823

**Source:** 2002 Cities of Jackson, Belpre, Hillsboro and Upper Sandusky financial reports and criminal arrest and traffic citation reports

<sup>1</sup> Population figures from the United States 2000 decennial census

As shown in **Table 5-1**, JPD costs are higher and issuance of traffic citations for minor moving violations is significantly lower than the peer average. The total number of criminal arrests made by JPD is 92 percent higher than the peer average. However, the peer average for issuance of traffic citations is over three times (332 percent) more than JPD. Overall, JPD's per incident cost and per 100 residents cost are higher than the peer average by 18 percent and 39 percent respectively.

There are several contributing factors that impact the performance and cost effectiveness of JPD. Department costs are generally driven by the number of employees on the payroll. In the case of

JPD, three of the officers are fully dedicated to the School Resource Officer (SRO) program<sup>5-1</sup>. The peers do not have SROs and therefore are not realizing those costs. The operational cost of JPD is also influenced by the significant amount of overtime accrued by department personnel, and the high use of sick leave. Critical areas, such as dispatch, have to remain in operation and, when personnel are absent, JPD must seek out staff to work extra hours in order to maintain services. The high per 100 resident cost for JPD points to a need to address operational staffing in a more cost-effective manner. As JPD begins to implement recommendations contained within this report, increase in operational efficiencies should help to bring these statistics in line with the peers.

In addition to the analyses presented in this report, additional assessments were conducted on several areas within the police department section which did not warrant changes and did not yield any recommendations. These areas include the following:

- **Basic Operations:** JPD's compliance with the Ohio Revised Code (ORC) §737.05, Composition and Control of Police Department, §737.05.1, City Auxiliary Police Unit, §737.06, Chief of Police and §737.11, General Duties, appear to be in line with similar jurisdictions. Furthermore, department operational components and processes are comparable in nature to general policing principals and routine undertakings.
- **Dispatch Operations:** JPD operates a combined (police and fire) dispatch center. Dispatch personnel receive and process calls for service in a manner commensurate with the operational needs of the community. Although most dispatch activity is recorded manually, JPD is collaborating with the Jackson County Sheriff's Office to install software that will facilitate in the recording and tracking of data.
- **Salaries:** Compared to International City Managers Association (ICMA) Salary Survey, JPD salaries fall within the average range for Ohio police departments serving jurisdictions similar to Jackson. However, as discussed in the Human Resources section, benefits drive up personnel costs to a level much higher than the peers.
- **Vehicle Maintenance:** Preventative and routine minor maintenance is performed in-house by city personnel. Vehicle diagnostics and major repairs are outsourced to a local automobile dealership. Costs for maintenance and consumable fluids (gas, oil, etc.) appear to be in line with the peers and JPD's fleet appears to be in good repair.

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<sup>5-1</sup> In FY 2003, the City received but did not accept the SRO grant. Therefore, the program was reduced to one sworn officer and the costs were divided equally between the City and the local school district.

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## Recommendations

**R5.1 JPD should develop and implement standard operating procedures (SOPs, see also R2.12). SOPs should outline a clear mission for the department and detail general guidelines and processes for personnel to follow. Additionally, JPD should ensure SOPs are distributed to all employees. Employees should acknowledge receipt and understanding of SOPs through a signed statement maintained in the employee's personnel file. Finally, SOPs should be reviewed on an annual basis to determine if changes, deletions or additions are needed, as the police profession is not static but always evolving. The Chief of Police indicated that JPD would begin implementation of this recommendation.**

JPD does not have SOPs. The police department developed a manual in April 2001, but according to JPD, City Council never reviewed it. However, the appropriate authority to authorize implementation of an operating procedures manual falls to the executive branch (mayor) or his appointee. In the case of the City of Jackson, the service/safety director would be responsible for approving the use of a SOP manual. In lieu of conducting police business using an authorized manual, JPD has been using their union contracts to guide them in their day-to-day operations even though they do not provide the department with specific operations guidelines.

The Commission on Accreditation of Law Enforcement Agencies, Inc. (CALEA), a leading authority on law enforcement operations, offers an accreditation program for the purpose of helping law enforcement agencies improve delivery of service by offering a body of standards, developed by law enforcement practitioners, covering a wide range of up-to-date topics. Furthermore, CALEA recognizes professional achievements by offering an orderly process for addressing and complying with applicable standards. Chapter 12 of CALEA's standards manual outlines what law enforcement agencies should implement as written directives for personnel.

CALEA states that the purpose of SOPs should be to establish a uniform decision making process and help make daily operations routine. Clarity in departmental policies reduces the chance of misunderstandings and also helps preserve institutional memory. Components of the written directive system should be suited for the specific communications needs and capabilities of the agency. The agency's written directive system should evolve from its legal authority, core values and mission statement. All agency personnel should have a clear understanding of their individual discretionary powers in carrying out their duties in accordance with agency written policy, procedures, rules and regulations. Clarity and rapid access to information are essential to effective implementation of agency written directives. Therefore, personnel should have easy access to SOPs to help ensure continuity and consistent application of the City's and department's regulations.

The City of Belpre Police Department has developed SOPs that are very much like those outlined by CALEA's accreditation standards. The manual is comprehensive; covering a broad range of subjects such as personnel, use of force, patrol operations, communication procedures, and public/media relations. Each topic area is broken into sub-topics whereby the reader can gain quick access to information relevant to the matter at hand by simply turning to the appropriately indexed page. JPD should establish a similar SOP manual to ensure that staff has knowledge of all general orders, policies, procedures, and regulations pertaining to their work.

A formal written directive system should provide employees with a clear understanding of the constraints and expectations relating to the performance of their duties. SOPs will also enable employees unfamiliar with all the department's activities to be aware of the steps required to complete job functions. Furthermore, documented and enforced policies and procedures would serve to increase the level of accountability throughout the department. See the **administrative operations** section for a further discussion of SOP manuals. JPD could implement a formal, written operating procedures manual within its current staffing and expenditure levels.

**R5.2 JPD should reduce staffing levels by eliminating vacant positions from its table of organization. The City should not fill six authorized positions: the vacant communications officer position, the secretarial position, and the four police officer positions.**

The police department comprises 24 FTEs, but is authorized to employ up to 30 FTEs under City ordinance. JPD's administration comprises a chief and an assistant chief. Four sergeants and seven patrol officers, one of whom is the department's K-9 officer, carry out patrol activities. One sergeant and two patrol officers are assigned as school resource officers during the school year. School resource officers augment patrol operations during the summer months. The additional staffing allows JPD to assign two officers to bicycle patrol duties. In addition, JPD has one patrol officer who is a criminal investigator and one patrol officer who works with the Jackson County Drug Taskforce. JPD also has five communications officers and one executive secretary. Finally, the department also has auxiliary police officers. Auxiliary officers work on a volunteer basis, serving as many hours per month as they are able.

The communications officer team consists of five civilian employees who not only answer all phones, including 911, and dispatch patrol officers to calls, but also prepare criminal complaints (warrants), notarize documents, operate the Law Enforcement Automated Data System (LEADS) computer, dispatch the fire department, and handle radio and telephone calls for City utility departments during non-business hours.

**Table 5-2** presents 2002 FTE authorized and actual staffing levels for JPD compared to actual staffing levels for the peer cities.

**Table 5-2: JPD FTE Staffing Levels and Peer Comparisons for 2002**

	Jackson Authorized	Jackson Actual	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>FTEs by Rank</b>						
Chief/Asst. Chief/Captain	2.0	2.0	1.0	2.0	2.0	1.7
Sergeants/Lieutenants	5.0	5.0	4.0	4.0	3.0	3.7
Patrol officers	15.0	11.0	6.0	12.0	8.0	8.7
Dispatch	6.0	5.0	4.0	4.0	4.0	4.0
Secretary	2.0	1.0	1.0	N/A	1.0	1.0
<b>Total FTEs</b>	<b>30.0</b>	<b>24.0</b>	<b>16.0</b>	<b>22.0</b>	<b>18.0</b>	<b>18.7</b>
<b>Total Adjusted Departmental Costs</b>	N/A	\$1,449,446	\$792,054	\$1,415,047	\$1,068,562	\$1,091,888
<b>Total Population<sup>1</sup></b>	N/A	6,184	6,660	6,368	6,533	6,520
<b>Staffing per 100 Residents</b>	0.49	0.39	0.24	0.35	0.28	0.29
<b>Total Cost per Citizen</b>	N/A	\$234	\$119	\$222	\$164	\$168
<b>Total Cost per FTE</b>	N/A	<b>\$60,394</b>	<b>\$49,503</b>	<b>\$64,320</b>	<b>\$59,364</b>	<b>\$57,729</b>

**Source:** 2002 Cities of Jackson, Belpre, Hillsboro and Upper Sandusky staffing rosters.

**Note:** Since the completion of audit fieldwork, JPD has experienced an additional vacancy within the sworn officer position.

<sup>1</sup> Population figures from the United States 2000 decennial census

Currently JPD has 6.0 FTE vacancies; one communications officer, one secretary, and four patrol officer positions. JPD's current staffing is greater than or equal to the peer staffing levels and the peer average in all staffing categories except patrol officers. Jackson's total FTEs are approximately 28 percent more and the authorized FTE total is 60 percent more than the peer average. JPD's staffing per 100 residents is 34 percent greater than the peers. However, if the authorized positions are considered, JPD's staffing per 100 residents is approximately 69 percent greater than the peer average.

Furthermore, JPD's cost per citizen is approximately 39 percent greater than the peer average. However, the cost per FTE is only 4.6 percent higher. While differences in personnel costs may contribute to the cost per citizen variance, the cost per FTE is comparable with the peers and supports the recommendation not to fill authorized positions.

A contributing factor to JPD's staffing issue is that one sergeant and two patrol officers are permanently assigned as school resource officers. Staffing schools on a permanent basis in this manner decreases personnel availability for routine police functions. Therefore, additional personnel have to be retained to cover operational shortages.

Because of the current staffing levels, JPD can eliminate the vacant positions from its table of organization without experiencing a disparity in staffing when compared to

similar localities. The savings achieved through eliminating the vacant positions could help reduce the City's deficit and, in the future, be directed to equipment and training for the police department.

*Financial Implication:* JPD could achieve a cost savings, including salary and benefits, for 2003 of approximately \$38,956 by eliminating the vacant communications officer position, \$31,380 for the secretarial position, and \$168,805 for the four patrol officer positions. The total cost savings for 2003 would be \$238,824. Subsequent cost savings are projected to increase annually as detailed in the financial forecast.

**R5.3 JPD should improve its control of overtime usage by using the City's automated time and attendance system to track overtime usage and shift scheduling.**

JPD uses payroll swipe cards to record overtime in the payroll system. However, the assistant chief keeps a hand-written record of all departmental overtime use. According to the assistant chief, the City's payroll function does not provide reports for review by JPD. Upon review by AOS, the overtime log maintained by the assistant chief appears cumbersome and difficult to follow. As discussed in **R3.7**, the City has not fully implemented the KRONOS Timekeeper system, which is capable of generating reports detailing time and attendance for each department. The KRONOS system has the capability to generate reports that can easily detail overtime for JPD. Using data queries from an automated time system frees the assistant chief from having to manually track overtime use. In addition, it places another layer of control over officers' accrual of overtime by having the chief or assistant chief review hours that have been entered into the payroll system. Use of the system can prepare JPD to conduct periodic budget variance analyses of overtime while trying to identify and validate the causes for and usage of overtime. JPD could collaborate with the payroll office to receive biweekly printouts of overtime hours worked in order to compare them to the scheduled hours worked at the police department, providing an additional measure of internal control.

If the City implements **R3.7**, which recommends the outsourcing of payroll functions, JPD should ensure that it maximizes the capabilities of any new payroll software and management processes to help ensure improved control of overtime use. See the **financial systems** and **human resources** section for further discussion regarding use of the payroll system.

**R5.4 JPD should adopt sick leave policies and procedures to reduce the amount of sick leave used. During future contract negotiations, JPD should attempt to modify any language in the union contract that hinders its ability to implement effective sick leave policies. Policies which would help reduce sick leave usage include:**

- **Implementing a rolling year occurrence policy where employees are held accountable for the number of times taken off rather than the length of each time taken off. This would require negotiation.**
- **Requiring all employees to complete a standardized sick leave explanation form.**
- **Requiring sick leave use to be a component of the employee's evaluations.**
- **Analyzing sick leave, either formally or informally, and discussing apparent abuse with the employee.**

It appears that the use of sick leave by JPD personnel is negatively affecting staffing in the categories of dispatch and sergeants. One aspect that contributes to overtime accrual is the need to cover operational requirements when absences occur. Subsequently, the department accrues a significant amount of overtime to staff important service areas. Listed in **Table 5-3** are JPD's sick leave usage hours and overtime hours for 2002.

**Table 5-3: 2002 Overtime and Leave Usage Hours**

Position	Total Sick Leave Hours	Average Sick Leave Hours Per Staff	Total Overtime Hours	Average Overtime Hours Per Staff
Command/Admin.	261.08	87.03	192.82	64.27
Sergeant	501.90	100.38	928.75	185.75
Officer	531.93	48.36	1,603.70	145.79
Dispatcher	646.73	129.35	478.10	95.62

Source: City of Jackson All Time Paid In 2002 report

As **Table 5-3** shows, the average number of sick hours taken per dispatcher in 2002 was 129.35 or approximately 16.2 workdays per employee, based on a standard 8-hour workday. Sergeants have the second highest use of sick leave with 100.38 hours. Unlike dispatch staff that work a standard 8-hour day, sworn law enforcement personnel generally work a 10-hour day. Therefore, sick leave use for sergeants equates to approximately 10.4 workdays. However, sick leave used by one of the sergeants for an extended injury accounts for the relatively high utilization rate in that position. The lowest average use of sick leave was by officers, with 48.36 hours, or approximately 63 percent less than the per dispatcher figure for 2002. Additionally, when compared to sergeants, officers used approximately 52 percent less sick leave per person.

One additional noteworthy comparison is with regards to the command/administrative personnel. Although the comparison between command/administrative and officer sick leave usage shows that officers used 44 percent less sick leave than the command/administrative staff. However, approximately 60 percent of the sick hours used by command/administrative staff were by the secretary with 153.78 hours compared to the police chief who used 73.30 hours and 34.0 hours used by the assistant police chief.

A key function of the police department is dispatch. Language contained in the police bargaining unit contract (see **R5.5**) specifies that senior personnel be offered the opportunity to work overtime first. As shown in **Table 5-3**, sergeants, on average, worked 94 percent more overtime than dispatch personnel. Furthermore, officers worked approximately 52 percent more overtime on average than dispatch staff. Although not all of the overtime hours are attributable to dispatch personnel calling off sick, the significance of the sick leave used is represented in the amount of overtime earned by sergeants and officers.

Although sick leave usage is comparatively high across all but the officer category, the amount of sick leave used per person by command/administrative staff and sergeants is primarily attributable to one person utilizing more sick leave than other employees in the category. However, JPD's goal should be to encourage staff to be judicious and conscientious with sick leave use.

The number of sick hours taken by dispatch employees is twice the amount taken by the average 12-month state government worker. The Ohio Department of Administrative Services (DAS) states that the average State of Ohio employee, both bargaining unit and non-bargaining unit, used approximately 57 hours of sick leave in 2002. As reported by DAS for 2001, American Federation of State, County and Municipal Employees (AFSME) state government employees used approximately 65 hours of sick leave. The overtime in **Table 5-3** represents the per person average overtime hours at JPD in the year 2002. The large amount of sick leave used by dispatch is likely a major cause of overtime.

The purpose of an effective sick leave policy is to establish a consistent method of authorizing employee sick leave, eliminate inappropriate use of sick leave, and outline the discipline and corrective action for inappropriate use. Holding staff accountable for excessive use of sick leave would benefit JPD by reducing overtime for having to cover shift shortages, lessening the need to find a last minute replacement for mission critical service, and reducing the amount of unproductive costs that occur with paying an employee whenever they are away from work. Financial implications related to a reduction in sick leave use would appear as reduced overtime costs (see **R5.6**).

**R5.5 JPD should consider negotiating changes to the collective bargaining agreement that would allow for flexibility in the assignment or call-out of staff for vacant shift staffing needs.**

JPD's patrol officers work four 10 hour shifts a week in a staggered, overlapping fashion. This allows for extra coverage during peak call times and days. All other JPD employees work the traditional 8-hour shift day. Generally, each shift is staffed with at least one supervisor for the patrol officers on duty. One patrol officer and one communications



officer are assigned as fill-in personnel, covering both scheduled and emergency time off shifts for other employees. When not covering vacations, holidays, or sick leave, the fill-in employees are assigned as additional staffing during peak times.

JPD is restrained in effectively managing overtime for staff shortages, especially dispatch call-offs, because the bargaining agreement does not afford administrators the latitude to address staffing shortages in a manner commensurate with efficient and effective reallocation of personnel assignments. The union agreement states how absences should be filled.

- Vacant shifts are filled by descending a roster of names in seniority order. The last person who was called out determines the starting point on the list. Each person is called until someone accepts the overtime shift. This is to ensure that every employee on the list has been afforded an equal opportunity for receiving overtime. This practice effectively creates a problem with the communications function call-out. By not targeting communication officers on the seniority list, higher paid JPD officers and supervisors can be called out to perform the communications function.
- After the communications officer's call-out list is exhausted, the assistant chief goes to the police officer list. Instead of assigning the dispatch shift to an on-duty officer or a junior officer, the shift as a result of the requirements of the agreement and process used, usually goes to the more senior and higher paid officer. This increases the overtime costs for JPD and negatively affects the General Fund.

A study by Larry Lovejoy, Th.D., IPMA-CP, titled *A Game of Good Faith: A Study of Preparing for Collective Bargaining*, contains recommendations on how entities should undertake collective bargaining negotiations. Written in the study is a reference to management rights. Management rights themselves allow effective management of operational activities and provide administrators with the tools to allow them to direct operations in a manner that ensures efficient use of both human and monetary resources. For example, in its collective bargaining agreement with police department staff, the City of Belpre has negotiated management rights, even though management rights do not have to be expressed in collective bargaining agreements.. Contained therein are provisions that unequivocally allow administrators to direct and manage the department to achieve the highest level of service in the most cost effective manner. In contrast, the collective bargaining agreement for JPD does not specify management rights. Therefore, managerial policy decisions may not necessarily be made in the best interests of JPD or the City. Finally, ORC §4117.08 affords public employers the latitude to outline how they will administer operations to ensure services are delivered in a manner commensurate with the needs of the governmental entity.

Belpre's collective bargaining contract permits the police department to "order out to work" the least senior person, especially in the case of dispatch shortages, if the vacancy cannot be filled with someone from the same bargaining unit classification. In the case where administrators are unable to contact the least senior person to work a vacant shift, the on-duty supervisor will assign a scheduled officer (if there is ample coverage) who is working patrol to fill-in as the dispatcher until the shortage can be covered by a dispatch person. Through this process, Belpre effectively minimizes overtime costs for covering functions that are integral to the operational effectiveness of the department.

**R5.6 JPD should work to limit overtime accrual to approximately 3 to 5 percent of total salary expenditures. Concerted efforts to reduce overtime should be a significant budgetary priority of the department since JPD's overtime has a continued detrimental impact on the General Fund. Additionally, JPD should institute effective overtime data analysis and management controls to ensure overtime costs are justified expenditures in terms of work performed.**

JPD salaries are significantly increased by overtime compensation. As previously stated, salaries for JPD fall within ranges published in the ICMA Salary Survey. The significant factor is the amount of hours that personnel earn annually. **Table 5-4** outlines JPD's overtime cost for 2002.

**Table 5-4: 2002 Police Department Overtime Cost**

Category	Regular Hours	Base Salary	Overtime Hours	Overtime Cost	Total Hours	Total Salary	Percent of Overtime (Hours)	Percent of Overtime (Salary)
Command/Admin.	4,843.56	\$77,771.57	192.82	\$4,899.98	5,036.38	\$82,671.55	4.0%	6.0%
Sergeant	8,566.70	\$143,566.99	928.75	\$23,093.52	9,495.45	\$166,660.51	10.0%	14.0%
Officer	19,689.97	\$316,626.87	1,603.70	\$38,766.71	21,293.67	\$355,393.58	8.0%	11.0%
Dispatch	8,655.07	\$135,237.51	478.10	\$11,151.29	9,133.17	\$146,388.79	5.0%	8.0%
<b>Total</b>	<b>41,755.30</b>	<b>\$673,202.93</b>	<b>3,203.37</b>	<b>\$77,911.50</b>	<b>44,958.67</b>	<b>\$751,114.43</b>	<b>7.0%</b>	<b>10.0%</b>

Source: City of Jackson All Time Paid In 2002 report

As shown in **Table 5-4**, JPD overtime hours comprise approximately 7 percent of the hours worked by all personnel. In terms of cost, approximately 10 percent of all personnel salary expenditures are related to overtime compensation. Sergeants seem to accumulate the greatest share of overtime. Ten percent of the hours worked by sergeants are classified as overtime, translating to approximately 14 percent of their annual salary. Officers follow sergeants with approximately 8 percent of their hours, or 11 percent of their annual salary, attributable to overtime compensation. Comparatively, dispatchers, who have the highest use of sick leave (see **R5.4**), overtime hours comprise approximately 5 percent of the total work hours, equating to approximately 8 percent of their annual salary on average.

The United States Department of Justice, National Institute of Justice produced a research brief that speaks to the topic of police overtime. The date of the document is May 1998. In the brief is a comprehensive discussion about the topic, including steps that departments should take in order to effectively manage overtime. As stated in the brief, the key to controlling overtime costs is the employment of sound record keeping and associated data analysis by managers and supervisors. The later can only be done effectively if the former is also done well.

As discussed in **R5.3**, JPD could improve its data tracking and analysis by working collaboratively with payroll personnel to obtain time and attendance reports. Following the receipt of those reports, JPD should analyze overtime from the perspective of work being done and the ability to pay overtime to determine if overtime was warranted or abused. Once criteria have been established, administrators should identify activities that cause overtime to be accrued and empower staff at every level to take ownership of the responsibility to limit overtime. Spreading accountability to both line staff and supervisory personnel has the effect of empowering personnel and fosters a collective conscious that success is a group effort. Additionally, public perception is shaped by demonstrated efforts to ensure efficient use of public funds. Through public awareness efforts, JPD can share the results of actions to limit overtime and help garner future support for department activities.

Efforts to reduce overtime will help bolster the General Fund, which is the source of JPD's operational funding. Additionally, by instituting effective overtime management controls, JPD will be able to identify activities contributing to overtime accrual, synchronize workload demands to monetary support, and help increase public confidence that the department uses public dollars in the most cost-effective fashion.

*Financial Implication:* Currently, JPD's overtime cost equates to 10 percent of salaries, or approximately \$78,000 annually. Through the employment of data analysis coupled with effective management controls, JPD should be able to hold overtime to no more than 5 percent of salaries. Establishing a goal of limiting department overtime to no more than 5 percent of salaries translates into an annual General Fund cost avoidance of \$39,000. This figure does not include the accrued leave associated with the additional overtime.

**R5.7 JPD should apply for grants to fund current programs and training. JPD should also vigorously pursue grant funding to offset costs for purchasing personal equipment and to fund crime awareness and enforcement initiatives. Finally, JPD management should assign grant administration functions to current departmental staff.**

JPD has received grant funds from the federal government to defray costs associated with community policing programs. The bulk of the federal dollars previously awarded to

JPD were for Drug Abuse Resistance Education (DARE) and Community Oriented Policing Service (COPS). However, oversight of expenditures and application for continuance of funding did not occur. Subsequently, JPD ceased receiving grant monies previously used to reduce the City's costs operate the programs. Furthermore, JPD is no longer operating the DARE initiative, which is partially attributable to a lack of funding.

JPD and Jackson City School District maintain three school resource officers (SRO's) in the district's schools<sup>5-2</sup>. The SRO program is a product of the federal government's COPS initiative. School-Based Partnerships (SBP), which entails placing SROs in primary and secondary educational facilities, provided police agencies with the financial means to work with schools and community-based organizations to address persistent school crime problems. However, JPD and City officials have allowed the SBP grant to lapse and are not receiving funds to offset the City's cost for providing SROs to the district's schools. The City is paying 50 percent of the officer's salaries and 100 percent of the benefits for the SRO program. The school district pays the remainder of the costs. The grant for the SRO program expired because the grant application was not mailed by the required deadline.

The Government Finance Officers Association (GFOA) outlines reasons to seek grants in a publication titled *Local Government Finance Concepts and Practices*. Generally, organizations should seek grants to do one or more of the following:

- Correction of the effects of externalities;
- Stimulation of merit goods;
- Redistribution of goals; and
- Equalization of fiscal inequities.

In order to compensate for the effect of a negative externality, such as increased criminal activity because a community does not have sufficient street lighting, a government entity may want to seek grant funding to pay for organizing citizen patrols or crime watch campaigns. Grants may be provided to encourage the acquisition of goods or services are deemed especially worthy or meritorious. As it applies to police organizations, a merit good may be something such as homeland security. In cases where an organization is working to address the needs of a highly mobile population sector, it may become necessary to redistribute its force or other like assets to meet service demands without incurring a significant financial hardship. Therefore, an agency may find that supplemental funds could help reduce the monetary shortfall to help ensure service levels remain high. Finally, to address fiscal equalization between similar governmental entities, they may have to solicit funds from grantors to make-up for the cost of maintaining effective and commensurate activities.

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<sup>5-2</sup> In FY 2003 the City received but did not accept the SRO grant and, as a result, the program was reduced to one sworn officer.

The federal government and the State of Ohio Criminal Justice Services offer a large number of grants to help fund training, the purchase of personal equipment, and the purchase of vehicles and other equipment used for law enforcement purposes. Listed below are some examples of the types of grants available:

- Bulletproof Vest Program (BVP);
- Local Law Enforcement Block Grant;
- Enforcing Underage Drinking Laws Program; and
- Training Grants to Stop Abuse and Sexual Assault Against Older Individuals or Individuals with Disabilities Program.

JPD should apply for the abovementioned programs to help increase operational readiness and crime reduction capability while minimizing its impact on the General Fund. JPD should assign grant management responsibilities to a staff member to ensure that application and reporting deadlines are monitored and met. The person should secure and maintain the flow of grant money by coordinating efforts with the City's Grants Committee. By maintaining an orderly and streamlined process for grant management, JPD should be able to avoid future lapses in grant revenues while ensuring compliance with grant award requirements. See **R2.21** in the **financial systems** section of this report for further discussions on grants management issues.

**R5.8 JPD should improve and increase staff training opportunities. Training should include roll-call, annual in-service and career development. Roll-call (shift briefing) should be undertaken to keep officers up-to-date on local incidents and apprise staff of any immediate changes to policies and procedures prior to annual updates. Similar to roll-call training, only in a more comprehensive form, annual in-service training should be held to inform personnel about new laws, technological improvements, tactical and administrative procedure updates, and revisions to agency policy, procedures, rules, and regulations. Both roll-call and in-service training can also be used by the department's senior administrators to share general information with staff, verbally convey appreciation for noteworthy accomplishments, and provide an opportunity to engage staff in discussions to address areas of concern and ideas for improving service delivery.**

**Career development training should be focused on the needs of each officer in order for them to successfully progress towards their career goals. Finally, a record of training attendance should be maintained for each staff member and records should be reviewed periodically to ascertain whether or not personnel are receiving appropriate and timely training.**

Currently, JPD does not engage in roll-call or in-service training sessions as a means of informing staff of changes to laws or police tactics. Several responses to questions in the

AOS survey allude to the fact that improvement in internal communication at JPD would be greatly appreciated by department personnel. One way to improve communication is to routinely engage staff in some form of dialogue on areas of common interest. Roll-call and in-service training afford the perfect forum for simple, non-directed critical conversation. Staff can actively participate to achieve a free flow of thought regarding work-related information and at the same time, increase the chances of furthering a team-oriented approach to work.

Given the City's current financial standing, off-site career development training has not been pursued by JPD personnel. However, there are alternatives that JPD has not explored. Given that Jackson is not the only political subdivision faced with economic constraints, one alternative to paying the entire cost of off-site training is to coordinate with neighboring law enforcement agencies to share the cost of a comprehensive training session. Another alternative is to work with higher education institutions to see if seminars related to law enforcement are offered, and if persons working in the field could receive reductions in enrollment fees. Also, as discussed in **R5.7**, JPD should pursue grants of all types to help defray operational and training costs.

CALEA standards for law enforcement accreditation are useful to agencies regardless of whether they are undertaking accreditation. The standards themselves can be used as a self-diagnostic tool for agencies to evaluate how they measure up to peers. Chapter 33 of the CALEA standards manual outlines the criteria used to assess an agency's training and career development practice.

As CALEA indicates, training is one of the most important responsibilities of any law enforcement agency. Well trained officers are generally better prepared to act decisively and correctly in a broad spectrum of situations. Training also results in greater productivity and effectiveness and fosters cooperation and unity of purpose. Finally, having well trained staff helps reduce the likelihood of an unfavorable finding in legal cases predicated on supposed misdirected enforcement actions. Although CALEA standards provide specific and extensive criteria used in the accreditation assessment, an agency's training program should be overseen by a training committee, include in-service and career development training, and provide for training record maintenance. So that agencies can deal effectively with law enforcement problems in an increasingly complex and sophisticated society, there should be parallel increases in the level of education and training required for law enforcement officers. Higher education alone can not achieve long-term improvement in law enforcement agencies. However, officers who have received a broad general education have a better opportunity to gain a more thorough understanding of society, to communicate more effectively with citizens, and to engage in the exploration of new ideas and concepts.

Furthermore, senior administrative personnel at JPD could use the time during roll-call and in-service trainings to communicate changes in department or city policy and also open the discussion to topics of general concern. Conducting roll-call and in-service trainings in a team-oriented environment will have the spillover effect of fostering esprit de corps among department personnel and improving morale, which leads to increased performance and more effective service delivery.

**R5.9 JPD should maintain up-to-date negotiated contracts for housing its prisoners. A prisoner housing agreement should contain provisions outlining fees, arresting agency and detaining agency responsibilities, payment schedule, reconciliation procedures, and should specify the period of time that the contract is in effect. Furthermore, such agreements should either be renegotiated prior to expiration or JPD should, before contracts expire, seek to negotiate a contract with other detention facilities for housing prisoners.**

Currently, JPD does not have any enforceable contracts for housing persons it takes into custody. All prisoner housing contracts for lodging prisoners with other jurisdictions have expired. According to department personnel, JPD did not renew prisoner housing contracts because the service/safety director felt it was not necessary.

JPD has an informal agreement to house male prisoners in the Jackson County Jail. Further discussion on that topic appears below. JPD did have written agreements with Southeastern Ohio Regional Jail, Brown County Adult Detention Center, Pike County Jail, Pickaway County Jail, and Dayton Human Rehabilitation Center prior to its closing. However, all of the agreements have expired. Currently, JPD simply calls ahead to the above listed facilities when needed to see if the facility will accept a detainee. The expired contracts specify prisoner housing cost-per-day ranging from \$35 (Pike County Jail) to \$65 (Dayton Human Rehabilitation Center). However, the Pike County Jail contract dates back to 1991 and although the Dayton Human Rehabilitation Center contract is dated March 2002, the facility is no longer operational. Two other facilities that JPD has used to house prisoners are Nelsonville Jail and Gallia County Jail. However, there are no records of contracts with those facilities.

One of the problems JPD faces is finding space to house female prisoners. Jackson County Jail will not accept the City's female prisoners. As a result, JPD tries to place female prisoners in one of the aforementioned facilities.

Most of JPD's male prisoners are detained at the Jackson County Jail. However, there is no contractual agreement. Interviews with JPD reveal that the City is apparently not charged for housing male prisoners at the Jackson County Jail and the City has been allocated bed space specifically for its needs. Regardless of the good faith arrangement the City has established with Jackson County Jail, by not having a written agreement

specifying costs and responsibilities, the City could potentially realize unexpected costs should it become necessary to charge for these services.

Although there is not one form or best practice for drafting an agreement for housing prisoners, the written agreement that the City of Belpre has with Washington County Jail contains provisions that encompass sound business practices. For example, listed in the agreement are provisions that delineate per day housing charges, reimbursement for prisoner healthcare, provision of a monthly itemized statement of the amount due for housing Belpre's prisoners, and the effective dates of the contract.

By having up-to-date contracts for housing prisoners, JPD will be certain of charges it will incur for housing prisoners. Negotiating provisions such as prorating prisoner stays based on meals served or hours of incarceration will further assist JPD in limiting costs related to outsourcing prisoner detention. Finally, negotiated contracts will provide JPD with information on its responsibilities related to prisoner detention, and guidelines for remittance of payment for services rendered.



## B. Fire Department

### Background

Jackson's Fire Department is responsible for safeguarding and preserving life and property through fire suppression activities. In addition, JFD performs fire incident investigations, building fire safety inspections, and fire prevention activities. Personnel also participate in the Jackson County Hazardous Material (HAZMAT) and Confined Space Rescue Team, the review of new construction plans and facility inspections. Currently, Southeast Ohio Emergency Medical Services (SOEMS) provides emergency medical services (EMS) to persons residing or working within the City.

The JFD operates with a staff of 24 firefighters. The fire chief and assistant fire chief receive a part-time salary. The remaining 22 are volunteers but are paid per hour for response and fire fighting activity. JFD operates out of one fire station centrally located within the City. The station houses in-service and reserve fire apparatus.

The JFD currently has five engines, one ladder/truck, and one tanker. The tanker is deployed when the firefighters are responding to a call that is not near a sufficient source of water, such as a hydrant. When a multiple alarm fire occurs or when more than one fire occurs and the current on-duty crews cannot be re-deployed, then mutual aid assistance from the nearby townships is called to assist until JFD personnel become available.

The initial response strength for an emergency call is usually three companies consisting of a combination of engine and truck companies depending on the nature of the call. If the call is known to be a car, a dumpster, or a brush fire then the mini-engine responds. If a call is received for a hazardous materials incident, or a heavy rescue incident, then the appropriate response vehicles are manned and dispatched.

In addition to the analyses presented in this report, assessments were conducted on several areas within the fire department which did not warrant changes and did not yield any recommendations. These areas include the following:

- **Organizational Structure and Service Area:** The organizational structure meets standards for volunteer fire departments and the span of control is within recommended levels. Likewise, the reporting structure was adequate for operations and similar to industry practices. JFD provides fire protection for Lake Township and Franklin Township through formal written agreements.

- **Make-up of Personnel:** Staffing is volunteer and paid on a per-hour basis for each run. The chief and assistant chief are also volunteer, as is characteristic in communities of this size, and are paid an additional stipend (approximately \$4,000 annually) to carry out their duties.
- **Staffing:** Volunteer and paid staffing levels meet industry standards for municipalities of less than 10,000 residents, based on studies completed by the Fire Service Institute of Iowa State University.
- **Expenditures:** Departmental Expenditures are significantly below the peer average. JFD spends \$21 per citizen which is 32 percent below the peer average. The cost per call was the lowest of the peers at \$684. JFD had the highest level of activity compared to the peers which would drive down the cost per run. There were no major fluctuations during the three year period reviewed.
- **Training of Staff:** JFD meets basic state and federal training requirements. JFD completes 36 hours of basic training for new fire fighters through the State Fire Marshall as required under ORC § 4765.55.
- **Response Time:** Response time was within National Fire Protection Association standards of eight minutes.
- **Vehicle Maintenance:** Vehicle maintenance is completed by the City garage. Minor maintenance, such as changing brake lights, washing the vehicles, or oil changes, is completed by the fire fighters. The equipment is relatively new by volunteer department standards and averages twelve years in age. Frontline equipment averages five years in age.
- **Personal Equipment:** Personal safety equipment was recently replaced. Also, the fire department purchased all new turn-out gear and has retained the older turn-out gear that was in good condition. The fire chief ensures that all self-contained breathing apparatus (SCBA) is tested on a six-month basis.
- **Performance:** Fire incident data is tracked through a fire data management program that was implemented in late 2002. JFD has owned the program but was unable to implement it until recently because of an absence of trained personnel to operate the software. This program keeps track of scheduling, training, vehicle maintenance, incident reporting, and inventory. JFD reports incidents and response times to the State Fire Marshal through the Ohio Fire Incident Reporting System.

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## Recommendations

**R5.10 JFD should implement a formalized planning process to identify and determine the functions of the fire department in relation to community needs. JFD should develop a mission statement to better describe its mission to the community. Also, building upon the citizen survey and strategic planning process described in R4.3, JFD should identify appropriate programs and implement strategies to bring additional services to the residents of the City of Jackson. JFD should publicize its mission statement and service level efforts in its annual report and on the City’s web page (see R4.3, concerning strategic planning, in the administrative operations section of this report).**

JFD provides basic fire protection services and some community outreach programs for the City and its residences. The Ohio Revised Code (ORC) is relatively silent on the role of fire protection services. Under general duties of fire departments, ORC § 737.11 states that “the fire department shall protect the lives and property of the people in case of fire”. JFD does not have a mission statement to clarify this statutory guideline or to guide its volunteers. JFD also has not developed a plan of action to implement additional services to the residents of Jackson.

The Society of Human Resources Management (SHRM) recommends that the mission, vision and value statements reflect the purpose, intent, and core principles of an organization. These statements can guide behavior, strategic planning, and implementation by providing organizational direction both internally and externally. According to the American Public Works Association (APWA), an agency’s value statement establishes the core values that assist in fulfilling its mission. This statement answers the questions of what culture the leadership of the agency wants to create and how all employees are to act.

Most mission statements are designed based on the organization’s desired outcomes. They often include themes such as customer focus, values, excellence and teamwork. In some cases, like the City of Phoenix, Arizona Fire Department, the mission statement is simple: “*Prevent harm, survive, and be nice.*” The City of Indianapolis, Indiana Fire Department mission statement is more complex: “*We will provide an appropriate, safe, and professional response to fire, medical and environmental emergencies. We are dedicated to minimizing the loss of life and property through suppression, rescue education, code enforcement, investigation and other innovative programs.*” The Office of the Legislative Auditor of Minnesota identified five goals and seven actions applicable to all fire departments that might be helpful to JFD in developing its mission statement. These include preventing fires through raising community awareness, protecting resident’s property and lives, maintaining a safe and effective response capacity and ensuring enforcement of fire codes.

Although fire department services vary depending on the size of the department and needs of the community, the National Fire Protection Association (NFPA) has identified several standards for developing fire protection services. The standards recommend including the following services beyond basic fire protection:

- Community relations;
- Public fire safety education;
- Code enforcement;
- Fire investigation;
- Management of water for fire protection; and
- Management reports and records.

Likewise, peer fire departments offer extensive fire prevention programs, including inspection and review of structures for enforcement of the applicable fire and building codes, assisting with pre-planning of structures for emergencies, and holding fire safety classes, talks, and demonstrations. Community outreach and distribution of safety and “survival” information also features prominently.

JFD should research mission statements used by other fire departments and, through departmental and community forums, determine the priorities to be articulated in the mission statement. When developing priorities, JFD should consider new technology such as thermal imaging cameras, mobile data terminals, advanced personnel location equipment, and equipment to collect chemical or biological samples for remote analysis. Once the mission statement has been established, JFD should outline the types of services it considers critical for the residents living within its jurisdiction. Using the citizen survey as a vehicle for feedback, JFD should seek community input into future department efforts. Developing a strong mission statement will help guide the operations of the department while increasing service levels and will raise fire prevention and safety awareness within the community.

**R5.11 JFD should implement a formal fire prevention program. The Department should also consider implementing monthly fire prevention activities, and increasing community participation in fire prevention events. JFD’s fire prevention campaign should be focused on a few simple but essential safety lessons including installing and testing smoke detectors, ceiling sprinkler systems, practicing home escape plans, and hunting for home hazards.**

JFD does not have a formal fire prevention program. Although JFD has indicated the need for a plan to the City administration in prior years, the City has not supported its development. Also, the Department representatives stated that the volunteer nature of the department limits the amount of time firefighters can devote to prevention activities. JFD used to have a fire prevention program but participation was low and limited resources

forced the discontinuation of the program. JFD continues to provide the City with fire prevention activities upon request. Although the number of fires has decreased within the city limits of Jackson over the past three years, implementing a fire prevention program could potentially increase safety and further reduce fire loss.

Federal Emergency Management Agency (FEMA) and National Fire Protection Association (NFPA) conducted a cooperative needs assessment of the U.S. Fire Service in December 2002. The needs assessment identified the following deficiencies in fire prevention programs:

- 29 percent of U.S. residents are protected by fire departments that do not provide plans review, 45 percent by departments that do not provide permit approval, and 49 percent by departments that do not provide routine testing of active systems
- 42 percent are protected by fire departments that do not have a program for free distribution of home smoke alarms.
- 48 percent are protected by fire departments that do not have a juvenile fire-setter program.
- 27 percent are protected by fire departments that do not have a school fire safety education program based on a national model curriculum.

The Office of the Legislative Auditor of Minnesota conducted a best practices review in fire service in 1999. The review found that best practice fire departments used the following processes to raise community involvement in prevention activities.

- Assess risks and develop long-range plans;
- Evaluate fire department performance and use resources cost-effectively;
- Promote public awareness of fire safety;
- Ensure fire code enforcement;
- Develop effective communications systems prepare a competent workforce and support safe operations ; and
- Plan for on-scene responses.

The Cotton Volunteer Fire Department (CVFD) of Cotton Township in St Louis County, Minnesota uses monthly training meetings as vehicles to promote community involvement in fire prevention. Likewise, the City of Maumee, Ohio's volunteers are available during business hours to provide fire prevention outreach programs to schools and senior programs.

JFD should consider reviewing the other jurisdictions' programs and the Minnesota best practice review to help reactivate and expand its fire prevention program. Reintroduction of the program could be timed to coincide with Fire Prevention Week in early October. JFD should also consider using existing external resources available through NFPA, the

American Red Cross and the United States Fire Administration. The fire prevention campaign could initially be focused on a few simple but essential safety lessons that anyone can learn: installing and testing smoke detectors, practicing home escape plans, and identifying home hazards. Increased attention to fire prevention could help JFD reduce community losses resulting from fire and other hazards.

**R5.12 JFD should develop and implement standard operating procedures (SOPs). JFD should ensure the SOPs are distributed to all employees and volunteers and should consider making the SOPs available on-line. The manual should be reviewed on an annual basis to determine if changes, deletions, or additions are needed. JFD could use guidelines provided by the FEMA or the City of Phoenix on-line SOPs as a basis for developing SOPs tailored to the City of Jackson. The JFD chief indicated that JFD has begun implementation of this recommendation, The framework JFD plans to use for its SOPs, as provided to the audit team, appears to include all recommended elements.**

JFD has not developed SOPs to guide departmental operations. JFD uses monthly training meetings to discuss procedural issues, but new firefighters are not provided a formal, written manual to help guide their on-the-job learning.

FEMA provides extensive guidelines on the development of SOPs. The FEMA publication describes the role and function of SOPs, details how to conduct a needs-assessment, provides recommended processes for developing and implementing SOPs, and describes how to evaluate the adequacy of SOPs once implemented.

The City of Phoenix Fire Department has developed complete and detailed on-line SOPs. Phoenix Fire Department includes the following areas in its SOPs:

- **Command Procedures**, including customer service management, accountability, rapid intervention and command responsibilities.
- **Basic Sectors**, providing direction to each facet of fire department operations.
- **Fire Operations**, containing detailed information on company responsibilities, tactical priorities, rescue, safety and risk management, fire control, equipment maintenance, and specific procedures for a variety of potential fire fighting situations.
- **Technical Operations**, containing procedures for several categories of HAZMAT, as well as confined space, and tree and structural collapse operational procedures.
- **Communication Deployment and Response**, containing types of communications and procedures for major events, such as safe parking and escort. The communication deployment text also contains procedures for specific unique

structures (such as airports) in the jurisdiction and information on mutual aid and assisting other agencies.

- **Special Considerations**, including protecting team members, civil disturbances, station safety, heat stress management, and community assistance programs.

Although Phoenix is a larger city than Jackson, example could provide a strong basis for the development of SOPs for JFD.

Regardless of the source of information, the JFD manual should be used to establish a uniform decision making process and make daily operations more routine. Also, access to SOPs is important to ensure continuity and consistent application of the City's and departmental regulations. Clarity in departmental procedures reduces the chance of mistakes or injury while on the job and reduces the risk of liability to the City. Staff should acknowledge receipt and understanding of the SOPs through a signed statement that should be maintained in the personnel file for the employee or the volunteer. The development and implementation of SOPs will also help improve the process of training new employees, and allow them to progress in their skill level as they complete on-the-job training.

**R5.13 JFD should increase its training activities to raise the aggregate level of knowledge of fire safety processes and procedures within the department. Increased training will help JFD better ensure the safety and competence of its volunteer fire department personnel.**

JFD personnel currently participate in sufficient training to meet basic state requirements. All new fire fighters complete the state's basic firefighter course and attend internal training provided through monthly departmental meetings (approximately 20 hours per year). JFD is also using a video training program for in-house training and is actively involved in training with a county-wide rapid intervention team. External training is not offered on a frequent basis, although several JFD volunteers have completed firefighter levels 1 and 2 coursework, as well as hazardous materials and confined space training. JFD also has not assessed the training needs of its personnel or developed a training program to raise the aggregate knowledge base and skill of its volunteer staff.

In the FEMA and NFPA cooperative needs assessment, the following training and certification deficiencies were noted:

- In communities with less than 2,500 residents, 21 percent of fire departments, most of which were volunteer departments, deliver an average of 4 or fewer volunteer firefighters to a mid-day house fire. Because these departments average only one career firefighter per department, it is likely that most of these

departments often fail to deliver the minimum of 4 firefighters needed to safely initiate an interior attack on such a fire.

- In communities with less than 2,500 residents and whose firefighters, most of them volunteers, are involved in structural firefighting, an estimated 153,000 lack certifications and 233,000 firefighters lack formal training in those duties.
- The majority of fire departments do not have all their personnel involved in emergency medical services (EMS) certified to the level of Basic Life Support, and almost no departments have all those personnel certified to the level of Advanced Life Support.
- An estimated 40 percent of fire department personnel involved in hazardous material response lack formal training in those duties, with most of them serving in smaller communities.
- More than four out of five fire departments do not have all their personnel involved in hazardous material response certified to the Operational level and almost no departments have all those personnel certified to the Technician level.
- An estimated 41 percent of fire department personnel involved in wild-land firefighting lack formal training in those duties, with substantial needs in all sizes of communities.
- An estimated 53 percent of fire department personnel involved in technical rescue service lack formal training in those duties.
- An estimated 792,000 firefighters serve in fire departments with no program to maintain basic firefighter fitness and health, most of them volunteers serving communities with less than 5,000

Deficiencies were also noted in communities' abilities to respond to unusual or challenging incidents. The cooperative study identified the following expertise shortfalls:

- Only 11 percent of fire departments can handle a technical rescue with EMS at a structural collapse of a building having 50 occupants with local, trained personnel. Nearly half of all departments consider such an incident outside their scope.



- Only 13 percent of fire departments can handle a hazmat and EMS incident involving chemical/biological agents and 10 injuries with local, trained personnel. Two-fifths of all departments consider such an incident outside their scope.
- Only 26 percent of fire departments can handle a wild-land/urban interface fire affecting 500 acres with local, trained personnel. One-third of all departments consider such an incident outside their scope.
- Only 12 percent of fire departments can handle mitigation of a developing major flood with local, trained personnel.

Each of these areas indicates a need for additional training on the local level.

The City of Maumee Fire Division members have many types of education and training from schools throughout the country and use their aggregate knowledge to provide internal training to their volunteers. These areas of expertise include basic and professional firefighter practices, hazardous material handling, confined space rescue, heavy rescue, and rope rescue. The City of Maumee also requires volunteers to attend mandatory drills which include SCBA, ladders, disaster, arson training, and other programs that would better educate and give hands-on experience to the firefighters. The Deputy Chief serves as the head of training and drills are planned at the beginning of each year with input from the fire chief and other officers.

Prepackaged training presentations are offered by a number of commercial emergency personnel training companies. These programs include topics such as the following:

- Vehicle extraction;
- Hazmat response;
- Building construction;
- Ropes and knots;
- SCBA;
- Ladders;
- Water supply;
- Pump operations;
- Fire extinguishers; and
- Rapid Intervention Teams.

These training areas could be covered internally using off-the-shelf training materials. Likewise, an internal trainer could receive certification in one of these areas using the department's training budget, then provide in-house training to other department members.

JFD has a good safety record, but additional training and the implementation of mandatory drills would help ensure the safety of personnel in a variety of fire fighting and emergency response situations. Furthermore, with additional attention focused on emergency response and emergency management activities through the newly formed federal Department of Homeland Security, additional training would help increase JFD's level of preparedness in responding to crisis situations. Training costs vary greatly and depend on the types of training and the training organization. Many volunteer departments qualify for free or reduced fee courses through state and federal agencies. A financial implication cannot be determined until JFD establishes a training needs list for the department personnel.

**R5.14 JFD should develop a formal vehicle replacement plan and seek an additional fire department capital improvements levy to provide funds for the replacement of fire department vehicles.**

JFD does not have a vehicle replacement plan. Vehicles are replaced when they are in need of major repair or no longer meet the needs of the department. The cooperative study commissioned by FEMA and NFPA identified equipment as a critical need for U.S. fire departments. Findings of the study are listed below.

- Just over 16 percent of all engines are 15 to 19 years old, another 21 percent are 20 to 29 years old, and just over 13 percent are at least 30 years old. Therefore, half of all engines are at least 15 years old.
- Among fire departments protecting communities with less than 10,000 residents, at least 10 percent are estimated to have no ladder/aerial apparatus but to have at least one building 4 stories high or higher in the community.

The Office of the Legislative Auditor of Minnesota best practices review identified examples of best practice replacement plans. Cotton Volunteer Fire Department, cited in the report, uses a truck depreciation fund and an equipment replacement plan, which has given the department an opportunity to make its truck purchases without asking for a significantly higher property tax levy the year of the purchase. The depreciation fund financially prepares the Township to replace old or obsolete fire department vehicles by having the Cotton Township board levy tax dollars or provide appropriate money for the fund each year. The replacement plan was developed by fire department members based on the useful life expectancy of the existing apparatus. Success of this arrangement is dependent on the positive working relationship between the chief and the town board.

Capital improvement or replacement plans are an integral component of many cities' planning processes. The City of Milwaukee has prepared a capital replacement plan that includes not only city vehicles, but also facilities, streets, sewers and other aspects of city

infrastructure. The City of Milwaukee's capital improvement plan is linked to the city's strategic plan and is considered a model in capital planning.

In conjunction with City administration, JFD should develop replacement plans for its fire department vehicles. For example, **Table 5-5** shows JFD in-service vehicles with vehicle age, projected replacement date information, and estimated replacement cost.

Based on NFPA estimates and a fire vehicle report for Swarthmore, Pennsylvania (population 6,100), pumpers have a 20 year useful life and ladders have a 15 year useful life.

**Table 5-5: Jackson Fire Department Vehicle Replacement Plan**

	Vehicle Age Years	Years to replacement	Estimated Cost	2004 Allocation to CIP
<b>2002 Tanker</b>	2	18	\$600,000	\$25,625
<b>2001 Pumper</b>	3	17	\$600,000	\$27,572
<b>1995 Ladder</b>	8	7	\$750,000	\$97,880
<b>1994 Pumper</b>	9	11	\$500,000	\$39,039
<b>1982 Mini-pumper</b>	22	0	\$200,000	\$200,000
<b>Total</b>				<b>\$390,116</b>

Source: Swarthmore, Pennsylvania Fire Department, NFPA Guidelines

A yearly allocation was calculated for each vehicle, based on the estimated cost required at a future date. The 2004 allocation is what Jackson should put into the CIP budget based on the purchase of a mini pumper and the future value annuity payments to prepare for the other pieces of equipment. The interest assumption is 3 percent per year. The calculations were based on the following formula:

Estimated future cost for each vehicle divided by the future-value-interest-factor for an annuity, given the number of years to replacement and assumed interest rate.

Although JFD sets aside approximately \$80,000 each year from its current levies, the ballot language did not specifically earmark these funds for replacement. In the future, JFD may wish to specify a sum on the ballot initiative specifically for vehicle and equipment replacement. Also, according to AOS calculations, JFD will need to set aside approximately \$190,000 each year. The department should consider an additional ballot initiative to generate sufficient revenue to fully cover future replacement costs.

*Financial Implication:* The total amount for 2004 would be \$390,116 and for each of the years through 2010, \$190,116. The purchase of a new mini-pumper could be postponed since they could use a regular pumper in most instances. That leaves an annual allocation of \$190,116 to a Fire Department CIP fund. Jackson's taxable property value of \$114,544,866 should generate approximately \$114,512 for each mill levied.

**R5.15 JFD should develop and implement an equipment replacement plan. Likewise, the department should identify potential facility needs and develop a capital replacement plan to encompass its facility as well.**

JFD does not have an equipment replacement plan. Equipment is replaced when OSHA or NFPA standards change. The chief is responsible for making purchasing decisions, although a formal purchasing process has not been implemented. The cooperative study commissioned by FEMA and NFPA identified equipment as a critical need for U.S. fire departments. Findings of the study are listed below.

- Roughly 32 percent of fire stations are estimated to be at least 40 years old, roughly 57 percent have no backup power, and nearly 78 percent are not equipped for exhaust emission control.
- Three-fifths to three-fourths of fire departments have too few fire stations to meet Insurance Services Office guidelines for response distance.
- Overall, fire departments do not have enough portable radios to equip more than about half of the emergency responders on a shift. The percentage of departments that cannot provide radios to all emergency responders on a shift is especially high for communities under 2,500 residents.
- The majority of fire department portable radios are not water-resistant, and more than three-fifths lack intrinsic safety in an explosive atmosphere.
- An estimated one-third of firefighters per shift are not equipped with self-contained breathing apparatus (SCBA). Nearly half of SCBA units are at least 10 years old.
- Nearly half of the emergency responders per shift are not equipped with personal alert system (PASS) devices.
- An estimated one-third of personal protective clothing is at least 10 years old.

Capital improvement or replacement plans are an integral component of many cities' planning processes. The City of Milwaukee has prepared a capital replacement plan that includes not only city facilities, but also streets, sewers and other aspects of city infrastructure. The City of Milwaukee's capital improvement plan is linked to the city's strategic plan and is considered a model in capital planning.

In conjunction with City administration, JFD should develop replacement and improvement plans for its equipment and facilities. JFD should use its service level plans to identify critical and non-critical replacement and improvement needs. As the City

regains financial stability, JFD should encourage City administration to support its fire protection plan through capital investments.

**R5.16 JFD should formalize its mutual aid agreements with surrounding municipalities. In conjunction with other regional fire departments, JFD should establish joint training programs and exchange procedures to ensure smooth functioning of mutual aid agreements.**

JFD has established mutual aid agreements with surrounding municipalities, but the agreements have not been formalized through a written contract. JFD enters into mutual aid operations with the Madison/Jefferson Fire Department, Scioto Township Fire Department, Bloomfield Township Fire Department, Liberty Township Fire Department, Coalton Fire Department, Wellston Fire Department, and, on rare occasion, Pike County fire departments.

The FEMA/NFPA report determined that only 13 percent of fire departments nation wide have written agreements to direct use of non-local resources (mutual aid). The report also determined that the need for formalized agreements was greater for smaller communities.

The Minnesota Legislative Auditor's report found that, as with other aspects of fire protection services, advance planning is important to ensure smooth functioning of mutual aid. To be effective, mutual aid agreements must be written prior to the occurrence of major emergencies and should incident command responsibilities and which department is liable for any injuries that may occur. The aid agreements should also stipulate operating procedures for mutual aid. To ensure an integrated response, fire department personnel should receive training on mutual aid plans, as well as the normal command structure of the department. Whenever possible, neighboring departments should attempt to implement compatible operating methods. Communication protocols must be established and each agreement should stipulate what equipment and manpower may be available through the aid agreement. In some cases, mutual aid agreements may identify specialized services, such as confined space rescue, that can be provided by a neighboring department to supplement the expertise of the local department. Identifying specialized services in mutual aid agreements increases efficiency as each department does not have to invest in training for the specialized service.

By formalizing its mutual aid agreements, sharing operating procedures and investing in training to heighten the integration of response capabilities, JFD can increase its potential effectiveness in fighting fires and responding to other emergencies. By taking advantage of the existing services and capacities of other departments, JFD can avoid duplicating efforts while increasing its response capacity.

**R5.17 JFD should increase its communication capabilities by developing communication plans for coordinating with applicable local, state and federal agencies. The department should also investigate the feasibility of coordinating the implementation of a map coordinate system. Finally, JFD should request internet access through the City (see R4.6) so that the department can more easily access on-line resources.**

JFD uses a coordinated dispatch system managed through the Jackson Police Department. Because of the small size of the department, enhanced communication capabilities have not been explored or implemented. The absence of key communication strategies could limit the department's response capacity in the event of a large-scale disaster.

The FEMA/NFPA study identified the following deficiencies in fire departments across the nation:

- Only about one-fourth of departments overall can communicate with all federal, state, and local partners.
- Nearly half of all fire departments have no map coordinate system. Most departments with a map coordinate system have only a local system. Interoperability of spatial-based information systems, equipment, and procedures probably will not be possible under these circumstances, for multiple jurisdiction/agency catastrophic disaster response. One-fourth of departments (one-third of rural fire departments) have 911-Basic for telephone communication. Two-thirds have 911-Enhanced.
- Overall, one third of communities have primary dispatch responsibility lodged with the police department.
- Two-fifths of departments lack a backup dispatch facility, including nearly half of departments protecting communities with less than 2,500 population.
- Two-fifths of departments lack Internet access.

The Minnesota Legislative Auditor's report recommends that to be effective, departments develop communication protocols and train department members in their use. Protocols should include procedures for giving priority to emergency messages over other radio traffic and ensuring that dispatchers know the status of responding units and available equipment. Matching funds may be available to expand a department's capacity in communication hardware, including radios, pagers, sirens and telephones. Because of the need for redundancy to protect against a loss of communications, departments should implement back-up communication networks. Relationships and communication

protocols are also important to establish within the jurisdiction so that a department can call on the expertise of other city departments, such as the sewer or streets department, to assist in operations.

To expand its communication capabilities, JFD should begin by identifying pertinent parties to include in communication protocols. It should also work with other municipalities within Jackson County to determine if improvements to the 911 system, and the implementation of a map coordination system would be feasible within current economic constraints. Lastly, JFD should ensure that when the City expands its intranet (see **R4.6**), JFD is included in the process and provided with Internet access.

**R5.18 JFD should use performance data to identify and rectify performance issues. Likewise, performance data should be used to set goals and target performance standards based on these goals. The information provided to the State Fire Marshall, combined with the data maintained in the department's fire data management program, should provide a basis for measuring performance and setting performance targets.**

JFD maintains performance data through the State's Ohio Fire Incident Reporting System and the department's internal fire department management program. However, JFD only reports the outcomes of data tracking and does not use the performance measures to identify performance targets and goals for future years.

A good performance measurement system should be results-oriented, focus on the most important performance indicators, provide useful information for decision-making, and be accessible and reliable. Useful performance measures should also be valid, cost-effective, and relevant to agency goals, objectives, strategies, and functions. Internal performance measures can be used by managers to periodically review agency progress toward operational goals and priorities; evaluate agency staff performance; develop and refine agency rules, policies, and procedures; and communicate with agency employees, customers, and other stakeholders. The following are the four major types of performance measures:

- **Outcome:** Indicators of the public's or customer's benefit from agency actions.
- **Output:** Measures of the number of services an agency produces.
- **Efficiency:** Indicators of productivity expressed in unit costs, units of time, or other units.
- **Explanatory/input:** Measures of factors, agency resources, or requests that affect a state entity's performance.

These elements may be used in full or in part to establish appropriate appraisal techniques for JFD. Factors such as objectivity, usefulness of information, and cost of implementation should be considered when designing a performance measurement system. JFD should consider initial indicators such as reduction or increase in incidents by type, prevention activities by hours of service provided, response time, cost per citizen, cost per incident, and basic operating statistics.



## Financial Implications Summary

The following table presents a summary of revenue enhancements, annual cost savings, and cost avoidances resulting from recommendations within this section. For the purpose of this table, only recommendations with quantifiable impacts are listed.

### Summary of General Fund Financial Implications for Public Safety

Recommendation	Annual Cost Savings	Annual Cost Avoidances
<b>R5.2</b> Reduce staffing levels by eliminating vacant positions	\$238,824	
<b>R5.6</b> Limit overtime		\$39,000
<b>Total</b>	<b>\$238,824</b>	<b>\$39,000</b>

### Summary of Special Revenue Fund Financial Implications for Public Safety

Recommendation	Annual Revenue Enhancement
<b>R5.14</b> Two mil fire vehicle capital improvements levy	\$229,000
<b>Total</b>	<b>\$229,000</b>

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# Water/Wastewater Services

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## Background

The section focuses on the City of Jackson Water/Wastewater Department (JWD). JWD is comprised of three functional divisions; Water Treatment Plant (WTP), Wastewater Treatment Plant (WWP), and Water Distribution/Sewer Collection Systems (DCS). WTP operates a single water treatment plant with a capacity of approximately 4.0 million gallons per day. WWP operates a single wastewater treatment plant with a capacity of 2.21 million gallons per day. The City is currently in the planning stages of an expansion to the plant which would increase capacity to a level which has yet to be determined. DCS repairs and maintains the City's water and sewer lines as well as hydrants, manholes, and meters.

JWD is organized within the City as an enterprise operation. The department is intended to function in a manner similar to a private sector business, relying on charges for services to support the costs of operation. Water and sewer charges are collected by the City's Utility Billing Department and subsequently deposited into various funds that support water and wastewater operations. Charges for services are based upon a defined rate structure that corresponds to various levels of consumption.

### *Assessments Not Yielding Recommendations*

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

- **Organizational Structure:** JWD operates under an organizational structure that is optimal for its operation. Additionally, JWD maintains a ratio of supervisory to non-supervisory staff much lower than the peer average.
- **Procedures and procurement of grants:** In recent years, JWD received grants from those programs which offer the greatest awards. It appears that management does have adequate knowledge of the grants available to them and that JWD attempts to use these grants for more costly capital improvement projects.
- **Long-term debt management:** JWD has managed debt so it does not result in excessive costs being levied onto its residential users. The majority of JWD debt is being retired by a commercial user on whose behalf the debt was incurred. The remaining long-term debt has been obtained interest-free for the purpose of major capital improvement projects.

- **Certification of staff:** The Director of water/wastewater is EPA certified as a class III water and class IV wastewater system operator. The director is the only member of the JWD staff that is required to obtain operator certification, however all full-time operators and other staff that could potentially be used in an operator role have taken the initiative to obtain some degree of certification.
- **Training programs:** As evidenced by the up-to-date status of their EPA certifications, staff operators are receiving between 12 and 24 hours of additional course time every two years. In addition, JWD has established a set of in-house, site specific training guidelines for new employees.
- **Standard work scheduling:** JWD maintains a functional organizational structure which allows a great deal of flexibility in dealing with standard work scheduling. Employees are cross trained to perform multiple functions within each division and adequate staffing levels are maintained to facilitate operations in cases of employee absence.
- **Emergency response procedures:** JWD has established emergency response procedures that seek to minimize costs and address the needs of the system in a timely manner. Callouts are limited to one staff member and authorization must be obtained before additional staff is called to assist with a problem.
- **EPA compliance:** JWD consistently operates within the contaminant limits established by the Ohio Environmental Protection Agency (OEPA). Areas of operations which are not in compliance were addressed in JWD's most recent evaluation from the OEPA.

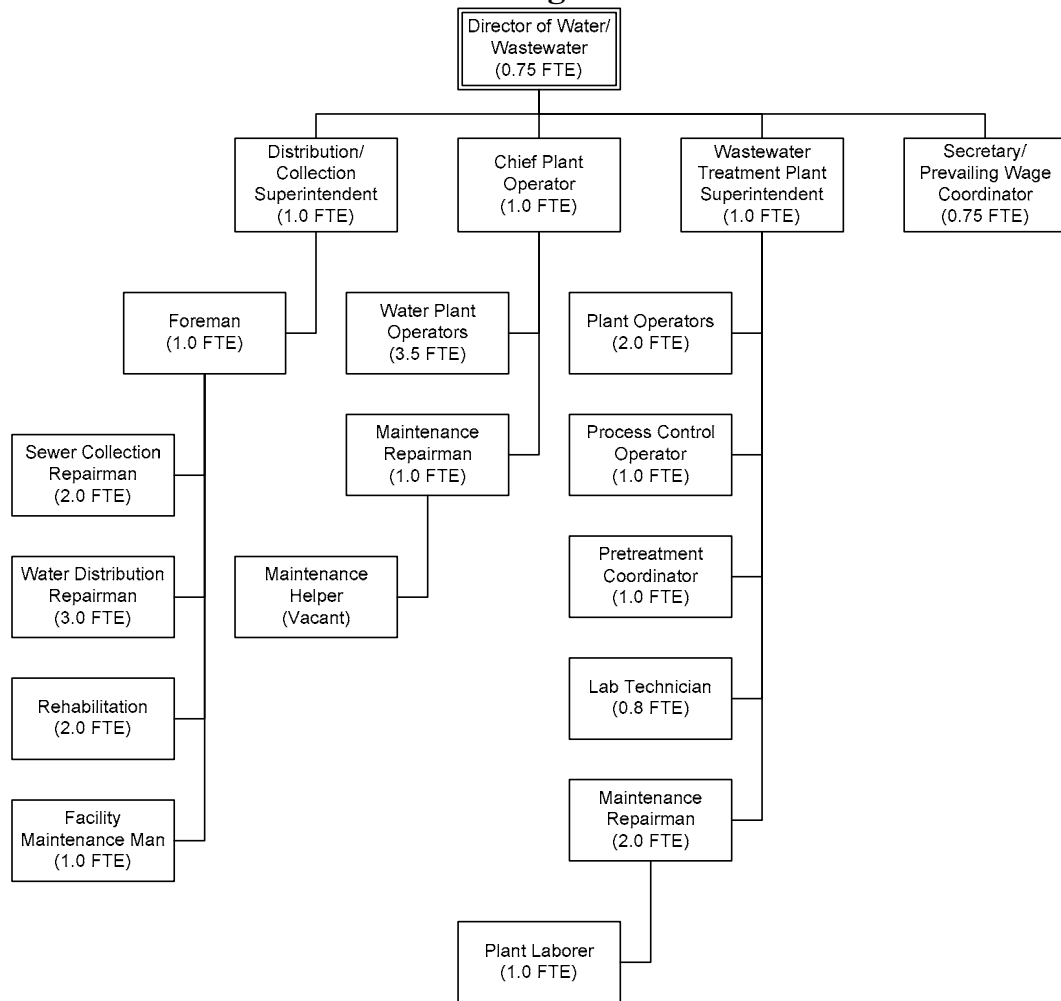
## Recommendations

### *Organizational Structure*

- R6.1** The City should reduce staffing levels by eliminating the facility maintenance man position from JWD table of organization. The City should ensure that the related personnel costs for the position, which are all currently being paid from the Electric Fund, be reduced accordingly.

JWD employs 25.8 full-time equivalent (FTE) employees. **Chart 6-1** provides an overview of the JWD organizational structure and corresponding staffing levels as of January 2003. **Chart 6-1** was derived by AOS based upon information received from the director of water/wastewater and the superintendent of distribution/collection systems.

**Chart 6-1: JWD Organizational Chart**



**Source:** City of Jackson Director of Water/Wastewater, Superintendent of Distribution/Collection Systems

Currently, JWD employs 1.0 FTE in the position of facility maintenance man. This position is supervised by the distribution/collection systems superintendent and the duties of this position are general maintenance in nature. In most cases, the duties of this position have no significant relation to any of the functions or responsibilities of JWD. Expanding or redefining the duties of the position would not benefit JWD, as each division in the department already employs sufficient levels of maintenance staff.

The salary for this position is currently drawn from the Electric Fund; therefore the financial implications resulting from eliminating this position are detailed in the **electric department** section of this report (see **R7.2**).

**R6.2 JWD should update its current position descriptions to specify qualifications such as EPA Operator and Laboratory Analyst certifications for positions where certifications are required. For positions which are not required to be certified, the position descriptions should specify certifications which the City would recommend or prefer that the employee obtain.**

Position descriptions that are kept on file for JWD do not list in the minimum acceptable characteristics or the need for the applicant or position holder to have obtained required certifications such as an EPA Operator or Laboratory Analyst. For those positions where certifications are not required, the position descriptions do not detail certifications that the city recommends or prefers that the position holder obtain.

Best practices in writing job descriptions from an HR consulting firm identify several key components that should be present in job descriptions. Job descriptions should include essential job requirements such as education, experience, skills, knowledge, and qualities/qualifications.

While current staff is qualified and hold up-to-date and adequate certifications, JWD can ensure that future staff is qualified and aware of expectations by including certifications in its position descriptions. By specifically stating which certifications staff must or should obtain, the City can also better monitor the distribution of incentive pay granted by a clause in the negotiated agreement (For recommendations concerning incentive pay, see **R6.11**).

### *Financial Management*

**R6.3 The City should allocate a portion of incoming revenues to its sewer improvements fund. Similarly, the City should allocate a greater portion of incoming revenues to its water improvements fund. These funds should be allocated in accordance with Ohio Revised Code (ORC) §743.05 and should be used to fund JWD major capital improvement projects. Further, prior to making these allocations, the City should ensure that it has met the reserve requirements necessary to satisfy its debt covenants.**

In 2000 through 2002 the City did not make significant allocations to its water and sewer improvements funds. In addition, neither fund carried a balance large enough to support any major capital improvement projects that JWD had chosen to pursue. **Table 6-1** shows the fund activity for the water and sewer improvements funds from 2000 to 2002.

**Table 6-1: Fund Activity FY 2000-2002**

Fund	Receipts	Disbursements	Fund Balance
<b>2002</b>			
Water Improvements Fund	\$30,000	\$0	\$91,128
Sewer Improvements Fund	\$0	\$0	\$34,645
<b>2001</b>			
Water Improvements Fund	\$30,190	\$5,738	\$45,529
Sewer Improvements Fund	\$0	\$13,368	\$1,442
<b>2000</b>			
Water Improvements Fund	\$30,000	\$15,541	\$21,077
Sewer Improvements Fund	\$0	\$0	\$1,442

Source: City of Jackson Auditors Office

While the City did not make significant allocations to its improvements funds, current operations have resulted in the City accumulating large cash surpluses in its operations funds. As of 2002, the Water Fund maintained a cash balance of approximately \$3,201,000 while the Sewer Fund carried a balance of approximately \$4,384,000.

Table 6-2 illustrates the Water Fund and Sewer Fund surplus as well as the balances of operating funds and capital improvement funds for 2000, 2001, and 2002.

**Table 6-2: Surpluses and Fund Balances**

	2000 Total	2001 Total	2002 Total
<b>Water Fund</b>			
Revenues	\$1,923,979	\$1,959,045	\$2,093,757
Expenditures	\$2,019,567	\$2,014,632	\$1,698,255
Fund Balance	\$1,089,343	\$1,079,610	\$3,200,606
<b>Sewer Fund</b>			
Revenues	\$2,035,427	\$2,192,390	\$2,543,899
Expenditures	\$2,113,781	\$2,639,855	\$1,816,478
Fund Balance	\$1,409,201	\$1,587,368	\$4,384,395

Source: City of Jackson Auditors Office

In 2000, 2001, and 2002 the Water Fund generated total revenues of \$1,923,979, \$1,959,045, and \$2,093,757 respectively. Expenditures for those years totaled \$2,019,567, \$2,014,632, and \$1,698,255 respectively. This resulted in operating losses of \$95,588 and \$55,587 in 2000 and 2001 as well as an operating surplus of \$395,502 in 2002. While the fund did operate at a loss in FY 2000 and 2001, this was primarily a result of the transfers out and administrative charges to the fund which were addressed in the Special Audit conducted by AOS for the period of January 1, 1995 to December 31, 2000. The Special Audit resulted in adjustments to the fund for these inappropriate transfers and charges. Had these transfers and charges not occurred, the fund would have operated with a surplus during those years.



Similarly, in 2000, 2001, and 2002 the Sewer Fund generated total revenues of \$2,035,427, \$2,192,390, and \$2,543,889 respectively. Expenditures for those years were \$2,113,781, \$2,639,855, and \$1,816,478 respectively. This resulted in operating losses of \$78,354 and \$447,465 in FY 2000 and 2001, and an operating surplus of \$727,421 in FY 2002. Consistent with the Water Fund discussion above, the Sewer Fund operating loss in FY 2000 can be attributed to transfers out and administrative charges to the fund addressed in the Special Audit. Had these transfers and charges not occurred, the fund would have operated with a surplus during FY 2000.

Under standard circumstances, revenues exceed expenses during a typical year. In addition, the City already carries balances in the water and sewer funds in excess of one year's operating expenses. With this in mind, increasing the amount of service fees allocated to the water improvements fund and establishing an allocation for the sewer improvements fund should not negatively affect the water or sewer operating budget. ORC § 743.05 allows a portion of surplus funds to be retained for the purposes of repairs, enlargement, extension of the works or reservoirs, the payment of interest on any loan made for their construction, or for the creation of a sinking fund for the liquidation of debt. ORC § 743.05 specifies that a surplus of up to 10 percent of the previous year's gross revenue may be retained after all expenses are paid and a reserve of 5 percent is held for general operation purposes. For example, if the City were to allocate a portion of incoming water revenues in accordance with ORC §743.05, the City would retain 5 percent of the FY 2002 surplus, or \$104,688 as a reserve and then \$209,357 could be allocated towards the water improvements.

While surplus revenues vary from year-to-year, the City should attempt to allocate more service fees to improvement funds whenever possible. By increasing fee allocations to the Water Improvements Fund and Sewer Improvements Fund, the City will be able to support the larger, more costly capital improvement projects when necessary. This allocation will allow the City to reduce the burden that capital improvement projects currently place upon its operating funds, thereby reducing the amount of revenue needed yearly to support operations. A reduction in needed revenue will allow the City to decrease its rates for service as detailed in **R6.6** and **R6.7**.

**R6.4 JWD should reduce its annual Water Fund Capital Outlay and Sewer Fund Capital Outlay budget allocations. JWD should also ensure that the amount of money that is set aside for these line items accurately reflects the cost of projects that fall within the goals set forth by the City's strategic plan.**

The City consistently overestimates its Water Fund Capital Outlay allocation. The City also consistently overestimates its Sewer Fund Capital Outlay budget. **Table 6-3** shows the amount of the yearly budget that was consumed for each major expenditure category at year end.

**Table 6-3: Budget Consumption**

	2000 Percentage Consumed	2001 Percentage Consumed	2002 Percentage Consumed	Average Percentage Consumed
<b>Water Fund</b>				
Salaries and Wages	98.14%	99.98%	89.49%	95.9%
Benefits	71.23%	94.79%	77.62%	81.2%
Supplies	92.10%	98.36%	92.55%	94.3%
Maintenance	90.31%	94.48%	82.25%	89.0%
Chemicals	98.02%	99.05%	86.65%	94.6%
Miscellaneous	93.71%	79.02%	54.40%	75.7%
Capital Outlay	75.17%	68.58%	60.73%	68.2%
Debt Service	92.79%	94.76%	82.73%	90.1%
<b>Sewer Fund</b>				
Salaries and Wages	98.77%	97.17%	86.40%	94.1%
Benefits	75.67%	98.80%	79.29%	84.6%
Supplies	68.06%	75.93%	77.21%	73.7%
Maintenance	92.21%	60.21%	69.16%	73.9%
Chemicals	80.66%	86.87%	91.68%	86.4%
Miscellaneous	55.88%	55.80%	37.41%	49.7%
Capital Outlay	17.72%	75.37%	72.30%	55.1%
Debt Service	97.09%	96.48%	89.15%	94.2%

Source: City of Jackson

**Table 6-3** shows that the money allotted to the Water Fund and Sewer Fund Capital Outlay line items have been consistently higher than needed. In 2000 through 2002, JWD consumed an average of 68.2 percent of its Water Fund and 55.1 percent of its Sewer Fund budget allotments for these line items.

The primary source of revenue for the Water Fund and Sewer Fund is consumer charges, therefore accurate budgeting is essential to the determination of fair and appropriate customer charges. Over the long term, the consistent over budgeting of a major expenditure category may result in consumers paying higher rates than necessary and accumulation of unnecessarily high fund balances. Specific areas where the budget may be reduced should be identified in accordance with the development of a comprehensive strategic plan for the city as recommended in **R4.3** in the **Administrative Operations** section.

JWD may come across instances where unforeseen equipment repair costs significantly impact the Water and Sewer Capital Outlay line items. However, current surplus revenues in the Water and Sewer Funds could absorb any of these types of expenditures in the short term. Additionally, as the City begins to budget in concert with a strategic plan (**R4.3**), and while past performance indicates that JWD does not have a history of unexpected equipment problems, it should set aside sufficient funds based on expected need in Capital Outlay line items. Finally, as specified in **R6.3**, JWD should, after satisfying all pertinent debt covenant requirements, bolster the Water Improvements Fund and Sewer Improvements Fund and take appropriate steps to use those funds to make any

necessary preventative maintenance capital improvements in an effort to avoid incurring large, unexpected repair costs.

### *Capital Improvement Planning*

**R6.5 JWD should perform a formal assessment of its storm sewer system and develop a capital improvement plan based upon that assessment. The capital improvement plan should consider the needs of the community and incorporate schedules for the inspection and maintenance of all components of the storm sewer system.**

JWD has performed, or commissioned the performance of, formal assessments for all portions of its water/wastewater infrastructure except its storm sewer system. While the department management and supervisory staff seem to have an adequate working knowledge of the immediate needs of the system, long-term capital improvement and preventative maintenance needs are determined in a speculative manner and may not adequately meet the needs of the community.

According to the Government Finance Officers Association (GFOA) *Best Practices in Public Budgeting*, a government should regularly collect and evaluate information about trends in community condition, the external factors affecting it, opportunities that may be available, and problems and issues that need to be addressed. While City officials seem to have an adequate working knowledge of problems facing the system, performing an assessment will allow the City to establish adequate goals and allocate appropriate funding for the improvement of its storm sewer system.

### *Rate Management and Charges for Services*

**R6.6 The City should conduct a detailed rate study as it may be able to reduce its monthly minimum charge for water service by up to \$3.67. This reduction should be made in an attempt to reduce revenues for water service to a level more commensurate with the needs of the operation. Based upon historical data, the rate decrease will reduce the average annual net surplus from approximately \$184,500 to about \$33,800 per year.**

The rates administered by the City for water service are based upon a tier structure; users pay different rates based upon usage. Jackson and its peers do assess a minimum charge to all users. **Table 6-4** compares monthly charges for service against the peers.

**Table 6-4: 2002 Monthly Water Rates<sup>1</sup>**

Usage (In gallons)	Jackson	Belpre	Hillsboro	Upper Sandusky <sup>2</sup>	Peer Average
Minimum Usage	2,000	3,000	997	1667	1,888
Minimum Charge	\$8.88	\$6.27	\$5.02	\$4.33 <sup>3</sup>	\$5.21
Minimum Charge First 2,000	\$8.88	\$4.18	\$10.00	\$5.12	\$6.43
Next 10,000	\$4.92	\$1.62	\$3.76	\$2.60	\$2.66
Next 20,000	\$4.59	\$1.23	\$3.76	\$2.60	\$2.53
Next 48,000	\$3.54	\$1.05	\$3.76	\$2.60	\$2.47
Next 150,000	\$2.83	\$1.05	\$3.76	\$2.60	\$2.47
Next 770,000	\$2.02	\$1.05	\$3.76	\$2.60	\$2.47
Over 1,000,000	\$1.19	\$1.05	\$3.76	\$2.60	\$2.47

**Source:** City of Jackson, City of Belpre, City of Hillsboro, and City of Upper Sandusky

<sup>1</sup> Based on a 5/8 inch meter

<sup>2</sup> Does not include meter fee

<sup>3</sup> Minimum charge is \$13.00 per quarter

The City currently maintains average residential water rates well above both the peer average and the state average. **Table 6-5** shows the average annual residential water rates for JWD, the peers, as well as the state average.

**Table 6-5: Annual Residential Water Rates**

Year	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average	Percent Above (below) Peer Average	State Average	Percent Above (below) State Average
2001	\$446	\$137	\$468	\$214	\$273	64%	\$336	33%
2000	\$433	\$137	\$468	\$174	\$259	67%	\$327	32%
1999	\$421	\$127	\$353	\$174	\$218	93%	\$316	33%
1998	\$408	\$106	\$353	\$174	\$211	93%	\$306	33%
1997	\$396	N/A <sup>1</sup>	\$353	\$174	\$264	50%	\$296	34%
1996	\$385	\$63	\$353	\$141	\$186	107%	\$281	37%
1995	\$374	\$63	\$353	\$141	\$186	101%	\$269	39%
1994	\$363	\$63	\$353	\$141	\$186	95%	\$254	43%
1993	\$352	\$63	\$353	\$141	\$186	89%	\$239	47%
1992	\$341	\$63	\$336	\$128	\$176	94%	\$225	52%

**Source:** Ohio EPA Residential Sewer and Water Rate Survey

<sup>1</sup>Not available

**Table 6-6** shows that on average, the rates charged by the City generate more net revenue than any of the peers.

**Table 6-6: Operating Fund Revenues and Expenditures FY 2000-FY 2002**

	Jackson <sup>1</sup>	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>2000</b>					
Revenues	\$1,923,979	\$659,998	\$1,128,842	\$679,777	\$822,872
Expenditures	\$1,866,567	\$597,575	\$1,037,745	\$736,601	\$790,640
Revenue over Expenditures	\$57,412	\$62,423	\$91,097	\$(56,824)	\$32,232
<b>2001</b>					
Revenues	\$1,959,045	\$872,200	\$1,129,509	\$776,176	\$925,962
Expenditures	\$1,858,232	\$823,142	\$1,002,761	\$751,171	\$859,025
Revenue over Expenditures	\$100,813	\$49,058	\$126,748	\$25,005	\$66,937
<b>2002</b>					
Revenues	\$2,093,757	\$695,127	\$1,178,242	\$1,024,032	\$965,800
Expenditures	\$1,698,255	\$508,539	\$1,332,969	\$914,911	\$918,806
Revenue over Expenditures	\$395,502	\$186,588	\$154,727	\$109,121	\$150,145
<b>Average (2000-2002)</b>					
Revenues	<b>\$1,992,260</b>	<b>\$742,442</b>	<b>\$1,145,531</b>	<b>\$826,662</b>	<b>\$904,878</b>
Expenditures	<b>\$1,807,684</b>	<b>\$643,085</b>	<b>\$1,124,492</b>	<b>\$800,894</b>	<b>\$856,157</b>
Revenue over Expenditures	<b>\$184,576</b>	<b>\$99,357</b>	<b>\$21,039</b>	<b>\$25,768</b>	<b>\$48,721</b>

Source: Jackson, Belpre, Hillsboro, Upper Sandusky

<sup>1</sup>Does not include reimbursements and administrative transfers detailed in Table 6-3.

Based upon the data in **Table 6-6** the City is generating an average annual net surplus greater than the peer average. This indicates the City is charging rates higher than needed to effectively operate the department. As the City has not conducted a rate study in several years, a rate study should be conducted to determine the appropriate water rates for the City. The City should attempt to reduce revenues to a level more appropriate for its needs. *GFOA Best Practices in Public Budgeting* indicate that a City should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. The City should identify the costs of this service including direct and indirect costs. While the City may not chose to establish rates that cover all costs, all costs and charges should be identified and explained.

If the City were to lower its minimum charge to the peer average of \$5.21 (as shown in **Table 6-4**) it would reduce revenues by approximately \$150,749 per year. Lowering the rate to this level would require a decrease in the minimum charge of \$3.67. Considering the current surplus balance of the Water Fund (as detailed in **Table 6-1**), the City should easily be able to incorporate the effects of a rate decrease of this magnitude into its yearly budget without any negative impact on operations.

In 2002, JWD provided service to approximately 3,423 water meters. Of these meters, 2,902 served residential customers, 503 commercial customers, 11 industrial users, and 7 Jackson County Water Company. By using the rate study to lower the base rate only, the City will distribute the consumer savings to all of its customers. The City will also be able to more accurately forecast the impact of this rate change, since the minimum charge

is the only tier in their rate schedule that is not based upon consumption. Forecasting the impact of a change to other tiers in the rate schedule would require a forecast of consumer demand which varies from year to year. A rate decrease of this magnitude would lower consumer water bills by approximately \$44.04 per year. Utility rates were used in the past to support General Fund operations and this rate reduction will help lessen the impact of the income tax option, if recommended, in the **financial systems** section of this report.

*Financial Implication:* If the number of customers to which JWD provides service remains constant at 3,423, then a reduction of \$3.67 in the base rate will reduce the surplus in the Water Fund by approximately \$12,562 per month, or \$150,749 per year. The surplus generated within the fund would be reduced to approximately \$33,800 annually.

- R6.7 The City should use a formal assessment (R6.5) and a detailed rate study to determine the appropriate monthly sewer rates for its consumers. JWD may be able to reduce its current minimum monthly sewer rates by up to \$4.67. This reduction should be made in an attempt to reduce revenues for sewer service to a level more commensurate with the needs of the operation. Based upon historical data, the rate decrease will reduce the average annual net surplus from approximately \$194,500 to about \$27,000 per year.**

**A reduction in sewer rates should be carefully balanced with the requirements of the City's debt covenants. Likewise, requirements promulgated by the federal Environmental Protection Agency should be considered in the rate study. Once the City has completed its assessments and rate study, any rate changes should be clearly communicated to City residents.**

The rates administered by the City for sewer service are structured whereas users pay a standard fee as well as an additional fee based upon usage. Both Jackson and its peers do assess a minimum charge to all users. **Table 6-7** compares monthly charges for service against the peers.

**Table 6-7: 2002 Monthly Sewer Rates<sup>1</sup>**

	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average
Minimum Usage	1,000	3,000	997	1,667	1,888
Minimum Charge	\$12.39	\$12.29	\$7.75	\$8.83	\$9.62
Minimum Charge First 1,000	\$12.39	\$4.10	\$7.72	\$5.30	\$5.71
Additional 1,000 up to 1,000,000	\$6.12	\$3.40	\$3.33	\$2.30	\$3.01
Additional 1,000 over 1,000,000	\$3.37	\$3.40	\$3.00 <sup>2</sup>	\$2.30	\$2.90

**Source:** City of Jackson, City of Belpre, City of Hillsboro, and City of Upper Sandusky

<sup>1</sup> Based on 5/8 inch meter

<sup>2</sup> Rate takes effect at 74,805 gallons used

The City currently maintains average residential sewer rates well above both the peer and the state average. **Table 6-8** shows the average annual residential sewer rates for JWD, the peers, as well as the state average.

**Table 6-8: Annual Residential Sewer Rates**

Year	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average	Percent Above (below) Peer Average	State Average	Percent Above (below) State Average
2001	\$609	\$328	\$454	\$214	\$332	83%	\$367	66%
2000	\$580	\$328	\$454	\$174	\$319	82%	\$356	63%
1999	\$553	\$273	\$454	\$174	\$300	84%	\$344	61%
1998	\$532	\$228	\$454	\$174	\$285	86%	\$335	59%
1997	\$512	N/A <sup>1</sup>	\$454	\$174	\$314	63%	\$325	58%
1996	\$512	\$136	\$454	\$141	\$244	110%	\$310	65%
1995	\$493	\$136	\$454	\$141	\$244	102%	\$297	66%
1994	\$478	\$136	\$454	\$141	\$244	96%	\$286	67%
1993	\$478	\$136	\$454	\$141	\$244	96%	\$276	73%
1992	\$461	\$136	\$349	\$128	\$204	126%	\$259	78%

**Source:** Ohio EPA Residential Sewer and Water Rate Survey

<sup>1</sup>Not Available

**Table 6-9** shows that on average, the rates charged by the City generate more net revenue than any of the peers.

**Table 6-9: Sewer Fund**

	Jackson <sup>1</sup>	Belpre	Hillsboro	Upper Sandusky	Peer Average
<b>2000</b>					
Revenues	\$2,035,427	\$1,084,430	\$1,075,678	\$590,741	\$916,950
Expenditures	\$1,926,501	\$938,603	\$1,325,404	\$681,108	\$981,705
Revenues over Expenditures	\$108,926	\$145,827	\$(249,726)	\$(90,367)	\$(64,755)
<b>2001</b>					
Revenues	\$2,192,390	\$1,093,477	\$1,079,728	\$671,656	\$948,287
Expenditures	\$2,448,125	\$1,000,597	\$1,265,702	\$656,813	\$974,371
Revenues over Expenditures	\$(255,735)	\$92,880	\$(185,974)	\$14,843	\$(26,084)
<b>2002</b>					
Revenues	\$2,543,899	\$1,201,207	\$1,101,444	\$660,783	\$987,811
Expenditures	\$1,816,478	\$1,168,383	\$1,204,968	\$572,398	\$981,916
Revenues over Expenditures	\$727,421	\$32,824	\$(103,524)	\$88,385	\$5,895
<b>Average</b>					
Revenues	<b>\$2,257,239</b>	<b>\$1,126,371</b>	<b>\$1,085,617</b>	<b>\$641,060</b>	<b>\$951,016</b>
Expenditures	<b>\$2,063,701</b>	<b>\$1,035,861</b>	<b>\$1,265,358</b>	<b>\$636,773</b>	<b>\$979,331</b>
Revenues over Expenditures	<b>\$193,538</b>	<b>\$90,510</b>	<b>\$(179,741)</b>	<b>\$4,287</b>	<b>\$(28,315)</b>

Source: City of Jackson

Based upon **Table 6-8**, the City is generating an average annual net surplus much greater than the peer average. This indicates that the City is charging rates higher than needed to effectively operate the department. The City should attempt to reduce revenues to a level more appropriate for its needs and in line with the GFOA *Best Practices in Public Budgeting* identified in **R6.6**.

If the City were to lower its minimum charge for 1,000 gallons of sewer service to the \$7.72, the charge of the highest peer, the City would be able to reduce revenues by approximately \$167,448 per year. Lowering the rate to this level would require a decrease of \$4.67 in the minimum charge for 1,000 gallons of service. Considering the current surplus balance of the Sewer Fund (as detailed in **Table 6-2**), the City should easily be able to incorporate the effects of a rate decrease of this magnitude into its yearly budget without a negative impact to operations.

In 2002, JWD provided service to approximately 2,988 sewer meters. Of these meters 2,536 served residential customers, 443 commercial customers and 9 industrial users. By lowering the minimum rate only, the City will distribute the consumer savings to all of its customers. The City will also be able to more accurately forecast the impact of this rate change since all of their customers will be billed under this portion of the rate. A rate increase of this magnitude would lower consumer water bills by approximately \$56.04 per year.



*Financial Implication:* If the number of customers to which JWD provides service remains constant at 2,988, then a reduction of \$4.67 in the minimum rate will negatively impact the Sewer Fund by \$13,954 per month, or \$167,448 per year. The surplus generated within the fund would be reduced to approximately \$27,000 annually.

**R6.8 The City should establish tap fees for new taps larger than four inches and increase fees for taps four inches or smaller. The City should undertake an annual review of its water tap fee structure to ensure charges are appropriate for the level of service being provided and are commensurate with customary charges by similar operations. The director of JWD indicated that this recommendation is in the process of being implemented.**

The schedule of tap fees for JWD and its peers are presented in **Table 6-10**.

**Table 6-10: Comparison of Water Tap Fees**

Tap Size	Jackson	Belpre	Hillsboro <sup>3</sup>	Upper Sandusky	Peer Average
0.75"	\$500	\$500	\$1,200	\$500	\$733
1.00"	\$625	\$585	\$1,400	\$500	\$828
1.50"	\$625	\$825	\$1,750	\$600	\$1,058
2.00"	\$750	\$931	\$2,000	\$1,000	\$1,310
3.00"	\$1000	TBD <sup>2</sup>	\$4,200	N/A <sup>4</sup>	--
4.00"	\$1250	TBD <sup>2</sup>	\$6,000	\$1,500	\$3,750
6.00"	N/A <sup>1</sup>	TBD <sup>2</sup>	\$11,000	\$2,000	\$6,500
8.00"	N/A <sup>1</sup>	TBD <sup>2</sup>	\$20,000	\$2,500	\$11,250
10.00"	N/A <sup>1</sup>	TBD <sup>2</sup>	N/A <sup>4</sup>	\$3,000	--
12.00"	N/A <sup>1</sup>	TBD <sup>2</sup>	N/A <sup>4</sup>	\$3,500	--

**Source:** City of Jackson, City of Hillsboro, and City of Upper Sandusky

<sup>1</sup>Subject to decision of council

<sup>2</sup>Fee is equal to the cost of materials plus labor

<sup>3</sup>Purchaser must also incur the cost of supplies and meter

<sup>4</sup>City does not install this size tap

The City has set fees for construction of water taps for taps up to four inches in size. According to the Superintendent of Water Distribution and Wastewater Collection, the division is capable of constructing water taps up to 12 inches in size. The City Utility Billing Manual reserves to City Council the right to establish other fees, such as those for larger taps. The fees charged for water taps four inches in size or less are also considerably less than the peer average.

In line with the GFOA *Best Practices in Public Budgeting* in **R6.6**, the City should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. While the City may not choose to establish rates that cover all costs, all costs and charges should be identified and explained.

While the City does not seem to establish a large number of new taps each year, it should establish rates that are more in line with the current market for such service. By generating more revenue via tap fees, the City should be able to provide more consumer value by relying less on its collections from monthly rates for service.

**R6.9 The City should eliminate the legislation providing for an automatic 4 percent annual sewer rate increase. Any future increases in service fees should be predicated on the rising costs of providing services. Although Council has voted on an annual basis to forego the rate increases, the 4 percent automatic increase language should be replaced with language indicating that increases will be based on the cost of service provision.**

Council Ordinance 19-96 established a four percent annual inflationary increase for all sewer rates. Although Council has voted to hold rates steady during the past few years, the annual increase has resulted in revenues that have well surpassed the needs of the Wastewater Operation. The Sewer Fund currently maintains surplus revenue of approximately \$4,384,000. Operating expenses for the years 2000-2002 were approximately \$2,113,700, \$2,639,900, and \$1,816,500 respectively.

The Sewer Fund is designed as an enterprise operation; therefore the City should not be accumulating excessive surpluses. The City should set a reserve target and manage funds accordingly. By setting a reserve target, the City can better evaluate its financial position and no longer rely on a standard yearly rate increase. This will also encourage the city to obtain community involvement before adjusting rate schedules. Rate increases should be considered as a final option only after other potential sources of revenue have been considered.

### *Operations*

**R6.10 JWD should compile an annual report of performance designed to reach its consumers. The report should be made available to City administration, City Council, as well as the public. The report should detail various aspects of JWD operations and provide a uniform source of information for the administration, council, and public to make judgments and evaluations of the department.**

Currently, JWD issues a detailed, technical summary of performance to the City administration. However, a report is not produced or provided to council or the public. No uniform method exists for the performance of JWD to be evaluated by its stakeholders. While the City administration may chose to evaluate certain aspects of JWD performance, no forum is available by which all stakeholders are uniformly updated on the performance of the department.

JWD should use its annual report to the administration to assemble an annual performance summary to ensure that all stakeholders are given a reasonable amount of information on which to evaluate the performance of JWD. The report should be designed for use by laypersons and should include charts and graphs depicting JWD performance. The report should include, but not be limited to the following:

- Financial performance from the previous year;
- Goals and objectives of the department for the upcoming year;
- Inventory of the City infrastructure; including any additions or subtractions occurring within the past year;
- Planned expansions or major capital improvement initiatives;
- Performance measures such as a summary of testing results, plant output, line loss, etc.; and
- Any other pertinent facts that may be of public interest concerning the performance of JWD.

By preparing a report of this nature, the City can exercise better internal control over the department as well as solicit stakeholder input. The report should serve to assure that all stakeholders are aware of the past performance and future goals of JWD. A report of this nature will benefit the City in several ways. The public can be assured that their funds are being managed in the most economical and efficient way possible, council will have a greater knowledge of operations on which decisions such as budget allotments and rate increases can be made, and administration can alleviate any misperceptions the community may have concerning the management of the operation.

**R6.11 The City should specify in the negotiated agreement all EPA approved certifications for which it will grant the pay supplement. The City should be aware of certifications which duplicate one another or apply to the same area of expertise. The City should not allow employees to obtain supplemental pay for more than one certification which apply to similar areas of expertise, or those certifications which do not directly apply to the everyday duties of the position or the needs of the City.**

The negotiated agreement between the City of Jackson and AFSME Local 3619 allows water and sewer department employees of the city to receive supplemental pay of forty cents per hour for each EPA approved and authorized license held. Currently, several employees are receiving this supplemental pay for multiple certifications which cover the same area of expertise or do not provide additional training that may further enhance the performance of the employee. For example, a previous employee was receiving an additional \$4.00 per hour of supplemental pay for various certifications which were merely upgrades or enhancements to past certifications.

By creating a list of approved certifications, the City can better monitor the development of its employees as well as its distribution of supplemental pay. The City can encourage employee development by assigning different levels of incentive pay for various certifications which are similar such as EPA Operator I, II, III, or IV. As an employee upgrades a certification, supplemental pay should be cancelled at the previous rate and renewed at the corresponding rate for the new certification.

**R6.12 JWD should update its wastewater plant standard operating procedures (SOPs). In addition, JWD should develop a catalog of standard operating procedures for its water plant. Standard operating procedures should reflect the current operations of the plant to which they apply and should include detailed descriptions of equipment, staffing requirements, and maintenance procedures (see financial systems R2.12).**

JWD does not have standard operating procedures for the water plant. While the operating procedures and maintenance requirements are posted on each piece of equipment, WTP does not have a cumulative record of standard operating procedures.

The standard operating procedures for WWP address many of the key operational aspects. Included in the standard operating procedure are sections on plant history, permits and standards, operation and management, description of treatment facilities, laboratory testing, accounting and budgeting, and emergency plans among the various sections. While many of the technical aspects of the procedures seemed to be correct, the procedures have not been formally updated in more than twenty years. The current standard operating procedures reflect an outdated plant schematic as well as the needs of the plant based upon an average output of one million gallons per day when the City currently produces more than twice that amount.

JWD could benefit from developing standard operating procedures for the water plant. According to the United States EPA, Office of Environmental Information (OEI), standard operating procedures are an integral part of a successful quality system. Standard operating procedures provide individuals with information to perform a job properly as well as facilitate consistent conformance to both technical and quality aspects of an organization. Standard operating procedures are also key to maintaining quality control and compliance with government organizations.

OEI also stresses the importance of revising and reviewing standard operating procedures to ensure that the policies and procedures remain current and up-to-date. JWD should update its standard operating procedures whenever changes are made to operations. At any given time, the procedures should reflect the current equipment, staffing, responsibilities, and plant schematic. By keeping procedures current and up to date, the department can ensure that all personnel have a reference point from which questions can be answered, as well as a vehicle to facilitate the future stability of plant operations.

**R6.13 JWD should identify areas for potential reduction of expenditures. JWD should also identify areas where cost consciousness can be improved within the organization. Finally, JWD should encourage cost consciousness in these areas by seeking to establish targets, goals, and performance standards against performance can be evaluated.**

The data presented in **Table 6-6** and **Table 6-9** shows that JWD has high total yearly expenditures in relation to other entities of similar size. JWD yearly expenditures are consistently well above the peer average. This appears to be caused by heightened service levels not necessarily exhibited by the peers.

While key areas of potential improvement were examined during the course of this audit, no areas for major reductions were identified by AOS. It appears as though a large portion of these expenditures were due to fundamental differences in operations upon which basic efficiency management could have little or no impact. For those aspects of operations upon which actions of management or staff do have a direct impact, no specific goals or targets appeared to be identified by JWD as areas for improvement. JWD could benefit from the development of specific well-defined initiatives in relation to costs as outlined in *GFOA Recommended Practice's for State and Local Governments*. While it does appear that the staff of JWD has a very cost conscious mentality, it is difficult to judge performance without well-defined written targets and goals for the organization. By establishing well-defined goals and initiatives for continuous improvement, JWD should better be able to judge the potential to reduce expenditures and monitor progress towards those reductions. In addition, JWD will be able to ensure that all goals and initiatives are communicated clearly and that staff are aware and consistently working towards those goals.

## Financial Implications Summary

The following table presents a summary of annual foregone revenue resulting from recommendations within this section. For the purpose of this table, only recommendations with quantifiable impacts are listed.

### Summary of Financial Implications for Water/Wastewater Department

<b>Recommendation</b>	<b>Annual Foregone Revenue</b>
<b>R6.6</b> Reduce minimum water rate by \$3.67	\$150,749
<b>R6.7</b> Reduce minimum sewer rates by \$4.67	\$167,448
<b>Total</b>	<b>\$318,197</b>

# Electric Department

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## Background

This section of the performance audit focuses on the operations of the electric department (JED) in the City of Jackson (the City). The objective is to analyze the operations of the electric department and develop recommendations for operational improvements, reductions in expenditures, and increases in efficiency. Comparisons will be made throughout the report to the peer cities that operate municipal electric departments in order to provide electric distribution services to residents. These cities were chosen based on their similar size and electric usage. The cities chosen as peers for the other sections of this audit report do not operate municipal electric services. The primary function of JED is to provide electricity to the residents and businesses of the City in an efficient, continuous, and safe manner.

The City operates the electric department as an enterprise fund where the intent of the governing body is that the costs and accounts be financed or recovered primarily through user charges. While operating as a municipal electric utility the City has joined other municipal electric utilities in the American Municipal Power of Ohio (AMP-Ohio). This arrangement provides for competitive supply purchasing and opportunities to participate in limited partnerships and joint venture electricity generation projects. AMP-Ohio also provides a variety of engineering and management services for the member communities.

Residential customers comprise 3,378, or approximately 83 percent, of the total number of customers while accounting for 20 percent of the kilowatt hours (kWh) used. Commercial and industrial customers make up the remaining 17 percent, or 707, customers and account for using 80 percent of the kWh used. Approximately 12.5 FTE employees are responsible for the day to day operations of JED and 11 are working under the American Federation of State, County, and Municipal Employees (AFSCME) contract. Outside consulting services are employed for engineering and technical projects.

The assessment of the negotiated agreement was completed in the human resources section of the report.

## Recommendations

**R7.1 The City of Jackson should engage a consultant to perform a detailed rate study and provide recommendations. A rate analysis will determine the cost of service for each customer classification and provide rate adjustments based on cost of service. The cost of electrical service should not be greater than the cost of operations and necessary capital improvement funding.**

Electric rate structures vary greatly from city to city. Some cities have simple tiered rate structures with two or three tiers, others have five or six tiers, and some separate charges for transmission and cost of power. Most cities have different rates for residential, commercial, and industrial customers. **Table 7-4** shows the cost to residential customers living inside the city limits of several AMP-Ohio municipal electric departments across the state, based on average usage levels. The average residential customer uses 10,000 kWh per year.

**Table 7-1: Comparison of Monthly Residential Electric Costs**

	500 kWh	800 kWh	1000 kWh
<b>Jackson</b>	<b>40.78</b>	<b>62.38</b>	<b>76.78</b>
<b>Bryan</b>	34.75	49.75	59.75
<b>Celina</b>	32.19	48.47	59.07
<b>Dover</b>	32.52	48.45	58.20
<b>Painesville</b>	32.08	49.94	61.85
<b>St. Clairsville</b>	30.50	47.90	59.50
<b>Peer Average</b>	<b>32.41</b>	<b>48.90</b>	<b>59.67</b>
<b>Jackson Residential Costs Above the Peer Average by Percentage</b>	<b>25%</b>	<b>28%</b>	<b>29%</b>

Source: City of Jackson Utilities Billing Office, Peer cities websites and ordinances

As noted in **Table 7-1**, JED residential customers pay higher rates than the peer cities. The other AMP-Ohio peer cities shown have comparable rates at the residential usage levels displayed in **Table 7-1**. JED also charges a fuel adjustment when the average cost of power exceeds \$.036228 per kWh. The amount by which the monthly cost of fuel exceeds \$.036228 per kWh is multiplied by .85 to determine the power cost adjustment. However, the City of Jackson also provided, through City Ordinance, for a rebate to JED customers equal to 25 percent of their bill for December 2001 electric usage and a 35 percent reduction of the bill that includes December usage for 2002. The ordinance authorizes the rebate to continue each year until changed by ordinance. The 2003 Ohio Utility Rate Survey prepared by the Public Utilities Commission reported that the average cost to municipal residents served by public utilities was \$69.90 per month, based on 750 kWh of usage. The Ohio Utility Rate Survey includes costs from investor owned utilities.



Electric rates should be set to cover operating costs and provide for long-term capital improvements as stated in Governmental Accounting Standards Board (GASB) Codification, Section 1300.104. Municipal electrical systems, operated by local governments are not intended to generate profits. **Table 7-2** shows a comparison of operating margins for JED and the peers.

**Table 7-2: Comparison of Financial Statistics**

FY 2001	Jackson	Bryan	Celina	Napoleon	Peer Average
<b>Total Customers</b>	4,015	5,839	7,147	5,811	6,266
<b>Revenue</b>	\$10,234,369	\$15,493,281	\$10,225,010	\$11,639,792	\$12,452,694
<b>Operating Expenses</b>	\$7,195,478	\$12,639,985	\$9,046,913	\$9,208,824	\$10,298,574
<b>Debt Coverage</b>	\$1,319,752	\$1,550,000	\$0	\$1,013,592	\$854,530
<b>Net Operating Income</b>	\$1,710,139	\$1,303,296	\$1,178,097	\$1,417,376	\$1,299,590
<b>Total kWh sold</b>	141,695,520	231,430,822	179,221,769	153,923,706	188,192,099
<b>Revenue per kWh</b>	.0722	.0669	.0571	.0756	.0662
<b>Cost per kWh</b>	.0601	.0613	.0505	.0664	.0593
<b>Margin per kWh</b>	.0121	.0056	.0066	.0092	.0069
<b>Margin Percentage</b>	<b>16.8%</b>	<b>8.4%</b>	<b>11.5%</b>	<b>12.2%</b>	<b>10.4%</b>

Source: City of Jackson Auditor's Office, peer cities utilities offices

**Table 7-2** shows the operating margin at JED is higher than at the peer cities, this is another indication that the rate structure should be reviewed. The operating expenses of the electric department over the last several years have increased substantially. Salaries and benefits have increased 60 percent since FY 2000, and capital expenditures have increased 160 percent. In the years prior to FY 2002, expenses were often allocated to inappropriate funds as noted in the special audit, and certain city employees have had their salaries inappropriately allocated to the electric fund. The department also has limited records regarding the cost of past projects or the amount of resources allocated to specific tasks. Historically the JED enterprise fund has been used to subsidize the operations of the City and an accurate assessment of the cost of service was considered but not essential in determining the rate structure. According to AMP-Ohio and Sawvel Associates Inc., the latest cost of service and rate analysis studies were completed in the late 1990's and were based on inaccurate assumptions that transfers of surplus enterprise funds to the general fund were appropriate. A new study based on accurate revenue and capital planning requirements is essential to make rate decisions. The services are designed to assist communities in determining the true cost of service and to develop appropriate rate structures based on the cost of service.

*Financial Implication:* According to AMP-Ohio, the cost of a rate study is relative to the extent of work being done and would conservatively be \$10,000.

**R7.2 The City should eliminate the position of facilities maintenance man (see the water/wastewater section, R6.1). The payroll expenses associated with this position are allocated to the electric department.**

This position is paid from the electric fund, yet reports to a supervisor in the water department. The position assessment is completed in the water department section of the report. This position is not included in the electric department staffing analysis in **Table 7.5**. The employees whose salaries are charged to the electric department should be providing services related to the distribution and service of the City's electrical supply. Allocating the position in this manner overstates the operating costs of the electric department.

*Financial Implication:* The hourly wage of the position is \$14.50 per hour, or approximately \$30,000 annually. The cost of benefits in the City of Jackson is 32 percent of wages, therefore the elimination of the position of Facilities Maintenance Man would save the electric fund approximately \$40,000.

- R7.3 The City should hire a director of electric service that has significant experience in electric distribution, substation maintenance, and management. This person should have at least a Bachelor of Science (BS) in Electrical Engineering (EE) or Civil Engineering (CE) and appropriate related experience including power line construction and design, materials requirement planning, project costing, knowledge of electrical safety, and supervisory control and data acquisition (SCADA) systems. The City should seek applicants with a BS in EE or CE with appropriate experience to fill the position of director.**

The director of water/wastewater was appointed to oversee the JED in addition to his water/wastewater responsibilities in August of 2001, after the resignation of the previous electrical superintendent. He has significant experience in water/wastewater operations, has served other cities in other management capacities, and has implemented many changes that have improved the operations of the electric department. However, the direction of the water/wastewater operations is a full-time position.

The JED needs to make many operational changes; for example, developing a policies and procedures manual (**R7.7**), implementing a work order/project tracking system (**R7.5**), regulating departmental overtime (**R7.8**), and increasing departmental efficiency. A full-time director with significant electrical experience will be able to implement these changes and provide the full-time oversight and guidance.

*Financial Implication:* According to salary information from the Ohio Municipal League, the median salary for a city engineer in FY 2002 was \$59,500. With salary and benefits, the addition of a director of electric would cost the department approximately \$78,500 annually.

- R7.4 JED should consider outsourcing the tree trimming function for annual work used to ensure appropriate line clearance. Outsourcing this function would allow the**

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**operations of the department to be more focused on electrical distribution and provide a significant cost savings for the department.**

The JED has a tree trimming crew that is responsible for clearing the area around power lines. This crew consists of a crew leader and two crew members. Historically employees joined the department in the tree trimming crew and gained some experience working around power lines before transferring to a lineman position. The tree trimming crew sometimes provides assistance to the line crews.

Two of the three peer cities, Napoleon and Bryan currently contract the tree trimming work required to ensure proper line clearance. The City of Napoleon provided a copy of their tree trimming contract from FY 2002. The contract provides for a certified power line clearance foreman and an apprentice line clearance tree trimmer and the necessary equipment to remove all wood and wood chips. The company detailed a three-year line clearance and maintenance plan, and provides monthly reports of progress, costs, and man-hours. This contract is consistent with the needs of the City of Jackson and would offer the city substantial savings over performing these functions in house. Napoleon pays approximately \$55,000 annually for their tree trimming contract, depending on the specific areas designated to be trimmed that year. The director of utilities at the City of Bryan indicated their tree-trimming contract was approximately \$50,000 annually. The effect of outsourcing would be a substantial savings for Jackson based only on the salaries and benefits of the tree trimming crew. Other cost savings to the city include fuel and maintenance of the tree trimming vehicle and the time and cost of the streets crew that picks up logs too large to chip.

*Financial Implication:* The regular salaries of the three-man tree-trimming crew in Jackson totaled \$70,600 in FY 2002. Based on overtime in FY 2002 of approximately \$7,000 and the cost of benefits, JED spends approximately \$100,000 for the tree-trimming function, not considering other operating costs. If the City contracts out the tree-trimming function for \$60,000, the annual savings would be approximately \$40,000.

**R7.5 JED should implement a formal work order system to aid in scheduling, materials planning, and to use as a record of routine maintenance and project cost. This system should be coordinated with other city departments and the utilities billing office.**

The JED does not have complete records of work completed, project cost, man hour requirements, or materials used. There are several ways that maintenance, service and projects are recorded in the JED. JED assesses the inventory of supplies on hand once a year. The materials are physically counted and recorded on a handwritten list.

The utility billing office takes all service calls from customers and creates work-orders.

The service crew picks these up each day. When the work order is completed a short description of the work is written on the work order along with the names of employees who performed the work.

The electrical department provided a copy of records of regular maintenance procedures, work orders, and a list of upcoming electrical maintenance tasks and projects. This list was not ranked by importance, and lacked an estimation of man hours, project cost or materials required, estimation of project completion dates and crew assignments. The electric department was also unable to provide a list of projects completed in the previous year along with the associated costs.

Heavy maintenance and substation testing is performed by Power Services, which provide an annual report of the work completed and the test results. Power Services also performs other maintenance tasks that are bid and invoiced separately from the annual maintenance and testing.

According to Cartegraph, a provider of work order and maintenance tracking software for municipalities, a work order software program could centralize all the information regarding maintenance and upgrades to the electrical distribution system. A work order system could record man-hours used, including overtime by project; and materials used.

Without appropriate records, the department is unable to determine if the projects they complete are finished within acceptable time and cost limitations. This system would aid in scheduling, purchasing, budgeting and reporting.

*Financial Implication:* The initial direct costs to JED for Cartegraph WORKdirector would be \$3,750 for one license and training; annual maintenance would cost \$500 each year thereafter. JED would share the total initial cost of \$7,500 with the Operations Department (see R8.4).

**R7.6 JED should hire a part-time administrative assistant to input information into the work order system, update the inventory, assist with scheduling, track blanket purchase orders, and order supplies. This could be a full time employee who splits their time with the operations department (see R8.9).**

JED does not accurately track project costs in terms of staff hours and materials. JED should implement systems and procedures that allow for proper recording of projects, cost and materials. The administrative assistant from the water/wastewater department currently performs some functions for the electric department as assigned by the director of water/wastewater and electric. However, the implementation of a work order system and the need for improved tracking of materials, and better documentation in all areas will lead to a need for increased administrative assistance. An administrative assistant

could input data into the work order system, manage the inventory and purchasing, record costs by project, and provide reports to the superintendent and director that allow assessment of departmental efficiency. Improved documentation in all areas of the electric department will improve its ability to review and assess their performance.

*Financial Implication:* According to the collective bargaining agreement, an administrative assistant would be paid \$12.90 per hour. The cost of benefits is estimated at 32 percent. Therefore a part time administrative assistant would cost the department \$17,700.

**R7.7 JED should develop a policies and procedures manual specific to its department. This manual should include emergency procedures, required training, approved safety gear, and general procedures of the department.**

The City of Jackson has a policy and procedure manual for all city employees that has, historically served as the policy and procedure manual for the electric department. OSHA standard 1910.269, relating to electric power generation, transmission, and distribution require a written program or procedures to meet many of the requirements. JED has procedures and policies specific to its function as an electric department that are undocumented. The manual should include specific work performance requirements, specific safety and emergency procedures and contact numbers. This manual should be readily available for reference. The city of Napoleon utilizes an employee orientation procedure whereby a checklist review of the policies and procedures manuals provides new employees with an understanding of the expectations of the department. This checklist can also ensure consistency in management practices as well as assisting in employee cross training activities.

**R7.8 JED should implement controls on authorization of overtime and assess the services that are provided after regular working hours. The electric superintendent and director should take the following actions in order to reduce the amount of overtime charged in the department.**

- **Approve overtime requests in advance,**
- **Track overtime by project, and**
- **Develop specific procedures and criteria for approving overtime.**

**In addition, JED should investigate the possibility of assigning one employee per week to work a second shift in order to reduce overtime and call-out pay. A one-man crew available in the evening from 4:00 pm – 12:00 am may be able to perform repairs and other maintenance type functions in a cost effective manner. The City should ensure that any arrangement of this nature, including the job tasks assigned to a single man crew, meet with all applicable Federal health and safety regulations.**

Overtime pay in FY 2002 was 17 percent of the total wages paid to electric department employees and cost the department more than \$69,000. Overtime costs in the electric department cannot be completely avoided due to emergency situations and outages. However, the electric department should seek to reduce unnecessary overtime.

Excessive overtime may be an indication that staffing levels are not appropriate. **Table 7-3** compares staffing of the electric department to the peer cities.

**Table 7-3: Staffing Comparison**

	Number of Employees <sup>1</sup>	Number of Customers	Customers per Employee
<b>Jackson</b>	<b>12</b>	<b>4,085</b>	<b>340.4</b>
<b>Bryan</b>	8	5,839	729.9
<b>Celina</b>	10	7,148	714.8
<b>Napoleon</b>	10	5,811	581.1
<b>Peer Average</b>	8.7	6,266	720.2

**Source:** City of Jackson electric department and peer cities

**Note:** A functional staffing assessment was applied in **Table 7-3** as the range of services offered in the peer cities varied from those offered in Jackson. In this case, only individuals fulfilling functions similar to those represented in the City of Jackson were included in the analysis.

<sup>1</sup> Employees of peer cities includes superintendent, linemen and servicemen. Napoleon and Bryan contract out the tree-trimming function

If the tree-trimming functions in Jackson are contracted to an outside company, three positions in the department would be eliminated and the new customer per employee ratio will be 453.9, which is still lower than the peer cities, indicating the peer cities are able to service a larger number of customers with fewer employees.

The peer cities have other employees that are not included **Table 7-3** because they are functions that Jackson does not have or uses contractors to do. The JED line crews, excluding the tree-trimming crew, worked 2,978 hours of overtime in FY 2002, or approximately 330 hours per employee. The City of Napoleon was able to limit overtime in FY 2002 to 672 hours for servicemen and linemen, or approximately 67 hours per employee.

Several large electric companies, including South Central Power in Hillsboro, have specified a number of activities that can be completed by a one-man crew and have outlined specific procedures to ensure the safety of the lineman working alone. South Central Power requires employees working alone to be journeyman lineman and have completed their probationary period. Some of the duties outlined as appropriate for one man crews are:

- Install, remove, disconnect, and reconnect meters;
- Locate underground cable and locate faults on secondary cable;
- Read, adjust, and check voltage meters;
- Investigate voltage complaints, including installation of recording voltmeters;
- Inspect, operate, and maintain sub-stations as required;
- Maintain service truck and tools;
- Install, maintain, and remove security lights;
- Install, maintain, or remove lightening arrestors or combinations on de-energized lines only; and
- Refuse or reset transformers, cutouts, reclosers, and sectionalizers from pole or bucket truck using a hot stick of at least 8 feet in length.

There are also a number of guidelines in the South Central Power safety and procedures manual regarding one-person crews. Employees who work on a second shift are paid a shift-differential; the work is offered to all qualified employees on a seniority basis.

*Financial Implication:* If the City of Jackson electric department was able to reduce overtime pay to be no more than 5 percent of regular wages, or almost 700 overtime hours per year, the electric department would save approximately \$51,000 each year.

**R7.9 JED should consider reducing the stand-by roster to one employee each week. Training should be provided for each crew member and crew leader to address the most common problems occurring after hours. Only qualified employees with proper training and experience should be placed on stand-by.**

JED has a person on stand-by each week in case of emergency, after-hours power outages, or service calls. When a crew person is on stand-by, they are backed-up by a crew leader and both employees receive stand-by pay. The director stated the purpose of the back-up crew leader was to provide technical assistance to lesser experienced crew members. Stand-by pay is equal to one extra day of pay for each week on stand-by. In FY 2002, 664 hours of stand-by pay were paid in the electric department, which is the equivalent of 83 weeks (one eight-hour day per week). In 31 instances more than one person received stand-by pay for a week. Stand-by duty should only be assigned to departmental staff that has the training necessary to diagnose and repair the most common after-hours service calls. (see **R7.8** regarding one-man crews) Any outages or service needs that require additional staff should be considered emergencies and should follow standard emergency call-out procedures.

*Financial Implication:* The hourly pay for a lineman in FY 2002, as listed in the collective bargaining agreement is \$14.64. Therefore an eight hour day would cost the

department \$117. Based on FY 2002 stand-by days, if only one person was paid stand-by pay, the department would realize an annual saving of \$3,600.

**R7.10 The crew leaders and members should complete lineworker training programs and ensure that the completed training is reflected in department records. Education and training requirements should be specifically stated in job descriptions, and training records should be maintained for each employee in the department.**

Although the director indicated that the employees participated in training provided by AMP-Ohio, training records for the previous year were requested from the department and only climbing school evaluations from 1999 were provided. Invoices for the lineworker training were located, but no records of course completion were provided by the City. The electrical superintendent indicated that eight JED employees are enrolled in the Northwest Lineman College professional development program. The JWD director also indicated that several employees have completed portions of the training (steps one and two of a four part program). One crew leader receives pay at the licensed journeyman level due to the number of years of experience in the field and recognition by the International Brotherhood of Electrical Workers (IBEW) as a journeyman. The other crew leader and the superintendent are currently enrolled in a merchant lineworker training program through AMP-Ohio; however, there was no documentation of this training.

OSHA standards require that employee training should be appropriately documented. Without documentation of training JED may not be compliant with OSHA standards. Proper training is essential to ensure adequate employee safety in a high risk field.

At a very minimum, JED should strive to obtain the ASTD standard of 23.9 hours of training per employee as recommended in the **human resources** section of this report. Also referenced in the **human resources** section is the HR module that is available in addition to the ADP payroll system that allows organizations to record training attended by employees. Training records could not be obtained directly from AMP-Ohio.

Training documentation has not been considered a high priority as evidenced by the fact that the latest documentation available is from nearly four years ago. The operations of the department and safety of the workers will improve as their skills and knowledge increase.

**R7.11 JED should formalize the capital improvement plan and link it to the city-wide capital improvement plan in order to improve budgeting and long term planning.**



All of the capital expenditures in years 2000 through 2003 have been charged to the electric department operating account, even though there is a designated electric department capital improvement account.

JED uses its MK Power Solutions reports as its capital improvement plan. One report is dated July 3, 2001, and includes a schedule for implementing the recommended system improvements as well as projected costs. The director indicated that he planned to follow the recommended time line as much as possible considering the City's financial situation. The City also contracted for the services of MK Power Solutions to prepare a long-term analysis of capital improvement needs for the electric distribution service. This report is used to identify capital improvement needs and plan capital improvement projects. In addition, it includes cost estimates and a recommended time table for implementation. MK Power Solutions is also contracted to perform other engineering services for the electric department.

The City of Milwaukee provides an excellent example of a capital improvement plan. The capital improvement plan should include a category for preservation of existing capital investments as well as a category for expansion or improvements. It should also include sources of funding and be linked to the City's long-term capital improvement plan. The capital improvement plan could then be used as a guideline for establishing annual budgets, along with a preventive maintenance plan.

As previously noted, JED's operating income has historically been used to supplement general fund activities and has not been dedicated to the long-term operations of the department. Limited expertise in electric operations has also contributed to the lack of long-term planning. The effect of documenting and approving a long-term plan will be better cost controls and preservation of existing assets. The plan will also provide a basis for the development and implementation of a preventative maintenance plan.

**R7.12 JED should develop a system to record all system outages and their related cause in order to assess maintenance and service problems.**

The City of Jackson does not have a record of system outages and the director indicated that outages were not a problem for JED. All of the peer cities keep records regarding system outages that include the reason for the outage and the time required to restore power. The peers use this information to answer customer concerns, identify service problems, and prioritize maintenance and upgrades. Due to the lack of records, a comparison with the peer cities and industry standards could not be completed. System outages are an important record of system reliability and indicate problem areas that should be taken into account when determining the appropriate plans for maintenance and system upgrades.

**R7.13 JED should implement appropriate portions of the National Rural Electric Cooperative Association’s seven guiding principles in addition to its use of AMP Ohio guidelines. Principles that should be included in the department’s operations include open membership (non-discrimination policies); concern for community; cooperation among cooperatives; education, training, and information; autonomy and independence; member allocation of surpluses (allowing citizens a more active role in allocating surpluses); and democratic member control (opening the decision-making process to include citizens of the City of Jackson). At a minimum, JED should provide an annual report to the city and JED customers, detailing the financial activity of the department, operating statistics, major projects completed and improvements planned for the coming year.**

JED, as a municipal electric, should be accountable to the residents of the City of Jackson and customers outside the city being served by the electric distribution system. As JED is part of the city government which is accountable to city residents, it should operate in a manner similar to an electric cooperative.

The National Rural Electric Cooperative Association (NRECA) provide for an open membership and offers guiding principles that are designed to give the owners/customers/members confidence in the overall intent and direction being followed. NRECA explains cooperative businesses are special because they are owned by the consumers they serve and because they are guided by a set of seven principles that reflect the best interests of those consumers.

More than 100 million people are members of 47,000 U.S. cooperatives, enabling consumers to secure a wide array of goods and services such as health care, insurance, housing, food, heating fuel, hardware, credit unions, childcare, or utility service.

All cooperative businesses adhere to these seven guiding principles:

- 1. Voluntary and Open Membership** — Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- 2. Democratic Member Control** — Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
- 3. Members’ Economic Participation** — Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital

is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. **Autonomy and Independence** — Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
5. **Education, Training, and Information** — Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.
6. **Cooperation among Cooperatives** — Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
7. **Concern for Community** — While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

Municipal electric cooperatives are operated as part of the local government and are thereby owned by the citizens of that municipality. Peer electric cooperatives include information regarding their revenues and capital improvements in an annual report. In the city of Bryan, an annual report of all municipal utilities is prepared and sent to all Bryan residents. Many other cities update their websites with information on rates, improvement projects, and safety. The activities and investments of the JED should be detailed to the community.

JED operates within and outside the municipality of Jackson and is operated as an enterprise. In the past, management did not believe it was necessary to communicate the business information to anyone outside the City administration. The effect of the narrowly focused communication has given the City increased control over JED while diminishing citizen input into the department's operations.

## Financial Implications Summary

The following table is a summary of estimated annual savings and implementation costs of the above recommendations. Although there is significant opportunity for cost savings at JED, the City should also invest in improvements to the long-term efficiency of the JED operations.

### Summary of Financial Implications for the Electric Fund

<b>Recommendation</b>	<b>Estimated Annual Cost</b>	<b>Estimated Annual Cost Savings</b>	<b>Estimated Implementation Cost (One Time)</b>
<b>R7.1</b> Cost of Service/Rate Study			\$10,000
<b>R7.2</b> Elimination of Maintenance Man Position		\$40,000	
<b>R7.3</b> Hire a Director of Electric	\$78,500		
<b>R7.4</b> Contract out Tree Trimming		\$40,000	
<b>R7.5</b> Work-Order System	\$250		\$3,750
<b>R7.6</b> Hire a Part-time Administrative Assistant	\$17,700		
<b>R7.8</b> Overtime Controls		\$51,000	
<b>R7.9</b> Reduce Stand-by Pay		\$3,600	
<b>Total</b>	<b>\$96,450</b>	<b>\$134,600</b>	<b>\$13,750</b>

# Service and Operations

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## Background

This portion of the audit focuses on service-related departments in the City of Jackson. These departments report to the service/safety director and include the streets and alley (JSD), garbage (JGD), mechanical (JMD), cemetery (JCD), recreation, and municipal swimming pool departments.

JSD has seven employees and is under the supervision of the streets and alley/garbage superintendent who also supervises garbage functions. The two departments share the City garage. JSD is responsible for the maintenance of city streets, snow and ice control, brush and leaf pickup, and many other miscellaneous duties. JMD, with three employees, including one superintendent and two mechanics, also is housed within the City garage. Mechanics maintain the equipment and vehicles of the entire city. The JSD and JMD sections of this audit will use the cities of Belpre, Hillsboro and Upper Sandusky as peers.

JGD currently has five full time positions that are fully dedicated to the operations of refuse collection within the City. JGD runs one full route each weekday and a half route every Saturday. JGD also maintains a recycling program. The recycling program runs the same route as the garbage routes, but the collection is spread out over two weeks. This section uses the cities of Belpre, Hillsboro, Napoleon and Wellston as peers.

The three full-time JCD employees operate the City-owned cemetery, Fairmount Cemetery, and are fully dedicated to its operations. According to City estimates, the cemetery encompasses approximately 100 acres, 98 of which are plotted and contain over 15,000 gravesites, some dating back to the mid-1800s. This figure does not include 23.5 additional uncleared acres. On average, the department has 120 to 130 interments per year. This section uses the local cemeteries of Gallipolis, Portsmouth and Wellston as peers.

The City also maintains Eddie Jones, Edwin Jones, Manpower, Hammertown Lake, Hillcrest, and McKitterick Parks. The City does not maintain a separate parks department but has streets maintain the grounds, trash receptacles and restrooms within the facilities.

The recreation director and staff manage a variety of boys' and girls' baseball and softball leagues during the summer months. The ten part-time staff members prepare and maintain the game fields, concessions, and umpire the games. Revenues from concessions are used to purchase recreation equipment.

The municipal swimming pool is located inside Hillcrest Park and includes two pools. The pools are open from June to August. Staffing includes one manager, two assistant managers, four office positions, and several lifeguards. The pool is funded by revenues from concessions, admissions, and grants.

The following assessments were conducted but did not warrant changes or yield any recommendations:

- **Leave usage:** JSD leave usage is addressed in the **human resources** section of this report.
- **Street sweeping:** JSD sweeping was determined to operate at a level comparable to or exceeding that of similar sized operations.
- **Pool:** The Municipal Swimming Pool, Recreation Department and Parks were determined to have minimal impact on the operations of the City because of its small size and seasonal nature. The resources allocated to the examination of these areas were redirected to other areas of City service operations.

## Recommendations

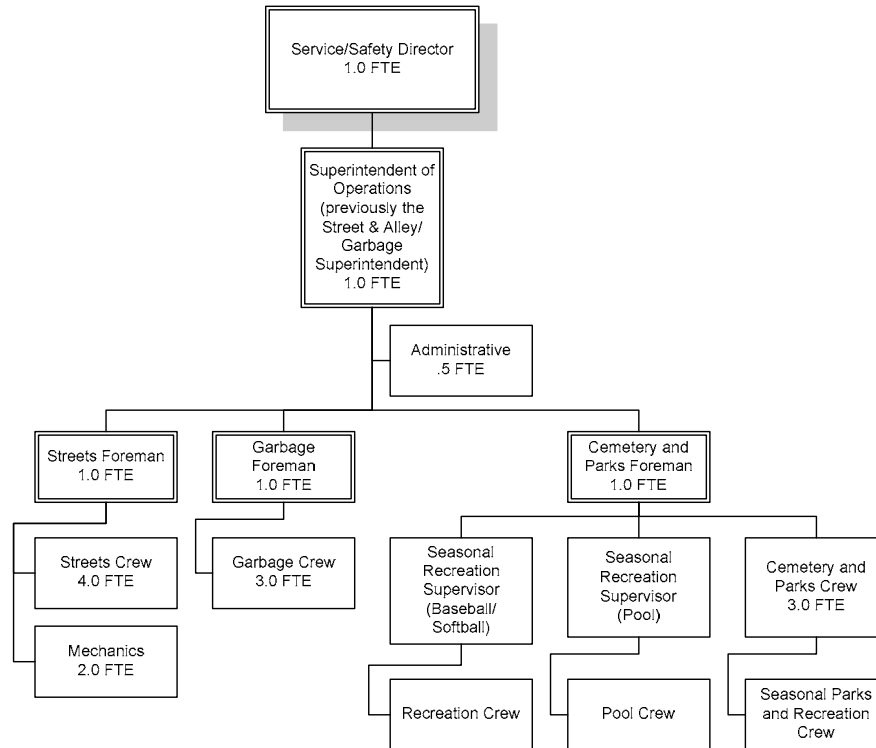
### A. Service General Expenses and Equipment

**R8.1** The City of Jackson should restructure the service-related departments to allow all departments to report to a superintendent of operations. The position of superintendent of operations should be created from the position of streets and alley/garbage superintendent. The superintendent of operations should report to the service/safety director. The departments previously known as streets and alley, garbage, mechanical, cemetery, swimming pool and recreation should be consolidated to make up the operations department (JOD).

The current structure of Jackson's service-related departments is de-centralized. The streets and mechanical superintendents; the cemetery foreman, and the pool and recreation directors each report to the service/safety director. Each department works independently.

**Chart 8-1** exhibits the recommended structure of the service-related departments.

**Chart 8-1: City of Jackson Service Department**



**Note:** The Seasonal Recreation and Municipal Pool Supervisors are less than 1.0 FTE. These positions require employment only during summer months and receive a stipend for services rather than a wage per hour.

The restructured department will consist of one service/safety director, one superintendent of operations and three working foreman (cemetery, garbage and streets) to oversee functions. The superintendent of operations will share an administrative staff member with the electric department. The mechanical superintendent position will be eliminated and the mechanics in JMD will be incorporated into JSD. The cemetery and parks foreman will continue to supervise the cemetery function, and will assume parks maintenance and supervision over recreation and the municipal swimming pools. One JSD employee will shift to JCD to assist with off-season parks and mowing equipment maintenance. This reorganization would result in a reduction of two positions within JSD. JSD will no longer employ seasonal staffing; however, cemetery and parks will increase seasonal staffing to provide for land maintenance. The JGD will not fill the currently vacant position and will reduce staffing by one additional FTE.



The streets and garbage superintendent position's salary will not be charged exclusively to the streets fund but will be divided among the three departments and charged accordingly. JCD will take on all of the mowing functions that are currently performed by JSD and will charge back the labor and equipment expenses incurred. Additionally, JCD will maintain park restrooms and trash receptacles.

By restructuring the service department to fall under the superintendent of operations who reports directly to the service/safety director, the span of control will be consolidated. Implementing a single director over all operations functions will ensure that the least amount of labor and materials are required to accomplish duties in the most efficient manner. Duplication of duties will be eliminated and the pooling of resources and labor will enable the department to reduce costs and effectively maintain and improve the service levels currently maintained by the various service-related departments.

*Financial Implication:* Individual financial implications are found in the following recommendations:

- Streets (see **R8.8, R8.9**);
- Garbage (see **R8.18**);
- Mechanical (see **R8.8**); and
- Cemetery (see **R8.24**).

**R8.2 The City should develop a written policies and procedures manual for JOD. A policies and procedures manual will inform employees about employer policies, procedures and practices and communicate expected standards of performance and conduct while at work. It will also serve as a blueprint for departmental operations. Policies and procedures should also be established, documented, and arranged into a clear and concise format that is available to the public upon request.**

The collective service departments do not have documented policies and procedures. Therefore, the employees have do not have formal written procedures or guidelines for performing job duties. Documentation is not provided that defines how job duties and activities are to be accomplished.

*Public Works Management Practices Manual (PWMP)*, published by the American Public Works Association, recommends specific steps and practices to be used when developing a written policies and standard operating procedures manual. PWMP states that certain topics are required to have policies and procedures in place for a department to function appropriately. All policies and procedures need to be consistent with the laws of the municipality, county, state, and federal government.

A well written policies and procedures manual should clearly state and define the employer's expectations. Additionally, a manual helps to identify the responsibilities of employees which may prevent legal liability issues. In addition, the manual should comply with any union agreements if necessary. The manual should be reviewed by the City's legal counsel before being officially adopted by the City. Revisions involving human resources matters and changes in revenues and expenditures should be reviewed by counsel. Once the manual is placed into effect, a department head also should review the manual with his/her employees and answer any questions or concerns. The City should then have employees sign a written statement indicating that they have read and understood the manual. A copy of the statement should be given to employees and the original signed statement should be retained in employees' personal files.

JSD should use accepted industry practices as guidelines when developing its written policies and procedures. PWMP has developed best practice standards that the City can use as a resource for developing its manual. Policies and procedures specific for the JSD should include the following:

- Designated procedures for planning streets improvements and maintenance;
- Capital improvement programs and preventative maintenance schedules;
- Operation and maintenance procedures and performance standards;
- Development of records of daily maintenance and inspections of equipment; and
- Personnel responsibilities and appropriate training and certifications.

Policies and procedures specific for garbage defined by PWMP should include the following:

- Quality of service statement;
- Schedule of designated time and frequency of collection for all classes of users;
- Route design plans determined by areas, crew sizes, materials collected and equipment needs; and
- Recycling program regulations and standards.

PWMP also provides policies and procedures specific for cemetery operations including the following:

- Interment, and site mapping;
- Cemetery development and improvements;
- Fiscal management, including the collection of all fees and charges and a business plan covering three to five years of cemetery operation;
- Grounds, foundations, and records maintenance and security;
- Identification of inventory and maintenance requirements;

- Established practices for special events and services; and
- Procedures to inform the public of products and services offered by the cemetery and to provide the community with pre-need arrangement opportunities.

Additional policies and procedures recommended by PWMP for parks, recreation, and pool management include the following:

- Establishment of landscaping operations, inspections, maintenance, inventory requirements, and program improvements;
- Maintenance of playground equipment, identification of supervisory responsibility, formal inspection plan, maintenance plan, and training for maintenance personnel; and
- Procedures to control the design and maintenance of recreation amenities in grounds areas.

Without written policies and standard operating procedures, the City is unable to provide set standards by which to measure employees' job performance or productivity. Also, written policies and procedures help protect employers from charges of unfair labor practices. Implementing written policies and standard operating procedures provides expectations for employees and will increase overall performance with proper training and effective communication.

**R8.3 The City should establish a capital improvement plan (the plan) that includes an equipment and vehicle replacement plan for service related departments. The plan should be composed of two parts: a capital budget and a capital program. The capital budget should reflect the City's spending plan for assets, current on-going projects, and future projects that have a cost of at least \$5,000 or more and have a life expectancy of at least five years. The capital program is a plan that extends five years beyond the capital budget allowing for an accurate estimate of usage and replacement of vehicles and equipment.**

Currently, service related departments do not have individual vehicle or equipment replacement policies. The City has prepared a capital improvement plan but its contents are limited to a listing by department of the facilities, equipment and vehicles owned by the City. Each facility has a one line description of the item, the replacement cost and is given a condition ranking between 0 and 5 (5 is excellent). Each piece of equipment has the year, make, model, serial number and replacement cost listed. The City does not have a long term plan which addresses the replacement of its ageing vehicles and equipment. Without a requirement that each department establish a formalized equipment and vehicle replacement plan, the procedure for determining the expected life and resources needed

yearly for replacement is inconsistent and may not adequately address future equipment replacement needs.

PWMP recommends a replacement policy that establishes equipment, parts and supply replacement cycles that are clearly defined. The policy should be reviewed regularly to verify replacement analysis and economic modeling procedures.

Establishing a capital improvement plan provides the following benefits:

- Coordinating capital needs and operating budgets;
- Reducing of the chance of sudden changes in debt service requirements;
- Identifying the most economical means of financing capital projects;
- Increasing the opportunities for obtaining federal and state aid;
- Focusing attention on community objective and fiscal capacity; and

According to PWMP, a vehicle and equipment replacement plan should outline when equipment will be replaced and designate a funding source. The replacement plan should state the useful life of each vehicle and piece of equipment and should develop attributes or characteristics that would indicate when an item is unusable or unsafe. Replacements should be prioritized based on equipment currently incurring high repair costs or experiencing the greatest number of breakdowns. PWMP recommends that respective departments establish criteria governing when vehicles and equipment are due for replacement and begin to set aside funding. The absence of a replacement schedule could potentially cause the City to incur an unplanned large capital outlay.

**R8.4 The superintendent of operation’s responsibilities, as intended in R8.1, should include the creation of an annual planning schedule that addresses the functions and responsibilities for the upcoming year. The planning schedule should prioritize departmental functions and determine what needs to be accomplished given the total productive man hours for the year. Planning should be detailed to help determine the man hours and funds necessary to perform each operation or special project.**

**In addition, each department should create a computer spreadsheet or purchase computer software to track the actual job tasks performed by an employee each day, the number of hours each employee worked on an assignment, and total job costs. The total job costs should include the employee’s salary and benefits, material costs and any overhead costs associated with a specific job.**

The service departments do not maintain annual planning schedules to estimate the workloads for future years. Therefore, the departments do not have a way to determine the amount of time that should be allocated to a functional area in order to meet the

estimated workload based on city and constituent needs. The departments also do not estimate the potential number of available man-hours or the time required to perform the various job functions for the year. All work is planned week-by-week or month-by-month and hour assignments are performed on an ad hoc basis.

JMD tracks hours worked by employees and is able to provide records of hours allocated to projects and departments. However, JSD and JCD currently do not track the number of hours that are spent on projects nor do any of the departments track labor costs, material usage and overhead costs by specific project or job function. Consequently, the City cannot determine the actual expenses for vacant lot mowing, street maintenance, snow and ice control, grave digging in certain areas of the cemetery, vehicle maintenance, and other functions of the departments.

Total productive man-hours are the total number of hours employees work in a year, less holidays, estimated leave time and other downtime. After a total has been estimated, the department can allocate the projected man-hours to job functions. The planning should also detail estimated start and completion dates.

The Ohio Department of Transportation's (ODOT) annual plan includes the following:

- Estimation of available man hours;
- Prioritization of departmental job functions; and
- Allocation of available man-hours to job functions to determine the volume of work that can be performed in the upcoming year.

ODOT also designed an in-house computer system which assists in creating an annual planning document. The system tracks individual projects to show which employees worked on a project, the number of man-hours charged, material costs, and any other expense related to the project. Additionally, ODOT has determined the overhead costs that are necessary to run the department and are able to include this figure in a total project cost. The City should consider using the ODOT system as a guide when developing its own system.

Other software exists to assist governmental operations in planning work. A system such as Cartegraphs's WORKdirector provides services to generate work requests, and track labor activities, salary histories, material and equipment use. WORKdirector could benefit JSD by helping to track and record man hours, project costs, and materials used. However, with the addition of tracking and planning software, JOD would potentially need support staff assistance to enter and maintain planning and project data. JOD should consider adding a part-time administrative employee to provide the data entry services needed for computer related services in the department. Currently, there is no

one in the department with sufficient computer literacy to provide data entry or computer information services.

An annual plan would provide a blue print of the years' projected workload, project costs, and productive man-hours. By creating an annual plan, each department could be more pro-active in its approach to handling departmental functions.

*Financial Implication:* The initial direct costs to JOD for Cartegraph WORKdirector would be \$3,750 for one license and training; annual maintenance would cost \$500 each year thereafter. JOD would share the total initial cost of \$7,500 with JED. The operations portion of the fees would be divided across the major functions of JOD (JSD, JGD, and JCD).

**R8.5 Operations supervisors should ensure that all leave and overtime request forms are filled out completely and accurately. Additionally, overtime calculations should be correct and clearly written. Such dedication to detail will help the administrative assistant who is responsible for payroll to summarize, produce and maintain accurate records. (See the human resources section R3.7 for additional information on the City's time and attendance system.)**

Service employees' bi-weekly time and attendance forms are turned in to the City's administrative assistant for payroll verification. A review of several bi-weekly overtime sheets provided examples of inaccuracies and incomplete information. These errors included the following:

- Period From/To blank was not filled in appropriately resulting in the inability to tell what pay period the overtime was requested for;
- Total Hours, Wages, and Pay scale amounts; and
- Missing or incorrectly figured overtime total for a day worked.

United States General Accounting Office (GAO) Internal Control Standards state that controls over time and attendance information should provide reasonable assurance that such information is recorded completely, accurately, and as promptly as practicable; relates to authorized individuals; reflects actual work performed and leave taken or other absences during authorized work hours and periods; is sufficiently detailed to allow for verification, complies with legal requirements; and is supported by recorded evidence of supervisory review and approval. Typically, to achieve these objectives, agencies record and maintain, for each employee and pay period, the following information or documentation.

- Employee name and unique identifying number;
- Pay period number or dates;

- Hours worked;
- Hours of premium pay, by type, and overtime to which the employee is entitled;
- Dates and number of hours of leave (by type), credit hours, and compensatory hours earned and used;
- Evidence of approval by an authorized official (usually the supervisor); and
- Supporting documentation or records for absences.

Ensuring that all documents and forms transmitted to the payroll department are complete and accurate reduces the time spent in data entry, both in administrative services and the City Auditor's office. In addition, it provides enhanced supervisory oversight, reduces paperwork and payroll errors, and provides a means for reconciliation between the time-keeping and payroll systems, thereby enhancing overall internal controls.

**R8.6 The City of Jackson should propose a revised tax levy to replace the current Cemetery Tax Levy in 2006. The current levy provides for the maintenance of Fairmount Cemetery. This renewal should include the maintenance of the City parks in addition to its current provisions but should not require any other changes to the value of the levy.**

JSD performs all grounds maintenance for the parks and also mows 23.4 acres of land that is part of Fairmount Cemetery. JSD does not receive reimbursement from JCD or from the parks funds for the services performed. Park funding characteristically comes from corporate donations and state grants and is allocated for park improvements such as new playground equipment, tennis court lighting, or water fountains. Only a small portion of park funding is allocated toward the maintenance of grounds and is in the form of salary for JSD seasonal help. JSD was unable to provide records that demonstrated the specific allocation of streets labor and materials to parks and cemetery maintenance.

Currently, the City of Jackson has a Replacement Cemetery Tax Levy for the amount of 1.5 mills. The tax levy states:

A replacement of a tax for the benefit of the City of Jackson for the purpose of PROVIDING AND MAINTAINING FAIRMOUNT CEMETERY, at a rate not exceeding 1.5 mills for each one dollar of valuation, which amounts to \$.15 for each one hundred dollars of valuation, for five years, commencing in 2001, first due in calendar year 2002.

**Table 8-1** illustrates the Cemetery Tax Levy Fund receipts and expenditures for fiscal years 2000 through 2002. The Cemetery Tax Levy was imposed in 2001 and expires in 2006.

**Table 8-1: Cemetery Tax Levy Fund**

	2000	2001	2002
<b>Receipts:</b>			
General Property Tax	\$98,948	\$98,779	\$131,918
Tangible Personal Property Tax	\$25,942	\$45,646	\$65,487
Trailer Tax	\$526	\$220	\$354
Public Utility Reimbursement	\$0	\$0	\$3,444
Sale of Fixed Assets	\$0	\$360	\$0
Other, Misc.	\$0	\$0	\$1,021
<b>Total Receipts:</b>	<b>\$125,416</b>	<b>\$145,005</b>	<b>\$202,224</b>
<b>Expenditures:</b>			
Salaries and Benefits	\$85,452	\$116,282	\$126,099
Supplies, Misc.	\$9,671	\$7,656	\$12,257
Land, Property and Equipment	\$14,166	\$2,182	\$1,440
<b>Total Expenditures:</b>	<b>\$109,289</b>	<b>\$126,120</b>	<b>\$139,796</b>
<b>Receipts Over/(Under) Expenditures:</b>	<b>\$16,127</b>	<b>\$18,885</b>	<b>\$62,428</b>
Beginning Fund Cash Balance	\$9,271	\$25,397	\$39,715
<b>Ending Fund Cash Balance</b>	<b>\$25,398</b>	<b>\$44,282</b>	<b>\$102,143</b>

**Source:** City of Jackson Auditor's Office

**Note:** 2001 End Fund Cash Balance will not equal 2002 Beginning Fund Cash Balance due to adjustments made by the City of Jackson Auditor's Office as directed by AOS Special and Financial Audits.

Until the new levy can be voted upon in 2006 and implemented, the cemetery and parks seasonal crew should maintain parks and streets areas and assess the labor and material charges to the department currently responsible.

The revised levy should include the maintenance of Eddie Jones Parks, Edwin Jones Park, Manpower Park, McKitterick Park, Hillcrest Municipal Pool, Hammertown Lake, Jisco Lake and any other lands that are considered parks or recreation related grounds.

The current levy does not allow for funds to be allocated toward grounds maintenance other than for cemetery property. By requesting a levy that includes parks, JCD will be able to fully devote tax levy funds to the maintenance of all City park grounds, thus removing the responsibility of the JSD to pay for the service of ground maintenance other than those areas directly streets related.

**R8.1** proposes the transfer of all City mowing duties to JCD. The transfer of all mowing functions to one centralized parks and recreation function will allow for the least amount of labor and materials to accomplish ground maintenance most efficiently. Duplication of equipment will be eliminated and the pooling of labor will enable a mowing function to reduce costs and effectively maintain current care levels.



## B. Streets

**R8.7 The City of Jackson should secure and maintain additional sources of revenue to enable implementation of a long term plan or strategy for local infrastructure improvements.**

Streets operations are predominantly supported by the Special Revenue Construction Maintenance and Repair (Street C. M. & R.) Fund, Special Revenue State Highway Improvement Fund (State Highway Improvement), Special Revenue Permissive Tax Fund (Permissive Tax), and the General Fund. These three Special Revenue Funds include gas tax receipts and motor vehicle license tax receipts. JSD, on occasion, also uses funds from the Edwin Jones Park Fund and the Community Improvement Fund for seasonal wages.

**Table 8-2** is a summary of revenues and expenditures for FY 2000, 2001, and 2002. The figures include the Street C. M. & R., State Highway Improvement, Permissive Tax, and Edwin Jones Park Funds.

**Table 8-2: Streets Combined Funds Actual Receipts and Expenditures**

	2000	2001	2002
<b>Receipts:</b>			
Permissive Tax	\$63,946	\$63,720	\$64,390
License Fees, Motor Vehicle, Gas Tax	\$214,125	\$225,732	\$224,231
Sales, Interest, Other	\$27,706	\$15,972	\$21,147
Transfers-In	\$7,825	\$50,667	\$435,830
<b>Total Receipts:</b>	<b>\$313,602</b>	<b>\$356,091</b>	<b>\$745,598</b>
<b>Expenditures:</b>			
Salaries and Fringe Benefits	\$263,638	\$309,796	\$384,738
Supplies and Materials	\$27,209	\$13,675	\$20,965
Equipment and Buildings	\$0	\$6,200	\$0
Streets, Highways, and Sidewalks	\$14,000	\$36,235	\$0
Principal and Interest	\$0	\$0	\$31,216
<b>Total Expenditures:</b>	<b>\$304,847</b>	<b>\$365,906</b>	<b>\$436,919</b>
<b>Receipts Over/(Under) Expenditures:</b>	<b>\$8,755</b>	<b>\$(9,815)</b>	<b>\$308,679</b>
Beginning Fund Cash Balance	\$88,811	\$97,566	(\$230,717)
<b>Ending Fund Cash Balance</b>	<b>\$97,566</b>	<b>\$87,751</b>	<b>\$77,962</b>

**Source:** City of Jackson Auditor's Office

**Note:** 2001 End Fund Cash Balance will not equal 2002 Beginning Fund Cash Balance due to adjustments made by the City of Jackson Auditor's Office as directed by AOS Special and Financial Audits.

In FY 2002, 58 percent of receipts resulted from funds transferred-in from the General Fund. Based on these transfers, it appears that the City is having trouble supporting streets operations within current revenues. In order to ensure that street repair and

resurfacing operations remain viable, the City should secure and maintain additional sources of permissive tax revenue to enable implementation of a long term plan or strategy for local road improvements.

The City should consider instituting the following revenue generating alternatives:

*Option A: Motor Vehicle Levy*

The City should levy, by ordinance or resolution, two motor vehicle license tax fee amounts in accordance with ORC §4504.17.1 and 4504.17.2. The increase in motor vehicle license taxes would provide additional revenues of approximately \$60,000 for road improvements if the City were to receive 100 percent of the revenues for two levies. City Council must establish an ordinance or resolution for the additional license plate taxes before the county takes similar action in order to receive 100 percent of both levies. The City competes with Jackson County for the opportunity to levy these two five dollar motor vehicle fees. If the County notifies the state that it will be levying a tax before the City does, then the City loses the opportunity to levy on of the two five dollar taxes. Increasing this permissive license tax by at least \$10 would increase the motor vehicle license registration fee for City residents to approximately \$42.75 for each automobile. Funding from the passing of these levies will help establish a constant source of funding for street maintenance operations.

The tax administrator for the Ohio Bureau of Motor Vehicles (BMV) stated that in the last two years (FY 2000-01), an average 7,100 vehicles were registered in the City. (FY 2002 figures were not available at the time of this audit.) Based upon this historical data, a reasonable estimate of registered vehicles would be 7,100 vehicles in 2003.

*Option B: Special Assessment*

The City should research the possibility of levying special assessments without petitions to provide for the payment of any part of the cost of public improvements such as sidewalks, curbs and road improvements as set forth in ORC §727.01.

Levying an assessment and/or additional permissive motor vehicle tax would allow all citizens and other interested persons to be involved in the project review process.

The creation of new revenue sources for streets related projects will allow JSD to be independent from the General Fund. Additional funding could be used for new equipment, improvement in the level of service provided for streets maintenance and for special projects for the City of Jackson. Although the new revenue source is not significant enough to completely offset the transfer amounts of 2002, when combined

with other recommendations being made in this audit section to reduce expenditures and increase revenues, JSD’s reliance on the General Fund will be reduced.

*Financial Implication:* As outlined in *Option A*, *Financial Implication:* With the addition of two motor vehicle levies, the City could receive an additional \$60,000 in revenue annually for the service department. *Option B* outlines the possibility of establishing property owner assessments to help fund certain public improvements. The cost avoidance the City would experience would vary depending upon the project and is not estimated in this assessment.

**R8.8 Staffing in JSD should be reduced by 5.0 FTEs. In order to accomplish this goal, the department should shift the streets superintendent to the position of superintendent of operations as indicated in R8.1, shift 1.0 FTE to JCD, eliminate the 1.0 FTE mechanical superintendent position, and eliminate 2.0 additional JSD FTEs. These actions will provide a net reduction of 3.0 FTEs to the City.**

JSD employees perform a variety of tasks including street maintenance, brush pickup, mowing, curb and line painting, sign maintenance, and snow and ice control. Recommendations included in this section remove certain functions from the department’s responsibility, reducing the need for the large number of employees. Included in the comparison are the City’s mechanical employees who perform repairs and maintenance on all City-owned vehicles and equipment.

**Table 8-3** compares the full-time staffing levels of streets for 2002 with peers.

**Table 8-3: Comparison of Full Time JSD Employees**

Classification	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average
Superintendent	2.0	1.0	1.0	1.0	1.0
Working Foreman	1.0	1.0	0.0	0.0	0.3
Skilled Laborer	3.0	1.0	3.0	3.0	2.3
Equipment Operator	2.0	2.0	1.0	0.0	1.0
Laborer	1.0	0.0	0.0	0.0	0.0
Mechanic	2.0	0.0	0.0	0.0	0.0
<b>Total:</b>	<b>11.0</b>	<b>5.0</b>	<b>5.0</b>	<b>4.0</b>	<b>4.7</b>
Streets Mileage Maintained	75.0	48.0	50.0	75.0	57.7
<b>Miles per Employee</b>	<b>6.8</b>	<b>9.6</b>	<b>10.0</b>	<b>18.8</b>	<b>12.4</b>

**Source:** City of Jackson Auditor’s Office Payroll Records, City of Belpre Service Director, City of Hillsboro Streets Superintendent, City of Upper Sandusky Streets Superintendent.

**Note:** The Streets Mileage for Jackson includes 50 miles of streets and 25 miles of alleys. The peer cities did not provide figures that were broken out. Jackson’s staffing figures include the mechanical superintendent and staff. Peers either did not maintain mechanical departments or mechanics were included in the streets employee roster.

Compared to the peer cities, JSD is significantly overstaffed. The City of Jackson has 134 percent more FTEs than the peer cities, yet approximately 45 percent fewer street miles per FTE than the peer average. All three peer cities perform the same basic duties as Jackson. Hillsboro and Belpre's departments service their own vehicles because they do not maintain mechanical departments. Upper Sandusky performs repairs and maintenance for streets, garbage, water and sewer equipment and vehicles.

In order to bring the JSD's staffing in line with the peers, the City should reduce the department levels by five FTEs. The City should eliminate the mechanical superintendent position, and transfer one laborer position to the cemetery to assist with off-season park and equipment maintenance. The streets/garbage superintendent position should be removed from the department and be classified outside of JSD as that the position is no longer exclusively supervising streets and garbage function. One laborer and/or skilled laborer position and one equipment operator position should also be eliminated. A reduction of 5.0 streets and mechanical FTEs will reduce the ratio to 12.5 miles per employee which is more inline with peer departments' staffing levels.

*Financial Implication:* The City could generate an estimated cost saving of approximately \$19,200, including benefits, as a result of reducing its laborer/skilled laborer personnel by 1.0 FTE, \$50,900 by eliminating the mechanical superintendent's position, and \$40,900 as a result of reducing its equipment operator positions by 1.0 FTE. A total annual cost savings of \$111,000 would be recognized by the City through the elimination of the mechanical superintendent, laborer/skilled laborer, and equipment operator positions. Cost savings would be recognized in funds other than the City's General Fund.

**R8.9 JOD should hire a part-time administrative assistant to enter information into the work order system, update inventory, assist with scheduling, track blanket purchase orders, record vehicle maintenance and order supplies. This could be a full time employee who splits their time with the electric department. (See recommendation R7.6 in the electric section of this report.)**

Operations-related departments currently do not have an administrative assistant position to assist in documenting and tracking department operations. The department superintendents and (cemetery) foremen perform these duties. JSD has a computer but the staff has limited computer skills. The implementation of a tracking system and the need for improved recording of maintenance, project, and material costs in all areas will necessitate the addition of a part-time administrative assistance who is computer literate.. Improved documentation in all areas of JOD would improve its ability to measure performance.

JOD should consider adding a part-time administrative employee to provide the data entry services for the department. Currently, there is no one in the department with sufficient computer literacy to provide data entry or computer information services. The position would provide support for maintaining records regarding maintenance, supplies, work hours, and project costs. The person selected to fill the position should be provided with training to maintain the computer software and use it to its fullest capacity.

Should the City choose to not purchase software as recommended in **R8.4**, the part-time employee will be required to create and maintain spreadsheets or files to compile work orders for the special projects, residents' requests, mowing of vacant lots, in addition to routine operations, and tracking fuel consumption and street maintenance material usage. In order to track overtime costs and create an internal audit report for payroll reconciliation, the employee will need to create a system of spreadsheets for tracking. Additional practices will need to be created to accomplish the mapping of vacant lots and to establish snow routes. The City should make an effort to fill the position with a current City employee, a reduced-position employee, or a person who is familiar with streets maintenance, mechanics, and grounds operations.

*Financial Implication:* The cost to split the salary between JOD and JED would be \$17,700, or \$5,900 annually for cemetery and parks, streets, and JED. Because the position would serve the three major functions of the JOD, each area would be charged for its share of the cost of the position. Additional costs would be incurred for providing the employee with computer and software training.

### *Street Maintenance*

**R8.10 JSD should reduce the number of pieces of equipment and vehicles in its inventory. Because of reductions in staff and the reallocation of duties to other departments, the need for certain equipment will be eliminated from JSD.**

JSD owns and maintains a variety of equipment and vehicles used for streets maintenance and mechanical functions. Streets equipment and trucks are normally obtained from other departments after new equipment is purchased. However, the department has obtained new equipment in the past few years.

**Table 8-4** shows the age, mileage, and estimated value of equipment used by streets.

**Table 8-4: JSD Vehicles and Equipment**

Item Description	Number of Items	Average Year	Average Mileage / Hours	Average Purchase Price	Average Estimated Value <sup>1</sup>
Air Compressor	1	1987	-- / --	\$1,578	\$733
Backhoe	1	1978	-- / 6,176	\$18,955	\$7,500
Chipper	1	1989	-- / --	\$5,000	\$1,700
Ditch Digger	1	2001	-- / --	\$6,200	\$2,000
Dump Truck	4	1991	21,661 / 819	\$33,634	\$15,378
Generator / Welder <sup>2</sup>	2	1997	-- / --	N/A	N/A
Grader	1	1988	-- / --	\$30,000	\$25,000
Gravel Spreader	1	1992	-- / --	\$7,217	N/A
Lawn Mower	2	2000	147 / 231	\$5,093	\$2,900
Lawn Mowing Attachment	3	1986	-- / --	\$1,350	\$500
Leaf Machine	1	1998	-- / 41	\$13,205	N/A
Pickup Truck <sup>3</sup>	8	1994	40,516 / --	\$12,010	\$5,622
Road Roller	1	1975	-- / 474+ <sup>4</sup>	\$2,047	N/A
Salt Spreader	3	1997	-- / --	\$3,906	N/A
Snow Plow	3	1994	-- / --	\$3,965	N/A
Street Stripper/Line Painter	1	1994	-- / --	\$2,447	N/A
Street Sweeper	1	1998	-- / 1,770	\$89,088	\$6,000
Tractor	1	1979	-- / 608	\$11,268	\$3,000

**Source:** City of Jackson Auditor's Office, Streets Superintendent

**Note:** Jackson equipment includes JSD and JMD equipment. Also, after the completion of the audit, one dump truck was sold.

<sup>1</sup> Each individual item's estimated value was obtained from Heil Equipment and from the State Surplus office.

<sup>2</sup> The generator/welder is a combination piece of equipment.

<sup>3</sup> JOD's flatbed truck is included in the count of pickup trucks.

<sup>4</sup> The hour meter on the roller broke at 474 hours.

JSD maintains four dump trucks, eight pickup trucks and one flatbed truck for transportation and street maintenance functions. The department historically obtains vehicles from other departments but recently has purchased a new dump truck. The department also maintains lawn mowers and mowing attachments in order to perform grounds maintenance for medians, right-of-ways, parks, and various other City-owned and non-city owned lots. A road roller, grader, street stripper, and street sweeper are also in the department's possession for street maintenance purposes.

**Table 8-5** compares the level of equipment and vehicles maintained by JSD in comparison to peers.

**Table 8-5: Comparison of Streets Vehicles and Equipment**

Item Description	Jackson	Belpre	Hillsboro	Upper Sandusky	Peer Average
Air Compressor	3	4	1	1	2
Backhoe	1	1	0	2	1
Chipper	1	1	1	1	1
Bucket Truck	0	1	1	1	1
Chipper Truck	0	0	0	1	0.3
Ditch Digger	1	0	0	0	0
Dump Truck	4	4	5	4	4.3
Flatbed Truck	1	0	0	0	0
Front Loader	0	1	1	1	1
Generator	2	0	1	3	1.3
Grader	1	2	1	1	1.3
Gravel Spreader	1	0	1	0	0.3
Lawn Mower	2	1	1	0	0.7
Lawn Mower Attachment	3	1	2	5	2.7
Leaf Machine	1	1	1	1	1
Pick up Truck	8	1	1	3	1.7
Road Roller	1	1	1	1	1
Salt Spreader	3	3	4	4	3.7
Sewer Jet	0	0	0	1	0.3
Snow Plow	3	4	4	5	4.3
Street Stripper/Line Painter	1	1	2	1	1.3
Street Sweeper	1	1	1	1	1
Tractor	1	2	1	4	2.3
Welder	2	1	1	1	1
Employee Total:	11.0	5	5.0	4.0	4.7
Streets Mileage Maintained	75.0	48	50.0	75.0	57.7

**Source:** City of Jackson Streets Superintendent and Auditor's Office, City of Belpre Service Director, City of Hillsboro Streets Superintendent, City of Upper Sandusky Streets Superintendent

Although the peers have a comparable or greater number of pieces of equipment and vehicles in most categories, JSD has more items than the peers in several areas which warrant reductions. Additionally, because of the reallocation of certain responsibilities from JSD to other departments, the need for certain equipment will be eliminated. The equipment that should be sold or transferred includes the following:

- Six pick up trucks;
- One ditch digger;
- Two lawn mowers; and
- Three lawn mower attachments.

The pickup trucks, ditch digger and air compressor should all be sold to generate revenue that could be reinvested in the department and the lawn mowing equipment should be transferred to JCD. Eliminating equipment from the department will bring a one-time

source of revenue to help offset current costs of the department and will reduce long-term maintenance costs by reducing the number of pieces maintained by the department.

*Financial Implication:* Assuming that the City will receive the full estimated value from resale of the equipment designated for auction, JSD may generate one-time revenue of \$36,500.

**R8.11 The City should charge repair and replacement costs to persons who damage or destroy street and traffic signs and other City JSD-related property. JSD should issue a bill to persons that are reported for causing damage to such property. JSD employees should survey for property damage on a regular basis and use the police department as a resource for accident records and bill the offenders who can be identified.**

The City does not charge persons for damage to traffic and streets signs or other City streets-related property. JSD has one or two crew members perform sign repair depending on the nature of the damage. The crew typically monitors the City for missing, damaged, or fading signs and replaces them as needed. An inventory is kept of the signs purchased, which are ordered through the City. These signs include stop signs, yield signs, and speed limit signs. During the summer months, 15 to 20 signs are normally replaced. The streets superintendent stated that around ten signs are replaced annually due to traffic accidents.

The streets departments in the peer cities of Belpre, Hillsboro and Upper Sandusky all perform street and traffic sign replacement. In each city, the streets crew watches for sign damage while performing regular street maintenance duties. In the City of Upper Sandusky, citizens are charged for hitting traffic signs, if it is reported. The streets superintendent writes the actual bill up for \$100 to cover the cost of labor and materials. The City of Belpre charges persons for damage to traffic signs and guardrails. The streets department obtains an estimate for guardrail repair, checks with the police department to determine the offender, and charges the insurance carrier.

JSD should begin to bill persons for damage to street and traffic signs when the offender can be identified. By assessing the costs for repairs and replacement, the City will be able to recover labor and material costs. Funds then can be reallocated to other JSD functions.

*Financial Implication:* An estimated ten signs per year are damaged by traffic accidents. Each sign costs \$20, posts cost \$9 each and labor for one hour would be valued at an estimated \$13. Assuming that JSD is able to identify half of the violations for damaged street and traffic signs through police records, the City would realize an estimated



minimum increase in revenue of \$210 by charging persons for street and traffic sign damage, in addition to revenue collected from other situations of destruction and abuse.

### *Snow and Ice Control*

**R8.12 The City should develop a snow and ice control plan that identifies specific levels of service. Control measures should be established which specify the level of service requirements for arterial, collector, and residential streets. Procedures should be established that detail the amount of time required for the snow removal effort. They should also specify personnel, equipment, and materials to meet prescribed service levels. The line of communication should be redefined and implemented in the plan.**

**The development of an effective snow and ice control plan should include input from those with experience with snow and ice control service levels, including JSD staff, the City police department, and the City's legal representative. The plan should be reviewed annually and revised as needed.**

JSD's snow and ice control function requires one person to be on call each week from December through the end of February or beginning of March. As soon as the streets begin to get slippery, the police department makes a call to the mayor who calls the streets superintendent who in turn contacts the person on call. The on-call employee calls in help to plow the roads. If there is 4 to 8 inches of snow, the plow drivers typically plow for 15 to 18 hours until another crew is called out. All 50 miles of roads are plowed but alleys are only plowed if there is a lot of snow that is not melting. A salting shift usually takes around four and a half hours with two people and two trucks running. The department does not maintain a written snow policy but does have pre-mapped snow plowing routes. JSD was unable to provide lane miles plowed per hour information.

According to the American Public Works Association Best Management Practices, snow and ice control plans usually include the following:

- Storm notification procedures to identify storms and predict potential effects;
- Policies establishing maximum continuous work hours for crews during snow events;
- Procedures to notify personnel that detail how the notification is delivered and who is responsible to notify personnel for storm events;

- Guidelines to establish the application of materials to control snow and ice. The guidelines should be based upon weather conditions, traffic volume, location, wind, temperature, intensity and form of precipitation;
- An annual maintenance inspection plan during the off season. A date should be specified for all vehicles and equipment to be operational for the winter season;
- A plan to calibrate all ice control material spreading equipment prior to winter deicing or anti-icing activities;
- Procedures for spreading ice control material and loading equipment with ice control materials. The policy should include training on loading procedures;
- Prioritized snow routes assigned based on streets by class, level of service and amount of time to complete removal effort;
- Policies establishing parking limitations during snow and ice events;
- Policies and procedures on health and safety issues including emergency items stored inside each vehicle, such as flares, flashlight, fire extinguishers, and how to address fatigue or frostbite; and
- A call out policy that is based on the depth of snowfall and the intensity of snow fall to determine if extra drivers need to be called in.

The City of Upper Sandusky relies on the police department to decide if streets need to be plowed. The police department staff calls Upper Sandusky's street supervisor (after regular work hours) who contacts streets employees and dispatches them to plow. If snow falls during regular work hours, men are sent out in trucks at the street department's discretion.

According the University of Georgia municipal benchmark standards for snow plowing, a one man crew should be able to plow 4.97 lane miles per hour in normal snow fall. The City of Jackson plows a total of 49.6 miles which is divided into two routes for snow plowing. The City should include in its snow policies and procedures, standards for snow plowing and review current routes. Plowing at such a benchmark level will ensure that the City is using its labor and resources in the most efficient manner possible. Effective route planning ensures that JSD provides service as rapidly as possible and clears the highest priority routes first.

The implementation of a snow policy should balance the competing needs of road safety, employee safety and fiscal constraints and can offer some protection to the community

against liability for accidents. A snow policy will help to prevent emergency situations and reduce costs related to inefficient practices and wasted time. Prepared and educated employees will ensure that roads will be cleared as quickly as possible, providing the safest conditions for residents as quickly as possible without compromising the safety of streets employees.

The City of Jackson should eliminate the mayor and/or safety service director from the line of communication to dispatch snow plow crews. Eliminating a step in the chain of command will allow crews to get on the road more quickly, ensuring the safety of the City's residents as efficiently as possible.

### *Leaf and Brush Pick-Up*

**R8.13 JSD should reduce brush and leaf pick up within the City to a designated period each year. The City should provide a compost pile location for residents to deposit brush, compost, and Christmas trees during the rest of the year.**

The City of Jackson allows residents to put bagged leaves and grass out at the curb to be picked up with garbage even though the City of Jackson's Public Utilities Manual specifies that this is not allowed. Additionally, residents can rake leaves to the curb and the JSD will pick them up at any time of the year. Residents can call to have brush chipped and removed from the curb at no charge. The leaves and brush are dumped at a site near Jisco Lake designated for this purpose. The streets superintendent indicated that the crew is constantly picking up brush during the summer months and that this practice significantly reduces the time available for other streets and alley responsibilities.

The peer cities only pick up leaves in the fall months. Other than emergencies, this is the only function performed by the streets employees during that time. The City of Upper Sandusky allows residents to call and request to have brush picked up but indicated that this is not a common occurrence. Belpre and Hillsboro do not pick up brush but provide compost piles for residents to deposit compost materials.

The City should limit the period to pick up leaves and brush to the fall months and possibly a week in the spring for brush pickup and chipping. The City should also provide an area where City residents can dump leaves and brush. Residents should be made aware of the policy change through newspaper advertising and other forms of public notification, such as utility bill inserts. Residents that continue to request pickup or place leaves and brush at the curb should be charged for the special pickup services. In several localities, specialized bags are used for this purpose. The specialized bags are sold through local vendors for a cost equal to the brush and leaf pick up labor and disposal charges.

By regulating brush and leaf pick up times to specific dates, JSD will have more time to focus on streets related duties. Additionally, charging residents for special pickups will help offset the costs incurred for labor and materials used to pick up these items.

### *Land and Park Maintenance*

#### **R8.14 The City should transfer the mowing and park maintenance function from the JSD to JCD. Related equipment should also be transferred to JCD.**

JSD mows and maintains the parks and other areas contained within the City of Jackson. These areas include all the parks, parts of the cemetery and other areas such as City-resident-owned and vacant lots. JSD mows resident-owned lots because of neighbor complaints made directly to the streets superintendent. The service/safety director's office stated that the mowing was being done without their knowledge. Including all streets related grounds, streets maintains 82.2 acres of land. JSD mows approximately 73 acres of land that is not streets related. JCD has five lawn mowers, several weed eaters, and various other grounds maintenance equipment, while JSD only has three lawn mowers and two lawn mower attachments.

The cities of Belpre and Upper Sandusky have parks departments to maintain parks and facilities. Hillsboro's streets department functions include park maintenance; however only one park (2 acres) is maintained. All three cities mow all street-related grounds such as right-of-ways and medians.

The City should transfer all mowing functions from streets to JCD. JCD should also house and maintain all grounds-related equipment. When other departments need such equipment, the respective department can be charged for the cost of labor and equipment. JSD should be charged for all labor and equipment that is used to maintain streets grounds.

By pooling the equipment and labor for all mowing and park-related maintenance functions, the City would experience greater efficiencies and will be able to focus the JSD's efforts on street maintenance.

#### **R8.15 The City should charge lot owners for mowing and maintaining their vacant lots. Those residents or business owners that are currently having their grass mowed or yards maintained by JSD should be charged for labor and material costs. The supervisor of streets and alleys indicated that vacant lot mowing was discontinued in FY 2003 because of the City's financial situation.**

The superintendent of JSD stated that lots owned by city residents are being mowed by the department free of charge. It is estimated that the department is mowing 4.1 acres of

land that is not owned by the City. To recoup costs for labor and materials used, lot owners should be charged a fixed fee for mowing and other lot-maintenance services.

The City of Belpre charges residents for lot maintenance through assessments added to property taxes. Belpre's law director makes note of the service that is performed and adds it to the resident's property tax amount. The resident is charged the hourly wage of the employee performing the lot maintenance in addition to equipment and materials charges.

The City of Hillsboro also performs vacant lot maintenance when city residents complain. The City of Hillsboro performs the maintenance, sends a bill for labor to Hillsboro's County Auditor's Office who adds it to the resident's property taxes. Hillsboro also employs a company to pick up trash if there is an excessive amount on the property. Hillsboro's County Auditor collects the money from the resident with taxes and remits the collected money to the City of Hillsboro Auditor's Office.

The City of Upper Sandusky performs vacant lot maintenance when residents complain of neglect. The City of Upper Sandusky Auditor's office sends a bill to the resident for the service, charging \$50 per hour; maintenance usually last around one hour per lot.. The City of Upper Sandusky performs vacant lot maintenance an estimated 20 times per summer.

The City should increase its attention to recouping costs for residential services. Also, billing for lot maintenance will encourage owners to assume responsibility for their property. The City should ensure that every attempt is made to bill for services rendered to offset operating costs related to maintenance of vacant or neglected lots and property. Billing should be initiated and maintained. Assessing residents for vacant lot maintenance will benefit both the City and residents. The City will receive compensation for duties performed that are not within defined responsibilities and residents will gain an understanding of the City's desire to maintain a pleasant appearance.

*Financial Implication:* The City should set a fixed fee for maintenance and mowing of lots. Based upon an estimation of 20 incidences of services in one summer, at a fee of \$50 per instance, the General Fund could realize revenue of \$1,000 annually for labor and equipment expenses.

## C. Garbage

### R8.16 The City should review the option of outsourcing the waste collection function to decrease operations costs within the department and increase revenues for the City.

The City should consider the possibility of outsourcing the waste collection function. Currently, the City employs 5 FTEs working six routes, six days a week for waste collection. The City billed an average of 2,561 residential customers in FY 2002 at a rate of \$10.50 per month. In addition, the City billed an average of 522 commercial accounts at an average of \$29.31 per month.

Table 8-6 summarizes the current rates for garbage pick up in the City.

**Table 8-6: Garbage Pick Up Rates**

Residential Pick up	\$10.50	
Commercial Pick up	One Pick-up per Week	One Extra Pick-up per Week
2 yard dumpster	\$34.50	\$21.00
3 yard dumpster	\$49.85	\$21.00
4 yard dumpster	\$70.45	\$31.00
6 yard dumpster	\$110.65	\$31.00

Source: City of Jackson Public Utilities Manual

Note: Commercial pick-up charges include \$3.50 in surcharges.

Table 8-7 provides a breakdown of revenues and expenditures by residential and commercial customers.

**Table 8-7: Revenues and Expenditures per Customer**

	FY 2000	FY 2001	FY 2002
Residential Customers	2,548	2,557	2,561
Residential Revenues	\$338,727	\$350,285	\$343,915
Residential Revenues per Customer	\$133	\$137	\$134
Commercial Customers	509.0	519.5	522.0
Commercial Revenues	\$177,820	\$183,567	183,528
Commercial Revenues per Customer	\$349	\$353	\$352
Total Customers	3,056.8	3,076.2	3,082.8
<b>Total Revenues</b>	<b>\$516,547</b>	<b>\$533,851</b>	<b>\$527,443</b>
Total Revenues per Customer	\$169	\$174	\$171
<b>Total Expenditures</b>	<b>\$547,477</b>	<b>\$588,996</b>	<b>\$598,306</b>
Total Expenditures per Customers	\$179	\$191	\$194
<b>Revenues Over/(Under Expenditures)</b>	<b>(\$54,930)</b>	<b>(\$55,145)</b>	<b>(\$70,863)</b>

Source: City of Jackson Utilities Billing Office

Note: Residential and Commercial Customers are an annual average.

Based upon the information in **Table 8-7**, it appears that the City is losing money each year. The average expenditure per customer is greater than the average revenue per customer. Losses increased by 28 percent from 2001 to 2002.

The City of Belpre outsources its garbage function to Waste Management, Inc. Waste Management charges \$9.35 per month for residents and various amounts for commercial accounts based on dumpster size and the frequency of pickups. Belpre charges an additional 10 percent per commercial account which is retained to cover labor, processing and postage. Belpre's contract with Waste Management, Inc. is based on 2,500 residents and an actual number of commercial accounts for five years. Waste Management informs the City monthly of active commercial accounts and rates. The City bills the businesses and residents on the same bill as other city utilities. The 10 percent charged to commercial customers covers processing, postage, billing, and labor expenses.

Outsourcing has become a prevalent method of garbage collection in municipalities across Ohio. Should the City of Jackson contract out garbage collection, benefits could include reduced operating costs, access to state of the art capabilities and technology, reallocation of internal resources to other responsibilities and capital funds being freed that are currently tied up in capital and maintenance.

Additionally, outsourcing the garbage function could provide direct benefits to other City departments. Because JGD experiences high turnover, streets and alley employees are frequently pulled from streets responsibilities to assist with garbage pickup. Outsourcing would allow streets and alley employees to be fully dedicated to streets functions. Lastly, all garbage equipment could be sold with the resulting funds being allocated to other projects or functions. Likewise, the maintenance of garbage equipment would be eliminated, reducing overall maintenance costs. All expenses related to JGD will be eliminated and all billing expenses in the Utilities Office should be covered by a ten percent surcharge for commercial accounts.

*Financial Implication:* If the City adopts a program similar to Belpre's, in order to maintain current rates and produce revenues to cover processing and postage of billing garbage accounts, a contractor must provide service at the same residential rate of \$10.50 per month and at an average rate of \$26.38 per commercial account per month. Assuming 2002 revenues and expenditures as a basis, the City would offset approximately \$527,500 in revenue with an expenditure reduction of approximately \$598,500. This would eliminate the General Fund support of the garbage function of \$71,000, annually. A surcharge of 10 percent on commercial accounts would bring an annual revenue of approximately \$18,000 to the Utilities Office.

**R8.17 If garbage operations are outsourced, the garbage equipment should be sold.**

The City's garbage department maintains a fleet of vehicles and ancillary equipment. **Table 8-8** exhibits the equipment currently owned and maintained by the garbage department.

**Table 8-8: JGD Major Equipment**

Equipment Description	Year	Mileage/Hours	Acquisition Value	Current Value
Chevrolet Kodiak Packer Truck	1992		\$69,293	
Rebuilt Kodiak Engine	1992	103,045 / 13,239	\$6,296	\$6,803
Ford Garbage Truck	1996		\$53,611	
Pak-More Refuse Packer Body	1996	74,090 / 11,216	\$30,700	\$21,078
Chevrolet Packer Truck and Body	1999	51,836 / 7,582	\$88,694	\$35,478
Dodge 1500 4 x4 ½ ton Pickup	2001	16,894 / --	\$16,733	\$13,375
International Packer	2002	8,354 / 944	\$99,460	\$74,595
<b>Total Value</b>			<b>\$364,787</b>	<b>\$151,329</b>

**Source:** City of Jackson Auditor's Office, Mechanical Superintendent, Kelly Blue Book, and Heil Equipment.

**Note:** The Dodge ½ ton Pickup was used for recycling but was sold during the audit period.

Should the City decide to outsource the garbage function, all four garbage trucks and the single pick up truck used for recycling should be sold. The department will no longer have any need for the equipment and the money could be allocated to JSD to improve and maintain operations. Proceeds from the equipment sale should be recorded in an appropriate fund.

*Financial Implication:* The sale of the four garbage trucks and the pick up truck will provide the City with approximately \$151,000 in one-time revenues. This amount does not take into consideration the cost savings related to preventative maintenance, repairs, and fuel expenses. Additionally, the City will receive revenues from the sale of the dumpsters used for commercial pickup. In some situations, dumpsters and equipment can be assumed by a contractor, reducing contract costs.

**R8.18 If the City does not outsource the garbage function, the vacant garbage laborer position should not be filled. The City should also consider reducing the current staff levels by an additional 1.0 FTE and should make efforts to eliminate the Saturday garbage routes in order to reduce the amount of overtime worked by employees.**

JGD consists of 5 FTEs. One position is currently vacant. JGD currently runs five normal weekday routes and a Saturday half-day route. The Saturday route provides at least two employees with approximately four overtime hours every week. JGD overtime is rotated between department employees as a negotiated item in the contract. This



practice is intended to ensure that all employees are receiving an equal amount of overtime.

**Table 8-9** compares the City of Jackson garbage employees' workload to Upper Sandusky's and Napoleon's garbage employees.

**Table 8-9: Number of Full Time Garbage Employees**

Classification	Jackson	Napoleon	Upper Sandusky	Peer Average
Superintendent	0.0	0.0	0.0	0
Foreman	1.0	0.0	0.0	0
Laborer	4.0	2.0	4.0	3.0
Recycling Laborer	1.0	1.0	0.0	0.5
<b>Garbage Staff Total:</b>	<b>6.0</b>	<b>3.0</b>	<b>4.0</b>	<b>3.5</b>
Pick ups	3,078	3,612	2,555	3,083.5
Pick ups per Employee	<b>513.0</b>	<b>1,204.0</b>	<b>638.8</b>	<b>881.0</b>
Garbage Tons Picked Up	5,655.9	2,597.4	7,884.6	5,241.0
Tons per Employee	<b>942.7</b>	<b>865.8</b>	<b>1,971.2</b>	<b>1,497.4</b>

**Source:** City of Jackson Utilities Billing Office, City of Napoleon Operations Office, Upper Sandusky Streets Superintendent and City Auditor

**Note:** The City of Jackson has four laborer positions within the garbage department but currently only three are filled.

The City has more staff than peers and has fewer pick ups per employee than the peers. If the department eliminates the vacant laborer position and reduces current staffing by one additional FTE, the number of pick ups per employee will increase to a level that is closer to the peers. The City also picks up significantly fewer tons of garbage per employees than the peer average. By establishing a staffing level of 4.0 FTEs on the garbage staff, operating ratios will increase to 769.5 customers and 1,414 tons per employee.

**Table 8-10** shows overtime as a percentage of personnel costs.

**Table 8-10: JGD Overtime as a Percentage of Personnel Costs**

Fiscal Year	Personnel Costs	Annual Overtime Costs	Overtime as a Percent of Personnel Costs
2000	\$142,020	\$11,324	7.97 %
2001	\$132,639	\$9,416	7.10 %
2002	\$135,914	\$11,252	7.65 %

**Source:** City of Jackson Auditor's Office Yearly Payroll Records

JGD has maintained a steady percentage of overtime during the past three years. The department should evaluate the current routes and integrate Saturday pick ups into the routes run during the weekdays. By eliminating Saturday routes, overtime expenses could be reduced by approximately \$11,000 per year. To meet peer operational levels,

the department should re-route garbage pick-up in a more efficient manner. Recycling pick-up on Saturday should be incorporated into the weekday routes.

JSD employees should not be used to supplement the staff. Instead, increasing the efficiency of routing and the pace of the work should allow JGD to function at a level commensurate with the peers.

*Financial Implication:* The City could generate an estimated cost saving of approximately \$42,000 as a result of not filling the vacant driver/loader position. The City could also save \$42,000 by also reducing the current workforce by 1.0 FTE. Finally, an annual costs savings of \$11,000 would be generated by minimizing overtime through eliminating Saturday garbage pickups.

**R8.19 If the City does not outsource garbage operations, it should decrease garbage expenses by implementing curb-side garbage pickup limitations. By limiting garbage pickup amounts, the City will experience reduced expenses related to fees incurred by garbage dumped at the landfill. When residents and businesses require the pick-up of additional tonnage, the City should charge them for the excess cost.**

The City of Jackson spent \$110,000 to dump 5,556 tons of garbage in 2002. The City pays, on average, \$20 per ton of garbage taken to the landfill. This amount does not include the cost of driving to the landfill. The City does not exercise baggage limits or enforce violations of prohibited materials that are placed at the curbside (or in dumpsters) for pickup.

The City of Napoleon's Refuse Collection Program allows for one 30 gallon bag or approved container per week. Any additional bags or containers must have a "tag" affixed. Tags are \$1.00 each and can be purchased at the City Utilities Office or other various locations throughout Napoleon. Additionally, the City charges \$5.63 per cubic yard for special pick-ups. By enforcing garbage limitations, these practices helped Napoleon to collect 786.6 tons of recyclable materials in 2001 through encouraging residents to put less refuse out as trash and more as recyclables.

The City of Upper Sandusky limits residents to three large bags or four small bags of garbage per week. Residents that put out more garbage than permitted are noted by the garbage crew and the information is relayed to the utilities billing office. Residents receive a separate bill for additional pickup charges. If the resident does not pay the additional charges, the amount is added to the regular bill the following payment period.

The City should consider implementing limits on garbage in order to encourage the use of recycling and reduce the amount of garbage included in curb-side pick-up. The City recycled an estimated 182 tons of material in FY 2002. The City had approximately

\$3,458 in cost savings related to recycling materials. By encouraging the recycling program, the City could reduce the overall amount of garbage taken to the landfill. The City does not pay any fees for materials that are taken to the recycling center.

Additionally, by limiting garbage curb-side pick-ups, the City will indirectly encourage residents to make use of dumpster or flat-bed truck rentals. They JSD currently rents and delivers dumpsters or a flat bed truck for excess garbage to residents at a fee of \$150 with additional charges for dumping. By placing limitations on the amount of garbage that can be placed at the curb, residents will be more likely to make use of the City's other resources for trash disposal. Rental fees will help to offset the cost of the additional garbage collected.

Garbage limitations will also encourage residents to purchase compost bags from local vendors to reduce the cost of garbage being dumped. Limiting curb-side garbage amounts and discouraging residents from placing compost with regular trash will allow for the City to collect revenue from the sale of compost-specific trash bags that can be picked up in addition to regular trash.

The City of Jackson should track the average amount of garbage put out by residents and commercial customers for a specific period and decide upon a reasonable garbage pick up limit. The City should develop a plan to charge customers for any additional amounts. Such a plan could have the following steps:

- If the resident places a prohibited object or garbage over the limit at the curbside, they should be notified of the violation;
- If the resident continues to place prohibited items at the curbside or places an excessive amount of bags, they should be fined or issued a second warning; and
- If the resident does not heed the initial warning, the trash should be collected and the resident assessed for the violation on the offender's property taxes.

The City should provide compost bags to residents for purchase and advertise the recycling program. The program's benefits and cost savings for the City gained through recycling and through limiting garbage pickup should be explained to residents. Furthermore, increased recycling will help to offset the labor and overhead fees that are currently subsidized by the regular garbage function. The increased use of dumpsters and the flatbed truck by residents, in addition to compost-specific garbage bags, will provide additional revenue for JSD.

*Financial Implication:* Assuming a 20 percent reduction in curb-side garbage, based upon 2002 actual garbage output and cost per ton, the City will experience a reduction in garbage expenses of \$2,448 monthly, or approximately \$29,000 annually.

**R8.20 If the City does not out source garbage operations, it should enforce the garbage regulations outlined in the City of Jackson Public Utilities Manual. Provisions should be added to regulate spring pick-ups, special item pick-ups, and should include related charges. By enforcing the garbage limits and assessing residential and commercial customers for non-permitted materials and amounts of garbage, the City will be able to reduce expenses and enhance the safety of the employees.**

The City of Jackson's Public Utilities Manual provides regulations for the garbage function for residents and commercial account customers. These regulations include:

- All garbage, rubbish, etc., must be bagged and tied. Leaves and grass clippings will not be picked up by garbage crews.
- Curb-side brush will be chipped by city crew, free of charge, when trees or bushes are trimmed by land-owner. If trees or bushes are trimmed or cut by private contractor, it will be the responsibility of that contractor to dispose of the debris.
- Carpet shall be rolled, tied in four foot lengths and shall not exceed 50 lbs per bundle.
- Contractors are responsible for the removal of any building materials.
- Roofing shall be the customer's responsibility and shall require special handling and is not suitable for dumpsters.
- Boxes may be used only for rubbish that is otherwise unbaggage and are not to exceed 50 lbs.
- Barrels will not be dumped by City crews.
- Metal shall be recycled.
- Posts, lumber, etc., must be cut in four foot lengths.
- Concrete and dirt shall be at curb and will be hauled by city crews when requested by the City customer, at \$150.00 per truck-load.
- Appliances will be picked up free of charge by the request of the owner.
- Oil, tires and batteries are not accepted at landfills.
- All furniture and appliances shall be placed at curbside. The doors of dishwashers, refrigerators, and clothes dryers shall be removed by owners before placing at curbside.
- Dumpsters will not be used for concrete, lumber, dirt, drywall, plaster, or roofing.
- All items shall be placed at the curb-side. There will be no alley pick-ups.

JGD employees explained that in the spring, there is an unlimited pick up-week for residents. Residents are allowed to put out all types of garbage with the exception of

those items that are illegal. However, there has been evidence that residents do not follow garbage regulations. After the week is over, residents continue to put all types of garbage out for pickup and ignore the City's regulation. Residents bag leaves and grass which JGD picks up with the regular garbage. Additionally, illegal items are placed in the garbage and in dumpsters which can cause a safety hazard to JGD employees.

The City of Napoleon charges \$5.63 per cubic yard for special pick-ups. Special pick ups include the pick up of refuse and material that does not qualify for, or is too large for, regular weekly refuse routes. The cities of Belpre, Hillsboro and Upper Sandusky do not allow for the pick up of appliances, furniture, or other special items.

The City of Jackson should charge residents for items that are not within the parameters of regular garbage. JGD should not pick up grass and leaves other than during leaf pick up season. By enforcing regulations and not picking up items that are not allowed, the City can decrease garbage tonnage taken to the landfill, could reduce expenses. Additionally, charging for special items will help to offset the labor expense incurred for the department to perform a special pickup. The Public Utilities Manual should be revised to describe the penalty for illegal dumping, violations of regulations, and charges to be incurred.

## D. Mechanical

**R8.21 JSD mechanics should begin tracking the work performed on each vehicle. Maintenance work order computer software, spreadsheets, or a database would allow the department to track all maintenance related costs for each vehicle and assist in determining which vehicles should be replaced. Accurate tracking of routine maintenance also would help contribute to the prolonged useful life of vehicles and reduce maintenance costs in the long run and allow for the department to receive reimbursement for services. The vehicle maintenance foreman indicated that several aspects of this recommendation pertaining to tracking were being implemented.**

The vehicle maintenance program involves oil changes for city vehicles every 3,000 miles. Windshield stickers are used with the target mileage for routine maintenance and drivers are responsible for notifying the mechanics when an oil change is needed. Routine maintenance includes rotating the tires, checking brakes, topping off fluids, checking lights and other minor repairs. Diesel truck maintenance includes an oil change at 200 hours, adjustment of the air brakes and the same maintenance plan as provided to other City vehicles.

The current system relies heavily on drivers to check the mileage and sticker and to inform the JMD staff when routine maintenance is needed. The mechanical superintendent records all vehicle maintenance in a written log book. The department has an out of date list of vehicles, separated by department, to indicate vehicles that require maintenance. The department places a check mark next to vehicles when routine maintenance has been performed.

The City of Upper Sandusky's service area does not maintain a separate mechanic department. The department services its own equipment and vehicles along with the vehicles of the water and sewer departments. Servicing includes oil changing, greasing, and detailing. Upper Sandusky uses a computer to track all the maintenance performed.

The department should track some of the following elements to immediately improve recording practices. These elements are performance basics that are easy for any service-related department to track:

- Mechanic performing the work;
- The date and hours worked on the vehicle or equipment;
- The maintenance or repairs performed;
- The materials needed and/or purchased for the vehicle or equipment; and
- The department that is in possession of the vehicle or equipment.

The administrative assistant should enter all the information into a database or management software program to maintain records.

Tracking of vehicle maintenance and hours incurred will help the department plan for future expenses and the allocation of employee hours. Also, tracking of supplies used, such as oil and other preventative maintenance materials, will help to determine if a product is effective and if current usage levels are appropriate. Through proper maintenance tracking, the department will be able to reduce costs and properly charge back other departments for labor and materials. (See **R8.4**)

**R8.22 The City should evaluate individual mechanics' productivity and departmental staffing needs. The department should develop preventative maintenance objectives and procedures commensurate with manufacturer or industry standards to enhance the efficient and effective operation of the fleet.**

Mechanic repair times and productivity levels are not documented, monitored, or evaluated beyond the recording of how many hours of work were allocated to a department. The department does not use vehicle maintenance software to maintain vehicle equipment histories, schedule preventative maintenance programs, generate work orders and reports, or monitor expense data, mechanic productivity, and inventory control. Vehicle maintenance and repair occurrences are recorded in a hand written maintenance log.

The use of manuals, such as *Chilton's Truck Repair Manual* or manufacturer supplied warranty repair times, could help the department establish repair time estimates for use in mechanics' productivity measurement. Additionally, repair time estimates would provide the department with valuable information that can aid in situations requiring decisions to repair the vehicle in-house or through an outside vendor.

The following list represents additional best practices related to equipment safety and preventative maintenance that the City should consider in its maintenance and repair operation.

- Performing chemical analyses of oil specimens at scheduled intervals. For a nominal cost of approximately \$3.20 per test, this analysis helps identify problem indicators and specify engine failures that would not be possible during normal service. This analysis, which provides suggested service during maintenance inspections, helps minimize costly component repairs and increases the value and application of warranties and service contracts.
- Monitoring parts and equipment failures that are considered safety defects or have a high frequency of repairs, replacement, or failure.

- Vehicle diagnostic software, such as the Mitchell On-Demand System. Features of this software include user friendly repair diagnosis, repair times, instructions, troubleshooting and schematics, according to vehicle make. According to the vendor, the initial subscription cost for the medium/heavy truck version is approximately \$200 with an annual service/software update cost of approximately \$900.
- Dedicated mechanic and safety training and advanced mechanic certification such as the ASE certification for medium/heavy truck technicians. The City should update mechanic position descriptions that would require mechanics assigned to truck repair to seek and maintain advanced training and certification including a requirement that the mechanics obtain the ASE certification for Medium/Heavy Truck Technicians. The certification includes exams on body systems and special equipment, diesel engines, drive trains, brakes, suspensions and steering, electrical/electronic systems and air conditioning systems and controls that are developed by a cross section of industry experts and manufacturers. Several of these tests parallel existing ASE Medium/Heavy Truck certification tests. Mechanics with two years of hands-on work experience, or a combination of education and experience, have an opportunity to take the test in May and November each year for the cost of a \$29.00 registration fee and a \$24.00 charge per exam.

Implementing best practices and preventative maintenance standards will help to ensure that the practices being used by mechanics are up-to-date and effective. Such standards are developed in order for departments to maintain levels of service that are effective and efficient. By evaluating productivity and developing preventative maintenance objectives, the function will be able to implement long-term cost saving practices.

*Financial Implication:* If streets were to implement the above-mentioned practices the following expenses would be incurred:

- Chemical analysis testing of oil specimens would cost \$3.20 per test, performed once per year for an estimated 86 City-owned vehicles and equipment, an expense of \$2,752 annually;
- Mitchell On-Demand System software would cost \$200 for an initial subscription and \$900 annually thereafter for updates; and
- ASE certification for two mechanics would cost \$106 initially and additional costs would be incurred after five years when the employees would need to be re-certified.



**R8.23 The City should bill labor provided by the mechanics back to the department that had equipment or vehicles repaired or preventative maintenance performed. This practice will compensate for the salary and fringe benefit expenses of employing mechanics and help to reduce the expenditures in JSD. The City should also charge departments for storing vehicle and equipment in the City garage facility.**

JMD does not charge back departments for services rendered by mechanical employees for equipment or vehicle maintenance. The mechanics' salaries are paid out of the streets funds. The department charges other departments for parts needed for equipment and vehicle repair and maintenance but does not charge labor costs.

The International Facilities Management Association (IFMA) reports that 55 percent of government facility management departments charge users for expenses in some manner. Typically 28 percent of government facility management departments charged rates for fixed and special projects, 9 percent charged a fixed rent based rate, 15 percent charged by special project and 3 percent charged by another method. Charge back systems are most used for facility and vehicle maintenance. Some specific methods of charging back end users are shown below:

- Marion County, Indiana has established internal building rental agreements within the county. The Department using the facility is charged a fixed square footage rate on a monthly basis for maintenance and custodial services.
- Phoenix, Arizona has implemented a work order system where the Department requesting the service is billed for the services performed. The City of Phoenix facility maintenance department is fully funded through the work order charges.
- Santa Clara County, California has established a standard internal service fund where the facilities management department is self supported through charges billed to end user departments.

The City should establish fixed rate fees for services provided to other departments, special project fees for services which the City considers beyond the normal functions of the department and a fixed storage fee for the storage of other departments' vehicles and equipment. The fees for services should include compensation for staff and travel time, in addition to supplies, materials and capital outlay used to complete the projects. The funds received should be accounted for in an internal service fund or the current streets funds and be used to help fund streets' mechanical-related activities and lessen the department's reliance on the streets and alley funds. The Maximus Report provides direction on the arrangement for charging users for expenses.

## E. Cemetery

**R8.24 JCD should expand the current staffing level to include one additional FTE and additional seasonal help. Because JCD will assume responsibility for mowing parks, streets and city-owned areas, the additional responsibilities will strain the current staffing levels, and create a need for an additional employee.**

**Table 8-11** compares the staffing levels of Fairmount Cemetery employees to peer cemeteries.

**Table 8-11: JCD Staffing Comparison**

Position	Jackson	Gallipolis	Portsmouth	Wellston	Peer Average
Foreman	1.0	1.0	1.0	1.0	1.0
Laborer	2.0	0.0	2.0	1.0	1.0
Part Time Seasonal Laborers	4.0	4.0	0.0	3.0	2.3
<b>Total</b>	<b>7.0</b>	<b>5.0</b>	<b>3.0</b>	<b>5.0</b>	<b>4.3</b>
Cemetery Size in Acres	100.0	56.0	38.0	98.0	64.0
<b>Acres per Employee</b>	<b>14.3</b>	<b>11.2</b>	<b>12.7</b>	<b>19.6</b>	<b>14.5</b>

**Source:** Yearly Payroll Register, City of Jackson Auditor's Office, Gallipolis Cemetery Foreman, Portsmouth Cemetery Foreman, and Wellston Cemetery Foreman

**Note:** Jackson cemetery's working foreman's duties include record maintenance, supervision, cemetery sales, equipment maintenance, and miscellaneous cemetery duties. Jackson's cemetery laborers prepare graves for interment, maintain, and care for the cemetery, gravesites, and equipment. Seasonal employees perform lawn care duties during the spring and summer months.

According to peer comparisons of acres per employee, the City of Jackson's JCD is comparable to the peer average. However, within the combined JOD, JCD will be performing the mowing function for the entire City, with the exception of lands maintained by the water department. The City will need to add 1.0 FTE to assist in off-season park maintenance and helping prepare and maintain the equipment in JCD's possession, creating a 12.5 acres to employee ratio. JCD will also experience an increase in mowing equipment, thus increasing the amount of required maintenance.

JCD should also increase the number of seasonal staff hired by the department to assist with mowing during the summer months. JSD typically hires four to five seasonal employees to assist with the increase in duties during the summer months. JCD should plan to hire around the same number of employees, if needed, to accomplish the mowing required and maintain the levels of care currently practiced within the cemetery and throughout the City.

*Financial Implication:* An average salary for a cemetery laborer is approximately \$41,100 including benefits. The City would incur an increase in cemetery salary

expenses of approximately \$41,100 as a result of increasing its laborer personnel by 1.0 FTE.

**R8.25 The City of Jackson should amend city ordinances and implement the following cemetery rate changes:**

- **Increase the cost of individual space prices to a rate that is similar to the peer cities;**
- **Amend City Ordinance 941.18 to increase the cost of perpetual care and to eliminate the option of Annual Care;**
- **Increase the cost of opening and closing rates for burials that take place in the afternoon; and**
- **Implement a foundation fee that is similar to those charged by peer cemeteries.**

The City of Jackson's service/safety director's office believed that a city ordinance required cemetery spaces to be sold at the price that was determined at the time of plotting. This belief prohibited an increase in the cost of spaces. Historically, cemetery spaces have been sold at prices from \$1.67 to \$100 per space. However, further investigation showed that this practice was not predicated on City ordinance. City Ordinance 941.20 details the process for the pricing of cemetery lots but does not specify that lot prices are fixed.

**Table 8-12** summarizes the rates of the City's Fairmount Cemetery and certain other area cemeteries within close proximity to Jackson.

**Table 8-12: Select Cemetery Rate Comparison**

	Jackson	Gallipolis	Portsmouth	Wellston	Peer Average
<b>Single Space Rate</b>	From \$1.67 to \$100.00	\$325.00	\$450.00	\$175.00	\$317.00
<b>Perpetual Care per Space</b>	\$35.00	Included in the cost of the grave	Included in the cost of the grave	\$125.00	N/A
<b>Total Price per Space and Perpetual Care</b>	From \$36.67 to \$135.00	\$325.00	\$450.00	\$300.00	\$358.33
<b>Single Space Opening and Closing Base Rate</b> <sup>1</sup>	\$350.00	\$325.00	\$425.00	\$400.00	\$383.00
<b>Foundation Cost Minimum</b>	Foundation fees are not charged	\$50.00	\$55.44	Foundation fees are not charged	\$52.72
<b>Cost per Cubic Foot</b>		\$12.00	\$40.00		\$26.00

**Source:** Cemetery Sexton of Jackson, Gallipolis, and Portsmouth; First Assistant City Clerk of Wellston

<sup>1</sup>Base rate implies the rate for an adult burial on a weekday morning. Infants, children and burials on holidays, weekends or in the afternoon have different rates.

The peer average for municipal cemetery space prices and perpetual care is \$358. Even the most expensive space, including perpetual care, in Jackson's Fairmount Cemetery is nearly \$225 less than the peer average. Also, the City of Portsmouth charges an extra \$125 to cover the cost of overtime labor that is incurred with an afternoon burial. An increase in afternoon burial rates will help to offset the cost of cemetery employees working overtime hours in the evening while closing a grave. Furthermore, the Gallipolis and Portsmouth municipal cemeteries charge fees for foundations. The average foundation fee per cubic foot is \$26, with a minimum charge of \$53.

The City does not charge additional rates for burials that occur in the afternoon even though employees incur overtime. Perpetual care rates are a one time fee of \$35 for eternal maintenance. Foundations for the headstones are provided by a monument company.

The City of Jackson should increase the cost of individual spaces and perpetual care. By increasing the cost of a cemetery space to \$300 and increasing the cost of perpetual care to \$50, the City will be charging rates that are comparable to those of peers. The City should also implement a policy change to increase afternoon burial rates. The average wage per hour for cemetery labor is \$15.30. For two laborers at time and half, the policy would have to offset a salary related expense of \$45.89 per hour. Lastly, the City of Jackson should implement foundation fees to help increase cemetery receipts and to offset the labor expense incurred by the cemetery foreman to inspect each foundation that is poured.

*Financial Implication:* The JCD had 132 burials in 2002. The average cost for a space in Fairmount Cemetery is \$11.39. With the number of burials expected to increase in the

future, the cemetery can increase space sale receipts from \$1,503 to \$39,600 in 2003 by raising its rates to \$300 for a regular burial. The Cemetery Endowment Fund can expect an increase of almost \$2,000 annually from a \$15 increase in perpetual care.

**R8.26 The City should eliminate active and delinquent annual care accounts. All annual care accounts should be converted to perpetual care, either by charging a one-time fee of \$35.00 per space or allowing the past payments for annual care to qualify as sufficient compensation for perpetual care. If the City should decide to charge a one time fee for perpetual care, a payment plan option should be provided to citizens that have responsibility for several spaces.**

**Furthermore, the City should release all spaces that are currently not being sold because they are in the same lot as a space that is a delinquent annual care space and ensure the continued availability of these spaces through a revision to City ordinances.**

Original practices required grave purchasing citizens to pay \$30 per year for annual care for grave maintenance. Later, paying a one time fee of \$35 for perpetual care was made an option for grave buyers. At another time, the option to choose between perpetual care and annual care was removed and space purchasers were obliged to purchase perpetual care for each space. The exact dates of these changes could not be provided by the City.

Annual care is charged to residents every May by the City of Jackson Utilities Office. If an account goes unpaid for three years, the accounts noted as delinquent and billing ceases. The cemetery foreman records the accounts that are delinquent and the amount owed by lot number. City Ordinance 941.16, passed in 1954, provides that all annual care delinquencies within a lot including the current year shall be paid in full before a burial permit for a space is issued. This ordinance prevents the sale of vacant spaces that lie within a lot that has a delinquent annual care account.

The cemetery foreman has records of delinquent accounts separated by cemetery sections. Because of the manner in which lots are recorded, it was not possible to determine the number of delinquent spaces. Prior to the May 2003 billing, Fairmount Cemetery will have accrued a total of \$957,105 in unpaid annual care owed by 1,810 individuals. In May 2003, the utilities office will bill 110 accounts \$30.00 apiece for annual care. These are the only accounts that are still active.

The City of Wellston has amended city cemetery ordinances to release delinquent annual care lots after seven years. Wellston may sell any spaces that are in the same lot as a delinquent annual care space after seven years of inactivity. The ordinance was passed to provide for the smooth operation of the City cemetery and to provide adequate relief for burial of loved ones of the citizens of the City of Wellston.

The City should change Ordinance 914.16 to allow for the release of spaces that are within a lot that has a delinquent annual care space. Revenue from space sales could be lost as future clients wait for spaces outside of current cemetery boundaries. Also, by withholding delinquent lot spaces, the cemetery must open spaces that require improvement thus increasing labor expenses for the cemetery.

Additionally, the City could reduce expenses in the utilities office by eliminating the billing of active annual care accounts. It could also reduce the amount of time required of the cemetery foreman to maintain account records.

*Financial Implication:* The utilities office bills 110 accounts for annual care annually. The exact number of spaces is undetermined, but it can be estimated that there are at least 110 spaces to be charged for perpetual care, if the City should chose to do so. At a minimum, there will be a one-time increase of \$3,850 to the Cemetery Endowment Fund and an annual reduction of \$3,300 to the Cemetery Fund.

## Financial Implications Summary

The following table represents a summary of the annual revenue, annual savings, one-time costs, and annual costs for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

### Summary of Financial Implications for the Service and Operations Department

Recommendation	Fund	Annual Costs	One-Time Costs	Annual Cost Savings	Annual Revenue Enhancements	One Time Revenue Enhancement
R8.4 Implementation of operations specific software	Other Funds	\$250	\$3,750			
R8.7 Implement additional motor vehicle levies	Other Funds				\$60,000	
R8.8 Reallocation of street and mechanical staff – Net reduction of 3.0 FTE	Other Funds			\$111,000		
R8.9 Hire part time administrative position	Other Funds	\$17,700				
R8.10 Selling of unnecessary equipment	Other Funds					\$36,500
R8.11 Street and Traffic Signs	Other Funds				\$210	
R8.15 Charging residents for vacant lot maintenance	General Fund				\$1,000	
R8.22 Mechanic certification	Other Funds	\$3,652	\$306			
R8.24 Additional to cemetery staff	Other Funds	\$41,100				
R8.25 Increasing cemetery rates	Other Funds				\$41,600	
R8.26 Removing annual care accounts	Other Fund	\$3,300				\$3,850
<b>Garbage Function Outsourcing – Option I</b>						
R8.16 Outsource garbage function	General Fund			\$71,000		
R8.16 Outsource garbage function	Other Fund				\$18,000	
R8.17 Selling of garbage equipment because of outsourcing	Other Fund					\$151,000
<b>In-House Garbage Function – Option II</b>						
R8.18 Reducing garbage staff and Saturday route elimination	Other Funds			\$95,000		
R8.19 Curb-side garbage pick up	Other Funds			\$29,000		
<b>Total</b>		<b>\$66,002</b>	<b>\$4,056</b>	<b>\$306,000</b>	<b>\$120,810</b>	<b>\$191,350</b>

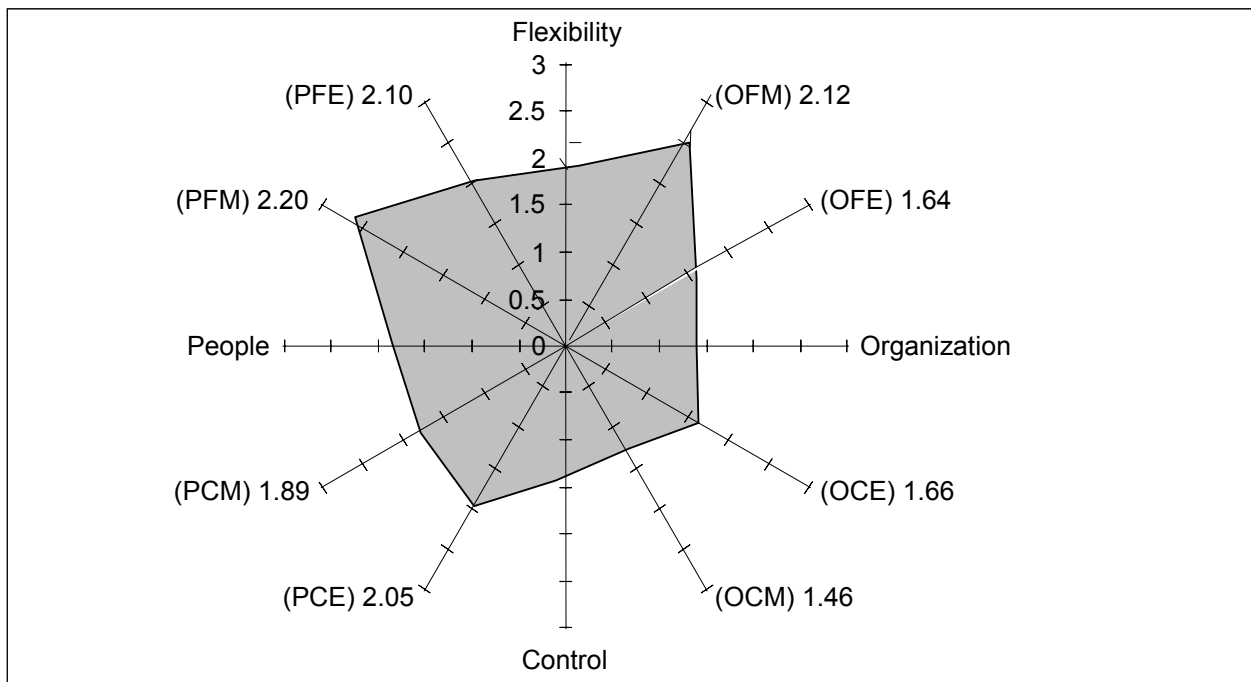
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# Appendix A: Employee Survey

A two-part survey was distributed to all 99 City of Jackson employees. Results of the survey are summarized below. Part I of the Employee Opinion Survey measures areas in which the City places the most value and areas that are less effective. The competing values approach incorporates the ideas of output goals, resource acquisition, and human resource development as goals and shows how opposing values exist at the same time. The four competing values of flexibility, organization, control and people, exist simultaneously, but not all will receive equal priority (resulting in a perfectly circular diagram.)

**Exhibit 1: Four Models of Effectiveness Values**



**Source: City of Jackson Employee Opinion Survey**

- (PFM) People, Flexible, Means: Cohesive work force; employees trust, respect and work well with each other.
- (PFE) People, Flexible, Ends: Skilled work force; employees have the training, skills and capacity to do their work properly
- (OFM) Organization, Flexible, Means: Ability to adjust to demands; shifts in external conditions
- (OFE) Organization, Flexible, Ends: Acquisition of resources; able to expand work force or gain external support
- (OCE) Organization, Control, Ends: Productivity and efficiency; volume of output is high
- (OCM) Organization, Control, Means: Planning; goals are clear and understood.
- (PCE) People, Control, Ends: Stability; sense of order and smooth functioning of operations.
- (PCM) People, Control, Means: Availability of information; channels of communication facilitate informing people about things that affect work.

Based on respondents' data, as shown in **Exhibit 1**, the City of Jackson's effectiveness values are not balanced. The lowest ratings were in the areas of planning (OCM), acquisition of resources (OFE), efficiency (OCE) and availability of information (PCM). Possible explanations for the lower ratings in these areas are supported by the findings noted throughout the report sections and support the recommendations to improve planning efforts and better disseminate information among employees. The indication of an inability to acquire and maintain necessary human resources in order to maintain efficiency is likely impacted by and may be a consequence of the liberal leave accrual and usage policies allowable through the union contracts. It is difficult to maintain productivity and costly to the City to cover positions when employees are granted approximately 58 days of leave per year.

In Part II of the Employee Opinion Survey, respondents were asked to rate the following statements on a scale of 1-7 in terms of their level of agreement. Items one through six indicate measurement of organizational features including leadership, motivation, interpersonal communications, employee trust and value, member development, and autonomy respectively. The responses are summarized in **Exhibit 2**.

#### Scale

- 1= Strongly Disagree
- 2= Disagree
- 3= Slightly Disagree
- 4= Neither Agree nor Disagree
- 5= Slightly Agree
- 6= Agree
- 7= Strongly Agree

#### Item

1. The features of our current leadership are very good.
2. I enjoy my job. I'm happy to come to work most of the time.
3. There is good communication between departments and individuals. Necessary information is shared in a timely and respectful manner.
4. My opinion is valued and my input is given consideration when it comes to making decisions that concern me.
5. Management helps me set goals and then works with me to achieve them.
6. I have some say in planning my activities, or some measure of control over my work.

**Exhibit 2: Summary of Results**

Item	1		2		3		4		5		6		7	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>1</b>	9	25%	3	8%	1	3%	2	6%	2	6%	8	22%	11	31%
<b>2</b>	0	0%	1	3%	1	3%	2	6%	4	11%	15	42%	13	36%
<b>3</b>	4	11%	3	9%	5	14%	2	6%	5	14%	11	31%	5	14%
<b>4</b>	6	18%	1	3%	1	3%	4	12%	4	12%	11	32%	7	21%
<b>5</b>	9	26%	2	6%	3	9%	1	3%	6	17%	7	20%	7	20%
<b>6</b>	1	3%	3	8%	3	8%	4	11%	9	25%	9	25%	7	19%

As noted in **Exhibit 2**, there appears to be a strong division among employee opinions in regard to the organizational features measured. For example, over 25 percent of respondents feel strongly that they receive no assistance or support in setting and achieving goals, while 20 percent say they are strongly supported in their development and goals. Only 31 percent believe they have a strong leadership while 25 percent experience very poor leadership. The observation of a lack of unity is also supported by employee comments which accompanied the surveys but which have been omitted to protect respondents' identities. Overall, recurring themes noted in employee comments indicate employee pride and dedication as well as a plea for higher standards of fairness, growth and opportunity, goal-setting, and shared communications. The current degree of polarization of views may require third-party intervention assistance to help re-establish shared focus toward the greater good of the citizens of Jackson.

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# Appendix B: Staffing Levels by Department

## Departmental Staffing Levels for City of Jackson

Department/Position	FTEs
<b>Population</b>	<b>6,184<sup>1</sup></b>
<b>Administrative Services</b>	<b>8.00</b>
Mayor	1.00
Safety/Service Director	1.00
Assistant Service Director <sup>2</sup>	1.00
Executive Assistant	1.00
Administrative Assistant	1.00
Administrative Secretary	1.00
Purchase Order Clerk	1.00
Janitor	1.00
<b>City Auditor's Office</b>	<b>3.00</b>
Auditor	1.00
Deputy Auditor	1.00
Assistant Deputy/GAAP	1.00
<b>City Treasurer</b>	<b>0.12</b>
<b>Law Director</b>	<b>1.00</b>
<b>Utility Billing</b>	<b>7.54</b>
Utility Superintendent	1.00
Assistant Superintendent	1.00
Utility Billing Clerk	1.00
Cashier	1.54
Meter Reader	2.00
Maintenance	1.00
<b>Street/Alley</b>	<b>8.98</b>
Equipment Operator	2.00
Streets/Alley-Garbage Supervisor	2.00
Mechanic	1.00
Equipment Operator	1.00
Skilled Laborer	1.98
Foreman	1.00
<b>Garbage</b>	<b>4.54</b>
Foreman	1.00
Driver/Loader	3.54
<b>Cemetery</b>	<b>3.82</b>
Working Supervisor (Foreman)	1.00
Laborer	2.82
<b>Parks, Recreation and Pool<sup>3</sup></b>	<b>0.00</b>

<b>Water/Wastewater</b>	<b>25.80</b>
Director	0.75
Secretary	0.75
Chief Plant Operator	1.00
Water Plant Operators	3.50
Maintenance Repairman	1.00
Maintenance Helper (vacant)	0.00
Distribution/Collection Superintendent	1.00
Foreman	1.00
Sewer Collection Repairman	2.00
Water Distribution Repairman	3.00
Facility Maintenance	1.00
Crew Repairmen	2.00
Wastewater Treatment Superintendent	1.00
Plant Operator	2.00
Process Control Operator	1.00
Pretreatment Coordinator	1.00
Lab Technician	0.80
Maintenance Repairman	2.00
Plant Laborer	1.00
<b>Electric<sup>4</sup></b>	<b>11.50</b>
Interim Director	0.25
Secretary	0.25
Superintendent	1.00
Crew Leader	3.00
Crew Member	4.00
Lead Trimmer	1.00
Tree Trimmer	2.00
<b>Police</b>	<b>24.00</b>
Chief	1.00
Assistant Chief	1.00
Sergeant	5.00
Patrol Officer	11.00
Communications Officer	5.00
Secretary	1.00
<b>Fire<sup>5</sup></b>	<b>2.00</b>
<b>Chief</b>	1.00
<b>Assistant Chief</b>	1.00
<b>Service</b>	<b>1.00</b>
Mechanical Superintendent	1.00
<b>Total FTEs</b>	<b>101.30</b>

<sup>1</sup> Based on 2000 Census Bureau information. Population has grown to approximately 6,500 as of end of year 2002

<sup>2</sup> The assistant Service/Safety Director's contract was rescinded in July of 2002. This position is currently filled by the executive assistant.

<sup>3</sup> Use of seasonal employees for parks and recreation is discussed in the **service** section.

<sup>4</sup> Interim Director for electric department also serves as Director of Water/Wastewater

<sup>5</sup> The fire department has 24 volunteer firefighters.