



**Auditor of State  
Betty Montgomery**

# CITY OF LORAIN PERFORMANCE AUDIT

JANUARY 15, 2004



**Auditor of State  
Betty Montgomery**

To the Citizens of the City of Lorain:

Pursuant to Ohio Revised Code (ORC) § 118.021, the Mayor of Lorain requested that a fiscal watch analysis be performed by the Auditor of State's Office (AOS). Based on this analysis, the AOS certified a deficit of \$2.4 million for 2002 and subsequently placed the City of Lorain (the City) in fiscal watch on October 17, 2002. ORC § 118.023 permits the AOS to conduct performance audits of municipalities in fiscal watch. In accordance with this authority, and based on discussions with City officials, AOS initiated a performance audit to assist the City in its ongoing effort to eliminate the conditions that brought about the declaration of fiscal watch.

The performance audit contains assessments of the following areas: financial forecast, income tax, compensation and staffing, benefits and contracts, police, fire, municipal court, streets, purchasing, community development, and the health department. The information contained in 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 Lorain 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

January 15, 2004

# **Executive Summary**

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## **Project History**

As provided by the Ohio Revised Code (ORC) § 118.021, the Mayor of Lorain requested that a fiscal watch analysis be performed by the Auditor of State's Office (AOS). Based on this analysis, the AOS certified a deficit of \$2.4 million for 2002 and subsequently placed the City of Lorain (the City) in fiscal watch on October 17, 2002. To assist entities in improving their financial condition and assist in removing them from fiscal watch status, ORC § 118.023 permits AOS to conduct performance audits of municipalities in fiscal watch. In accordance with this authority, and based on discussions with City officials, the following areas were assessed in the performance audit:

- Financial Forecast;
- Income Tax Department (ITD);
- Compensation and Overall Staffing Levels;
- Benefits and Contracts;
- Police Department (LPD);
- Fire Department (FD);
- Municipal Court (LMC);
- Streets Department (SD) and Garage Division (GD);
- Purchasing Operations;
- Community Development Department (CD); and
- Health Department (HD).

## **Objectives and Scope**

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

While the performance audit conducted on Lorain contains elements of both an economy and efficiency audit and a program performance audit, the overall objective of the performance audit process is to assist the City in identifying strategies to 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. The recommendations comprise options that the City can consider in its continuing efforts to stabilize its financial condition.

## **Methodology**

To complete this report, the auditors gathered and assessed a significant amount of data pertaining to the City, conducted interviews with numerous individuals associated with the various departments, and assessed available information from selected peer cities. In evaluating the various performance audit areas, the auditors spent a significant amount of time gathering and reviewing pertinent documents and information. Numerous interviews and discussions were held at many levels and with groups of individuals involved internally and externally with the City. In addition, several cities were selected to provide benchmark comparisons for the areas assessed in the performance audit. The cities of Elyria, Hamilton, Springfield, Parma and Middletown were used in the applicable sections of the performance audit. These cities were selected based upon demographic and operational data. Other municipalities were also used throughout the different sections of the report to provide additional comparisons. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- The Government Finance Officers Association (GFOA);
- The National Advisory Council on State and Local Budgeting (NACSLB);
- The State Employment Relations Board (SERB);
- The International City/County Management Association (ICMA);
- The National Institute for Justice (NIJ);
- The Ohio Supreme Court (OSC);
- The National Center of State Courts;
- Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards;
- The Federal Highway Administration (FHWA);
- The American Public Works Association (APWA);
- The National Association of Fleet Administrators (NAFA); and
- The United States Government Accounting Office (GAO).

## **Overview of the City of Lorain**

The City of Lorain is located in Lorain County in northeastern Ohio and has a population of 68,652. The City's economic climate is marked by relatively high unemployment rates. The City's unemployment rate was 10.2 percent for 2002, as reported by the U.S. Department of Labor Bureau of Labor Statistics. According to the 2000 census, Lorain's median income was \$33,917, which is 17 percent less than the State average of \$40,956. The City's industrial base consists primarily of manufacturing and trade enterprises.

Lorain operates as a statutory city under the laws and regulations set forth under the Ohio Constitution. Legislative authority is vested in a twelve-member City Council and a Council President elected by the voters of the City. The Council establishes compensation levels for 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, fire, streets, parks, and community development. The Mayor appoints a Director of Public Safety/Service, department heads, boards, and commissions. The City Auditor and Treasurer, both of whom are elected, are responsible for fiscal control of the City's financial resources. In addition, the Law Director, the Clerk of Courts, and two Municipal Court Judges are elected and manage those related areas of City operations.

## **Noteworthy Accomplishments**

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

- Excluding contractual services and health care, the City has not experienced significant increases in yearly expenditures by category from 1998 to 2003. As a result, the City appears to have sufficiently controlled expenditures.
- Although additional factors and workload indicators affect staffing levels in each of the departments, City staffing levels are lower than the peers in most areas based on the number of employees per 10,000 residents. Therefore, the City's is operating with minimal staffing resources and costs. The City does not have the ability to reduce staffing levels without also reducing service levels or implementing considerable operational changes (e.g., centralizing garage functions and operating the jail as a temporary holding facility).
- Higher lengths of service (LOS) seem to account for compensation packages being higher than the peers in certain departments and positions. In addition, only four departments at Lorain have higher average compensation packages than the peers. Consequently, the City's

compensation packages do not negatively contribute to its current fiscal watch status and appear to be appropriate.

- Although not identifying potential taxpayers reduces the population of accounts that could be delinquent, ITD's accumulated delinquencies are significantly lower than Hamilton and Springfield.
- The City's effective management of its worker's compensation program displays a commitment to a safe working environment for its employees that also results in fiscally sound management practices. By implementing programs such as "Drug-Free Workplace," monitoring claims closely, and eliminating "temporary total" payments, the City has reduced the cost of on-the job injuries and illnesses.
- The City is in the process of taking measures to reduce and control health care costs. During the course of the performance audit, fact-finding proceedings occurred between the City and the United Steelworkers of America (USWA) Local 6621. The fact-finder provided various options that, if implemented, would reduce health care costs. The City indicated that negotiations with USWA Local 6621 and the Fraternal Order of Police (FOP) are currently underway, and it plans to negotiate with the Internal Association of Fire Fighters (IAFF) in 2004. Additionally, the City plans to offer uniform plans to each bargaining unit.
- LPD has implemented effective strategies to reduce overtime. LPD has also been successful in obtaining grants to target the Department's needs. For instance, the Department received over \$400,000 in 2001 to purchase and install Mobile Data Terminals in 50 patrol cars, which should increase the efficiency and communication capabilities of its patrol officers.
- Overall, Lorain FD operates efficiently and effectively. While Lorain FD receives a higher number of fire calls per fire suppression FTE and its fire stations cover greater square mileage than the peer average, it maintains a significantly lower fire suppression cost per resident and responds to fire emergency calls in a timely manner. Furthermore, Lorain FD actively pursues alternative funding sources and the Department's overtime expenditures in FY 2002 equaled only 1.1 percent of total costs.
- To improve case management and the reliability and accuracy of case data, LMC indicated that it is in the process of reviewing other software systems and is receiving bids from vendors for new case management systems. Additionally, LMC commenced a physical inventory of its cases in September 2003. Based on the number of cases currently being disposed, LMC appears to be maximizing collections.

- Lorain SD appears to be functioning with minimum resources while providing a level of service comparable to the peers. Lorain SD is the only entity of the peers that effectively maintains the standard for salt applied per lane mile.
- The City's current purchasing processes are consistent with a number of best practices. For instance, the City negotiates volume purchases for certain items, and the public safety and service office and auditor's office review all emergency purchases and assign appropriate coding. Additionally, the public safety and service office has begun developing a purchasing manual and the chief deputy safety service director has entered into an agency membership for Onvia, Inc. which operates an Internet-based procurement system. This agreement will provide a mechanism to distribute formal requests for bids and quotes on line.
- CD has prepared an economic development plan that addresses all of the recommended components outlined in the performance audit. In October 2003, CD indicated it purchased GIS software for database management, which should allow it to effectively compile economic development and demographic data.
- Overall, Lorain HD operates efficiently, as indicated by its serving a large population and providing a similar array of services with less staff and using fewer General Fund resources than peers. Lorain HD develops fees based on cost methodologies and has developed strategies to reduce costs that include evaluating fees and grant programs annually and collaborating with other health departments to receive grants and develop health initiatives. For instance, Lorain HD shares programs funded through certain grants with Elyria, enabling City residents to take advantage of the additional health services provided by Elyria. This shared service arrangement avoids service duplication and is an efficient way to utilize health service funding.

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## **Key Findings and Recommendations**

A summary of key findings and recommendations is provided below. More thorough analyses are contained in the respective sections of the audit report. All interested parties are encouraged to read the entire report.

### *Financial Forecast*

- Expenditures exceeded, or are projected to exceed, revenues in all years. This trend is forecasted to result in negative ending balances of approximately \$11.5 million, \$17.4 million, and \$25.0 million in 2006, 2007, and 2008, respectively, if the City does not increase revenues or further reduce expenditures.

The City should analyze and evaluate the recommendations presented in this performance audit and consider implementing them to avoid future financial difficulties. The City should also explore other strategies to save costs and increase revenue, and incorporate such strategies in a financial recovery plan. By first focusing on improving income tax operations to enforce and maximize collections, the City would be able to adequately justify and support to its residents the need for additional revenue. Furthermore, the City should closely monitor and control spending, particularly within large expenditure categories (e.g., salaries and benefits) and contractual services, which could result in additional savings throughout the forecasted period. Because circumstances and conditions assumed in projections may not occur as expected, the City should update the financial forecast on an ongoing basis as situations change and critical financial issues are identified and addressed.

- The City established broad departmental goals in its “Operations Guide, Budget and Long Range Plan 2001-2005” (the Guide). However, the City could supplement the Guide by developing actions to achieve goals, and a formal and consistent financial planning process that incorporates financial forecasting.

The City should formally develop financial policies, update broad goals, develop action steps to achieve goals, and periodically assess financial and program performance. Additionally, City officials should establish a formal and consistent financial planning process which includes a methodology to forecast its revenues and expenditures. By implementing these measures, the City can better understand its current financial condition, anticipate future budgetary needs, and allow it to effectively control expenditures.



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*Income Tax Department (ITD)*

- Based on peer comparisons, Lorain could potentially collect between \$1.7 and \$6.4 million in additional income tax revenue. The collection of this additional revenue will require the City to either modify its current internal operations or contract with an external provider. Based on an analysis of potential costs and revenue enhancements, the estimated net annual revenue available to the City by improving internal operations versus contracting with an external provider is comparable. However, an external provider performs a comprehensive range of activities to identify taxpayers and enforce collections. In addition, an external provider would already have the staffing, expertise, and infrastructure in place to immediately begin enforcing collections and taking measures to increase revenue provided to the City. Nonetheless, the City would need to consider numerous factors if it contracted with an external provider, such as retaining some internal staff for contract and performance monitoring, and negotiating with the affected collective bargaining units.

The City should carefully consider whether to maintain in-house income tax operations or contract those services to an external provider. If the City decides to retain income tax services, it should hire two additional employees, implement new software and train staff accordingly, and work with ITD to implement the performance audit recommendations and other strategies to improve operations and subsequently increase revenue. If the City decides to outsource income tax services, it should ensure that the external provider's cost and revenue estimates are accurate and reliable, and retain one employee to help monitor the external vendor's performance and oversee the contract. In addition, the City would need to negotiate with the union for the authority to outsource income tax services.

- ITD does not use the State tax file or Water Department information to identify potential taxpayers and enforce collections for current taxpayers. ITD also does not search for new taxpayers through directories or real estate transactions, except for new developments. Close to 38 percent more taxpayers in the City filed income tax returns with the State than with Lorain in 2000. Additionally, the number of residential water accounts is 15 percent higher than individual income tax accounts for 2002. Furthermore, the percentage of residents with active tax accounts is significantly lower in Lorain (32 percent) as compared to the peer average (48 percent). Based on these indicators, ITD does not appear to be effectively identifying potential taxpayers.

ITD should use the State tax files and Water Department accounts to identify potential taxpayers. The department should also search for additional taxpayers by reviewing real estate information available from the county, post office, newspapers, and real estate directories and databases. In addition, preparing a mass mailing informing residents of the mandatory income tax filing requirement and implementing an amnesty program could further assist in identifying potential taxpayers. At the end of this performance audit, ITD

indicated that the Department is obtaining the State files and that the computer system has been modified to accept these files.

- Based on accounts handled per FTE and costs per account, the staffing levels in ITD are considerably lower than the peers. Consequently, ITD's ability to identify potential taxpayers, enforce collections, and ensure delinquencies are fully pursued is limited. Moreover, ITD does not have staff to verify the accuracy of information being submitted from the field or investigate non-filers.

The City should hire 2.0 FTEs to enforce collections, identify taxpayers, and facilitate the audit of income taxes. Additional employees would enable ITD to effectively refer cases to court and avoid backlogs, work with the Municipal Court and Law Department to enforce payment of taxes, and help to perform additional activities recommended throughout this performance audit. Seasonal employees could also be considered to provide additional assistance during peak periods.

- While ITD does not fully use the functions, the current software does not meet the Department's needs. Purchasing new income tax software and fully using its functions would allow ITD to track and monitor information to effectively manage operations. Management information is essential to a City's ability to effectively collect income tax revenue.

The City should consider purchasing new software for ITD, unless the City decides to use an external income tax administrator, and train staff accordingly. Implementation costs for different software packages range from approximately \$30,000 to \$200,000, and vary depending on selected modules and functionality. Therefore, prior to purchasing new software, ITD and the City should ensure that the system contains the necessary functionality to improve operations and help maximize income tax collections.

### *Compensation and Overall Staffing Levels*

- As indicated by the number of employees per 10,000 residents, City staffing levels are lower than the peers in most areas. However, additional factors and workload indicators affect staffing levels in each of the departments.

City administration and departments should closely monitor staffing levels, use additional indicators to assess workload and productivity, and examine the staffing recommendations throughout this performance audit. By regularly reviewing staffing levels based on appropriate measures, the City will be able to ensure that it has an adequate number of staff to meet the needs of its residents.

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*Benefits and Contracts*

- The City's bargaining unit employees do not pay for health care coverage, whereas non-bargaining unit employees pay 20 percent for coverage. In addition, various plan benefit levels, such as co-pays for office visits and prescriptions, could contribute to the City's relatively high health care premium costs. During the course of this performance audit, fact-finding proceedings occurred between the City and USWA Local 6621 concerning health care costs and benefits. The fact-finder recommended that the City modify current benefit levels by increasing employee deductibles, coinsurance, out of pocket maximums, co-pays for office visits and prescription drugs. The fact-finder also recommended the City require bargaining unit employee contributions of five percent.

The City should continue to negotiate with the respective collective bargaining units to implement the fact-finder's recommendations. The City should consider requiring bargaining unit employees to contribute toward health care and increase the prescription co-pay amounts for bargaining employees. Furthermore, the City should provide health benefits in a manner that ensures all full-time employees the same type of health care insurance at the same cost. If the City required employee contributions for health care insurance at \$25 per month for single coverage and \$60 per month for family coverage for all employees, the City would save approximately \$259,000 annually. If the City could negotiate increased prescription co-pays to \$5 for generic drugs and \$10 for brand-name drugs for bargaining unit employees, matching the amounts paid by non-bargaining unit employees, the City would realize an approximate cost savings of \$50,000 annually.

- In comparing the Lorain USWA collective bargaining agreement to similar peer agreements, sick leave paid out at retirement and longevity payments appear to be more generous than the peers. Decreasing sick leave payout to 60 days and longevity payments to \$90 per year of service would help the City improve its financial situation while still providing relatively fair severance and longevity payments to employees.

The City should consider reducing sick leave paid out to 60 days and longevity payments to \$90 per year of service, saving approximately \$215,000 annually in sick leave payments and \$157,000 annually in longevity payments, respectively.

*Police Department (LPD)*

- Lorain's jail is inefficient and costly to manage, primarily due to operating significantly under capacity. Therefore, the City is considering expanding the current facility to a 64 bed jail and offsetting operational costs by contracting with other jurisdictions to house their prisoners. If the City expanded to a 64 bed jail, it would save approximately \$74,000 annually. Savings would be significantly greater after the debt service has been fully retired,

which will take 23 years. By expanding to a 64 bed jail, the City would need to obtain a waiver from the Ohio Department of Rehabilitation and Corrections (ODRC) to begin to operate as a full-service jail (FSJ), develop contracts with the federal government and other local jurisdictions to house prisoners, and monitor costs and revenues to ensure operations are efficient and cost-effective.

Conversely, the City would save approximately \$334,000 annually by operating the jail as a temporary holding facility (THF), similar to Hamilton and Springfield. To effectively operate as a THF, LPD would need to coordinate the booking of prisoners straight to the County, study the cost of transporting prisoners versus video arraignment, and identify LPD booking requirements for records management. It would also need to reduce the scale of proposed construction to only meet police operational needs, consult the bond counsel to retire bonds, and contact the County and other cities to ensure the City's prisoners could be housed at other facilities.

The City should closely and carefully examine the options of operating either as a THF or a FSJ. The City should appropriately involve the community in the decision-making process and consider the impact of both options on its current and future financial condition. By carefully examining these options, the City would ensure the decision is cost-effective and consistent with the community's needs.

- The following provisions in LPD's collective bargaining agreement are more generous than the peers: total fitness incentive, longevity payment scale, minimum call-in pay, last-call pay, minimum hours for on-call pay, and overtime pay for new hires' field training. Furthermore, correction officers are paid for an additional half hour in overtime without requiring any additional duty over eight hours. Altering these provisions during future negotiations would improve the City's financial condition, but also provide an adequate level of benefits for LPD staff.

During future negotiations, the City should seek to reduce the fitness incentive to a one time monetary reward, and reduce the longevity schedule and convert it to fixed dollar amounts. Doing so would avoid fitness incentive costs of approximately \$112,000 annually and save approximately \$87,000 annually in longevity payments. In addition, LPD would save approximately \$30,000 annually in overtime payments by eliminating the half hour of overtime currently provided to corrections officers during a normal workday. Moreover, the City should consider reducing the minimum call-in incentive and eliminating the two hours of overtime payments for new hires in field training. The City should also consider either eliminating the minimum last-call overtime pay or staggering shifts to avoid overtime, as well as eliminating or reducing the on-call incentive.

- LPD provides the highest number of vehicles for sworn officers and does not have a formal policy on vehicle replacement. Having officers share vehicles would allow LPD to potentially reduce its vehicle fleet. Developing a viable vehicle replacement plan could assist LPD in ensuring public safety and funding is available to replace equipment and vehicles.

LPD should consider reducing its fleet by five marked vehicles by having officers share vehicles. Furthermore, LPD should prepare a formal police vehicle replacement plan that would enable it to identify and rank replacement needs consistent with generally accepted replacement criteria. The City would realize one-time revenues of approximately \$7,500 by auctioning five of its oldest vehicles. Additionally, the City would avoid future replacement costs of approximately \$130,000 by not replacing five marked vehicles. During the course of this performance audit, LPD increased pooled car assignments to 29 and indicated that the vehicle fleet is being reduced.

### *Fire Department (FD)*

- Lorain FD's collective bargaining agreement provides a health insurance buy out and a shift differential of two hours each pay period for employees working the platoon system. Employees who work the 40-hour per week schedule receive three hours of call-out pay each biweekly pay period at their base rate of pay. None of the peer agreements contain similar provisions. Lorain FD's agreement also contains a sick leave incentive which is more generous than the peers' incentives.

During future negotiations, the City should seek to eliminate the insurance buy out and the shift differential/call-out pay, and reduce the sick leave incentive. Eliminating the insurance buy out provision and shift differential / call out pay would generate annual cost savings of approximately \$133,000 and \$76,000, respectively. Both the City and IAFF Local #267 have agreed to eliminate the insurance provision in the next contract. Reducing the sick leave incentive would generate cost savings of approximately \$32,000 annually.

- Lorain FD's vehicle maintenance is performed by three firefighters. As a result, Lorain FD limits the number of firefighters on shift. Furthermore, vehicles are not being maintained by certified mechanics whose expertise is vehicle maintenance and repair.

Lorain FD should transfer vehicle maintenance responsibilities to the city garage and move the firefighters currently performing vehicle maintenance into the platoon schedule to solely perform firefighting duties. If the firefighter/mechanics' salaries were reduced to reflect the transfer of vehicle maintenance responsibilities, Lorain FD would have additional funds to help offset the City's deficit or fund programs, such as training and fire investigations. Funding these programs will allow Lorain FD to allocate additional staffing to fire prevention and fire/arson investigations.

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### *Municipal Court (LMC)*

- As indicated by having over three times more cases pending than its peers, LMC is not effectively processing and managing caseloads. By disposing cases at a lower rate than the peers, LMC is not maximizing collections nor ensuring cases are processed and judicial services are provided in a timely manner. However, LMC does not adequately compile and report case data, which could affect the accuracy and reliability of information reported to the Ohio Supreme Court (OSC).

LMC should develop strategies and take appropriate measures as discussed throughout this performance audit to improve case management. If LMC improved its case management system and increased its disposition rate to the peer average of 87 percent, it could collect approximately \$1.9 million in court costs and fines. Assuming LMC realizes these collections over the next five years, the annual average increase in collections would be approximately \$380,000. Moreover, LMC judges should ensure that data reported to the OSC is entirely accurate and reliable by fully using the capabilities of the computer system, ensuring that the appropriate staff person receives the case information in a timely manner, and completing a physical case inventory annually. Addressing these issues would ensure that LMC is compiling and reporting accurate case data that can be used to assess its overall performance.

- LMC's fragmented case scheduling process appears to contribute to its high backlog of cases. In contrast to LMC, peer municipal courts have personnel who are devoted to case assignment and scheduling. In addition, the scheduling is done on a random basis because LMC lacks a defined weekly schedule to hear certain types of cases. The peers, however, have established weekly schedules to hear specific cases. Likewise, LMC has not established formal time frames and goals for scheduling cases and appears not to be scheduling non-felony cases as quickly as the peers.

LMC should reallocate 3.0 FTEs and hire an additional employee to be primarily responsible for assigning and scheduling cases. By allocating more staff to assignment functions, LMC will place a greater emphasis on case processing, which could lead to an increase in its disposition rate. LMC should also develop a specified case schedule to make the scheduling process easier and better allow for the potential to maximize the number of cases heard and disposed on a given day. Furthermore, LMC should establish standard and uniform time frames for the purpose of processing and scheduling cases. Finally, LMC should use the computer system to schedule, track and monitor cases according to the established time frames.

- While LMC has not established written, standard rules for granting continuances, the judges indicated that informal policies are used to justify and grant continuances based on the type

of case. Although LMC has established a \$10 continuance fee, it has indicated that the fee is not enforced. Not establishing uniform and standard rules for continuances, not enforcing its \$10 continuance fee, and inconsistently tracking and monitoring continuances could result in excessive continuances being granted. This could cause time lags in disposing cases and contribute to LMC's large backlog of cases.

The judges should develop and enforce standard and uniform rules for granting continuances. By tracking and monitoring continuances, LMC would be fully aware if continuances are negatively impacting case management, thus enabling it to implement additional strategies to minimize continuances. The judges should also enforce the payment of the \$10 continuance fee.

- LMC has not taken advantage of the case management services offered by OSC. The OSC provides case management programs (CMP) and training to municipal courts that are grounded in best practice principles. CMP also identifies and recommends resource allocations, staffing needs, and financial needs as they relate to case management principles and fundamentals in a given court.

The judges should contact and engage the services of case management specialists from the OSC. With case management technical assistance, LMC will be able to develop comprehensive approaches to case management and improve its operations.

### *Streets Department (SD) and Garage Division (GD)*

- Lorain SD receives considerably less revenue than the peers from motor vehicle levies and special assessments for street maintenance and capital improvements. As a result, Lorain SD relies more on the General Fund to support operations. While peers and certain cities in Lorain County levy at least two motor vehicle levies, Lorain only levies one such levy. In addition, the City does not currently have a resolution to assess property owners for the maintenance and repair of streets, tree maintenance, street lighting or any infrastructure improvements as allowed by ORC Chapter 727. Inadequate funding may lead to deferred road maintenance in the City, thus increasing costs for rehabilitation or reconstruction of roadways and an increased need for revenue.

The City should consider levying, by ordinance or resolution, one additional \$5 motor vehicle levy in accordance with ORC § 4504.171 and 4504.172. This would provide approximately \$270,000 annually in additional revenue to help address more than \$1 million in road improvement needs. The City should also research the possibility of levying special assessments, without petitions, to provide for the payment of a percentage of the cost for public maintenance and improvements. However, before the City imposes special assessments for any street department program, Lorain SD should establish a Capital

Improvement Plan (CIP) and a formalized system for compiling labor and cost data for each program. Doing so would help the City become more accountable to its citizens for the use of special assessments. Establishing special assessments for maintenance and improvement programs could provide additional revenues of approximately \$350,000 annually to offset the cost of selected programs.

- Currently, Lorain SD lacks the formal tools for tracking and managing workload statistics to assess its effectiveness and efficiency. Key workload and quality indicators are not being formally measured because performance records are written manually. Since the Lorain SD does not appear to keep necessary records of its activities in a systematic format, it is difficult to assess the productivity of the Department and determine the costs of all programs.

Lorain SD should establish a formalized system for determining, establishing, and tracking workload measures for street and garage employees, and maintaining total expenditures for each program. After performance measures are compiled, Lorain SD should analyze the data and make adjustments to staffing and workloads to optimize efficiency. Lorain SD should also use workload information to determine any critical voids in service that may exist in the Department.

- Lorain SD maintains 31 percent fewer vehicles and equipment items per FTE than the peer average, a variance primarily attributed to decentralizing maintenance and repair functions in four departments: Street, Water, Fire and Parks. Furthermore, these four departments are maintaining 52 percent fewer vehicles and equipment items per FTE, when compared to the peer average. The benefits of having a centralized garage include decreasing garage facilities, insurance costs, garage staff, tools and equipment, and pooling vehicles and equipment for all departments to use. Centralizing the garage operations at the Lorain SD is possible with some improvements and cleaning of the existing garage and the installation of additional work stations or lifts that can be moved from the Water or Parks department.

The City should implement a centralized garage to maintain all city vehicles and equipment. By centralizing operations, the City could reduce up to five mechanics, thereby saving approximately \$258,000 annually. In addition, the City of Lorain should physically relocate all vehicle maintenance operations currently located in the Water, Parks, and Fire departments to the Lorain SD garage.

### *Purchasing Operations*

- The public safety and service office and the auditor's office do not take full advantage of available purchasing programs to obtain discounts and improve purchasing efficiency. For instance, using JIT delivery allows departments to efficiently manage inventory by relying on vendors to act as warehouses and receiving next-day delivery on many goods. In contrast to



Lorain, Springfield uses a purchasing card program to facilitate regular purchases and reduce the amount of paperwork needed in the process.

The public safety and service office and the auditor's office should consider using additional purchasing programs including JIT agreements, purchasing cards, the U.S. Communities Government Purchasing Alliance, and membership in national and regional purchasing organizations. To ensure that purchasing cards are used appropriately, the City should develop clear and specific procedures to guide the process and monitor the use of the purchasing cards accordingly. If Lorain realized a 15 percent savings similar to Springfield for JIT office supply agreements, the annual savings would be approximately \$6,500. The cost for implementing a purchasing card program is estimated at \$1,000.

- The City does not have one staff person or department responsible for overseeing key facets of the purchasing function. The current lack of standard purchasing procedures, a vendor monitoring program, a standardized training program and centralized inventory monitoring shows that standard purchasing oversight functions are not performed effectively. Centralized oversight of the purchasing function would ensure that departments follow appropriate procedures and obtain competitive prices. Although all of the City departments cannot be forced to have other staff involved in their key purchasing activities, working together to have some central oversight in the process would ensure key purchasing functions are being adequately performed and potentially reduce duplication of activities.

The public safety and service office and the auditor's office should ensure that key purchasing oversight functions are performed. Options include hiring a full-time staff person with purchasing experience to perform the key purchasing responsibilities, or establishing a workgroup comprised of representatives of the auditor's office and the public safety and service office to review and ensure uniform and consistent oversight functions are performed. Centralizing key purchasing oversight functions will help to ensure departments follow standard procedures and that the City obtains competitive prices.

### *Community Development Department (CD)*

- Lorain creates fewer new jobs per city resident than three of the four peers, resulting in less new income taxes for the City. Furthermore, U.S. Steel/Lorain Tubular and Republic Technologies International constitute 90 percent of Lorain's total investments, indicating that Lorain's business investments and job growth could be better diversified. Diversifying its tax base and attracting new businesses and subsequent new jobs would enhance the economic development of Lorain and increase revenue to support City operations.

CD should develop programs and implement strategies to create more new jobs and better diversify the City's economy. If CD were to achieve outcomes similar to the peers in terms

of new jobs, the City would see an increase of approximately 50 new jobs annually, which would result in approximately \$30,000 in additional revenue. The City could realize additional revenue through property taxes from new businesses.

- CD does not have economic development programs as diversified as some of the peers. Examples of additional economic development programs implemented by peers include job training, fee-waiver programs, micro-enterprise loan funds, and municipal tax and job credits. Offering a variety of economic development programs gives cities additional tools to increase jobs and attract new businesses. In addition, actively participating with the Lorain Chamber of Commerce (LCCC) in regional initiatives could aid in improving the City's economy.

CD should explore creative and innovative programs that would diversify Lorain's economy and have a positive impact on the City's economic development. CD should also use a regional perspective by collaborating with other county agencies to ensure that current programs meet the needs of businesses operating in the City, and to obtain assistance and identify additional strategies that could aid its economic development activities.

- Lorain has effectively retained a large number of jobs through Empowerment Zone (EZ) agreements, but has made less progress in creating new jobs and payroll. Lorain's high retention rate is due to two employers accounting for the majority of retained jobs. To ensure a business is meeting job requirements before offering higher levels of abatement, Parma implemented a practice of staggering the abatement level.

CD should establish EZ agreements that create new payroll and jobs, thus increasing tax revenue for the City and improving the local economy. CD should develop EZ agreement policies with requirements for creating new jobs and payroll, and consider staggering abatement levels. Developing tax incentive policies ensures EZ agreements result in economic benefits for the City and add additional criteria to monitor agreements.

- Lorain spent approximately 26 percent of its total Community Development Block Grant (CDBG) funds on economic development, compared to the peer average of 11 percent. Peers generally spent more CDBG funds than Lorain on public services and housing. Lorain's decision to focus on economic development activities is based on internal priorities developed by the City in conjunction with the HUD consolidated local plan and the Department of Commerce Economic Development Assistance planning process. Nonetheless, focusing CDBG funds on economic development and public works limits the ability of the City to develop new programming for low to moderate income individuals.

The City and CD should consider using CDBG funds to develop new programming designed to enhance the quality of life for City residents (e.g., parks and recreation, technology centers, and workforce development). This could also improve economic development by making the City a more attractive place for businesses to locate and expand. Moreover, CD should evaluate current and new projects and use the results as a basis for the on-going allocation of CDGB funds.

### *Health Department (HD)*

- Lorain HD develops cost methodologies to identify total costs for administering programs. The reasons for high total costs for some programs include reductions in ODH funding, high costs of physicians, and poor fee collection rates. However, Lorain HD does not track collection rates.

Lorain HD should continue to develop strategies to reduce costs for programs that are not self-supporting. Lorain HD should begin to track and monitor collection rates for all programs and analyze the impact of these rates on program revenues. By tracking and monitoring collection rates, Lorain HD would be able to determine which programs are not cost-effective and subsequently develop strategies to improve collection rates. Doing so could increase revenue to offset program costs and reduce reliance on the City's General Fund.

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## **Additional Findings and Recommendations**

This section of the executive summary is organized by report section and highlights additional findings and recommendations from the respective areas of the audit report.

### *Financial Forecast*

- The General Fund does not recover costs incurred on behalf of administering grants. Appropriately charging for services provided by one fund to another fund reduces the likelihood of the General Fund subsidizing other funds.  
The City should amend and update Ordinance 65-95 to reflect all costs, including grant administration, which should be reimbursed to one fund from another fund. This would minimize the potential for costs not being recovered by the appropriate fund and likelihood of the General Fund subsidizing other funds.
- Based on Ordinance 152-94 and settlement and release agreement, the City is required to meet numerous funding requirements for the LPD. As a result, the City may be limited in its ability to change the parameters defining the funding used to support LPD's operations, to subsequently help relieve some burden from the General Fund.

The City should engage the services of its legal counsel and work with LPD to review the funding requirements for LPD. Altering the funding requirements could minimize the impact on the General Fund while ensuring an adequate level of resources for LPD to provide quality public safety services for its citizens.

### *Income Tax Department (ITD)*

- The City does not require mandatory registration of all subcontractors. In addition, the Building Department's questionnaire does not require a list of subcontractors used by contractors to perform work in the City. Due to current low staffing levels at ITD, field audits are not conducted to fully enforce compliance. Furthermore, contractors and subcontractors are not required to establish an income tax account prior to being issued a permit. Making this a requirement would allow ITD to easily obtain all relevant information up-front and avoid the likelihood of losing taxable income earned by contractors or subcontractors.

The ITD and Building Department should work together to establish mandatory registration for all subcontractors through an ordinance amendment. Fines should be imposed to enforce this requirement. The City and ITD should also consider requiring all contractors to obtain an income tax account prior to being issued a permit. The building permit application should require a list of subcontractors with the penalty information attached. Furthermore, by hiring

additional staff, ITD should monitor the work sites to ensure all contractors and subcontractors are registered with the City for building permit and income tax purposes.

- The City ordinance does not require landlords to submit a list of tenants annually. The ITD also does not request any tenant information from owners of properties and only identifies landlords by reviewing tax returns for rental income. Additional taxpayers could be identified with the tenant information provided by landlords.

The ordinances in Lorain should be updated to require that landlords file a list of tenants annually, with penalties assessed for noncompliance. At the end of this engagement, the treasurer stated that the City passed an ordinance requiring landlords to provide tenant lists. By reviewing counties' property tax records, ITD should be able to identify additional landlords and tenants.

- ITD does not track delinquencies collected and the number of court cases prosecuted. Furthermore, ITD does not garnish wages, attach bank accounts or place liens against homes, which are additional strategies to enforce delinquent collections. As ITD identifies additional taxpayers, tracking data to appropriately manage and oversee delinquent collections, and using appropriate enforcement tools becomes increasingly important.

ITD and the prosecutor's office should work together to ensure that income tax cases are processed in a timely manner. In addition, ITD should track, compile and monitor delinquencies collected, including amounts collected by the court. ITD should also work with the Municipal Court and Law Department to appropriately garnish wages, and attach bank accounts and liens against homes to enforce collections.

### *Benefits and Contracts*

- The City is not maintaining an adequate reserve balance in the Internal Service Fund for self-insurance. In addition, the City has not retained the services of an actuary to determine the appropriate reserve amount to be maintained. According to the City, it has not been able to maintain the recommended reserve due to budgetary concerns and its overall financial situation. Nevertheless, by under-funding the Internal Service Fund, the City is under-estimating health care costs, understating its liability and not properly planning for liabilities that arise from self-insured health care.

The City should amend the budget to maintain an adequate balance in the Internal Service Fund for self-insurance. The City should also obtain the services of an actuary to provide an accurate valuation for the reserve. Periodic reviews of claims costs and budget variances would help to avoid potential deficits in the Internal Service Fund. The City should increase the amount budgeted to the Internal Service Fund for self-insurance by approximately \$1.3

million to ensure adequate funding for health care programs. However, the City is projecting a positive ending balance of approximately \$297,000 for 2003 and indicated that several unusual and unexpected claims occurred during 2002. Therefore, the amount needed to bring the Internal Service Fund to an appropriate level may be less than \$1.3 million.

### *Police Department (LPD)*

- LPD could more efficiently use its computer system to compile accurate crime statistics, which would help to effectively manage the Department, monitor performance, and appropriately assign staff. The police chief stated that the Department needs improvement in developing reports to manage operations and has expressed interest in improving the Department's ability to use technology.

LPD should fully use its current technology systems by providing periodic training to staff. In addition, LPD should work with the management information system administrator to synchronize the case management and incident reporting software to allow accurate reporting of crime statistics and avoid the need to manually compile data. This should also allow LPD to have additional staff time dedicated to consistently monitor and maintain databases and generate appropriate management reports.

- Although the detectives have a lower workload than the peers, LPD clearance rates have decreased over a three year period. Low clearance rates could be attributed to a decrease in cases assigned to detectives for investigation, inadequate use of technology and case management software, rotating patrol assignments, and inconsistent interaction with the Detective Unit.

LPD should routinely review cases and monitor reports and data in the computer system, as well as effectively use technology to ensure cases are appropriately cleared and clearance rates are reported accurately. To improve its crime clearance rates, LPD should consider assigning more cases to detectives, using current technology to analyze crimes and reallocate staffing resources, providing patrol officers with evidence technician training, and permanently assigning officers to specific zones in the City. Furthermore, assigning patrol officers on a temporary and rotating basis to the Detective Unit could improve overall communication and encourage a more supportive work environment.

- Lorain's dispatch process is fragmented across LPD and its Fire Department, resulting in duplications of effort and technology, and firefighters performing dispatcher duties. Centralized dispatch could allow the City to reduce the risk of losing callers, minimize the time needed to respond to emergencies, and maximize coordination of multiple providers.

The police and fire chief should collaborate to centralize the City's dispatching services. Dispatchers should be trained by firefighters to obtain and provide the appropriate information regarding incoming fire calls. The benefits of centralizing dispatch operations include returning firefighters to firefighting duties, avoiding duplication of technology, centralizing records management, and providing greater opportunities to evaluate all dispatching services and response times.

- LPD issued 14 percent, or 1,454, fewer traffic citations in 2002 than in 2001, even though it assigned the same number of officers to traffic enforcement and sworn officer staffing levels decreased by only four percent. Additionally, speeding citations decreased from 3,454 in 2001 to 2,670 in 2002. Through proactive traffic enforcement, LPD may increase its opportunities to reduce traffic related crimes, increase its presence in the community, and increase revenue generated from traffic citations.

LPD should proactively enforce traffic regulations to ensure public safety and increase revenue for the City. To effectively provide traffic enforcement, LPD should consider assigning additional sworn officers to traffic enforcement. Since revenues collected from traffic citations could not be provided, the additional revenue through proactive traffic enforcement could not be quantified.

### *Municipal Court (LMC)*

- LMC does not fully use all the features of its case management computer system. Since the case management system is not Windows-based, staff cannot develop specialized programs on their own. Instead, the vendor has to develop programming at a cost of \$95 per hour. According to LMC, it is in the process of reviewing other case management systems and is receiving bids from vendors for new systems.

LMC should either work with the current vendor to address any systems issues or purchase a new case management system that is fully functional and has the ability to generate user-defined programs. Regardless, LMC should ensure that staff members are fully trained on the capabilities to derive the maximum benefit of the system. The full use of the computer system will allow LMC to improve overall operations particularly within case management, reduce the amount of repetitive work performed, and allow LMC to maintain accurate case data.

- LMC does not track costs and fines assessed to determine collection rates, which would allow it to fully ascertain its success in collecting court costs and fines. Goals regarding the collection of fines and costs have not been established at LMC. Established goals would help to stress the importance of collections to LMC staff, and provide the staff with achievable and concrete expectations.

The clerk of court and judges should take steps to effectively monitor collections by using the computer system to track delinquencies, assessments, and collection rates, and establish feasible and quantifiable goals regarding the collection of fines and costs. Doing so would allow LMC to adequately manage the collections process and measure its effectiveness.

- LMC does not consistently or uniformly use enforcement tools to collect court costs, fines and fees. In addition, LMC lacks formal policies and procedures to stipulate when a block warrant or license forfeiture should be issued. Furthermore, LMC does not separate block warrants from other warrants being issued, nor does it keep track of the number of license forfeitures issued. As LMC increases the number of backlogged cases disposed, effective collection methods will be important to subsequently enforce collections from these cases.

LMC should consistently use block warrants, immobilizations, and license forfeitures to enforce collections, and track and monitor the use of these tools. In addition, LMC should establish formal policies and procedures dictating the circumstances under which these tools should be used to enforce collections. By implementing consistent and uniform enforcement tools, LMC would be able to better enforce payment of court costs and fines.

### *Streets Department (SD) and Garage Division (GD)*

- Lorain SD does not charge back expenditures to festival organizers for use of city services. Rather, the City uses General Fund revenues to pay for the overtime of Lorain SD workers who are performing work at various festivals throughout the year.

Lorain SD, with assistance of the director of safety service, should develop an employee chargeability rate, including utility costs (electric and water), for each festival and special event that requires the City's assistance. To ensure that the City does not price itself too high which could discourage special events, it should also compare its rates with those charged by surrounding or competing communities. Charge-backs would lead to a cost savings of approximately \$8,500 per year.

- Lorain SD does not appear to have enough operators during a regular seven hour shift to plow/salt in a normal snowfall and is forced to depend on other departments for assistance (e.g., Parks), which is provided on overtime. Not assigning Parks Department staff to snow and ice control activities during regular work hours inhibits Lorain SD's ability to plow and salt the City in a timely manner. Additionally, there is no manual or mitigation plan for emergency snow and ice control operations, which would ensure staff are fully aware of emergency procedures.

Lorain Parks Department staff should be automatically assigned to snow and ice control activities during normal work hours, from December to March. This will allow the Lorain



SD to tailor its plow and salt crew staffing levels to ensure that operators complete the standard recommended lane miles within a reasonable time frame and save overtime costs. Lorain SD should also formulate an emergency mitigation plan designed to lessen the impact of emergencies.

- Lorain SD does not have a long term capital replacement plan to address the replacement of its vehicles and equipment. Instead, Lorain SD replaces vehicles and equipment as funds allow.

Lorain SD, with the assistance of the director of safety service, should develop a capital replacement plan as part of the overall city-wide capital plan. The plan should prioritize replacements based on vehicles currently incurring the highest costs or experiencing the greatest number of breakdowns and should be linked to the annual budget. Criteria should be established governing when vehicles are due for replacement. The Lorain SD should also begin to set aside funds to purchase new equipment.

- Lorain GD does not have a comprehensive fleet management system for tracking equipment maintenance or parts inventory. Without a fleet management system, it is difficult to determine when equipment and vehicles are due for preventive maintenance work. It is also difficult for Lorain GD to inventory and budget for parts and supplies or to know if parts are being used for City vehicles or for personal use.

Lorain SD should purchase a fleet management system prior to centralizing its garage operations. The fleet management system will provide the centralized garage with the means to effectively manage all equipment and vehicles by maintaining key information, properly plan for capital replacement needs, and increase efficiency. Lorain SD should research the fleet management systems on the market to determine the best system for the Department. The initial cost for a computerized fleet management software system would be approximately \$13,000 (excluding training). The annual cost for technical support after the first year will be approximately \$1,500.

### *Purchasing Operations*

- The City does not have a formal, written purchasing manual containing information on the competitive bid process, collaborative bidding and other purchasing procedures. The lack of a purchasing manual increases the chance that departments will not fully understand the purchasing function, resulting in increased time to process invoices and purchase orders.

The public safety and service office and the auditor's office should develop formal written procedures and compile them in a purchasing manual to guide the purchasing process. Input from all departments should be obtained in this process. Following standard purchasing

policies and procedures ensures consistency. Furthermore, the manual could provide guidance on implementing those recommended procedures and practices that Lorain does not currently have in place. During the course of the performance audit, the public safety and service office began developing a purchasing manual.

- Lorain does not have citywide guidelines to establish a formal vendor monitoring program, in which historical data is collected on vendor performance to identify trends. A vendor monitoring program would allow the City to identify vendors who deliver high quality and low cost products quickly, and potentially cancel or replace purchase orders and contracts with poor performing vendors. Moreover, the City does not currently track the length of time it takes vendors to receive payment or the time between requisition and issuance of purchase orders. In addition, the City does not consistently pursue discounts from suppliers for early payment.

The public safety and service office and the auditor's office should develop guidelines to monitor vendor performance by instituting a vendor performance monitoring program. The public safety and service office and the auditor's office should also routinely evaluate the prices each department pays for goods and services to identify opportunities to reduce costs. The auditor's office should implement procedures to assess cycle time for supplier payment to ensure suppliers are paid in a timely manner and to maintain good working relationships with suppliers. The auditor's office should also routinely assess the time between requisition and issuance of purchase orders, thereby ensuring a timely process and identifying potential lapses in the process.

### *Community Development Department (CD)*

- The percentage of support/financial staff for CD is higher than the peers, due to CD having a specialized administrative division. However, support/financial functions for peers are spread across multiple city departments and the peers' CDBG program administrators absorb many administrative tasks, resulting in employing fewer support/financial staff. Since Lorain is a statutory city with specific duties and responsibilities for elected officials and their related departments, pooling or sharing support/financial staff with other departments may be difficult. Nevertheless, focusing staff activities on planning, economic development and housing increases the workforce commitment to program development.

CD should review various strategies to reduce the number of support/financial staff and increase staff with primary responsibility for economic or community development functions. Such strategies include assigning support/financial duties to current program administrators, providing programmatic training for current support/financial staff, outsourcing current support/financial staff for the business loan program, and working with other departments to determine if support/financial staffing levels can be pooled and shared. Prior to sharing staff

with other departments, the City should determine the charge back costs to CD and provide appropriate training to ensure other departments effectively perform support/financial functions for CD.

- In contrast to CD, peers have specific staff or departments formally designated for economic development. Without specific staff or departments formally assigned to lead and coordinate economic development, information may not be effectively shared between departments and agencies. Moreover, formally assigning staff to economic development could help CD in coordinating efforts to create more new jobs and diversify the City's economy. In an effort to determine the risk of businesses leaving, growth issues and other concerns, Springfield conducts a business retention and expansion survey every two to three years.

To ensure effective coordination of economic development activities, the City and CD should review job functions and shift current responsibilities in order to designate a specific staff person for economic development. In partnership with key stakeholders, CD should consider developing and conducting a survey to identify the risk of businesses leaving, growth issues, and other issues impacting business retention.

- CD does not compile economic development and demographic data in organized reports. The failure to maintain economic development and demographic reports results in the inability to provide useful business and demographic information to businesses and the public. In October 2003, CD indicated it purchased GIS software for database management. CD should compile economic development and demographic data into organized reports. CD should then disseminate pertinent information such as available land sites, available building sites, and customized demographic information.

### *Health Department (HD)*

- There is a trend in public health for local health departments to focus on facilitating service delivery and coordination rather than providing direct service. With this trend, combining health districts is a potential option to improve the ability to respond to community health needs. In addition, combining health districts could result in the following benefits: providing more services and expanding days and times services are offered; coordinating bio-terrorism efforts; providing efficient services and purchasing through economies of scale; reducing confusion in referral process; reducing competition for grants; and eliminating City General Fund dollars used for health services. Nonetheless, difficulties in creating a combined health district include addressing multiple collective bargaining agreements, obtaining political acceptance and voter approval, and ensuring a commitment to a relatively lengthy process.

As part of its long term strategic planning, the Lorain Board of Health should explore the option of combining the Lorain HD with the Lorain County Health Department, which would provide a model for continuing public health services to the City while eventually eliminating the use of General Fund dollars to support these services. Since the combining of the health districts would require approval by the voters to increase the taxes paid by City residents, Lorain should fully inform its residents of the service benefits and identify savings that could be reallocated to other critical municipal services.

## **Summary of Financial Implications**

The following tables summarize the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that the City should consider. The financial implications are divided into two groups: those that are subject to bargaining unit negotiation, and those that are not. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

### **Financial Implications Subject to Negotiations**

<b>Ref no.</b>	<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>
<b>Benefits and Contracts</b>		
<b>R5.2</b>	Implement employee healthcare contributions	\$259,000
<b>R5.2</b>	Increase co-pay for prescription drugs	\$50,000
<b>R5.5</b>	Decrease sick leave paid out at retirement	\$215,000
<b>R5.5</b>	Decrease the longevity incentive	\$157,000
<b>Police Department (LPD)</b>		
<b>R6.5</b>	Reduce the fitness incentive	\$112,000
<b>R6.5</b>	Alter the longevity payment schedule	\$87,000
<b>R6.5</b>	Eliminate half hour of overtime for corrections officers	\$30,000
<b>Fire Department (FD)</b>		
<b>R7.1</b>	Eliminate insurance buy out provision	\$133,000
<b>R7.1</b>	Eliminate the shift differential / call-out pay provision	\$76,000
<b>R7.1</b>	Reduce the sick leave incentive	\$32,000
<b>Total</b>		<b>\$1,151,000</b>

### Financial Implications Not Subject to Negotiations

Ref no.	Recommendation	Estimated Annual Revenue Enhancements	Estimated Annual Cost Savings	Estimated Annual Costs	Estimated One-Time Implementation Costs
<b>Income Tax Department (ITD)</b>					
R3.1	Improve internal income tax operations	\$1,700,000			
R3.2	Obtain information from the State			\$900	
R3.4	Hire 2.0 FTEs			\$86,000	
R3.5	Purchase income tax software			\$4,000	\$207,000
<b>Benefits and Contracts</b>					
R5.1	Increase amount budgeted for healthcare self-insurance fund				\$1,300,000
<b>Police Department (LPD)</b>					
R6.6	Reduce five marked vehicles	\$7,500 (One-Time) <sup>1</sup>	\$130,000 (One-Time) <sup>1</sup>		
R6.7	Operate jail as a THF		\$334,000		
<b>Municipal Court (LMC)</b>					
R8.1	Reduce backlog of cases	\$380,000			
R8.8	Hire 1.0 FTE for case assignment			\$43,000	
<b>Streets Department (SD) and Garage Division (GD)</b>					
R9.2	Pass one motor vehicle tax	\$270,000			
R9.2	Levy special assessments	\$350,000			
R9.3	Obtain motor vehicle tax reimbursement		\$1,700		
R9.4	Implement charge-backs		\$8,500		
R9.5	Reduce sick leave usage		\$12,000 (Cost Avoidance)		
R9.10	Reduce five mechanic positions		\$258,000		
R9.12	Implement a fleet management system			\$1,500	\$13,000
<b>Purchasing</b>					
R10.2	Establish training standards and options for staff			\$600	
R10.4	Implement purchasing card program				\$1,000
R10.4	Use JIT agreements		\$6,500		
R10.7	Hire a full-time purchasing position			\$61,000	
<b>Community Development Department (CD)</b>					
R11.3	Create more new jobs	\$30,000			
<b>Total</b>		<b>\$2,737,500</b>	<b>\$750,700</b>	<b>\$197,000</b>	<b>\$1,521,000</b>

<sup>1</sup> Represents accumulated revenue enhancement and cost avoidance by reducing five vehicles. Annual savings depend on the number of vehicles reduced each year.

# Financial Forecast

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## Background

As a benefit to government entities in fiscal watch or emergency status, the Auditor of State's Office (AOS) has the authority to initiate performance audits. These performance audits are designed to assist governments in making decisions with the objective of eliminating the conditions which brought about the declaration of fiscal watch or emergency. Another objective of the performance audit is to perform an independent assessment of the government's financial situation, including the development of a financial forecast for the General Fund and subsequent financial recovery plan. The recommendations contained within the performance audit provide one resource to a government entity in developing a financial recovery plan.

In developing the financial forecast for the City of Lorain, an analysis of major revenue and expenditure items was conducted in an effort to develop reliable assumptions. The forecast projects the City's financial situation through 2008. To allow for a perspective of the City's past financial situation, the financial forecast presents additional historical information from 1998 through 2002.

Through the process of developing the financial forecast, a number of the City's financial practices were also assessed for overall efficiency and effectiveness. Accordingly, this section of the performance audit identifies recommendations designed to assist the City in enhancing its financial policies and procedures.

As provided by Section 118.021 of the Ohio Revised Code (ORC), the Mayor of Lorain requested that a fiscal watch analysis be performed by the AOS. The Auditor of State examined the City's future financial condition, which projected an anticipated deficit in the General Fund of \$2.4 million for 2002. Since this exceeds one-twelfth (\$1,973,000) of the preceding year's General Fund revenue, AOS placed the City in fiscal watch on October 17, 2002. ORC Section 118.022 specifies fiscal watch conditions and section 118.022 (A) (4) defines a fiscal watch condition as:

“Based on an examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the auditor of state certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the General Fund revenue from the preceding fiscal year.”

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## **Fund Accounting**

The City's operations are funded primarily by the General Fund. In addition, those funds receiving transfers and reimbursements from the General Fund within the forecasted period are included in the following discussion:

- **General Fund:** The General Fund accounts for approximately 86 percent of income tax revenue and is used to support general governmental operations which are not required to be accounted for by another fund. Additionally, the General Fund is required to subsidize the deficit of all other funds within the City.
- **Special Revenue Fund:** Special revenue funds are established to account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.
  - *Streets Fund:* This fund accounts for that portion of State gasoline tax and motor vehicle registration fees used for maintenance and repair of dedicated streets within the City. The amount budgeted to be transferred to this fund from the General Fund in 2003 is \$559,000.
  - *Health Services Fund:* This fund accounts for revenues received from local health permits, nursing fees, clinic fees, and grants used to operate the public health services of the City. The amount budgeted to be transferred from the General Fund to this fund in 2003 is \$349,000.
- **Debt Service Fund:** Debt service funds are established to account for the accumulation of resources for the payment of principal and interest on general long-term debt and related costs.
  - *General Obligation Bond Retirement Fund:* This fund accounts for the accumulation of resources to pay principal and interest on general obligation debt. The amount budgeted to be transferred to this fund from the General Fund in 2003 is \$673,000.
- **Capital Project Fund:** This fund was created to account for all resources to be used for the construction or acquisition of designated fixed assets, except those financed by proprietary or fiduciary funds.
  - *Capital Improvements Fund:* This fund accounts for state grants, transfers in and various other financing sources used for the construction of various improvements of the City. The amount budgeted to be transferred to this fund from the General Fund in 2003 is \$269,000.



- **Internal Service Fund:** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis.
  - *Hospitalization Fund:* This fund accounts for the self-insurance program for City employees. The amount budgeted to be reimbursed to this fund from all funds of the city in 2003 is \$4,161,000, of which approximately \$2.2 million is attributed to the General Fund.

## **Financial Forecast**

**Table 2-1** presents a forecast of the City's General Fund. The projections for the General Fund are accompanied by three years of historical results (2000, 2001 and 2002). Following **Table 2-1** are assumptions that explain significant variances and clarify methodologies used in projecting certain revenues and expenditures.

**Table 2-1: General Fund Forecast (000's)**

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003 <sup>1</sup>	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008
<b>Revenues</b>									
<b>Municipal Income Tax</b>	\$15,202	\$14,411	\$14,088	\$14,542	\$14,300	\$14,300	\$14,300	\$14,300	\$14,300
<b>Property and Other Taxes</b>	\$2,317	\$2,275	\$2,134	\$2,585	\$2,585	\$2,585	\$2,585	\$2,585	\$2,585
<b>Charges for Services &amp; Other</b>	\$560	\$618	\$833	\$833	\$833	\$833	\$833	\$833	\$833
<b>Fines, Licenses and Permits</b>	\$1,438	\$1,569	\$1,599	\$1,844	\$1,899	\$1,956	\$2,015	\$2,075	\$2,138
<b>Intergovernmental</b>	\$4,887	\$4,771	\$4,750	\$5,167	\$5,263	\$5,263	\$5,263	\$5,263	\$5,263
<b>Investment Income</b>	\$122	\$33	\$3	\$1	\$0	\$0	\$0	\$0	\$0
<b>Transfers</b>	\$0	\$67	\$97	\$350	\$129	\$129	\$129	\$129	\$129
<b>Total Revenues</b>	<b>\$24,527</b>	<b>\$23,744</b>	<b>\$23,504</b>	<b>\$25,322</b>	<b>\$25,009</b>	<b>\$25,066</b>	<b>\$25,125</b>	<b>\$25,185</b>	<b>\$25,048</b>
<b>Expenditures</b>									
<b>Personal Services</b>									
<b>Police</b>	\$6,205	\$6,552	\$6,216	\$6,633	\$6,865	\$7,105	\$7,354	\$7,612	\$7,878
<b>Fire</b>	\$5,725	\$5,867	\$5,705	\$5,830	\$6,034	\$6,245	\$6,464	\$6,690	\$6,924
<b>All other</b>	\$5,803	\$6,097	\$5,461	\$5,472	\$5,664	\$5,862	\$6,067	\$6,279	\$6,499
<b>Healthcare</b>	\$1,344	\$1,732	\$1,842	\$2,118	\$2,436	\$2,801	\$3,222	\$3,705	\$4,261
<b>Materials and Supplies</b>	\$1,123	\$970	\$833	\$921	\$949	\$977	\$1,006	\$1,037	\$1,068
<b>Contractual Services</b>	\$1,730	\$1,898	\$1,817	\$2,160	\$2,341	\$2,537	\$2,750	\$2,981	\$3,231
<b>Other</b>	\$657	\$377	\$310	\$364	\$375	\$386	\$398	\$410	\$422
<b>Operating Transfers Out</b>	\$1,984	\$2,220	\$1,487	\$1,838	\$2,414	\$2,336	\$2,123	\$2,384	\$2,345
<b>Total Expenditures</b>	<b>\$24,571</b>	<b>\$25,713</b>	<b>\$23,671</b>	<b>\$25,336</b>	<b>\$27,077</b>	<b>\$28,250</b>	<b>\$29,384</b>	<b>\$31,097</b>	<b>\$32,627</b>
<b>Excess of Revenues Over / (Under) Expenditures</b>	<b>(\$44)</b>	<b>(\$1,969)</b>	<b>(\$167)</b>	<b>(\$14)</b>	<b>(\$2,068)</b>	<b>(\$3,184)</b>	<b>(\$4,259)</b>	<b>(\$5,912)</b>	<b>(\$7,580)</b>
<b>Beginning Cash Balance</b>	\$259	\$215	(\$1,754)	(\$1,921)	(\$1,935)	(\$4,003)	(\$7,187)	(\$11,446)	(\$17,357)
<b>Ending Cash Balance</b>	<b>\$215</b>	<b>(\$1,754)</b>	<b>(\$1,921)</b>	<b>(\$1,935)</b>	<b>(\$4,003)</b>	<b>(\$7,187)</b>	<b>(\$11,446)</b>	<b>(\$17,357)</b>	<b>(\$24,937)</b>
<b>Encumbrances<sup>2</sup></b>	\$104	\$65	\$108	\$123	\$123	\$123	\$123	\$123	\$123
<b>Ending Balance</b>	<b>\$111</b>	<b>(\$1,819)</b>	<b>(\$2,029)</b>	<b>(\$2,058)</b>	<b>(\$4,126)</b>	<b>(\$7,310)</b>	<b>(\$11,569)</b>	<b>(\$17,480)</b>	<b>(\$25,060)</b>

Source: Data for 2000, 2001, and 2002 was provided by the City Auditor, and 2003 to 2008 are projections developed by AOS.

<sup>1</sup> Some data for 2003 is forecasted by AOS or is based on the City's budget, as explained within each assumption.

<sup>2</sup> Encumbrances are forecasted based on a five year average (1998-2002) for 2003 to 2008.

**Table 2-1** shows that expenditures exceeded, or are projected to exceed, revenues in all years. This trend of expenditures exceeding revenues is forecasted to result in negative ending balances of approximately \$11.5 million, \$17.4 million, and \$25.0 million in 2006, 2007, and 2008, respectively, if the City does not increase revenues or further reduce expenditures.

The assumptions disclosed herein are based on historical data, and information obtained from the City and other sources (e.g., County Auditor). 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.

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

### Revenues

- The City levies a municipal income tax of 1.75 percent on income earned within the City as well as the income of residents earned outside the City. The City provides 100 percent credit for residents who pay local income taxes to the community in which they are employed. In addition, employers within the City are required to withhold the income tax from their employees and pay taxes based on their net profits. Income tax proceeds are credited to the General Fund (one and one-half percent) and to the police levy fund (one-quarter percent). **Table 2-2A** presents five years of actual income tax collections for the General Fund.

**Table 2-2A: General Fund Income Tax (000's)**

	1998	1999	2000	2001	2002	Average Annual Percent Change
<b>Income Tax Revenue</b>	\$14,257	\$14,108	\$15,202	\$14,411	\$14,088	(0.003%)
<b>Percent Change</b>	N/A	(1.0%)	7.8%	(5.2%)	(2.2%)	(0.003%)

Source: City of Lorain

Note: Average Annual Percent Change takes into account compounding.

**Table 2-2A** indicates that actual collections, excluding 2000, decreased each year, which could be attributed to business closures and the City's ability and effectiveness in maximizing collections (see **income tax department** section). Additionally, income taxes collected in 2002 were slightly less than 1998. In 2000, the City accelerated collections of withholdings to improve cash flow, thus explaining the significant increase in 2000 and the relatively higher decrease in 2001. According to the Auditor's Office, approximately \$400,000 of the increase in 2000 was due to the accelerated collections. During 2002, the City again accelerated collections of withholdings to begin in 2003, which accounts for the 3.2 percent increase forecasted in 2003 and is based on estimates provided by the City Auditor. As a result, collections for 2004 are projected to decrease, similar to 2001.

Furthermore, school construction is occurring in the City during the forecasted period. According to the City Auditor, income taxes collected from employees working on the school construction project are estimated to be approximately \$200,000 annually. Based on 2002 collections, to account for the one-time acceleration of collections in 2003, and considering the additional collections attributed to the school construction project, income tax revenue is

forecasted to be approximately \$14.3 million in 2004 and remain constant until 2008. In 2008, \$200,000 is deducted from total collections due to the completion of the school construction project in 2007. This assumption is further supported by the average annual percent change from 1998 to 2002.

- Property tax revenue includes residential, tangible personal property and public utility. **Table 2-2B** presents five years of actual property tax collections.

**Table 2-2B: General Fund Property and Other Taxes (000's)**

	1998	1999	2000	2001	2002	Average Annual Percent Change
<b>Property Taxes</b>	\$2,262	\$2,332	\$2,317	\$2,275	\$2,134	(0.014%)
<b>Percent Change</b>	N/A	3.1%	(0.6%)	(1.8%)	(6.2%)	(0.014%)

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.

As indicated in **Table 2-2B**, property tax collections significantly decreased in 2002, due to a relatively large business closing. This also contributed to the slight decrease in 2001. The County Auditor estimates collections in 2003 to be approximately \$2.6 million, based on collections received in the first six months of 2003 and projected collections for the remainder of the year. The new construction and renovated businesses could account for collections in 2003 being considerably higher than 2002. However, actual property tax collections decreased by 5.7 percent from 1998 to 2002 and only increased slightly in 1999, even though updates and reappraisals occurred during this time frame. Therefore, to provide a conservative projection and considering the historical average annual rate of change, property tax revenue is forecasted to remain constant based on the County Auditor's projections for 2003.

- **Table 2-2C** presents five years of actual revenue collected from charges for services.

**Table 2-2C: General Fund Charges for Services and Other (000's)**

	1998	1999	2000	2001	2002	Average Annual Percent Change
<b>Charges for Services &amp; Other</b>	\$616	\$924	\$560	\$618	\$833	7.9%
<b>Percent Change</b>	N/A	50.0%	(39.4%)	10.4%	34.8%	7.9%

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.

**Table 2-2C** illustrates significant fluctuations from 1998 to 2002, with an annual average percentage increase of 7.9 percent during this period. The increase in charges for services in 2002 is due to the water fund being charged for fire hydrant inspections not charged in prior years. The "other" component of this line item is miscellaneous revenue, which in the past three

years (2000-2002) has ranged from a low of \$95,000 to a high of \$182,000. Since there are no approved rate changes for 2004 and because of the volatility of the miscellaneous line item, charges for services and other are projected to remain constant at 2002 levels.

- **Table 2-2D** presents five years of actual revenue collected from fines, licenses and permits.

**Table 2-2D: General Fund Fines, Licenses and Permits (000's)**

	1998	1999	2000	2001	2002	Average Annual Percent Change
<b>Fines, Licenses &amp; Permits</b>	\$1,218	\$1,306	\$1,438	\$1,569	\$1,599	7.0%
<b>Percent Change</b>	N/A	7.2%	10.1%	9.1%	1.9%	7.0%

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.

**Table 2-2D** shows that collections from fines, licenses and permits increased at a relatively high rate from 1998 to 2001. In 2002, however, revenues only increased 1.9 percent. According to the City Auditor, approximately \$269,000 in additional revenue from building permits will be realized from the school construction project. Consequently, the projection for 2003 includes this additional revenue as well as a 3.0 percent inflationary increase. However, court costs and fines collected by the municipal court in the first six months of 2003 are lower than prior years. Therefore, court costs and fines are assumed to be collected at the same rate in the last six months of 2003. Taking into account the fairly low increase in 2002 while also considering prior year increases, the forecasts for 2004 to 2008 include an inflationary increase of 3.0 percent.

- **Table 2-2E** presents five years of intergovernmental revenue.

**Table 2-2E: General Fund Intergovernmental Revenues (000's)**

	1998	1999	2000	2001	2002	Average Annual Percent Change
<b>Intergovernmental</b>	\$4,250	\$4,632	\$4,887	\$4,771	\$4,750	2.8%
<b>Percent Change</b>	N/A	9.0%	5.5%	(2.4%)	(0.4%)	2.8%

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.

As indicated in **Table 2-2E**, intergovernmental revenue decreased in 2001 and remained relatively constant in 2002. In 2003, the City will be receiving approximately \$400,000 based on a settlement agreement with Lorain County. From 2004 to 2008, the City will receive approximately \$496,000, about \$96,000 more than in 2003. Therefore, the projections for 2003 to 2008 are based on 2002 actual levels and take into account the additional revenue stipulated in the settlement agreement with Lorain County.

- Assuming the annualized interest income received through June 30, 2003, the City would receive approximately \$1,000 in interest income in 2003. Based on the City's future financial condition, the City will not have cash to invest and therefore, no investment income is forecasted from 2004 to 2008.
- Transfers to the General Fund comprise various grant funding, unclaimed monies and transfers from the engineering department. While transfers are expected to increase significantly in 2003, partially due to a large fire department grant of about \$100,000, and considering the unpredictability of this revenue source, the four year average of actual transfers (\$129,000) is used to forecast years 2004 to 2008.

#### *Expenditures:*

- Personal service expenditures represent the salaries and wages paid to elected officials and City employees, retirement costs, health care benefits, life insurance, workers' compensation, unemployment compensation, and other benefits arising from negotiated agreements. In 2002, police and fire departments' salaries and benefits (excluding healthcare) comprised 62 percent of the total personal service expenditures in 2002. Therefore, the police and fire departments' salaries and benefits (excluding healthcare) are forecasted separately from the remaining departments. Since healthcare costs are not directly related to salaries and have been rising at a considerable pace in recent years, future healthcare costs are projected and analyzed apart from all other benefits.

**Table 2-3A: General Fund Personnel Service Expenditures (000's)**

	1998	1999	2000	2001	2002	Average Annual Percent Change
<b>Police</b>	6,078	5,968	6,205	6,552	6,216	0.6%
<b>Percent Change</b>	N/A	(1.8%)	4.0%	5.6%	(5.1%)	0.6%
<b>Fire</b>	5,366	5,486	5,725	5,867	5,705	1.6%
<b>Percent Change</b>	N/A	2.2%	4.4%	2.5%	(2.8%)	1.6%
<b>All Other</b>	5,891	6,145	5,803	6,097	5,461	(1.9%)
<b>Percent Change</b>	N/A	4.3%	(5.6%)	5.1%	(10.4%)	(1.9%)
<b>Health Care Costs</b>	N/A <sup>1</sup>	1,256	1,344	1,733	1,842	13.6%
<b>Percent Change</b>	N/A	N/A	7.0%	28.9%	6.3%	13.6%

Source: City of Lorain

Note: Average Annual Percent Change takes into account compounding.

<sup>1</sup> The City switched to a self-insurance plan in 1999.

**Table 2-3A** indicates that personal service expenditures for police, fire and other departments decreased in 2002, due to staffing reductions. Forty-one employees (36 paid from the General Fund) were laid off in 2002, including seven police personnel, eight firefighters, and 18 laborers. Subsequently, the City entered into written memoranda of understanding with its three major bargaining units (the Fraternal Order of Police, Lodge 3, the International Association of Firefighters, Local 267, and the United Steel Workers of America, Local 6621) governing such matters as employee priorities upon any further layoff and reassignment of current personnel. **Table 2-3A** also indicates that the average annual percent increase has been minimal for police and fire. In contrast, the average annual percent change for all other departments reflects a slight decrease each year.

For all personal service expenditures, excluding healthcare benefits, costs incurred during the first six months of 2003 were annualized to forecast the total 2003 expenditures. Additionally, the forecast for police personal service expenditures in 2003 assumes that 90 officers will be paid from the General Fund for the remainder of the year, as stipulated in the settlement and release agreement (see **F2.4**). This assumption also applies to future forecasted years. Historically, the three major collective bargaining agreements have provided cost of living salary increases of 3.5 percent. Therefore, personal service expenditures for police, fire and remaining departments is forecasted to increase by 3.5 percent annually based on 2003 annualized expenditures. While the historical increases in **Table 2-3A** have been higher than 3.5 percent in certain years, the City needs to work closely with its collective bargaining units in an effort to control salary expenditures and improve its financial condition. Furthermore, the average annual percent changes have been less than 3.5 percent, thus resulting in a relatively conservative forecast of personal service expenditures in future years.

Finally, healthcare costs increased in each year from 1998 to 2003, with a significant increase in 2001. Healthcare costs would have increased more than 6.3 percent in 2002 if 41 employees had not been laid off. In addition, the State Employee Relations Board (SERB) compiled a report of the *Cost of Health Insurance in Ohio's Public Sector* in 2001, which shows that medical premiums increased an average of 14.7 percent for both single and family coverage over 2000 rates. Moreover, the average annual increase from 1999 to 2002 was 13.6 percent at Lorain. As a result, healthcare costs are forecasted to increase 15 percent annually based on 2002 actual expenditures.

- **Table 2-3B** presents actual expenditures for materials and supplies for the last five years, and the amount budgeted for 2003.

**Table 2-3B: General Fund Material and Supplies Expenditures (000's)**

	1998	1999	2000	2001	2002	Budget 2003	Avg. Annual % Change
<b>Materials and Supplies</b>	\$1,033	\$1,059	\$1,123	\$970	\$833	\$921	(2.2%)
<b>Percent Change</b>	N/A	2.5%	6.0%	(13.6%)	(14.1%)	10.6%	(2.2%)

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.

As illustrated in **Table 2-3B**, materials and supplies expenditures decreased approximately 14 percent in 2001 and 2002. In contrast, expenditures in 2003 are budgeted to increase by 10.6 percent, which could be attributed to suspending or delaying the purchase of materials and supplies in 2001 and 2002. Although materials and supplies decreased considerably in 2001 and 2002, a three percent increase was applied to each year in the forecast based on 2003 budgeted levels, to account for inflation.

- Contractual services include utilities, gas, electric, maintenance contracts for information technology, and other service contracts. **Table 2-3C** presents actual expenditures for contractual services and the amount budgeted for 2003.

**Table 2-3C: General Fund Contractual Services Expenditures (000's)**

	1998	1999	2000	2001	2002	Budget 2003	Avg. Annual % Change
<b>Contractual Services</b>	\$1,448	\$1,627	\$1,730	\$1,898	\$1,817	\$2,160	8.4%
<b>Percent Change</b>	N/A	12.4%	6.3%	9.7%	(4.3%)	18.9%	8.4%

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.



**Table 2-3C** indicates that contractual services increased significantly from 1998 to 2003, excluding the modest decrease in 2002. The increase in the budget for 2003 could be attributed to rising utility costs. Nonetheless, to present a reliable projection consistent with historical trends, contractual services are forecasted to increase 8.4 percent annually based on the average annual percentage increase from 1998 to 2003

- Other expenditures consist of capital outlay and miscellaneous expenditures. **Table 2-3D** presents actual expenditures for other services and the amount budgeted for 2003.

**Table 2-3D: General Fund Other Expenditures (000's)**

	1998	1999	2000	2001	2002	Budget 2003	Avg. Annual % Change
<b>Other Expenditures</b>	\$1,278	\$1,030	\$657	\$377	\$310	\$364	(21.2%)
<b>Percent Change</b>	N/A	(19.4%)	(36.2%)	(42.6%)	(17.8%)	18.4%	(21.2%)

**Source:** City of Lorain

**Note:** Average Annual Percent Change takes into account compounding.

**Table 2-3D** shows that other expenditures considerably decreased from 1998 to 2002, primarily due to a reduction in capital expenditures of approximately \$400,000 from 1999 to 2002. The City budgeted an 18.4 percent increase for 2003, which appears to be attributed to increases in property insurance/damage claims. To conservatively forecast other expenditures, a three percent inflationary factor is applied to future years based on the 2003 budget.

- The General Fund has historically transferred monies to the Street Construction, Health, Capital Improvements, Bond Retirement and Garage funds. **Table 2-3E** presents actual transfers to these funds for 2000, 2001 and 2002, the budgeted amounts for 2003, and a four-year average level of transfers.

**Table 2-3E: General Fund Transfers (000's)**

	2000	2001	2002	2003	4-Year Average
<b>Street Construction</b>	\$790	\$979	\$389	\$559	\$679
<b>Percent Change</b>	N/A	23.9%	(60.3%)	18.0%	N/A
<b>Health Fund</b>	\$519	\$424	\$323	\$349	\$404
<b>Percent Change</b>	N/A	(18.3%)	(23.8%)	8.0%	N/A
<b>Capital Improvements</b>	\$0	\$250	\$61	\$269	\$145
<b>Percent Change</b>	N/A	N/A	(75.6%)	(341.0%)	N/A
<b>Bond Retirement</b>	\$675	\$507	\$636	\$673	\$623
<b>Percent Change</b>	N/A	(24.9%)	25.4%	5.8%	N/A
<b>Garage</b>	\$0	\$60	\$77	\$0	\$34
<b>Percent Change</b>	N/A	N/A	28.3%	(100.0%)	N/A
<b>Total Transfers Out</b>	\$1,984	\$2,220	\$1,486	\$1,850	\$1,885

Source: City of Lorain

As indicated in **Table 2-3E**, transfers from the General Fund to other funds have fluctuated considerably. As a result, a four year average (2003 to 2008) is used as the basis for projections in 2004 to 2008, except for the Bond Retirement Fund. Transfers to the Bond Retirement Fund are forecasted based on information provide by the City Auditor, which indicates the revenue sources to support debt payments. Amounts not supported by other revenue sources are assumed to be transferred from the General Fund.

Based on the two month average collections in September and October 2003, the City should receive approximately \$120,000 in 2003, \$480,000 in 2004, and \$720,000 thereafter, due to the increase in the gasoline tax. However, according to ORC Section 5735.29 and the Ohio Department of Taxation (ODT), at least 90 percent of revenues resulting from the gasoline tax increase can only be used to supplement, rather than supplant, other local funds used for high-way related purposes. Therefore, the amount originally budgeted by the City in 2003 in the Street Construction Fund has been reduced by 10 percent of the gasoline tax revenues. Additionally, 10 percent of the gasoline tax revenues were deducted from the four year average transfers for 2004 to 2008. **Table 2-3F** summarizes the projected transfers to these funds.

**Table 2-3F: Transfers from the General Fund (\$000's)**

	2003	2004	2005	2006	2007	2008
<b>Street Construction</b>	\$547	\$631	\$607	\$607	\$607	\$607
<b>Health Fund</b>	\$349	\$404	\$404	\$404	\$404	\$404
<b>Capital Improvements</b>	\$269	\$145	\$145	\$145	\$145	\$145
<b>Bond Retirement</b>	\$673	\$1,200	\$1,146	\$933	\$1,194	\$1,155
<b>Garage</b>	\$0	\$34	\$34	\$34	\$34	\$34
<b>Total</b>	\$1,838	\$2,414	\$2,336	\$2,123	\$2,384	\$2,345

Source: City of Lorain & AOS projections

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## Findings and Recommendations

F2.1 The City established broad departmental goals in its “Operations Guide, Budget and Long Range Plan 2001-2005” (the Guide). However, the City could supplement the Guide by developing actions to achieve goals, and a formal and consistent financial planning process that incorporates financial forecasting. In addition, since the departmental goals were established in 2001 priorities may have changed, and goals may need to be updated. In 1998, the Recommended Budget Practices of the National Advisory Council on State and Local Budgeting (NACSLB) were published and include the following principles of the budget process.

- Establish broad goals that provide overall direction and serve as a basis for decision making;
- Develop specific policies, plans, programs, and management strategies to define how it will achieve its long term-goals;
- Develop a financial plan and a budget that move toward achievement of goals, within the constraints of available resources; and
- Evaluate program and financial performance and make appropriate adjustments to encourage progress toward achieving goals.

Additionally, the NACSLB defines the budget process as more than the preparation of an appropriation ordinance for line items. Properly implemented, good budgeting is a process that includes political, managerial, planning, communications and financial implications. The NACSLB further defines the mission of the budget process to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process. To help guide its budget process and other financial activities, the City of Sidney, Ohio has established formal financial policies consistent with NACSLB suggestions for key functions, such as the following:

- Budgeting and forecasting, including the development of a five-year financial plan;
- Capital improvement program and capital budget;
- Budgetary compliance and expenditure control;
- Internal controls;
- Debt management (see **F2.2**); and
- Investments.

The City developed a five year capital plan (2001-2005) and established a limited debt policy (see **F2.2**), which are included in the Guide.

Furthermore, the Government Finance Officers Association (GFOA) recommends that all governments forecast major revenues and expenditures. The forecast should extend from three to five years beyond the budget period and should be regularly monitored and periodically updated. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process. It also should be referenced in the final budget document. An effective forecast methodology that projects long-term revenue and expenditures provides the following benefits:

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

GFOA also recommends that governments establish a policy for a level of unreserved fund balances in the General Fund and similar funds. GFOA recommends, at a minimum, that the unreserved General Fund balance be no less than five to 15 percent of the regular General Fund revenue, or no less than one to two months of the regular General Fund expenditures.

**R2.1** The City should formally develop and update financial policies, broad goals and action steps to achieve goals, and periodically assess financial and program performance. Additionally, City officials should establish a formal and consistent financial planning process which includes a methodology to forecast its revenues and expenditures. City officials should use forecasts as a management tool by assimilating them into the annual budgeting process. Moreover, to improve its financial planning, the variances between previous forecasted and actual amounts should be carefully analyzed. The variance analysis should identify factors which influence revenue collections, expenditure levels, and forecast assumptions. As the City improves its financial condition, it should consider establishing a reserve consistent with GFOA recommendations, thus better allowing the City to address unexpected shortfalls in revenues and/or increases in expenditures.

By formalizing and linking its forecast methodology to the annual budgeting process, the City can better understand its current financial condition while anticipating future budgetary needs. City officials will also be aware of how certain services specifically impact operating funds. Finally, developing and updating formal goals, action steps, a financial plan, and continually evaluating program and financial performance would allow the City to effectively control expenditures and have a better understanding of factors impacting its financial condition and service delivery.

F2.2 The City incurred \$360,000 in issuance costs related to the bond issued in 2002. Although the City established a debt policy to maintain General Fund subsidized debt service obligations at approximately \$1.6 million in 2001, based on General Fund revenues continuing at then current levels, it lacks a comprehensive debt policy approved by the legislative authority to ensure issuance costs are appropriate and minimized. Furthermore, the City carries a relatively poor bond rating (Baa2). The GFOA adopted a recommended practice concerning the development of a debt policy in 1995. The practice states in part that adherence to a debt policy helps to ensure that a government maintains a sound debt position and that its credit quality is protected. In contrast to Lorain, the City of Sydney has developed formal and thorough policies concerning debt management that include the following:

- Creditworthiness objectives (e.g., general obligation debt that is not self-supporting from revenues shall not exceed three percent of assessed valuation);
- Purposes and use of debt;
- Debt standards and structure; and
- Debt administration and process.

**R2.2** The City should adopt a comprehensive debt policy addressing important factors, similar to Sydney, to minimize debt issuance costs. Developing a comprehensive debt policy would enhance the quality of decisions, rationalize the decision-making process, identify objectives for staff to implement, and demonstrate a commitment to long-term financial planning objectives. In addition, having a formal debt policy is viewed positively by rating agencies, which could increase the City's rating and subsequently have a positive impact on its finances.

F2.3 The General Fund does not recover costs incurred on behalf of administering grants. City Ordinance number 65-95 describes the methods used by the General Fund to recover costs incurred on behalf of the other funds of the City. However, the Ordinance was passed in 1995 and has not been amended. Since each fund of the City is a separate entity, costs incurred by one fund, for the benefit of another fund, should be reimbursed by such fund. Appropriate charges for services provided by one fund to another fund that are equitably reimbursed reduces the likelihood of the General Fund subsidizing other funds.

The City of Springfield does have an approved plan for recovering costs from grants. This allows the City to recover costs in accordance with the Office of Management and Budget (OMB) *Circular A-87*, Cost Principles for State and Local Government, specifically from federal grants. This is the same methodology that would be used for cost recovery for proprietary funds.

**R2.3** The City should amend and update Ordinance 65-95 to reflect all costs, including grant administration, which should be reimbursed to one fund from another fund. The cost recovery methodology should be developed by individuals trained in cost reimbursement. Once adopted, this would minimize the potential for costs not being recovered by the appropriate fund and minimize the likelihood of the General Fund subsidizing other funds.

F2.4 Based on Ordinance 152-94 and settlement and release agreement, the City is required to meet numerous funding requirements for the Lorain Police Department (LPD). As a result, the City may be limited in its ability to change the parameters defining the funding used to support LPD's operations, to subsequently help relieve some burden from the General Fund. Operating revenues for the Lorain Police Department (LPD) come from the General Fund and a Police Levy Fund, resulting from a one quarter of one percent per annum addition to the City's municipal income tax. Chapter 11:02 of Ordinance 152-94 allocates the one quarter of one percent to LPD for the following purposes:

- Hiring new personnel to include all salaries and fringe benefits;
- Training new and existing personnel; and
- Purchasing additional equipment and making certain improvements to the existing police facility.

Excess funding is allocated to a special capital improvement reserve fund (reserve fund) used solely for law enforcement. Expenditures from the reserve fund were \$364,762 in 2000, \$761,988 in 2001, and \$155,899 in FY 2002. As of December 31, 2002, the reserve fund had a positive unencumbered balance of \$259,130. Moreover, the Ordinance states that at least 24 percent of the General Fund must be appropriated to LPD. In 2002, approximately \$7.4 million, or 31 percent, of the General Fund was allocated to LPD, excluding funding provided from the Police Levy Fund. In addition to the requirements in Ordinance 152-94, salaries, benefits and other operating costs for 90 police officers need to be provided from the General Fund, as authorized by a settlement and release agreement on April 24, 1995. Of the \$7.4 million, \$6.8 million was expended for personal services to satisfy the requirement that 83 police officers be paid from the General Fund. In 2002, the City and LPD agreed to fund only 83 police officers in 2002. However, the funding arrangement reverted back to the original agreement of 90 officers beginning in March 2003.

Working with LPD and its legal counsel to determine if funding requirements for LPD could be changed, while ensuring that LPD has adequate resources to support operations and provide public safety services, could help to relieve some burden from the General Fund.

**R2.4** The City should engage the services of its legal counsel and work with LPD to review the funding requirements for the police department. Altering the funding requirements could minimize the impact on the General Fund while ensuring an adequate level of resources for LPD to provide quality public safety services for its citizens. Furthermore, this could provide additional flexibility to the City in taking appropriate measures to address its current and projected financial situation.

F2.5 **Table 2-4** is being presented as a potential financial recovery plan for City management to use in assessing its overall financial condition and the impact of implementing the performance audit recommendations. The financial recovery plan presented contains the same financial projections as presented in **Table 2-1**, with additional lines to reflect the financial implications and implementation costs associated with the performance audit recommendations. In addition, the financial recovery plan includes the potential cost savings associated with implementation of Option 1 of the fact-finder's recommendations to modify current health care benefit levels (see the **benefits and contracts** section).

The performance audit recommendations also include an additional \$1.0 million in income tax revenue for the General Fund to ensure the City maintains financial stability throughout the forecasted period. Since 0.25 of the 1.75 percent income tax rate is appropriated to the police levy fund, the City would need to increase total income tax collections from the initial estimate of \$1.7 million to approximately \$2.8 million annually. Based on peer comparisons that account for differences in demographics, Lorain could potentially collect between \$1.7 and \$6.4 million in additional income tax revenue (see **F3.1** and **R3.1** in **income tax**). Furthermore, an external provider indicated that it could increase income tax collections from 10 by 35 percent for cities. Collecting an additional \$2.8 million annually would increase income tax revenue by 16 percent from 2002 levels. Moreover, the following comparisons indicate that the City is not fully enforcing collections and effectively identifying all potential taxpayers:

- The percentage of residents with active tax accounts is significantly lower in Lorain (32 percent) as compared to the peer average (48 percent).
- Close to 9,000, or 38 percent, more taxpayers in the City filed income tax returns with the State than with Lorain in 2000.
- The number of residential water accounts is 15 percent higher than individual income tax accounts for 2002.

Based on these comparisons and indicators, collecting an additional \$2.8 million annually is a relatively conservative estimate. However, the collection of this additional revenue will require the City to modify its current operations, either by improving internal operations (i.e., hiring additional staff, purchasing new income tax software, etc.) or contracting with an external provider. See the **income tax** section for a full and detailed assessment of these and other operational issues.



**Table 2-4: Financial Recovery Plan (000's)**

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003 <sup>1</sup>	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008
<b>Revenues</b>									
<b>Municipal Income Tax</b>	\$15,202	\$14,411	\$14,088	\$14,542	\$14,300	\$14,300	\$14,300	\$14,300	\$14,300
<b>Property &amp; Other Taxes</b>	\$2,317	\$2,275	\$2,134	\$2,585	\$2,585	\$2,585	\$2,585	\$2,585	\$2,585
<b>Charges for Services</b>	\$560	\$618	\$833	\$833	\$833	\$833	\$833	\$833	\$833
<b>Fines, Licenses &amp; Permits</b>	\$1,438	\$1,569	\$1,599	\$1,844	\$1,899	\$1,956	\$2,015	\$2,075	\$2,138
<b>Intergovernmental</b>	\$4,887	\$4,771	\$4,750	\$5,167	\$5,263	\$5,263	\$5,263	\$5,263	\$5,263
<b>Investment Income</b>	\$122	\$33	\$3	\$1	\$0	\$0	\$0	\$0	\$0
<b>Transfers</b>	\$0	\$67	\$97	\$350	\$129	\$129	\$129	\$129	\$129
<b>Total Revenues</b>	<b>\$24,527</b>	<b>\$23,744</b>	<b>\$23,504</b>	<b>\$25,322</b>	<b>\$25,009</b>	<b>\$25,066</b>	<b>\$25,125</b>	<b>\$25,185</b>	<b>\$25,048</b>
<b>Expenditures</b>									
<b>Personal Services</b>									
<b>Police</b>	\$6,205	\$6,552	\$6,216	\$6,633	\$6,865	\$7,105	\$7,354	\$7,612	\$7,878
<b>Fire</b>	\$5,725	\$5,867	\$5,705	\$5,830	\$6,034	\$6,245	\$6,464	\$6,690	\$6,924
<b>All other</b>	\$5,803	\$6,097	\$5,461	\$5,472	\$5,664	\$5,862	\$6,067	\$6,279	\$6,499
<b>Healthcare</b>	\$1,344	\$1,732	\$1,842	\$2,118	\$2,436	\$2,801	\$3,222	\$3,705	\$4,261
<b>Materials and Supplies</b>	\$1,123	\$970	\$833	\$921	\$949	\$977	\$1,006	\$1,037	\$1,068
<b>Contractual Services</b>	\$1,730	\$1,898	\$1,817	\$2,160	\$2,341	\$2,537	\$2,750	\$2,981	\$3,231
<b>Other</b>	\$657	\$377	\$310	\$364	\$375	\$386	\$398	\$410	\$422
<b>Operating Transfers Out</b>	\$1,984	\$2,220	\$1,487	\$1,838	\$2,414	\$2,336	\$2,123	\$2,384	\$2,345
<b>Total Expenditures</b>	<b>\$24,571</b>	<b>\$25,713</b>	<b>\$23,671</b>	<b>\$25,336</b>	<b>\$27,077</b>	<b>\$28,250</b>	<b>\$29,384</b>	<b>\$31,097</b>	<b>\$32,627</b>
<b>Revenues Over / (Under) Expenditures</b>	<b>(\$44)</b>	<b>(\$1,969)</b>	<b>(\$167)</b>	<b>(\$14)</b>	<b>(\$2,068)</b>	<b>(\$3,184)</b>	<b>(\$4,259)</b>	<b>(\$5,912)</b>	<b>(\$7,580)</b>
<b>Beginning Cash Balance</b>	\$259	\$215	(\$1,754)	(\$1,921)	(\$1,935)	(\$73)	\$2,070	\$3,154	\$2,600
<b>Performance Audit Recommendations</b>									
<b>Cost Savings &amp; Revenue Enhancements</b>	\$0	\$0	\$0	\$0	\$5,396 <sup>3</sup>	\$5,279 <sup>3</sup>	\$5,301 <sup>3</sup>	\$5,323 <sup>3</sup>	\$5,346 <sup>3</sup>
<b>Implementation Costs</b>	\$0	\$0	\$0	\$0	(\$1,718)	(\$204)	(\$210)	(\$218)	(\$225)
<b>Fact-Finder Recommendation</b>	\$0	\$0	\$0	\$0	\$252	\$252	\$252	\$252	\$252
<b>Ending Cash Balance</b>	<b>\$215</b>	<b>(\$1,754)</b>	<b>(\$1,921)</b>	<b>(\$1,935)</b>	<b>(\$73)</b>	<b>\$2,070</b>	<b>\$3,154</b>	<b>\$2,600</b>	<b>\$393</b>
<b>Encumbrances <sup>2</sup></b>	\$104	\$65	\$108	\$123	\$123	\$123	\$123	\$123	\$123
<b>Ending Balance</b>	<b>\$111</b>	<b>(\$1,819)</b>	<b>(\$2,029)</b>	<b>(\$2,058)</b>	<b>(\$196)</b>	<b>\$1,947</b>	<b>\$3,031</b>	<b>\$2,477</b>	<b>\$270</b>

Source: Data for 2000, 2001, and 2002 was provided by the City Auditor, and 2003 to 2008 are projections developed by AOS.

<sup>1</sup> Some data for 2003 is forecasted by AOS or is based on the City's budget, as explained within each assumption.

<sup>2</sup> Encumbrances are forecasted based on a five year average (1998-2002) for 2003 to 2008.

<sup>3</sup> This excludes approximately \$243,100 of the \$1.7 million in additional income tax collections that would be realized in the police levy fund. In addition, the estimate of potential income tax collections for the General Fund is increased by an additional \$1,000,000. See F2.5 in the **income tax** section for a detailed assessment of potential increases in collections.

While aggressively enforcing income tax collections would increase revenues, other options the City could consider pursuing to increase revenue include the following:

- Reducing the income tax credit policy. Nonetheless, fully enforcing collections prior to exploring this option would enhance the City's accountability and increased revenue. Depending on its success in increasing income tax collections through proactive enforcement, the City may not need to reduce the income tax credit policy.
- Passing another motor vehicle levy, in addition to the one recommended in the **streets** section of this performance audit. Moreover, the City may experience higher revenues than the estimated \$350,000 by levying special assessments (see **R9.2** in **streets**).

Lorain would also be able to improve its financial stability by effectively controlling spending in contractual services. Based on historical spending patterns, contractual services are forecasted to increase 8.4 percent annually based 2003 budgeted expenditures. **Table 2-5** compares contractual services based on this projection to forecasting three percent annual increases, assuming the City took appropriate measures to better control spending.

**Table 2-5: Contractual Services**

	2004	2005	2006	2007	2008
<b>8.4% annual increases</b>	\$2,341,000	\$2,537,000	\$2,750,000	\$2,981,000	\$3,231,000
<b>3.0% annual increases</b>	\$2,225,000	\$2,292,000	\$2,360,000	\$2,431,000	\$2,504,000
<b>Savings</b>	\$116,000	\$245,000	\$390,000	\$550,000	\$727,000

As indicated in **Table 2-5**, the City would save approximately \$2.0 million by 2008 if it effectively limited increases in contractual services to three percent annually. Finally, the financial implications for some recommendations could not be readily quantified. As a result, the City may be able to realize additional cost savings and revenue enhancements from implementing those recommendations, thus further improving the City's future financial condition.

Accompanying tables (**Table 2-6A** and **Table 2-6B**) summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, the impact of the performance audit's financial implications on the ending fund balances throughout the forecasted period will depend on when the City fully implements the recommendations.

The performance audit recommendations presented in **Table 2-6A** are broken down into two categories; those recommendations subject to negotiation and those recommendations not

subject to negotiation. **Table 2-6B** presents the implementation costs associated with various recommendations contained within the performance audit.

**Table 2-6A: Summary of Performance Audit Recommendations**

Recommendations		2004	2005	2006	2007	2008
	<b>Revenue Enhancements</b>					
<b>R3.1</b>	Improve internal income tax operations	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000
<b>R6.6</b>	Reduce five marked vehicles	\$7,500	\$0	\$0	\$0	\$0
<b>R8.1</b>	Reduce backlog of cases	\$380,000	\$380,000	\$380,000	\$380,000	\$380,000
<b>R9.2</b>	Pass one motor vehicle tax	\$270,000	\$270,000	\$270,000	\$270,000	\$270,000
<b>R9.2</b>	Levy special assessments	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
<b>R11.3</b>	Create new jobs	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
	<b>Recommendations Not Subject to Negotiation (Cost Savings)</b>					
<b>R6.6</b>	Reduce five marked vehicles	\$130,000	\$0	\$0	\$0	\$0
<b>R6.7</b>	Operate jail as a THF	\$334,000	\$345,700	\$357,800	\$370,300	\$383,300
<b>R9.3</b>	Obtain motor vehicle tax reimbursement	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700
<b>R9.4</b>	Implement charge-backs	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
<b>R9.5</b>	Reduce sick leave usage	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
<b>R9.10</b>	Reduce five mechanic positions	\$258,000	\$267,000	\$276,400	\$286,000	\$296,000
<b>R10.4</b>	Use JIT agreements	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500
	<b>Recommendations Not Subject to Negotiation</b>	<b>\$3,488,200</b>	<b>\$3,371,400</b>	<b>\$3,392,900</b>	<b>\$3,415,000</b>	<b>\$3,438,000</b>
	<b>Recommendations Subject to Negotiation (Cost Savings)</b>					
<b>R5.2</b>	Implement employee healthcare contributions	\$259,000	\$259,000	\$259,000	\$259,000	\$259,000
<b>R5.2</b>	Increase co-pay for prescription drugs	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
<b>R5.5</b>	Decrease sick leave paid out at retirement	\$215,000	\$215,000	\$215,000	\$215,000	\$215,000
<b>R5.5</b>	Decrease the longevity incentive	\$157,000	\$157,000	\$157,000	\$157,000	\$157,000
<b>R6.5</b>	Reduce the fitness incentive	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000
<b>R6.5</b>	Alter the longevity payment schedule	\$87,000	\$87,000	\$87,000	\$87,000	\$87,000
<b>R6.5</b>	Eliminate half hour of overtime for corrections officers	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
<b>R7.1</b>	Eliminate insurance buy out provision	\$133,000	\$133,000	\$133,000	\$133,000	\$133,000
<b>R7.1</b>	Eliminate the shift differential / call-out pay provision	\$76,000	\$76,000	\$76,000	\$76,000	\$76,000
<b>R7.1</b>	Reduce the sick leave incentive	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000
	<b>Recommendations Subject to Negotiation</b>	<b>\$1,151,000</b>	<b>\$1,151,000</b>	<b>\$1,151,000</b>	<b>\$1,151,000</b>	<b>\$1,151,000</b>
	<b>Total Recommendations</b>	<b>\$4,639,200</b>	<b>\$4,522,400</b>	<b>\$4,543,900</b>	<b>\$4,566,000</b>	<b>\$4,589,000</b>

Source: Financial Implication Summaries for all sections of this performance audit

**Table 2-6B: Implementation Costs**

Recommendations		2004	2005	2006	2007	2008
<b>R3.2</b>	Obtain information from the State	\$900	\$900	\$900	\$900	\$900
<b>R3.4</b>	Hire 2.0 FTEs	\$86,000	\$89,000	\$92,100	\$95,400	\$98,700
<b>R3.5</b>	Purchase income tax software	\$211,000	\$4,000	\$4,000	\$4,000	\$4,000
<b>R5.1</b>	Increase amount budgeted for healthcare self-insurance fund	\$1,300,000	\$0	\$0	\$0	\$0
<b>R8.8</b>	Hire 1.0 FTE for case assignment	\$43,000	\$44,500	\$46,000	\$47,700	\$49,300
<b>R9.12</b>	Implement a fleet management system	\$14,500	\$1,500	\$1,500	\$1,500	\$1,500
<b>R10.2</b>	Establish training standards and options for staff	\$600	\$600	\$600	\$600	\$600
<b>R10.4</b>	Implement purchasing card program	\$1,000	\$0	\$0	\$0	\$0
<b>R10.7</b>	Hire full-time purchasing position	\$61,000	\$63,100	\$65,300	\$67,600	\$70,000
<b>Total Implementation Costs</b>		<b>\$1,718,000</b>	<b>\$203,600</b>	<b>\$210,400</b>	<b>\$217,700</b>	<b>\$225,000</b>

Source: Financial Implication Summaries for all sections of this performance audit

For the City to maintain financial stability, it may be necessary to make difficult management decisions. This performance audit provides a series of ideas and recommendations which Lorain should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial planning of Lorain.

**R2.5** The City should analyze and evaluate the recommendations presented in this performance audit, and consider implementing them to avoid future financial difficulties. The City should also explore other strategies to save costs and increase revenue, and incorporate such strategies in its financial recovery plan. Prior to implementing measures that increase the tax burden of its residents (e.g., reducing the tax credit, passing another motor vehicle levy), the City should either implement improvements to current income tax operations or contract with an external vendor to fully enforce and aggressively pursue income tax collections. Subsequently, the City should evaluate the need for other revenue raising strategies after it realizes increases in income tax collections. By first focusing on improving income tax operations to enforce and maximize collections, the City would be able to adequately justify and support to its residents the need for additional revenue.

Furthermore, the City should closely monitor and control spending, particularly within large expenditure categories (e.g., salaries and benefits) and contractual services, which could result in additional savings throughout the forecasted period. Because circumstances and conditions assumed in projections may not occur as expected, the City should update the financial forecast on an ongoing basis as situations change and critical financial issues are identified and addressed.

## **Conclusion Statement**

To address its current financial condition and help eliminate future projected deficits, Lorain should evaluate and consider implementing the recommendations contained within this performance audit, as well as other cost saving possibilities, as it formulates future budgets and forecasts. By either implementing enhancements to current income tax operations or contracting with an external provider, Lorain should realize considerable increases in revenues. Thereafter, the City should evaluate the need for other revenue raising strategies. Furthermore, the City should closely monitor and control spending, particularly within large expenditure categories and contractual services, which could result in additional savings throughout the forecasted period.

City officials should establish a formal and consistent financial planning process which includes a methodology to forecast revenues and expenditures. Variances between previous forecast and actual amounts should be carefully analyzed. By formalizing and linking its forecast methodology to the annual budgeting process, the City would better understand its current financial condition and anticipate future budgetary needs. Additionally, developing and updating formal goals, action steps, a financial plan, and continually evaluating program and financial performance would allow the City to effectively control expenditures and have a better understanding of factors impacting its financial condition and service delivery. Moreover, adopting a comprehensive debt policy could minimize debt issuance costs and increase the City's bond rating, while implementing a cost recovery methodology would ensure all costs, including grants, are appropriately reimbursed to minimize the likelihood of the General Fund subsidizing other funds.

Based on Ordinance 152-94 and settlement and release agreement, the City is required to meet numerous funding requirements for LPD, which affects its ability to change funding arrangements that could help relieve some burden from the General Fund. As a result, the City should engage the services of its legal counsel and work with LPD to review the funding requirements for the police department. Altering the funding requirements could minimize the impact on the General Fund while ensuring an adequate level of resources for LPD to provide quality public safety services for its citizens.

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# Income Tax Department

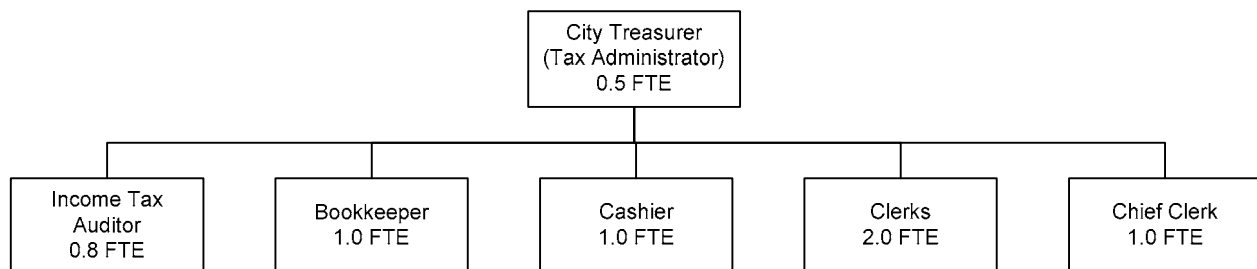
## Background

This section of the performance audit focuses on the City of Lorain's (City) income tax operations. For the purposes of illustrating various operational issues, comparisons are made throughout the report with the peer cities of Elyria, Hamilton and Springfield. Also, the City is one of 541 jurisdictions, out of 940, in Ohio with an income tax rate in effect. Income tax rates statewide, as of January 2002, range from 0.50 percent to 2.85 percent, with the City having an effective municipal income tax rate of 1.75 percent. The significance of the operations of the Income Tax Department (ITD) to the City's overall financial status is illustrated in **Table 3-5**, which reflects that annual income tax collections represent approximately 70 percent of General Fund revenues.

### *Organizational Chart*

The organizational structure and staffing levels of the City's ITD, as of December 2002, are depicted by **Chart 3-1**:

**Chart 3-1: City of Lorain's Income Tax Department**



**Source:** City of Lorain's treasurer

As depicted by **Chart 3-1**, ITD is a "flat" organization. The ITD is comprised of a total of 6.3 positions, including the city treasurer, with everyone reporting directly to that position.

### *Summary of Operations*

ITD is charged with tax collection and enforcement pursuant to Title 11 of the Lorain City codified ordinances and is responsible for the following items:

- Collecting income tax revenue from residents and businesses conducting business in the City;
- Preparing receipts for deposit;
- Reviewing tax returns for accuracy;
- Handling income tax delinquencies and processing legal paperwork;
- Assessing penalties and interest;
- Processing and issuing refunds;
- Providing income tax assistance to the public;
- Maintaining information on income tax accounts; and
- Presenting income tax cases in court.

The City’s income tax ordinance was initially enacted in 1967. **Table 3-1** illustrates the history of the City’s income tax effective dates and corresponding rates.

**Table 3-1: City of Lorain’s Effective Dates and Income Tax Rates**

Ordinance #	Effective Dates	Effective Tax Rate
11-67	January 1, 1968 through December 31, 1968	0.50%
117-68	January 1, 1969 through December 31, 1984	1.00%
110-84	January 1, 1985 through June 30, 1992	1.50%
22-92	July 1, 1992 through Present	1.75%

**Source:** City of Lorain’s clerk of council

The purpose of a municipal income tax is to provide funds for general municipal operations and other municipal purposes, such as for safety and services. The City’s income tax ordinance levies a tax on the following sources of income:

- Salaries, wages, commissions and other compensation earned by the residents of the City;
- Salaries wages, commissions and other compensation earned by the non-residents of the City for work done or services performed in the City;
- Net profits earned of all resident unincorporated businesses, professions or other activities and entities, derived from work done or services rendered or performed and business or other activities conducted in the City;
- Net profits earned of a resident partner or owner of a resident unincorporated business entity not attributable to the City and not levied against such unincorporated business entity;



- Net profits earned of all non-resident unincorporated businesses, professions or other activities and entities, derived from work done or services rendered or performed and business or other activities conducted in the City, whether or not such unincorporated business entity has an office or place of business in the City;
- Distributive share of net profits earned of a resident partner or owner of a non-resident, unincorporated business entity not attributable to the City and not levied against such unincorporated business entity; and
- Net profits of all corporations derived from work performed or rendered and business or other activities conducted in the City, whether or not such corporations have an office or place of business in the City.

In addition, the municipal income tax ordinance establishes the following with regard to municipal income tax administration:

- Each person who engages in business or whose earnings are subject to the City ordinance must submit a return on or before April 30, whether or not a tax is due.
- All employers who have a place of business in the City are subject to the requirements of withholding, as well as employers who do not maintain a place of business in the City but who are subject to the tax on net profits attributable to the City.
- Duties of the administrator who administers, collects and enforces the municipal income tax are explained.
- A fine of not more than \$1,000 or imprisonment of not more than six months, or both, is imposed on anyone who violates any provision of the municipal income tax ordinance.

Persons with no income are not required to file a return, although residents with exempt income must submit an exemption notice. Individuals under 18 years of age are exempt from income tax.

All businesses within the City are required to withhold City taxes. Employers are required to submit income tax withholdings monthly if the income tax withheld from its employees totals \$2,000 or more for the month. If the amount withheld from employees is less than \$2,000 a month, the employer must submit income tax withholdings quarterly.

The City provides a 100 percent credit for the amount of income taxes paid to another city not to exceed 1.75 percent. In addition, the City imposes a penalty of \$25 for failure to file a final return. Penalties for non-payment of taxes or withholdings range from ten percent per year for net profit

taxes and individual taxes to five percent per month for withholdings of the amount of unpaid taxes. Interest is to be assessed at one percent per month or fraction thereof.

The City has a Board of Review (Board) appointed by the mayor and comprised of two certified public accountants and a tax attorney. The Board is responsible for approving all rules, regulations and changes made to the municipal income tax ordinance. Additionally, if a taxpayer has an issue with their income taxes, the tax administrator will schedule a meeting with the other members of the Board to discuss the issue and provide a resolution.

The City attempted to increase its income tax rate by a 0.25 percent in November 2000 and 2002, with both issues being turned down by the voters. The most recent attempt had only 4,296 citizens, or 30 percent of the vote, voting for the increase. An amendment to decrease the tax credit to 0.75 percent instead of the full 1.75 percent was proposed by council, but vetoed by the mayor in 2002. According to the City's codified ordinances, 50 percent of the current 1.5 percent income tax is allocated to the General Fund with the other 50 percent being allocated to special funds, which are established for the purpose of purchase and maintenance of new and additional equipment for the Departments of Public Service and Public Safety. The additional one quarter of one percent income tax is earmarked for the Police Levy Fund.

### Staffing

**Table 3-2** presents ITD budgeted positions, and actual staffing in 2001 and as of December 2002.

**Table 3-2: City of Lorain's ITD's Staffing**

Position	# of Budgeted Staff	Year 2001 # of FTEs	Year 2002 # of FTEs
City Treasurer	0.50	0.50	0.50
Tax Auditor	1.00	1.00	0.80 <sup>1</sup>
Chief Clerk	1.00	1.00	1.00
Clerk	2.00	3.50	2.00
Bookkeeper	1.00	1.00	1.00
Cashier	1.00	1.00	1.00
<b>Total</b>	<b>6.50</b>	<b>8.00</b>	<b>6.30</b>

Source: City of Lorain's treasurer

<sup>1</sup> Reflects the tax auditor performing the duties in the Treasurer's Department since September 2002.

**Table 3-2** indicates that the ITD currently consists of 6.3 FTE's. The following position descriptions are based on interviews with the city treasurer and responsibilities according to staff.

The City's treasurer is an elected official and is responsible for the daily operations of the ITD. The treasurer is responsible for all revenue received and disbursed by ITD, as well as the allocation of revenue to the correct funds. The position also receives fines and penalties, forfeitures, license fees

and taxes in the municipality. The treasurer's position reports to council on the condition, sources and disbursements of the finances of the City.

The tax auditor mails annual returns and notices to non-filers, audits all returns and fields telephone calls from taxpayers with a dispute or problem. The position reviews account reconciliations, sends final notification letters of taxes due, refers delinquent taxpayers to the prosecutor, prepares proof of claim for bankruptcy proceedings and ordinance changes, and tracks larger employer accounts. Currently, the clerk's position in the treasurer's office is vacant and the treasurer is fulfilling part of these duties while the tax auditor is performing part of the treasurer's duties.

The chief clerk is responsible for creating new accounts and closing old accounts, creating and mailing all statements, answering telephones, auditing returns, posting returns, and serving as backup for the cashier and the data entry clerk. This position also prints and separates all mailed tax forms, orders all forms and enters estimates for fiscal year-end corporate accounts.

The clerk positions are responsible for answering telephones, assisting clients at the counter, opening the daily mail, filing, checking employer delinquencies, compiling various monthly income tax information reports, preparing subpoenas, and reconciling, auditing and posting returns.

The bookkeeper is responsible for posting tax return account adjustments and preparing 1099Gs (i.e., state refund reports) for processing. This position also supports other clerical staff.

The cashier processes payments, enters daily totals into a spreadsheet and generates daily reports. The position also prepares deposits and delivers them to the bank. Additionally, this position is responsible for processing employer reconciliations, processing refunds, and generating and mailing refund checks, non-sufficient fund (NSF) collection letters, employer delinquencies and subpoenas, and compiling the month-end income tax collection report for Council.

### *Financial Data*

The ITD budget is appropriated from the General Fund. **Table 3-3** presents the ITD's actual expenditures for 2001, 2002 and the budgeted expenditures for 2003 as presented in the expenditure/budget reports.

**Table 3-3: City of Lorain's ITD Expenditures**

Appropriation Account	Actual 2001	Actual 2002	Percent Change	Budgeted 2003	Percent Change
Salaries	\$ 241,505	\$ 202,250	(16.3%)	\$ 211,489	4.6%
Fringe Benefits	75,875	77,464	2.1%	89,017	14.9%
Contracted Services	3,097	2,764	(10.8%)	3,200	15.8%
Supplies	24,242	28,614	18.0%	26,750	(6.5%)
Utilities	8,067	7,903	(2.0%)	7,950	0.6%
Other	0	0	0.0%	9,000 <sup>1</sup>	100.0%
<b>Total</b>	<b>\$ 352,786</b>	<b>\$ 318,995</b>	<b>(9.6%)</b>	<b>\$ 347,406</b>	<b>8.9%</b>

Source: City of Lorain's auditor and treasurer

<sup>1</sup> Classification error for Treasurer's Department expense misapplied to ITD

The following are explanations for significant variances in **Table 3-3**:

- Decrease in salaries in 2002: The City deficit resulted in the reduction of 1.5 FTE clerk positions.
- Increase in benefits for budget year 2003: The increased cost of health insurance resulted in higher benefit costs. See the **benefits** section for further discussion.
- Decrease in contracted services in 2002 and increase for budget year 2003: The discontinued maintenance contracts for older equipment reduced the costs of contracted services in 2002. The increase in 2003 reflects additional costs for maintenance contracts and leases for the copier, postage meter, check signer and a new alarm service contract.
- Increase in supplies for 2002 and the decrease for budget year 2003: The City deficit resulted in minimal spending in 2001, which increased supplies needed in 2002. The decrease for 2003 was projected from the budget amount in 2002, which was lower than the actual.

### *Operational Statistics and Ratios*

Key statistics and information relating to the operations of the City's ITD are shown in **Tables 3-4a** through **3-4d**. Comparative analyses and assessments performed throughout this section include information on the peer cities from these tables.

**Table 3-4a: General Operational Statistics and Ratios for FY 2001**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Tax Rate</b>	1.75%	1.75%	2.0%	2.0%	1.9%
<b>Active Tax Accounts</b>					
<b>Population</b> <sup>1</sup>	68,652	55,953	60,690	65,358	60,667
<b>Business Accounts</b> <sup>2</sup>	2,246	1,532	3,400	2,330	2,421
<b>Individual Accounts</b> <sup>3</sup>	22,001	25,628	14,000	39,934	26,521
<b>Total Tax Accounts</b>	24,247	27,160	17,400	42,264	28,942
<b>Total # FTE's</b>	6.3	1.1 <sup>4</sup>	8.0	18.8	13.4 <sup>4</sup>
<b>Total Personnel Costs</b> <sup>5</sup>	\$279,714	\$64,369	\$368,155	\$800,248	\$584,202 <sup>4</sup>
<b>Personnel Cost per FTE</b>	\$44,399	\$58,517	\$46,019	\$42,566	\$44,293 <sup>4</sup>
<b>Accounts Processed per Staff Member</b>	3,849	N/A	2,175	2,248	2,212 <sup>4</sup>
<b>Personnel Cost per Account</b>	\$11.54	N/A	\$21.16	\$18.93	\$20.05 <sup>4</sup>

**Source:** City of Lorain and peer income tax departments

<sup>1</sup> These are estimates for 2000 provided by the U.S. Census Bureau

<sup>2</sup> Excludes businesses located in other localities that submit withholdings to Lorain and peer cities.

<sup>3</sup> Hamilton does not have mandatory filing for the year presented, which could reduce the amount of returns processed as compared to the other cities. Springfield does not accept joint returns, but only individual returns. This could result in a higher number of returns filed as compared to the other cities.

<sup>4</sup> Elyria is not included because it uses an external provider for income tax operations. See **F3.4** for an assessment of total income tax operational costs.

<sup>5</sup> Personnel costs listed are for FY 2002.

**Table 3-4b: Income Tax Collection Statistics and Ratios (000s omitted)**

Year 2001	Lorain		Elyria		Hamilton		Springfield		Peer Average	
	Collection Amount	% of Total	Collection Amount	% of Total	Collection Amount	% of Total	Collection Amount	% of Total	Collection Amount	% of Total
<b>Employers Quarterly W/H</b>	\$5,172 <sup>1</sup>	30.6%	\$0	0.0%	\$1,098 <sup>1</sup>	5.4%	\$1,605	5.8%	\$901	4.0%
<b>Employers Monthly W/H</b>	\$9,163	54.3%	\$15,806	82.2%	\$15,427	75.7%	\$21,650	78.4%	\$17,628	78.7%
<b>Total W/H</b>	<b>\$14,335</b>	<b>84.9%</b>	<b>\$15,806</b>	<b>82.2%</b>	<b>\$16,525</b>	<b>81.1%</b>	<b>\$23,255</b>	<b>84.2%</b>	<b>\$18,529</b>	<b>82.7%</b>
<b>Business</b>	\$ 912	5.4%	\$1,428	7.4%	\$1,575	7.7%	\$1,548	5.6%	\$1,517	6.8%
<b>Individual</b>	\$1,635	9.7%	\$2,000	10.4%	\$2,283	11.2%	\$2,808	10.2%	\$2,364	10.5%
<b>Total Collections</b>	<b>\$16,881</b>	<b>100.0%</b>	<b>\$19,234</b>	<b>100%</b>	<b>\$20,383</b>	<b>100.0%</b>	<b>\$27,611</b>	<b>100.0%</b>	<b>\$22,410</b>	<b>100.0%</b>

**Source:** City of Lorain and peers income tax departments

<sup>1</sup> Estimate based on average monthly withholdings

**Table 3-4c: Additional Income Tax Information**

<b>Year 2002</b>	<b>Lorain</b>	<b>Elyria</b>	<b>Hamilton</b>	<b>Springfield</b>
<b>Tax Rate</b>	1.75%	1.75%	2.00%	2.00%
<b>Credit allowed for taxes paid to another municipality</b>	Full Credit: 100% up to 1.75% paid to others	Full Credit: 100% up to 1.75% paid to others	Full Credit: 100% up to 2.0% paid to others	Partial Credit: 100% up to 1.0% paid to others
<b>Mandatory filing</b>	Yes	Yes	No	Yes
<b>Allow Individual and Joint Returns</b>	Yes	Yes	Yes	Individual only
<b>Minimum amount of employee withholdings to submit quarterly</b>	\$2,000	\$100	\$300	\$1,000
<b>Filing Age</b>	18	18	None	18
<b>Late filing penalty</b>	\$25	\$10	\$25	25% for each month late up to \$100.00
<b>Late payment penalty</b>	10% annually of unpaid tax. For tax withheld from employees, 5% per month or fraction thereof.	10% annually with a minimum of \$5. For tax withheld from employees, 10% per month or fraction thereof, with a minimum of \$5 and maximum of 50% of amount owed.	1% per month for unpaid tax. 3% per month for tax withheld from employees.	10% of unpaid tax. Up to 25% for employers that remit late payments. Additional 10% for required employers not remitting withholdings by electronic transfer.
<b>Additional Penalty</b>	None	None	90% tax due less credits times 10% for failure to file estimates.	None
<b>Interest Charges</b>	1% per month	6% per year	1% per month	1% per month

Source: City of Lorain and peers income tax departments

**Table 3-4d: Demographic Statistics and Ratios**

Tax Year 2001	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Population<sup>1</sup></b>	68,652	55,953	60,690	65,358	60,667
<b>% of Population with an Active Individual Tax Account</b>	32%	46%	23% <sup>2</sup>	49% <sup>3</sup>	48% <sup>2</sup>
<b>% of Population 65 Years &amp; Over</b>	14%	13%	14.3%	15.2%	14.2%
<b>% of Population 18 Years &amp; Under</b>	28.3%	26.6%	25.8%	25.6%	26.0%
<b>Median Household Income<sup>1</sup></b>	\$33,917	\$38,156	\$35,365	\$32,193	\$35,238
<b>Unemployment Rate<sup>4</sup></b>	10.2%	7.6%	6.6%	9.0%	7.7%
<b><u>Industry % of Workforce<sup>1</sup></u></b>					
<b>Manufacturing</b>	27.4%	25.2%	19.2%	21.1%	21.8%
<b>Retail/Wholesale Trade</b>	14.5%	14.6%	15.7%	14.7%	15.0%
<b>Education/Health/Social Services</b>	17.3%	19.5%	17.5%	23.7%	20.2%
<b>Family Poverty Status<sup>1</sup></b>	14.2%	9.5%	10.6%	13.5%	11.2%
<b><u>Housing Status<sup>1</sup></u></b>					
<b>% Owner</b>	61.2%	64.6%	60.7%	57.2%	60.8%
<b>% Renter</b>	38.8%	35.4%	39.3%	42.8%	39.2%
<b>Housing Occupancy Status<sup>1</sup></b>	93.6%	94.0%	93.3%	89.6%	92.3%

Source: U.S. Census Bureau, US Dept. of Labor

<sup>1</sup> Estimates for 2000 provided by the U.S. Census Bureau.

<sup>2</sup> Hamilton does not have mandatory filing. Therefore, this number is not included in the peer average.

<sup>3</sup> Estimated to allow for joint returns at the IRS rate of joint returns being filed of 39 percent.

<sup>4</sup> Provided by the U.S. Department of Labor Bureau of Labor Statistics for 2002.

### *Analyses Not Yielding Recommendations*

In addition to the analyses in this report, changes in the City's credit policy and subsequent impact on revenues were assessed. The City provides a 100 percent credit for the amount of income taxes paid to another city, not to exceed 1.75 percent. Although reductions in the City's credit policy would result in increased revenue, additional revenue could be collected by implementing operational improvements at ITD, as discussed throughout this report (see **F3.1** and **R3.1**). As a result, this minimizes the need to reduce the credit policy and subsequent increased burden that would be placed on the City's residents by reducing the credit policy.

*Performance Measures*

The following is a list of performance measures used to conduct the review of ITD:

- Determine the potential of increasing income tax collections;
- Analyze current staffing levels;
- Review technology use and functionality;
- Assess collection methods and procedures, including delinquent collections;
- Examine the income tax ordinance;
- Assess the costs and benefits of external income tax management services.



## Findings and Recommendations

### Collection Methods & Procedures

F3.1 Municipal income tax collections are essential to the City's ability to operate. **Table 3-5** illustrates the significance of income tax collections, which in FY 2002 accounted for 70.4 percent of the total General Fund revenues and 44.5 percent of all Governmental Fund revenues.

**Table 3-5: City of Lorain's Income Tax Collections Years Ending 1997 through 2002**

Year of Collections	Total Municipal Income Tax Collections	Percent Change in Collections from Previous Year	Income Tax as a Percentage of General Fund Revenues	Income Tax as a Percentage of Governmental Funds Revenues
1997	\$17,830,347	NA <sup>1</sup>	NA <sup>1</sup>	50.3%
1998	\$17,070,617	(4.3%)	74.9%	45.5%
1999	\$16,961,332	(0.6%)	72.4%	43.8%
2000	\$17,907,119	5.6%	73.0%	45.3%
2001	\$17,000,950	(5.1%)	71.5%	38.4%
2002	\$16,779,421	(1.3%)	70.4%	44.5%

Source: City of Lorain's CAFR, ITD and city auditor

<sup>1</sup> Information could not be provided for this year.

As illustrated in **Table 3-5**, the percentage of income tax collections in relation to Governmental Funds and General Fund revenues decreased from 1997 to 2002. Income tax revenues have decreased a total of 5.9 percent from 1997 to 2002, having been affected by the loss of employment in the City. According to the treasurer, the decrease in total income tax collections in 1998, 1999, 2001 and 2002 was caused by businesses leaving the City. From 2001 to 2002, over \$300,000 was lost in withholdings from one business that left the City and an additional \$470,000 was lost in withholdings, mostly from two companies who reduced operations. For further information about the economic situation in City, see the **community development** section. Internal processes and procedures could also contribute to the decline in tax revenue.

As shown in **Table 3-4d**, 32 percent of the population in the City had active individual tax accounts in 2001, as compared with the significantly higher percentage of 49 percent for Springfield and 46 percent for Elyria. Hamilton had a lower percentage since they do not require mandatory filing. In addition, the number of income tax returns filed with ITD is significantly less than those filed by Lorain residents with the State (see **F3.2**). Furthermore, the number of Water Department accounts suggests that there are additional residents who are not filing (see **F3.2**).

In an attempt to quantify the amount of potential tax revenue collectable from taxpayers, an analysis was performed, which is summarized in **Table 3-6**. The objective of the analysis is to determine the amount of potential additional income tax revenue that Lorain could realize if it operated in a manner similar to the peers. **Table 3-6** shows a range of potential additional income tax revenue that could be generated by the City of Lorain. The 2001 collections amount was divided by the applicable tax rate for the cities to determine their tax base. Approximately \$1.3 million of Springfield's collections is attributable to its partial tax credit, whereas Lorain, Elyria and Hamilton allow full tax credits. Therefore, this amount was excluded from Springfield's collections.

Because there is a difference in the population size of the cities, the tax base was adjusted to determine the tax bases for the peers if their population sizes were 68,652, the same as Lorain. The adjusted tax bases represent the potential tax bases for Lorain, assuming it could collect as effectively as the peers. These adjusted tax bases were multiplied by Lorain's 1.75 percent tax rate to determine the amount of potential collections for the City. Furthermore, **Table 3-6** applies the effect of key demographic differences (unemployment rate and median income) on potential collections for Lorain, thereby accounting for the impact of demographic differences on income tax collections.

**Table 3-6: Potential Income Tax Revenues Based on Peer Comparisons**

	<b>Lorain</b>	<b>Elyria</b>	<b>Hamilton</b>	<b>Springfield</b>
<b>Tax Rate</b>	1.75%	1.75%	2.0%	2.0%
<b>2001 Collections<sup>1</sup></b>	\$16,570,562	\$18,784,550	\$19,732,600	\$25,532,969 <sup>2</sup>
<b>2001 Tax Base</b>	\$946,889,257	\$1,073,402,857	\$986,630,000	\$1,276,648,650
<b>Population size<sup>3</sup></b>	68,652	55,953	60,690	65,358
<b>Tax Base Adjusted for Population size</b>		\$1,317,020,588	\$1,116,067,272	\$1,340,990,688
<b>Estimated Peer Collections Adjusted for Lorain's Population and Tax Rate</b>		\$23,047,860	\$19,531,177	\$23,467,337
<b>2001 Collections (Lorain)</b>		\$16,570,562	\$16,570,562	\$16,570,562
<b>Potential Additional Income Tax Revenue Before Adjustments for Demographics</b>		\$6,477,298	\$2,960,615	\$6,896,775
<b>Adjustments for Demographic Data</b>				
<b>Unemployment Rate<sup>4</sup></b>	10.2%	7.6%	6.6%	9.0%
<b>Effect of Unemployment Rate on Income Tax Collection</b>		(\$1,651,076)	(\$1,044,923)	(\$811,385)
<b>Median Income<sup>3</sup></b>	\$33,917	\$38,156	\$35,365	\$32,193
<b>Effect of Median Income on Income Tax Collections</b>		(\$809,543)	(\$126,396)	\$350,563
<b>Potential Additional Income Tax Revenue After Adjustments for Demographics</b>		\$4,016,679	\$1,789,296	\$6,435,953

Source: Lorain, peers and AOS

<sup>1</sup> Does not include refunds.

<sup>2</sup> Does not include revenue from the 50 percent tax credit in Springfield.

<sup>3</sup> Estimates for 2000 by the U.S. Census Bureau

<sup>4</sup> Unemployment rate for October, 2002

**Table 3-6** indicates a significant potential to increase collections at the City, which is further supported by comparing ITD data to the Water Department and State tax records (see **F3.2**). By adjusting the peer's tax base to Lorain's population, applying Lorain's 1.75 percent tax rate, and factoring in the impact of differences in median income and unemployment rate on collections, Lorain could potentially collect between \$1.7 and \$6.4 million in additional income tax revenue. The collection of this additional revenue will require the City to modify its current operations, as discussed in various recommendations throughout this report.

**R3.1** ITD should implement measures to improve operations and increase collections. The key recommendations that directly impact the collection of additional revenue include the following:

- Develop strategies to maximize the number of returns being filed and perform necessary activities to identify taxpayers (see **R3.2, R3.3, R3.7, R3.8, R3.9**);
- Hire employees to provide adequate staff, thereby allowing ITD to devote more time and resources to activities directly related to income tax operations (see **R3.4**); and
- Update technology and train staff appropriately to enhance management of the income tax operation (see **R3.5**).

Given the operational and financial challenges confronting the City, another option for the collection of additional income tax revenue would be using an external vendor that provides income tax management services (**F3.12** and **R3.12**).

*Financial Implication:* Based on **Table 3-6** and using a conservative estimate, ITD could increase collections by approximately \$1.7 million annually. Since 0.25 percent of the 1.75 percent income tax is appropriated to the police levy fund, approximately \$1.5 of the \$1.7 million would be realized in the City's General Fund. Additionally, it is important to note that this estimate does not include revenue that may be available to the City through collection of taxes owed under the three-year statute of limitations prescribed by City Ordinance 10:01. See **F2.5** in the **financial forecast** section for additional discussion on potential income tax collections.

- F3.2 There were 23,050 income tax returns filed with the City in 2000, which represents the City's residents and individual taxpayers who reside in other municipalities but are required to file a return because they work in the City. Information received from Ohio's Department of Taxation indicates that there were approximately 32,000 individual state returns filed for tax year 2000, the most recent year that information was available, within the zip codes of the City. Since the zip codes are within the City's taxing district, it is reasonable to assume that a similar number of City income tax returns should have been filed for the same period. In addition, State returns provide another measurement to compare the number of returns that should be expected to be filed by the City's residents. According to ITD, another municipality shares a zip code with the City. In addition, some State filers may not have earned income and therefore not be required to file with the City. Nonetheless, the significant differences in these numbers suggest that the City is not identifying all potential taxpayers and/or enforcing collections from identified taxpayers. If the City had collected from all individual taxpayers that filed a return with the State, and applying the City's median income (**Table 3-4d**) to its income tax rate, it could have potentially collected approximately \$5.3 million in additional revenue in 2000.

ITD does not compare tax accounts with the Water Department accounts. The City has 23,512 water accounts, including businesses. However, since water accounts for rental properties are established in the landlords' name, tenants are not captured in this figure.

According to the 2000 U.S. Census, there were a total of 28,231 housing units, of which 38.8 percent were rental units. Furthermore, retirees are not required to file a tax return with the City. According to the United States Census of 2000, fourteen percent of the City's residents are 65 and over, and thus eligible to retire. Applying the percentage of housing units (38.8 percent) to the City's water accounts, and deducting the percentage of potential retirees (14 percent) and business accounts, results in 25,385 accounts. This could represent the number of individuals required to file a tax return and maintain an income tax account with the City. However, ITD has 15 percent fewer individual tax accounts (22,001) as compared to this figure. Moreover, some households have more than one tax filer and some retirees have taxable income, thereby increasing the number of potential income tax accounts.

**R3.2** ITD should use the State Department of Taxation files and Water Department accounts to identify potential taxpayers. In addition, ITD should assess and determine the reasons for returns not being filed. When IDT discovers these reasons, strategies should be developed to deal with returns not being filed, such as conducting a mass mailing to all taxpayers explaining the mandatory filing requirement (see **R3.3**), taking necessary actions to enforce the required filing of monthly and quarterly withholdings, and directly contacting businesses to ensure that returns are being filed on all net profits. At the end of this performance audit, ITD indicated that the Department is obtaining the State files and that the computer system has been modified to accept these files.

*Financial Implication:* The cost to obtain taxpayer information from the State Department of Taxation would be approximately \$900 for 32,000 printed records, the number of Lorain taxpayers filing with the State. With software capability to use a CD-ROM or a tape instead of printouts, the charge would be approximately \$700.

F3.3 **Table 3-7** indicates the number of annual income tax returns mailed by the City's ITD for the respective years shown and the population trend over the same time period. The number of returns mailed decreased from 1994 to 2002 and the population declined steadily for each year after 1994, except in 2000. The decline in taxable population can, in part, be attributed to a lack of jobs and individuals moving out of Lorain.

**Table 3-7: Trend Analysis of the Annual Tax Returns Mailed (1994-2002)**

Year Ending 12/31	Number of Returns Mailed	Percentage of Increase/Decrease	Population	Percentage of Increase/Decrease
1994	24,737	N/A	70,552 <sup>4</sup>	N/A
1995	25,222	2.0%	70,262	(0.4%)
1996	N/A <sup>1</sup>	N/A	69,892	(0.5%)
1997	23,829 <sup>2</sup>	(5.5%) <sup>3</sup>	69,510	(0.5%)
1998	23,442 <sup>2</sup>	(1.6%)	68,075	(2.1%)
1999	23,346 <sup>2</sup>	(0.4%)	67,377	(0.1%)
2000	23,298	(0.2%)	68,652 <sup>5</sup>	1.9%
2001	23,757	2.0%	N/A	N/A
2002	24,235	2.0%	N/A	N/A

**Source:** City of Lorain's city treasurer

<sup>1</sup> Outsourced return mailings were not counted in 1996.

<sup>2</sup> Since only a total of all returns were provided, estimates were based on average percentage of individual returns provided in following years.

<sup>3</sup> Compared to 1995 since 1996 information was not available

<sup>4</sup> Annual population estimates from Ohio Department of Development.

<sup>5</sup> Population estimates from U.S. Census Bureau.

The City has never prepared a mass mailing to taxpayers informing them of the mandatory filing requirement because mailing costs were perceived as too costly. Some taxpayers may be unaware of the City's requirement if they have not been contacted previously or moved from an area without a municipal income tax. For instance, the population increased in 2000 while mailed returns decreased. Hamilton annually includes a notice explaining the need to file income taxes with its utility bills. This precludes the need for additional postage and other mailing costs, and it reaches some potential non-filers discussed earlier.

The City has never had an amnesty program which would eliminate a portion of income tax owed by taxpayers. The treasurer stated that it would be unfair to taxpayers who have been filing in the past. However, an amnesty program could identify new taxpayers and subsequently generate additional income tax revenue in the future. Hamilton is planning an amnesty program in July through December 2003, since it is implementing a mandatory filing requirement for the 2003 tax year.

The City does not search for new taxpayers through directories or real estate transactions, except for new developments. Since the staff has a limited amount of available time, ITD prioritizes searching for delinquent accounts before pursuing additional taxpayers, because delinquent accounts are proven to yield more income while many non-filers do not owe taxes. The local newspaper lists real estate transactions and the post office has address

corrections for relocation. County property tax records contain information concerning property tax roll backs for those living at the property.

Elyria's income tax vendor searches for tax payers using several different methods, including a pay for transaction service that searches addresses. Springfield routinely searches for additional taxpayers through various venues including a free Internet address database. Software is available for locating new and relocated residents. Hamilton searches the newspapers for new businesses and checks the utility records for new residents. As indicated in **Table 3-6**, Elyria, Hamilton and Springfield are more successful in collecting income taxes, due, in part, to their strategies for identifying new taxpayers.

**R3.3** ITD should prepare a mass mailing informing residents of the mandatory income tax filing requirement. The mass mailing should use the most current master address listings available. Enforcement of the mandatory filing requirement by the City would greatly enhance the potential for increasing the taxpayer base. In addition, the City should consider implementing an amnesty program to identify new taxpayers. The amnesty program should define the time frame for waiving penalties and interest and the announcement could be mailed with water bills to save postage costs.

ITD should search for additional taxpayers by reviewing real estate information available from the county, post office, newspapers, and real estate directories and databases. By reviewing property tax records, new residents can be identified. By eliminating the properties with roll backs, additional landlords can be identified. Available services, such as Internet databases should be routinely researched to identify additional taxpayers. ITD should also work with the Water Department (see **R3.2** and **R3.9**) and with the Building Department (**R3.7**) to help identify new taxpayers. Hiring an additional 2.0 FTE's would allow ITD to consistently perform these activities (see **R3.4**). The potential financial impact of this recommendation is incorporated in the amount of potential additional income tax revenue noted in **F3.1** and **R3.1**.

### *Staffing Levels and Organizational Structure*

**F3.4** The ITD and the City as a whole, has been experiencing reductions in staffing levels. In 2001, a part-time file clerk and full-time clerk were laid off. In 2002, the clerk position in the treasurer's department became vacant and was not filled. Instead of managing the overall operation of the departments, the treasurer has been completing the clerk's duties with the assistance of the income tax auditor. The treasurer has delayed hiring the clerk in the treasurer's office to become more familiar with the duties in order to train the new employee.

The staffing levels in ITD are considerably lower than the peers, as indicated in **Table 3-8**.

**Table 3-8: Total 2002 Staffing FTE Employees and Position Functions**

Position Description	Lorain	Elyria <sup>1</sup>	Hamilton <sup>2</sup>	Springfield <sup>3</sup>	Peer Average
<b>Income Tax Commissioner/Manager</b>	0.5	N/A	0.7	1.5	1.1
<b>Income Tax Auditor</b>	0.8	N/A	2.2	5.0	3.6
<b>Chief Clerk/ Administrative Assistant IV</b>	1.0	0.1	.7	0.0	.4
<b>Clerk/Administrative Assistant II</b>	2.0	N/A	4.0	9.3	6.6
<b>Bookkeeper/Clerical</b>	1.0	1.0	0.4	0.0	0.2
<b>Collector</b>	0.0	N/A	0.0	2.0	1.0
<b>Cashier</b>	1.0	N/A	0.0	1.0	0.5
<b>Total FTE's</b>	6.3	1.1	8.0	18.8	13.4

**Source:** City of Lorain and peers income tax departments

<sup>1</sup> Elyria uses an outside income tax administration agency and is excluded from the peer average.

<sup>2</sup> Since Hamilton processes other cities' income tax, approximately 73 percent of employees' time is spent on Hamilton information. This percentage is reflected in the staffing numbers presented.

<sup>3</sup> Springfield's collection department collects for other City departments besides income tax. Approximately 50 percent of employees' time is related to income tax matters. This percentage is reflected in the staffing numbers presented.

Since the City's ITD has less staff, verification and timeliness of information has been limited. The City's ITD does not have any field auditors or collection agents to verify the accuracy of information being submitted from the field, to enforce payment of taxes, or to investigate non-filers. In addition, time constraints limit ITD's ability to identify court cases, resulting in cases being referred to the court only two or three times a year. Also, funds are not deposited daily during tax season due to staff workload. With the elimination of positions, more responsibility and a larger workload has been required of ITD.

**Table 3-9** indicates the number of accounts processed per staff member, personnel cost per account and total income tax operation cost per account for the City and the peers.



**Table 3-9: City of Lorain and Peers' ITD Operating Ratios**

	Lorain	Elyria <sup>1</sup>	Hamilton <sup>2</sup>	Springfield <sup>2</sup>	Peer Average
<b>Total Income Tax FTE's</b>	6.3	N/A	8.0	18.8	13.4 <sup>3</sup>
<b>Active Tax Accounts</b>	24,247	27,160	17,400	42,264	29,832 <sup>3</sup>
<b>Accounts Processed per FTE</b>	<b>3,849</b>	N/A	<b>2,175</b>	<b>2,248</b>	<b>2,212<sup>3</sup></b>
<b>Personnel Costs</b>	\$279,714	\$64,369	\$368,155	\$800,248	\$584,202 <sup>3</sup>
<b>Other ITD Costs<sup>4</sup></b>	\$39,281	\$347,380	\$60,685	\$155,332	\$108,009 <sup>3</sup>
<b>Total ITD Costs</b>	\$318,995	\$411,749	\$428,840	\$955,580	\$692,211 <sup>3</sup>
<b>Personnel Cost per Account</b>	\$11.54	N/A	\$21.16	\$18.93	\$20.05 <sup>3</sup>
<b>Total ITD Costs per Account</b>	\$13.16	\$15.16	\$24.65	\$22.61	\$23.20 <sup>3</sup>

**Source:** City of Lorain and peers income tax departments

<sup>1</sup> The city of Elyria uses an outside contractor for its tax administration and for the purpose of this analysis Elyria's 1.1 internal FTEs are not included.

<sup>2</sup> Excludes costs for Hamilton to process other cities' income taxes. Springfield data includes information only related to income tax collections.

<sup>3</sup> Does not include Elyria.

<sup>4</sup> Other ITD costs include utilities, supplies, contractual services and all other costs except personnel costs.

Lorain ITD's personnel costs per account are 52 percent lower than the peer average and the numbers of accounts processed per FTE are 74 percent higher than the peer average, which would indicate insufficient staffing levels. As a result, the effectiveness of collections in the ITD is compromised. In addition, ITD's total cost per account is 13.2 percent lower than Elyria, which contracts out income tax operations.

Springfield has a collections department managed by an experienced person from an industry collections agency. Therefore, collections procedures mirror the general business practice of attaching liens against homes, garnishing wages and attaching bank accounts to enforce collection, which ITD currently does not perform. The effectiveness of these procedures is evident from the amount of revenue collected, as indicated in **Table 3-6**.

Springfield and Hamilton have several auditors to help identify taxpayers and review returns for accuracy and compliance. Hamilton has two auditors performing various functions to enforce the city's collections. Springfield has five auditors who verify return information; analyze and investigate tax data; contact taxpayers and accountants to obtain tax return information; determine deficiencies and inaccuracies; and assess required payments and delinquencies. In addition, Hamilton has one temporary staff person to provide assistance during the six-month busy season. In Lorain, these functions are being handled by one tax auditor who spends 20 percent of her time performing treasurer's department functions.

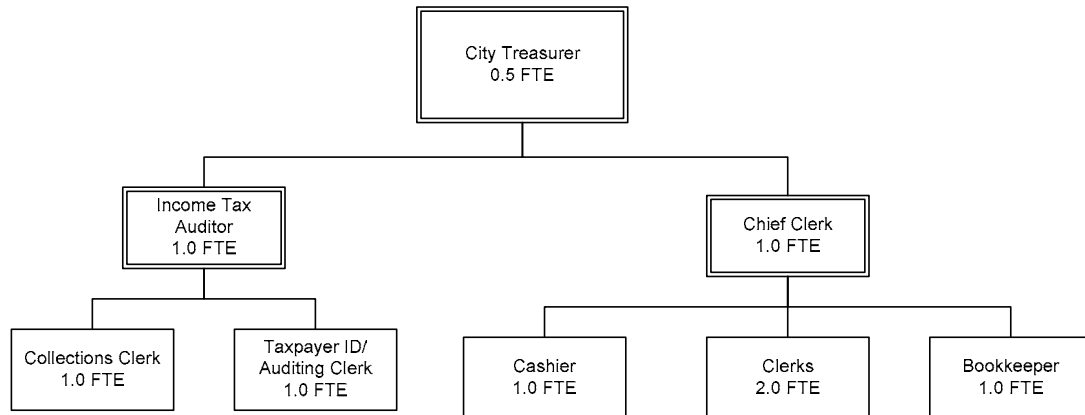
Since there are no field auditors in the ITD, it is difficult to aggressively enforce collections, perform on-site visits and business canvassing, and conduct non-filer investigations.

If ITD employed two additional auditors, the number of accounts processed per FTE would be 2,921, which is still higher than Hamilton and Springfield. However, purchasing new software could allow ITD to operate more efficiently (see **R3.5**). Moreover, Springfield has consolidated all city-wide collections activities in one department and Hamilton performs income tax services for other local jurisdictions. Although these differences are accounted for in **Tables 3-8** and **3-9** based on information provided by these cities, they can inevitably impact staffing levels for income tax operations.

Finally, the City's ITD staff report directly to the City's treasurer. The income tax auditor and chief clerk do not perform any supervisory or management functions. In Hamilton and Springfield, the organizational structure is more defined with levels of supervision allowing the treasurer and income tax commissioner/manager to concentrate on management functions instead of daily operations. Employing additional staff in ITD would allow the income tax auditor and chief clerk to adequately handle additional supervisory functions.

**R3.4** The City should hire 2.0 FTE's to enforce collections, identify taxpayers, and facilitate the audit of income taxes. Although additional costs would be associated with the hiring, increased collections should result from the additional staffing. Additional employees would more effectively refer cases to the court preventing a backlog (see **R3.6**); facilitate prompt depositing of funds during tax season; work with the Municipal Court and Law Department to garnish wages, attach bank accounts, and attach liens against homes to enforce payment of taxes (see **R3.6**); and help to perform additional activities recommended throughout this performance audit. After ITD implements new income tax software, ensures the new system is being fully used, and works to improve operations with two additional employees, it should reassess staffing levels for adequacy and appropriateness. Seasonal employees could be considered to provide additional assistance during peak periods.

In addition, certain supervisory functions, such as managing day-to-day activities and answering daily employee questions and inquiries may be better suited to the income tax auditor and chief clerk. This would allow more time for the city treasurer to manage the overall operations of the ITD and develop strategies to increase income tax collections. However, the income tax auditor would need to be relieved of treasurer department duties, which could be handled by an income tax clerk once the clerk positions are refilled and the treasurer's clerk is replaced. ITD should consider revising its organizational structure to resemble **Chart 3-2**. The city treasurer should be responsible for the overall operations of the ITD. The day-to-day reporting of the cashier, bookkeeper and clerks should be to the chief clerk and auditor.

**Chart 3-2: Proposed Income Tax Department**

Some of the benefits of reorganizing the City's ITD include the following:

- Ease some of the management burden placed on the city treasurer;
- Create separation of duties for key income tax collection procedures;
- Enhance collections and other efficiencies by having the staff members reporting to supervisors who have more time to work with the employee; and
- Create a more defined organizational structure.

*Financial Implication:* The addition of two employees would cost approximately \$86,000 annually, including benefits.

### *Technology*

F3.5 The current ITD software does not meet the department's needs. When the current software vendor no longer agreed to support the income tax module, the City received the access codes which allowed them to program and support the software, hiring a programmer when necessary to modify reports. The City has been using this vendor for its citywide financial software; however, the ITD was dissatisfied with the income tax module. The current software, from a Michigan based company, only has a few Ohio clients and it no longer markets the income tax module.

Limited reporting is available with the current system. An income tax collections report is submitted to Council monthly. The City auditor and Mayor also have access to the system to generate reports they need. However, if the system is not modified for additional fields or the fields not entered, reports are not available to provide information. Many tax records need to be recapped manually due to the current system's and users' limitations.

Critical reports that are needed to assess factors affecting income tax revenue are not being produced due to the lack of software functionality or the lack of knowledge on the part of staff. Data fields are available for customized entry. However, ITD does not use this function effectively to generate reports that would provide useful management information. If fully and continuously used, additional reports have the potential to assist the ITD in assessing income tax operations and subsequently increasing collections.

Springfield and Hamilton use the same software, which is geared toward Ohio municipalities. Both cities find the system flexible and the vendor accommodates their needs well with appropriate support. Although the income tax module can be purchased alone, the software has a complete system for all city departments. Currently, Springfield is working with the vendor for on-line filing availability. Other systems are available that are also flexible enough to export into spreadsheets and word processors to minimize duplication of effort. A vendor stated that cities usually realize a five to ten percent increase in collections when implementing its system. However, the initial cost to implement new software could be prohibitive for the City since an additional server or a network upgrade would be necessary, in addition to the cost of the software.

New software will enable the City to complete additional functions that will enhance collections and efficiency. **Table 3-10** presents the functions of ITD's existing software, whether these functions are being used, and current functions available in other software packages.

**Table 3-10: Software Capability and Use**

<b>Task</b>	<b>Function of Existing Software</b>	<b>Function Used in Lorain for Existing Software</b>	<b>Function Available with Hamilton's and Springfield's Software<sup>1</sup></b>	<b>Function Available with Another Vendor's Software</b>
Accept On-line Returns	No	No	Yes	No <sup>1,2</sup>
Generates Various Canned and Modified Letters	Yes	Yes	Yes	Yes
Track Property Owners and Tenants	No	No	Yes	Yes
Track by Street Address	No	No	Yes	Yes
Document Imaging	No	No	Yes	No <sup>1,2</sup>
Compare Residents with State Tax File	No	No	Yes	Yes
Calculate Penalties and Interest	Yes	Yes	Yes	Yes
Export into Spreadsheet and Word Processing Easily by Users	No	No	Yes	No <sup>2</sup>
Magnetic Media Importing for W-2 Reconciliation	No	No	Yes	Yes
Joint Account Tracking	Yes	No	Yes	Yes
Statistical Management Reporting	Yes	Some	Yes	Yes
Process and Track Refunds	Yes	Yes	Yes	Yes
Automatically Calculates Returns	Yes	Yes	Yes	Yes
Print 1099 G's	Yes	Yes	Yes	Yes
Reconciliation of W-2s with Withholding Accounts	No	No	Yes	Yes
Payment Plan Tracking	Yes	No	Yes	Yes
Monthly Penalty and Interest Posting	Yes	Yes	Yes	Yes
User Defined Fields	Yes	No	Yes	Yes

**Source:** Software vendors and ITD

<sup>1</sup> Some functions are not available with the basic software package, such as document imaging and on-line returns, but may be purchased separately.

<sup>2</sup> Planned future enhancement.

**Table 3-10** indicates that other income tax software has additional functions not available with ITD's current software. For instance, other software packages would allow ITD to use the State tax file to reconcile and identify potential taxpayers (see **R3.2**). Additional reporting information is also available on software that is not mentioned above, if the fields are used to enter the information. City-wide software can be easily used to compare information with ITD if the entire City should choose to implement a new system with an income tax package included.

**Table 3-10** also shows that ITD is not fully using all of the various functions available on the computer system. For example, the W-2s can be entered separately instead of jointly since the latest upgrade. In addition, key delinquency information is not tracked and monitored (see **F3.6**). However, the staff has not attempted, nor were they sufficiently trained, on the upgrade. According to the ITD, staff is not fully aware of all the available functions and training has been minimal. Since the City's ITD lacks the expertise to program the system's tax software, it hires a programmer when necessary to modify the software to produce the needed reports. Additionally, the ITD is not fully using some of the functions provided by the existing software due to limited staffing and learning time constraints (see **F3.4**).

Purchasing new income tax software and fully using its functionality would allow ITD to track and monitor information to effectively manage operations. Management information is essential to a City's ability to effectively collect income tax revenue.

**R3.5** The City should consider purchasing new software for its income tax department, unless the City decides to use an external income tax administrator (see **R3.12**). The staff of the ITD should receive the necessary training on the new software provided by the vendor, if purchased, to use all of the available functions to generate the necessary reports measuring critical aspects of income tax collections. In addition, these reports should be used as a tool to improve the overall management of the income tax operations. Moreover, ITD and the City should ensure that any new software contains the necessary functionality to improve operations and help to maximize income tax collections.

*Financial Implication:* Costs vary for different software packages. One system costs \$20,000 with a conversion cost that depends on what work is needed. The maximum conversion cost has been \$10,000 charged to any customer. The annual support costs approximately \$4,000. As a result, the estimated costs for this system would be approximately \$34,000 the first year, and approximately \$4,000 per year thereafter, for support, not including requested upgrades. No allowance for hardware is included in this cost estimate. The City auditor indicated that without a new server, which costs about \$6,000, an upgrade for the network may be needed.

The software used by Springfield and Hamilton could cost Lorain approximately \$87,000 to \$192,000 for the first year of implementation depending on the components purchased, with \$4,000 annually for subsequent service contracts. This cost estimate includes necessary hardware upgrades (\$19,000) that would be required to operate the new software. The estimated conversion cost for this software is \$15,000, bringing the total estimated cost for the complete system to \$102,000 to \$207,000. The potential impact of implementing and fully using a new software system is identified in **R3.1**.

The actual cost to the City for new software would depend on the software selected, the purchase of optional modules that provide increased functionality, required hardware, and the cost to convert existing files into the new software system. During the performance audit, the City did receive lower cost estimates from the two vendors noted above. However, the estimates were for packages that provided less functionality and/or system upgrades.

### *Delinquent Collections*

- F3.6 ITD defines a delinquency as any account that is past the due date of the return. If the payment is late, a \$25 fee is assessed. If there is a substantial balance, usually greater than \$100, interest is assessed and the case is pursued. If an account is under this amount, monthly statements are sent until deemed uncollectible, with some exceptions.

In June of each year, statements are sent notifying taxpayers of failure to pay if a return is sent with an outstanding balance. Additional statements are sent when interest is applied. A second and final notification is sent when necessary, if no attempt is made to comply and balances are considered too high. If no payment is received, legal proceedings are initiated when staff has available time, two or three times a year. In 2002, ITD submitted 16 tax cases in August and 75 tax cases in November to the prosecutor's office in the Law Department. Although all court cases have been handled by the prosecutor's office since 2002, income tax employees are called in to testify. In addition, payment plans may be ordered by the court for taxpayers to pay delinquencies. Delinquency, penalty information, and the number of court cases prosecuted are presented in **Table 3-11**.

**Table 3-11: Delinquency and Penalty Information**

	Lorain	Elyria	Hamilton	Springfield
<b>Accumulated Delinquencies</b> <sup>1</sup>	\$528,861	Not Available	\$1,762,058	\$2,152,100 <sup>2</sup>
<b>Delinquencies Collected for 2002</b>	NA <sup>3</sup>	\$249,581	Not Available	\$753,485
<b>Penalties and Interest for 2001, Collected in 2002</b>	\$157,304 <sup>4</sup>	\$94,426	\$230,500	\$209,179
<b>Court Cases Prosecuted</b>	N/A <sup>5</sup>	487	100	397

Source: Lorain's treasurer and peers

<sup>1</sup> As of February 27, 2003 for Lorain, and December 31, 2002 for Hamilton and Springfield.

<sup>2</sup> Excludes accumulated delinquencies of \$1,627,217 prior to 1996. Hamilton's delinquencies data is from 1996 to December 31, 2002. ITD indicated that its accumulated delinquencies go back to the early 1990's. However, ITD could not provide a more specific breakdown of accumulated delinquencies.

<sup>3</sup> This is not tracked by ITD.

<sup>4</sup> Total collected in 2002 is for multiple years, since an annual breakdown is unavailable.

<sup>5</sup> Once a case is sent to court, it is no longer tracked by ITD. The court does not report revenue by source.

**Table 3-11** illustrates that ITD's accumulated delinquencies are significantly lower than Hamilton and Springfield. While this may be attributed to ITD effectively collecting delinquencies for current taxpayers, not identifying potential taxpayers reduces the population of accounts that could be delinquent (see **F3.1** and **R3.1**). For instance, Springfield has a considerably higher percent of its population with an active tax account (49 percent) than ITD (32 percent), and it actually collected more in delinquencies in 2002 (\$753,485) than what is currently owed in delinquencies at Lorain (\$528,861). Furthermore, ITD does not track delinquencies collected and the number of court cases prosecuted to ensure delinquencies are being fully enforced. In contrast to Springfield, ITD does not garnish wages, attach bank accounts or attach liens against homes, which are additional strategies to enforce delinquent collections. As ITD identifies additional taxpayers, tracking data to appropriately manage and oversee delinquent collections, and using appropriate enforcement tools becomes increasingly important to maximize delinquent collections.

**R3.6** ITD should follow up on delinquencies sent to the prosecutor's office and the court. ITD and the prosecutor's office should work together to ensure that income tax cases are processed in a timely manner. In addition, ITD should track, compile and monitor delinquencies collected by its process and amounts collected by the court. Prior to purchasing new income tax software (see **R3.5**), ITD should ensure that it has the ability to track and compile delinquency information. ITD should also work with the Municipal Court and Law Department to garnish wages, attach bank accounts and attach liens against homes, when appropriate, to enforce collections.



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## Ordinance Changes

F3.7 The City's Building Department issues permits to contractors when a business questionnaire is completed and filed. However, according to ITD, there is a high potential for subcontractors to not register for permits. The questionnaire does not require a list of subcontractors who also need permits and must pay net profits or withholding tax to the City. Currently, all subcontractors are required to file for a permit. The ITD updates its information monthly with the Building Department's reports of new contractors. However, current staffing levels at ITD do not allow it to fully enforce compliance with field audits. In addition, contractors and subcontractors are not required to establish an income tax account prior to being issued a permit. Making this a requirement would allow ITD to easily obtain all relevant information up-front and avoid the likelihood of losing taxable income earned by contractors or subcontractors. Subsequently, reports from the Building Department could be used to verify that contractors and subcontractors have been identified.

The income tax ordinance in the City of Westerville requires that all contractors supply the names of non-registered subcontractors in the city and are subject to fines and penalties for not doing so. When Hamilton receives permits from subcontractors with greater than \$200,000 projects, the income tax department is contacted, which then contacts the contractor to supply a list of subcontractor names and addresses.

**R3.7** The ITD and Building Department should work together to establish mandatory registration for all subcontractors through an ordinance amendment. Fines should be imposed to enforce this requirement. The City and ITD should also consider requiring all contractors to obtain an income tax account prior to being issued a permit. The building permit application should require a list of subcontractors with the penalty information attached. Additionally, staff should monitor the work sites to ensure all contractors and subcontractors are registered with the City for building permit and income tax purposes.

F3.8 The City's Ordinances only require retirees to file a return if they earned income during the year. Springfield, whose collections are much higher than any of the peers and the City (**Table 3-6**) include retirees in their mandatory filing requirement. Under current procedures, the ITD verifies if a return is required by printing a non-filer report generated from the computer and researches the previous year's returns and information. However, ITD does not know which taxpayers are retirees. If a retiree did not file a return the previous year, but earned income the current year, the ITD would not be able to identify that a return should be filed. By disregarding the retirees, implementing **R3.2** and **R3.3** to identify taxpayers would be more difficult and the potential to collect additional revenue less productive.

**R3.8** The city treasurer should enforce the requirement that all residents over the age of 18 file a return, including retirees that may not have taxable income. The Board of Review should be

consulted on matters concerning the mandatory requirement. The change in the Ordinances would allow the City to ensure that all potential income subject to the municipal income tax is identified.

F3.9 The City ordinance does not require landlords to submit a list of tenants annually. The ITD does not request any tenant information from owners of properties and only identifies landlords by reviewing tax returns for rental income. Springfield sends a letter requesting tenant information annually. Since it is not required in the ordinances, it is not mandatory that landlords respond. Westerville has an ordinance that requires landlords to submit the information or be subject to fines. Additional taxpayers could be easily identified with the tenant information provided by landlords.

**R3.9** The ordinances in Lorain should be updated to require that landlords file a list of tenants annually, with penalties assessed for noncompliance. Additionally, ITD should attempt to identify additional landlords and tenants by reviewing counties' property tax records, which show discounts for taxpayers residing at the property. Those without the discount are most likely landlords and should be sent letters requesting tenant information. At the end of this engagement, the treasurer indicated that the City passed an ordinance requiring landlords to provide tenant lists.

Water Department records should be periodically reviewed (see **F3.2**) because one owner having multiple residences would also indicate landlords with multiple tenants. In addition, all businesses that deduct rental expense should be contacted to disclose the name and address of their lessors.

F3.10 The City income tax ordinance does not mention winnings from lotteries and wagering as being taxable. Hamilton's administrative code specifically permits tax collection for reported gambling winnings. Many other municipalities also impose taxes on lottery and gambling winnings. As determined in Fisher vs. Neusser, 74 Ohio St.3d 506 (1996), lottery winnings are not "intangible income," and therefore, municipal corporations are not precluded from levying an income tax on them.

**R3.10** The City should reevaluate the practice of not including winnings from lotteries and wagering in the calculation of taxable income for purposes of collecting City income tax. Although it is not possible to calculate the amount of revenue lost as a result of this practice, many cities include such winnings as taxable income, indicating that it is a common practice among cities and could financially benefit Lorain.

F3.11 The City income tax ordinance requires withholdings of over \$2,000 to be filed monthly. In December 2002, the ordinance was changed to require withholdings to be filed within 15 days after the month or quarter end instead of 30 days to help improve the City's cash flow.

As indicated in **Table 3-4c**, the monthly maximum withholding amount is significantly higher than the peers. Additionally, according to **Table 3-4b**, the peers' monthly tax collections are considerably higher compared to the City. Each City has different monthly ceilings for withholdings. Lowering the threshold for monthly withholdings would increase cash flow for the City.

**R3.11** The City should reevaluate the income tax ordinance to lower the maximum amount of withholdings which triggers monthly payments. This will help in reducing cash flow problems depending on the threshold amount.

### *External Income Tax Management Services*

F3.12 Discussed throughout this report are a number of fundamental weaknesses in the systems, processes and organization of the ITD. Some significant inefficiencies include the following:

- Due to minimal staffing, management does not have time to manage, and instead performs staff functions.
- Activities to identify potential taxpayers are not being performed.
- Producing accurate and reliable reports is difficult and performed mostly manually.
- The functionality of the computer system is minimal.

As a result of these deficiencies, there is a high risk that the City is foregoing potentially significant amounts of income tax revenue. Given the extent of the operational and financial challenges confronting the City, an option for the City is to contract for income tax management services. Through a more fully staffed operation by an independent external income tax management service, the City could potentially achieve increased income tax revenue.

There are a number of important considerations in assessing opportunities for external contracting of income tax management services. **Table 3-12** lists some of the issues to be evaluated when determining the feasibility of contracting out income tax functions. The results of applying the assessment factors to the City's income tax operations are noted in italics.

**Table 3-12: External Contracting Assessment**

Is the volume of work associated with function/activity sufficient to justify external performance?	<i>Yes</i>
Are the management, oversight and control requirements associated with external performance of the functions excessive?	<i>No</i>
Is the function/activity too complex to be performed by external resources?	<i>No</i>
Is the performance of the function/activity regulated?	<i>Yes</i>
Are significant capital investments required in association with the internal performance of the function/activity?	<i>Yes</i>
Are high quality, external service providers available to perform the function/activity?	<i>Yes</i>
Is there a high probability that external performance of the function/activity would reduce quality and service levels?	<i>No</i>
Will the potential benefits of utilizing external resources likely offset/exceed the potential costs?	<i>Yes</i>
<b>Potential Privatization Opportunity</b>	<b>High</b>

Source: AOS

**Table 3-12** suggests that the City's income tax operations have a high potential to be contracted to an external provider of income tax management services. Several potential external providers are available who have a significant amount of experience in providing income tax management services to governmental units. An increase in income tax collections is one major area of improvement where their expertise and experience could provide positive results. Another major area is in the performance of activities to track and manage income tax collection activities that the City is not currently performing. Some of the services offered by the providers include the following:

- Review of the Ohio Department of Taxation taxpayer filing lists;
- Review of City building and occupancy permits issued;
- Review of real estate transfers;
- Comparison of post office address corrections and move outs with taxpayer lists;
- Review of lead source publications for businesses;
- Use of apartment registration programs (canvassing) to identify new occupants;
- Use of business canvassing programs to identify new startups;
- Comparison of contractors required submission of subcontractors with business taxpayer lists;
- Review of known out-of-town consultants who conduct business in the City;
- Comparison of utility accounts with taxpayer lists;
- Comparison of vendors' license reports with taxpayer lists Audit of tax returns; and
- Use of an up-to-date and comprehensive income tax system.

Based on a meeting between AOS and an external provider, the estimated cost for income tax management services would be 3.15 percent to 3.65 percent of total income tax collections. However, the external tax management provider stated that they normally increase revenues from 10 to 35 percent. The percentage charged by the vendor is based on proprietary formulas that take into consideration the number of transactions processed.

Securing external income tax management services would provide many benefits to the City. However, the following are considerations the City management should take into account regarding contracting for such services:

- According to the labor agreement, contracting out income tax services is subject to negotiation.
- The City would most likely need to retain and pay for at least one part-time employee in the ITD to help monitor the provider's performance, function as the intermediary between the City and provider, and help with data collection and reporting.
- Income tax revenue collected is generally distributed by the external provider on a monthly basis. If the City wanted to negotiate for daily distribution because of cash flow necessities, the City would forego the interest posted to its account by the external provider. However, the potential additional increase in income tax revenue generated may eliminate the need for a daily cash flow.
- Communication links would have to be established and maintained between the City and the external provider for instant access to information.
- The City would need to manage and monitor the contract with the external provider to ensure quality services are being provided.

If the City decides to maintain income tax operations in-house, it must implement significant improvements immediately to minimize further loss of valuable income tax revenue. Additional staff would be needed to perform various functions. The additional staff would help identify additional taxpayers and help collect delinquencies. In addition, all of the recommendations in this report should be addressed; especially the key recommendations listed in **R3.1**, to improve income tax operations and subsequently increase collections. ITD would also need a commitment of cooperation from other City departments, such as the Water, Building and the Law departments to improve operations (see **R3.2**, **R3.6**, **R3.7**, **R3.9**). ITD would also have to pursue delinquent accounts more aggressively by sending more cases to Court for prosecution (see **R3.6**). Furthermore, ITD would have to ensure the new technology is acquired and can perform all the necessary functions outlined in this performance audit.

**Table 3-13** shows the potential revenue collection by implementing recommendations included in this report compared with an external provider and existing operations.

**Table 3-13: In-House Income Tax Operations vs. External Provider**

	Current ITD	Proposed City ITD using Recommendations	External Tax Management Service
<b>Current Revenues</b>	\$16,779,000	\$16,779,000	\$16,779,000
<b>Expected Additional Revenue</b>	N/A	\$1,700,000 <sup>1</sup>	\$1,677,900 <sup>2</sup>
<b>Total Revenue</b>	<b>\$16,779,000</b>	<b>\$18,479,000</b>	<b>\$18,456,900</b>
<b>Cost of Services</b>	\$319,000	\$319,000	\$581,000 to \$673,000
<b>Cost of Additional Personnel</b>	N/A	\$86,000 <sup>3</sup>	\$43,000 <sup>4</sup>
<b>Cost of Software/Hardware</b>	N/A	\$69,000 <sup>5</sup>	\$0
<b>Annual Tax Software Service Contract</b>	N/A	\$4,000	N/A
<b>Total Costs</b>	<b>\$319,000</b>	<b>\$478,000</b>	<b>\$624,000 to \$716,000</b>
<b>Net Available Revenue</b>	<b>\$16,460,000</b>	<b>\$18,001,000</b>	<b>\$17,740,900 to \$17,832,900</b>

Source: Lorain, External Provider, AOS

<sup>1</sup> See **R3.1**.

<sup>2</sup> Based on a 10 percent increased in collections, as estimated by external provider.

<sup>3</sup> See **R3.4**.

<sup>4</sup> Costs to retain 1.0 FTE.

<sup>5</sup> Based on initial capital cost amortized over a three year period of \$207,000 for software and equipment. Also includes estimate for data conversion.

**Table 3-13** shows that the annual net revenue available to the City by maintaining and improving in-house income tax services would be approximately \$168,100 to \$260,100 higher than outsourcing services to an income tax provider. However, as discussed throughout this report, an investment in technology is necessary to enhance income tax operations, requiring additional time to implement new software and train staff. The cost for hardware and software shown in **Table 3-13** represents a complete software package for an income tax department. The City may elect not to purchase all of the available modules, such as document imaging and e-business application, which would reduce the cost by over \$100,000. In addition, the potential increase in revenue depends on ITD's success in implementing strategies to improve income tax operations. Consequently, increases in collections by maintaining in-house operations may not be achieved immediately and instead, would be realized over a period of years. Conversely, an external provider would already have the expertise and infrastructure in place to immediately begin enforcing collections and taking measures to increase revenue provided to the City.

Furthermore, the cost and revenue estimates for contracting with an external provider could be lower and higher, respectively, over time. For instance, Elyria uses the same external provider and its total cost per account is \$15.16 (see **Table 3-9**) compared to \$25.74 to \$29.53 for Lorain, based on the external provider's initial estimates. If the external provider increased collections by its higher range estimate of 35 percent, approximately \$5.9 million in additional revenue could be generated for the City. Nonetheless, the City would need to consider numerous factors if it contracted with an external provider, as discussed above.

**R3.12** The City should carefully consider whether to maintain in-house income tax operations or contract those services to an external provider. If the City decides to retain income tax services, it should hire two additional employees, implement new software and train staff accordingly, and work with ITD to implement the performance audit recommendations and other strategies to improve operations and subsequently increase revenue. If the City decides to outsource income tax services, it should ensure that the external provider's cost and revenue estimates are accurate and reliable, and retain one employee to help monitor the external vendor's performance and oversee the contract. In addition, the City would need to negotiate with the union for the authority to outsource income tax services.

## Financial Implication Summary

The following summarizes the estimated one-time costs, annual costs, and revenue enhancements 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

Recommendation	Estimated Implementation Costs (One-Time)	Estimated Annual Costs	Estimated Annual Revenue Enhancements
<b>R3.1 Improve internal operations</b>			\$1,700,000
<b>R3.2 Obtain information from the State</b>		\$900	
<b>R3.4 Hire 2.0 FTEs</b>		\$86,000	
<b>R3.5 Purchase new tax software</b>	\$207,000	\$4,000	
<b>Total</b>	<b>\$207,000</b>	<b>\$90,900</b>	<b>\$1,700,000</b>



## **Conclusion Statement**

ITD's operations could be significantly improved by hiring two additional full-time employees and implementing new software. Compared to the peers, the City's ITD is understaffed and therefore, can not devote sufficient resources to identify additional taxpayers and enforce collections. By hiring 2.0 FTEs, ITD would be able to consistently use the state tax file, Water Department records, and real estate information to identify potential taxpayers and enforce collections. Furthermore, additional staff would allow ITD to effectively work with the Building Department to ensure contractors and subcontractors are identified and pay income taxes, as well as work with the Municipal Court and Law Department to improve the delinquent collections process. Requiring landlords to annually submit lists of tenants would also help IDT identify taxpayers and enforce collections.

The current ITD software is not as functional and useful as that of the peers. New software is available that is tailored for Ohio municipalities and has added reporting features and functions to enhance the collections process. ITD should purchase new software and train staff accordingly to ensure the new system is fully used, if it retains in-house income tax operations.

While implementing strategies to enhance internal income tax operations could result in potential annual revenue of approximately \$1.7 million, an external income tax provider could increase collections without a significant investment that is necessary to improve in-house operations. Therefore, the City should carefully consider whether to maintain in-house income tax operations or contract out these services to an external provider, based on the costs and benefits of both options outlined in the report.

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# Compensation and Staffing

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## Background

This section compares compensation packages and overall staffing levels to the peers. Comparisons are made throughout the report to the peer cities of Elyria, Hamilton and Springfield.

### *Summary of Operations*

In anticipation of the 2002 budget deficit, staffing levels in departments falling under the safety director (non-elected offices) were reduced or frozen in November 2001 (additional staffing changes have occurred in some offices in 2002). In FY 2002, elected offices also made staffing reductions through lay-offs or retirements. The City had approximately 541.4 full-time equivalent employees (FTEs) within 26 departments as of Dec 12, 2002.

The composition of employee compensation packages is not consistent throughout the City since they are either created by union agreements or City ordinance. The City has collective bargaining agreements for the following departments:

- **Police:** Ohio Patrolmen's Benevolent Association, which covers two separate bargaining units for corrections officers and telecommunicators, and the Fraternal Order of Police, Lodge No 3, which covers sergeants, lieutenants, captains, and patrolmen.
- **Clerical and technical workers:** The United Steel Workers of America Local Union 6621 is the collective bargaining unit for clerical and technical workers in the following departments: street (which includes street, mechanical/garage and cemetery divisions), parks and recreation, building maintenance, building (including the electrical division), income tax, civil service, engineering, fire, police, animal control, utilities (including the office, water purification, water distribution, water pollution and sewer collection), and community development.
- **Fire:** The International Association of Firefighters, Local Union 267.

These union agreements establish pay increases, salary ranges, break periods, and benefit levels during their effective periods. Furthermore, the City has developed a policy manual that establishes pay increases, break periods and benefit levels for all non-bargaining employees. This manual was amended through City ordinance in 2002 to include reductions in salaries and

benefits for all non-bargaining employees as result of the budget deficit. These reductions resulted in a pay freeze commencing in January 2003.

### *Methodology for Compensation Analysis*

Compensation for full-time employees was calculated based on average base salaries, PERS contributions, actual time worked during the year, and the cost of doing business factor. These factors were used in a formula to determine each department's adjusted average hourly compensation package and subsequently were compared to similar departments at the peer cities.

Compensation data for elected officials is excluded in the analysis since their salaries are determined by statute. Data for all part-time employees is also excluded in the analysis since their salaries are lower than full-time employees and could potentially skew the base salary analysis. The results of the analysis are compiled within a table by department that illustrates Lorain's compensation levels as compared to the peers. Based on interviews, policy reviews, job description reviews, and the compensation information obtained from peers on length of service, findings have been developed to explain differences in compensation packages for Lorain as compared to the peers for departments with seven or more employees, and for positions comprising the majority of the departments' staffing levels. The objective of this analysis is to determine if compensation levels negatively impact the City's current financial condition. As a result, compensation packages for those departments that are higher than the peers are presented and analyzed in this section of the report.

The following lists the factors used to calculate the compensation package for Lorain and the peers, and explains any major differences:

- **Value of the PERS contribution paid on behalf of the employee.** Neither Lorain nor any of the peers pay the employee's portion of the PERS pick-up. Therefore, no adjustments were made to the compensation formula.
- **Value of retirement contributions for Police and Fire:** Neither Lorain nor any of the peers pay any portion of the retirement pickup. Therefore, no adjustments were made to the compensation formula.
- **Actual Time Worked.** This value is based on the regular hours worked in a day and the hours devoted to lunch and other breaks. Based on an assessment of Lorain's collective bargaining agreements, interviews and City manuals, the average employee's actual work time is seven hours per day (or 1,820 hrs annually) due to a 1 hour paid lunch period or combination of lunch period and break time provided. However, patrolmen are provided a half-hour lunch when possible (based on call volume). The actual time worked by Lorain employees is similar to both Elyria and Springfield, but peer police officers are expected to take lunch as a part of the workday. This makes their actual time worked at 8 hours per day

or (2,080 annually). Since Hamilton has nine collective bargaining agreements, the actual time worked for employees varies across departments and many classifications. Therefore, adjustments to the actual time worked were made based on the amount time allotted for lunch and other breaks as indicated in contractual agreements.

- **Average 2002 base salary for all employees.** The base salaries used are from data reported in year end payroll reports for Lorain and the peers, and not necessarily those base salaries as expressed in applicable contract agreements.
- **The cost of doing business factor (CODBF).** CODBF reflects the difference in the cost of living in Lorain County compared to peer counties, as reported by the Ohio Department of Education. For FY 2002, the CODBF are as follows:
  - Lorain- 1.0521;
  - Elyria- 1.0521;
  - Hamilton- 1.0663; and
  - Springfield- 1.0443.
- **Average employee length of service (LOS)** - LOS is not directly calculated in the compensation package formula, but is used as a baseline measure to determine whether higher compensation levels are a result of higher employee length of service.

Although not used for this review, additional factors that can impact compensation packages including the following:

- **Healthcare Benefits.** The City of Lorain spends more on total health care costs than two of the peers. See the **Benefits** section of this performance audit for further discussion on health care cost comparisons.
- **Overtime Payments.**
- **Salary increases.** Salary increases are set under collective bargaining agreements or policy manual/City ordinance. At the end of FY 2002 and during FY 2003, the City has attempted to negotiate freezes in salary for most of its collective bargaining and non-bargaining units. Peer cities have not implemented salary freezes.
- **Longevity Payments.** The City of Lorain offers more generous longevity payments than the peers. See the **Benefits** section for further information on longevity payments.

## Findings / Recommendations

### Compensation

This section presents the City's departments having a higher average compensation package than the peers. Since compensation packages for positions comprising the majority of a department's staffing levels would have a considerable impact on the average department compensation package, they are also presented and compared to similar positions at the peers. Furthermore, average length of service (LOS) is analyzed and compared to the peers to determine its impact on differences in compensation packages. Compensation packages were calculated by adjusting 2002 average base salaries by actual work time and the cost of doing business factor (CODBF). See the **background** section for a detailed discussion on the methodology for the compensation analysis.

F4.1 **Table 4-1** compares the compensation package for the City's garage department to the peers.

**Table 4-1: Garage Compensation Analysis**

	Mechanic	Department Average
Lorain	\$20.59	\$23.59
Elyria	\$18.58	\$18.09
Hamilton	\$25.40	\$25.05
Springfield	\$18.05	\$22.84
Peer Average	\$20.68	\$21.99

Source: Source: Lorain, Elyria, Hamilton and Springfield

According to **Table 4-1**, Lorain mechanics' compensation package and the garage department average compensation are the second highest of the peers. Higher compensation packages may be a result of employees having a higher length of service (LOS). **Table 4-2** compares the average LOS for Lorain's garage department compared to the peers.

**Table 4-2: Average LOS in Years for Garage Employees<sup>1</sup>**

	Mechanics	Department Average
Lorain Avg. LOS	20	23
Elyria Avg. LOS	N/A <sup>2</sup>	N/A <sup>2</sup>
Hamilton A Avg. LOS	12	14
Springfield Avg. LOS	11	13
Peer Average	12	14

Source: Lorain, Hamilton and Springfield

<sup>1</sup>LOS is calculated as of November 2002.

<sup>2</sup>Elyria did not provide hire dates for personnel.

According to **Table 4-2**, the garage department's overall average LOS and mechanic's LOS are 64 percent and 67 percent higher than the peers, respectively, which suggests that salaries would also be higher than the peers.

F4.2 **Table 4-3** compares the compensation package for the City's municipal court employees to the peers.

**Table 4-3: Judge's Office Department Compensation Analysis**

	Probation Officer	Bailiffs	Department Average
Lorain	\$18.70	\$15.00	\$17.70
Elyria	18.78	\$18.60	\$17.32
Hamilton	\$13.94	\$13.55	\$14.81
Springfield <sup>1</sup>	N/A	N/A	N/A
Peer Average	\$16.36	\$16.08	\$16.07

Source: Lorain, Elyria, Hamilton and Springfield<sup>1</sup>

<sup>1</sup>The municipal court for Springfield is a county court, which is staffed with county and city personnel.

As shown in **Table 4-3**, Lorain's compensation package for bailiffs is 7 percent lower than the peer average, while Lorain's compensation package for probation officers is 14 percent higher than the compensation package for Hamilton's probation officers. In addition, the overall municipal court average compensation package is 10 percent higher than the peer average. The higher compensation packages in Lorain may be a result of employees having a higher overall length of service (LOS). For instance, probation officers' average LOS is 10 years for Lorain, compared to Hamilton's LOS of 7 years; and the municipal court average LOS is 13 years at Lorain, compared to Hamilton's LOS of 7 years.

F4.3 **Table 4-4** compares the compensation package for the City's parks and recreation employees to the peers.

**Table 4-4: Parks and Recreation Compensation Analysis**

	Mechanics	Crew Leader	Department Average
Lorain	\$21.13	\$21.09	\$23.71
Elyria <sup>1</sup>	\$18.70	\$20.07	\$19.78
Hamilton	N/A	N/A	\$26.95
Springfield <sup>2</sup>	\$17.58	N/A	\$18.18
Peer Average	\$18.14	N/A	\$21.64

Source: Lorain, Elyria, Hamilton and Springfield

<sup>1</sup>Elyria's position titles included in this analysis are skilled maintenance and foreman.

<sup>2</sup>Springfield's position title included in this analysis is equipment maintenance worker.

According to **Table 4-4**, the compensation package for Lorain's mechanics in the parks and recreation department is 16 percent higher than the peer average and the average compensation package for the department is 10 percent higher than the peer average.

**Table 4-5** illustrates the average LOS for Lorain mechanics and overall department compared to the peers.

**Table 4-5: Average LOS in Years for Parks and Recreation Employees<sup>1</sup>**

	<b>Mechanics</b>	<b>Department Average</b>
<b>Lorain Avg. LOS</b>	24	19
<b>Elyria Avg. LOS</b>	N/A <sup>2</sup>	N/A <sup>2</sup>
<b>Hamilton Avg. LOS</b>	N/A <sup>3</sup>	15
<b>Springfield Avg. LOS</b>	17	6
<b>Peer Average</b>	N/A	11

**Source:** Lorain, Hamilton and Springfield

<sup>1</sup>LOS is calculated as of November 2002.

<sup>2</sup>Elyria did not provide hire dates for personnel.

<sup>3</sup>This classification is not found in Hamilton's parks and recreation division.

According to **Table 4-5**, Lorain's mechanics LOS is higher than Springfield's and the department average LOS is 73 percent higher than the peer average. Therefore, compensation packages are expected to be higher than the peers. However, higher compensation packages in Lorain may also be due to differences in scope of responsibility. Lorain is the only city with certified mechanics in this department and the scope of their duties may differ from peers' staff.

F4.4 **Table 4-6** compares the compensation package for the City's streets employees to the peers.

**Table 4-6: Street Department Compensation Analysis**

	<b>Motor Equipment Operator</b>	<b>Department Average</b>
<b>Lorain</b>	\$18.99	\$22.03
<b>Elyria</b>	\$18.87	\$19.77
<b>Hamilton</b>	\$21.19	\$22.91
<b>Springfield</b>	\$16.36	\$17.18
<b>Peer Average</b>	\$18.81	\$19.95

**Source:** Lorain, Elyria, Hamilton and Springfield

According to **Table 4-6**, the compensation package for Lorain's motor equipment operators is the second highest of the peers and the overall department average is 10 percent higher than the peer average.



**Table 4-7** illustrates the average LOS for Lorain motor equipment operators and overall department compared to the peers.

**Table 4-7: Average LOS in Years for Street Employees<sup>1</sup>**

	Motor Equipment Operators	Department Average
Lorain Avg. LOS	14	17
Elyria Avg. LOS	N/A <sup>1</sup>	N/A <sup>1</sup>
Hamilton A Avg. LOS	15	14
Springfield Avg. LOS	9	9
Peer Average	12	12

Source: Lorain, Hamilton and Springfield

<sup>1</sup>LOS is calculated as of November 2002.

<sup>2</sup>Elyria did not provide hire dates for personnel.

According to **Table 4-7**, Lorain's motor equipment operator LOS is the second highest of the peers, and the department average LOS is 42 percent higher than the peer average. As a result, the higher LOS contributes to the higher compensation packages in **Table 4-6**.

### Staffing

This section presents a high-level comparison of Lorain's staffing levels by department to the peers. The other sections of this performance audit provide detailed and in-depth assessments of the City's staffing levels.

F4.5 The staffing analysis is based on staffing levels as reported from FY 2002 year end salary reports and does not take in account any staffing changes occurring after FY 2002. **Table 4-8** compares the FY 2002 FTE staffing totals per department for the City and the peers.

**Table 4-8: 2002 Staffing Comparison**

Position	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Community Development<sup>1</sup></b>	21.0	10.0	21.5	24.0	18.5
<b>Building/Planning Department</b>	8.0	13.5	0.0 <sup>2</sup>	6.0	9.8
<b>Civil Service/Personnel</b>	2.5	3.0	4.0	5.0	4.0
<b>Clerk of Council</b>	1.5	0.5	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>
<b>Clerk of Courts</b>	14.6	23.5	0.0 <sup>2</sup>	25.5	24.5
<b>Council</b>	6.5	6.0	8.0	7.0	7.0
<b>Electrical</b>	6.0	N/A <sup>3</sup>	111.0 <sup>4</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>
<b>Engineering</b>	10.0	7.0	14.0	13.0	11.3
<b>Consolidated Dispatch</b>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>5</sup>	23.0	N/A <sup>3</sup>
<b>Fire</b>	85.0	73.0	117.0	128.8	106.3
<b>Finance</b>	11.0 <sup>6</sup>	8.0	45.0	32.25	28.4
<b>Health</b>	20.0	44.7 <sup>7</sup>	22.7	N/A <sup>3</sup>	33.7
<b>Income Tax</b>	6.3	0.0 <sup>8</sup>	8.0	18.8	13.4
<b>Information Services</b>	2 <sup>6</sup>	N/A <sup>3</sup>	12.0	8.0	10.0
<b>Judges Office</b>	12.7	20	25.48	38.0 <sup>9</sup>	27.8
<b>Law/Risk Management</b>	6.5	17	7.0	4.0	9.3
<b>Mayor's/ City Manager's Office</b>	3.0	2.0	3.0	7.0	4.0
<b>Park and Recreation</b>	7.0	53.5	15.0	46.0	38.2
<b>Police<sup>10</sup></b>	129.0	167.1	148.3	157	157.5
<b>Prosecutors Office (Law Criminal)</b>	4.5	N/A <sup>3</sup>	N/A <sup>3</sup>	6.5	N/A <sup>3</sup>
<b>Safety/Service</b>	7.0	7.0	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>
<b>Service<sup>11</sup></b>	11.0	40.5	17.5	31.2	29.7
<b>Streets/ Garage</b>	24.3	22.2	30.5	32.8	28.5
<b>Utilities (Gas and Water)<sup>12</sup></b>	142.0	109.5	98.0	74.0	93.8
<b>Totals</b>	<b>541.40</b>	<b>628.00</b>	<b>707.98</b>	<b>687.90</b>	<b>655.73</b>

**Source:** City and Peer payroll and staffing reports.

<sup>1</sup> Community Development staffing consists of housing and neighborhood Services, economic development, human relations, code enforcement and Community development divisions were applicable for each.

<sup>2</sup> These classifications are in other city departments. The Building classifications are in the community development department and clerk of court's positions are under the Judges office.

<sup>3</sup> Indicates the department is not found or the peer average could not be calculated.

<sup>4</sup> Hamilton owns its own power plant.

<sup>5</sup> Hamilton's centralized dispatch function is operated in the police department.

<sup>6</sup> Finance Department consists of staffing for the auditors office and treasurers office. In addition, according to the City Auditor, 2.0 FTEs are assigned to information services.

<sup>7</sup> Health department staffing totals consist of health, pre-natal and dental divisions.

<sup>8</sup> Elyria outsources income tax services.

<sup>9</sup> Springfield operates a county municipal court.

<sup>10</sup> Police staffing levels consist of dispatchers (except for Springfield), corrections, school crossing guards, rangers and police officers.

<sup>11</sup> Service department staffing consists of traffic lights, forestry, sanitation parking, cemetery, building and maintenance, central services, airport services, service center, and food service divisions as applicable for each.

<sup>12</sup> Utilities consists of staffing for water distribution, waste water for Lorain, Springfield, and Hamilton, and gas and water for Elyria.

**Table 4-8** illustrates that staffing levels for the City are 17 percent lower than the peer average. An additional analysis of staffing levels per 10,000 residents provides a baseline measure of staffing levels for the City as compared to its peers. **Table 4-9** compares the staffing levels per 10,000 residents by department at the City to the peers.

**Table 4-9: FY 2002 Staffing Comparison of Employees per 10,000 Residents<sup>1</sup>**

Category	Lorain	Elyria	Hamilton	Springfield	Peer Average
Community Development	3.06	1.79	3.54	3.67	3.00
Building/Planning Department	1.17	2.41	0.00	0.92	1.67
Civil Service/Personnel	0.36	0.54	0.66	0.77	0.65
Clerk of Council	0.22	0.09	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>
Clerk of Courts	2.13	4.20	N/A <sup>2</sup>	3.90	4.05
Council	0.95	1.07	1.32	1.07	1.15
Electrical	0.87	N/A <sup>2</sup>	18.29	N/A <sup>2</sup>	N/A <sup>2</sup>
Engineering	1.46	1.25	2.31	1.99	1.85
Consolidated Dispatch	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	3.52	N/A <sup>2</sup>
Fire	12.38	13.05	19.28	19.71	17.34
Finance	1.60	1.43	7.41	4.93	4.59
Health	2.91	8.0	3.74	N/A <sup>2</sup>	5.86
Income Tax	0.92	N/A <sup>2</sup>	1.32	2.88	1.40
Information Services	0.29	N/A <sup>2</sup>	1.98	1.22	1.60
Judges Office	1.85	3.57	4.20	5.81	4.53
Law/Risk Management	0.95	3.04	1.15	0.61	1.60
Mayor's/ City Manager's Office	0.44	0.36	0.49	1.07	0.64
Park and Recreation	1.02	9.56	2.47	7.04	6.36
Police	18.79	29.86	24.44	24.02	26.11
Prosecutors Office (Law Criminal)	0.66	N/A <sup>2</sup>	N/A <sup>2</sup>	0.99	N/A <sup>2</sup>
Safety/Service	1.02	1.25	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>
Service	1.60	7.24	2.88	4.77	4.97
Streets/ Garage	3.54	3.97	5.03	5.02	4.67
Utilities (Gas and Water)	20.68	19.57	16.15	11.32	15.68
<b>Totals</b>	<b>78.86</b>	<b>112.24</b>	<b>116.66</b>	<b>105.24</b>	<b>107.72</b>

Source: Lorain and the peers

<sup>1</sup> 2000 Census population data: Lorain 68,652; Elyria 55,953; Hamilton 60,090; Springfield 65,358

<sup>2</sup> City does not have this department or the peer average could not be calculated

**Table 4-9** illustrates that the City has 27 percent fewer staff per 10,000 residents compared to the peer average. Lorain allocates 32 percent more staff per 10,000 residents in the utilities department, which could be attributed to the City not having a centralized finance department. The utilities/water department is responsible for utility fee collection, meter reading, and cashier functions, while Hamilton and Springfield carry out these functions in their finance departments.

Staffing in the following City departments that encompass a significant number of employees is significantly lower than the peer average staffing per 10,000 residents:

- **Clerk of courts and judges' office:** Although staffing per 10,000 residents is lower than the peer average in both offices, differences in caseload size also impacts staffing levels in the clerk of court's and judges' offices. Additionally, two FTEs were reduced in 2002 at Lorain. See the **Municipal Court** section for a detailed discussion of staffing levels.
- **Fire:** Springfield and Hamilton's staffing levels are devoted to both EMS and fire functions, whereas Lorain contracts for EMS services. Staffing levels in the department have also been affected by staffing reductions. In 2002, the City laid off eight firefighters. Furthermore, the number of fire calls and square miles of the cities impact staffing levels in the fire department. See the **Fire** section for a detailed discussion of staff levels.
- **Finance:** Since Lorain and Elyria are statutory cities while Hamilton and Springfield are charter cities, similar financial responsibilities are completed by different departments. Lorain and Elyria have an elected treasurer and city auditor, with separate offices, to carry out the city's financial operations. Hamilton and Springfield have a finance department where all city financial operations are centralized. In contrast, Lorain and Elyria have financial operations decentralized throughout other city departments. Therefore, staffing levels per 10,000 residents in Lorain's finance department are lower than Hamilton and Springfield. Additionally, due to the current budget deficit, one FTE was reduced through layoff and another was reduced through attrition at the end of FY 2002.
- **Income tax:** Staffing levels in the income tax department were reduced in 2001 due to budgetary constraints. In addition, the number of income tax accounts maintained and processed affects staffing levels in the income tax department. See the **Income Tax** section for a detailed discussion of staffing levels.
- **Parks and recreation:** Staffing levels in this department are affected by Lorain's use of seasonal staff. Furthermore, Springfield and Elyria operate more recreational facilities, requiring additional staff. The amount of park area maintained, and the number of programs and activities administered also impacts park and recreation staffing levels.
- **Police:** Staffing levels have been impacted by reductions made in response to budgetary constraints. In 2001, five police officers resigned and two police officers retired. These positions were not filled. Additional factors impacting staffing levels

in the police department include calls for service, square miles covered, and crime rates. See the **Police** section for a detailed discussion of staffing levels.

- **Streets/Garage:** The number of street lane miles, types of services performed, and amount of vehicles and equipment maintained are additional factors to consider when assessing staffing levels in the street and garage department. Moreover, Lorain decentralizes vehicle maintenance functions across numerous departments, thereby partially contributing to lower staffing per 10,000 residents. See the **Streets** section for a detailed analysis of street and garage staffing levels.
- **Service:** The number of additional services offered by the peer cities results in each having a higher staffing level when compared to Lorain. The additional services offered by the peers include sanitation, forestry, airport, food service, and central paper services.

**R4.1** City administration and departments should closely monitor staffing levels and examine the staffing recommendations throughout this performance audit, especially considering its current financial condition. Various performance output measures and indicators should be used to adequately assess staffing levels according to workload and productivity. By regularly reviewing staffing levels based on appropriate measures, the City will be able to ensure that it has an adequate number of staff to meet the needs of its residents.

## **Conclusion Statement**

Higher LOS seems to account for compensation packages being higher than the peers in certain departments and positions. In addition, only four departments at Lorain have higher average compensation packages than the peers. Consequently, the City's compensation packages do not negatively contribute to its current fiscal watch status and appear to be appropriate.

As indicated by the number of employees per 10,000 residents, City staffing levels are lower than the peers in most areas. However, additional factors and workload indicators affect staffing levels in each of the departments. As a result, City administration and departments should closely monitor staffing levels, use additional indicators to assess workload and productivity, and examine the staffing recommendations throughout this performance audit.

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# Benefits and Contract Analysis

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## Background

This section of the performance audit reviews the City-wide benefits and contractual issues of the City of Lorain (the City). Comparisons are made throughout the report to the peer cities of Elyria, Hamilton and Springfield to illustrate various benefit and contract items. In addition, the State Employment Relations Board (SERB) 2001 annual report on the cost of health insurance in Ohio's public sector is referenced.

### *Organizational Function*

The employee benefits officer (one FTE) who reports to the safety service director of Lorain is responsible for the following areas:

- Worker's compensation administration and claims;
- Health insurance coordination;
- Claims issues; and
- Drug testing.

As detailed in the job description for the employee benefits officer, the position is responsible for the control, investigation and coordination of Worker's compensation claims and health benefits for the City. Although there is no clerical support for the employee benefits officer, the safety service director's secretary is available for some administrative assistance such as typing.

### *Summary of Operations*

The City is self-insured for health and prescription coverage. It is fully insured for dental and vision coverage, although only police and dispatchers receive dental coverage. Medical Mutual is the claims administrator and is responsible for the administrative services of the medical plan. Prescription coverage was administered by *National Medical Health Card System*, but as of February 1, 2003 the City has changed to *Restat. Vision Service Plan (VSP)* provides the vision care benefits. The dental coverage is provided by *Comp Benefits* which serves as the third party administrator and the consultant. Life insurance and supplemental retiree life insurance are provided through *US Life Insurance Company*.

In addition to the *Comp Benefits*, the City uses the services of several other consulting firms to assist in the management and/or administration of benefits. *Comp Management* provides consultation services for Bureau of Workers' Compensation (BWC) claims and *Napoli and Associates* serves as the health benefits consultant for the City.

The City has 532 full-time equivalent (FTE) employees. As of March 3, 2003, 135 City employees were non-bargaining and 397 employees belong to five bargaining units. The 135 non-bargaining employees, which include managers and 21 elected officials, do not have a contract. The conditions of their employment and benefits are detailed in the codified ordinances.

The City currently has the following five collective bargaining agreements in effect:

- The United Steelworkers of America (USWA) Local 6621 contract is in effect from January 1, 2001 to December 31, 2003. The United Steelworkers agreement covers approximately 192 employees in 170 positions in the following departments:
  - Street, which includes the street, mechanical/ garage and cemetery division;
  - Parks and recreation;
  - Building maintenance;
  - Building department, which includes the electrical division;
  - Income tax;
  - Civil service;
  - Engineering;
  - Fire (administrative secretary only);
  - Police (administrative secretary and secretary only);
  - Animal control;
  - Mayor's office;
  - Utilities, which includes the office employees, water purification, water distribution, water pollution and sewer collection;
  - Building; and
  - Community Development.
- Lorain Telecommunicators, Ohio Patrolmen's Benevolent Association (OPBA) contract is in effect from January 1, 2001 to December 31, 2003. This contract represents all dispatchers/records clerks. As of March 3, 2003, 15 employees are members of this union.



- Lorain Professional Fire Association, Local No. 267, Internal Association of Fire Fighters (IAFF) contract is in effect from January 1, 2001 to December 31, 2003. This contract covers the 83 employees in positions identified as the assistant chief, captain lieutenant, repairman, and firefighter.
- Lorain Police Department, Fraternal Order of Police (FOP) Lodge contract is in effect from January 1, 2001 to December 31, 2003. The contract is for two bargaining units. Bargaining unit one includes all police employees in the rank of patrolmen, exclusive of all promoted officers and the chief of police. Bargaining unit two includes all full-time employees in the rank of sergeant, lieutenant and captain, exclusive of patrolmen, executive captain and chief of police. There are 96 employees in the two bargaining units.
- Lorain Corrections Officers, Ohio Patrolmen's Benevolent Association (OPBA) contract is in effect from January 1, 2001 to December 31, 2003. This contract covers the 11 employees in the positions identified as corrections officers.

### *Performance Measures*

The following is a list of performance measures used to conduct the analysis of the City-wide benefits and contracts:

- Analyze the City's Internal Service Fund for Self Insurance;
- Review the health care costs within the City;
- Review contractual issues for collective bargaining agreements, except police and fire; and
- Assess worker's compensation claims.

In addition to the analyses presented in this report, assessments were conducted on worker's compensation which did not yield any recommendations. The City's effective management of its worker's compensation program displays a commitment to a safe working environment for its employees that also results in fiscally sound management practices. By implementing programs such as "Drug-Free Workplace", monitoring claims closely, and eliminating "temporary total" payments, the City has reduced the cost of on-the job injuries and illnesses.

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## Findings and Recommendations

### *Self-Insurance*

F5.1 The City of Lorain is not maintaining an adequate reserve balance in the Internal Service Fund for self-insurance activity. In addition, the City has not retained the services of an actuarial professional to determine the appropriate reserve amount to be maintained. The City is self-insured for medical and prescription benefits. The unencumbered balance of the Internal Service Fund on January 1, 2002 was approximately \$165,000. The revenue for 2002 was approximately \$3.7 million while expenditures for the same year were approximately \$3.9 million. The balance as of December 31, 2002 was a deficit of approximately \$235,000. Although the City Auditor was to transfer that amount from the General Fund in January 2003, as of March 13, 2003, it had not been transferred. The transfer depended on the development and passage of the 2003 budget. In addition, the City had claims incurred in 2002 and paid in January 2003 of approximately \$150,000. As of February 28, 2003, claims incurred and not paid totaled \$191,575. The claims incurred for 2002 are a liability of that fiscal year for the Internal Service Fund.

AOS released a technical bulletin on April 12, 2001 (Bulletin 2001-005) providing clarification of Ohio Revised Code (ORC) requirements for self-insured political subdivisions and includes guidance related to funding self-insurance plans. According to the ORC Section 9.833(B), "Political subdivisions that provide health care benefits for their officers or employees may ... establish and maintain an individual self-insurance program with public money to provide authorized health care benefits." In addition, an individual self-insurance program [for a political subdivision] may allocate the costs of funding the program among the funds or accounts in the treasury of the political subdivision that established the program - see ORC Section 9.833(C)(6). As stated in the technical bulletin, "Allowing a significant unfunded liability to accumulate could have adverse consequences on cash flow in a future period."

The third party administrator for medical claims, *Medical Mutual*, does not require a minimum balance in the Internal Service Fund to ensure the timely payment of claims. *Medical Mutual* does require the receipt of a wire transfer from the City before it will release the payment of any claims. A previous health care consultant suggested that the City maintain a minimum balance in the Internal Service Fund of \$750,000, which at the time was about nine months of medical expenditures. *Napoli and Associates*, the current medical benefits consultant, agrees that \$750,000, or three months of medical claims, is a reasonable amount to be maintained in the Internal Service Fund. Currently, the City believes that three months of claims would be an adequate reserve. Additionally, the specific stop loss for medical claims has been set at \$100,000 and the aggregate stop loss is set at \$5,068,000.

*Napoli and Associates* is forecasting medical expenses to be \$3,308,867 for 2003. The cost of pharmacy care claims for 2002 was \$842,277. If the forecast by *Napoli and Associates* is correct and pharmacy claims remains unchanged, the City could expect expenditures of approximately \$4.15 million or approximately \$346,000 per month for self-insured health care. According to the 2003 adopted budget, approximately \$4,050,000 has been budgeted for hospitalization.

In 1998, the health plan was over-estimated and the Internal Service Fund was over-funded. In 2001, the plan was under-funded through the budget process by only \$50 per month per employee. As a result, there was a shortfall of roughly \$300,000. In 2002, the budgeted amount was not adequate and the Internal Service Fund was under-funded by approximately \$600,000. It appears that the budgeted amount for 2003 will also be inadequate to:

- Cover the \$4,150,000 claims based on the consultant's estimates and historical vision claims;
- Pay claims incurred in 2002 and not yet paid of approximately \$200,000;
- Provide the recommended reserve of \$750,000 necessary for unusual claims; and
- Remove the fund from its current \$235,000 deficit position.

Based on these items, the Internal Service Fund for health care self-insurance would need to be increased by about \$1.3 million to bring the beginning fund balance to an appropriate level of \$5.4 million. According to the City, it has not been able to maintain the recommended reserve due to budgetary concerns and its overall financial situation. Furthermore, the City is projecting a positive ending balance of approximately \$297,000 for 2003, based on actual claims incurred during the first half of the year. The City also indicated that several unusual and unexpected claims occurred during 2002, causing claims to be higher that year. Therefore, the amount needed to bring the Internal Service Fund to an appropriate level may be less than \$1.3 million. Nonetheless, recommendations contained throughout this performance audit would assist the City in identifying savings that could subsequently be used to maintain an appropriate reserve for self-insurance.

By under-funding the Internal Service Fund, the City is under-estimating health care costs, understating its liability and not properly planning for liabilities that arise from self-insured health care.

**R5.1** The City should amend the budget to maintain an adequate balance in the Internal Service Fund for self-insurance activity. The revised budgeted amount of approximately \$5.45 million should accomplish the following:

- Reflect the forecasted health care costs as developed by the health care consultants;
- Cover claims incurred in 2002 but not yet paid;
- Maintain the suggested reserve balance of \$750,000; and
- Eliminate the fund's deficit position of 2002.

In addition, the City should obtain the services of an actuarial professional to provide an accurate valuation for the reserve. An actuary can provide the City with assurance that the forecasted health benefit costs are reasonable, based on the City's experience rate and extensive calculations regarding future events. The City should also maintain an adequate reserve in the internal service fund as determined by the actuary. By developing reasonable and reliable calculations reflecting reserves and disbursements, the City should eliminate future negative balances in the internal service fund and avoid further transfers from the general fund to cover health care expenditures. Periodic reviews of claims costs and budget variances would also ensure that the Internal Service Fund does not develop a deficit balance.

*Financial Implication:* The City should increase the amount budgeted to the Internal Service Fund for Health Care Self Insurance by approximately \$1.3 million to ensure adequate funding for health care programs. The budgeted amount would include the one-time provision to create a reserve of \$750,000.

### *Analysis of Health Care Costs*

F5.2 **Table 5-1** details the annual cost of health care for the City of Lorain and its peers.

**Table 5-1: FY02 Yearly Total of All Insurance Costs**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Number of Full-time Employees</b>	532	539	734	754	676
<b>Health care Costs</b>	\$2,895,604	N/A <sup>2</sup>	N/A <sup>2</sup>	\$3,864,835	N/A <sup>4</sup>
<b>Dental Costs</b>	\$50,079	N/A <sup>2</sup>	N/A <sup>2</sup>	\$239,975	N/A <sup>4</sup>
<b>Prescription Costs</b>	\$842,277	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>3</sup>	N/A <sup>4</sup>
<b>Life Insurance Costs</b>	\$76,423	N/A <sup>2</sup>	N/A <sup>2</sup>	\$65,130	N/A <sup>4</sup>
<b>Vision Costs</b>	\$72,217	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>3</sup>	N/A <sup>4</sup>
<b>Totals</b>	\$3,936,600	\$4,333,151 <sup>2</sup>	\$4,929,265 <sup>2</sup>	\$4,169,940	\$4,477,452
<b>Annual Insurance Cost per Employee</b>	\$7,400 <sup>1</sup>	\$8,039 <sup>1</sup>	\$6,716 <sup>1</sup>	\$5,530 <sup>1</sup>	\$6,762 <sup>1</sup>

**Source:** Documentation provided by City of Lorain and the peer cities.

<sup>1</sup> Average insurance cost per employee is calculated based upon the total number of full-time employees.

<sup>2</sup> Benefits were available in total only.

<sup>3</sup> Included within the health care costs.

<sup>4</sup> Peer average was not calculated for those items where only one peer responded.

As indicated in **Table 5-1**, the City of Lorain spends more per employee than two of the peers and more than the peer average on total health care coverage. The higher costs of the health benefits could be attributed to the level and types of benefits offered by the City (see **Table 5-3**).

**Table 5-2** compares Lorain's premium costs and employee health care contributions to the peers, the SERB average, and the Cleveland area average.

**Table 5-2: Employer and Employee Premium Costs**

	Lorain	Elyria	Hamilton	Springfield	Peer Average	SERB <sup>8</sup>	SERB <sup>8</sup> Cleveland Area
<b>Providers</b>	Self Insured	Self Insured	Humana <sup>5</sup>	Anthem Blue Cross Blue Shield Dental		Average monthly cost of health care benefits	Average monthly cost of health care benefits
<b>Monthly Premiums (Single)<sup>1</sup></b>	\$257.29 <sup>2</sup> \$271.03 <sup>3</sup>	\$280 <sup>4</sup>	\$236.35	\$248.06 \$18.21 dental <sup>6</sup>	<b>\$253.38</b>	\$288.17	\$273.78
<b>Full Time Employee Share Per Month (Single)</b>	\$50 (Non-bargaining)  \$0 (Bargaining)	\$14	\$10.40	\$24.81 \$9.11 dental <sup>6</sup>	<b>\$16.40</b>	\$30.46	\$33.51
<b>Monthly Premiums (Family)<sup>7</sup></b>	\$683.64 <sup>2</sup> \$724.28 <sup>3</sup>	\$625 <sup>4</sup>	\$590.46	\$615.33 \$54.05 dental <sup>6</sup>	<b>\$606.85</b>	\$705.66	\$697.27
<b>Full Time Employee Share Per Month (Family)</b>	\$136.72 (Non-bargaining)  \$0 (Bargaining)	\$30	\$35.04	\$61.53 \$29.05 dental <sup>6</sup>	<b>\$42.19</b>	\$87.36	\$73.88

**Source:** Schedule of Benefits

<sup>1</sup> Employees electing single coverage are as follows Lorain – 89, Elyria – 93, Hamilton – 233, and Springfield – 131.

<sup>2</sup> Plan for all employees except Police force includes vision and prescription but not dental

<sup>3</sup> Plan for police force, includes vision, prescription and dental

<sup>4</sup> Includes dental and vision

<sup>5</sup> Eye Care Plan of America monthly costs are included

<sup>6</sup> Dental coverage is optional to employees and they pay a portion of the cost.

<sup>7</sup> Employees electing family coverage are as follows Lorain – 434, Elyria – 434, Hamilton – 398, and Springfield – 480.

<sup>8</sup> SERB data is the 2001 survey figures.

As indicated in **Table 5-2**, most City employees pay less for health care insurance than the peer average, the State Employee Relations Board (SERB) average, and the Cleveland area average. In the City, only non-bargaining and elected officials pay a portion of the monthly health care cost. See **F5.3** for a complete discussion regarding the inconsistency in the City's employee health care coverage and costs. In most cases, the

City also incurs higher premium costs than each of the peers, although the City premium costs are lower than the SERB state average and the Cleveland area average.

A report on the *Cost of Health Insurance in Ohio's Public Sector* was completed by SERB. In addition to the information disclosed in **Table 5-2**, the following information can also be found:

- Approximately 65 percent of responding employers require their employees to pay a portion of the cost of a family medical plan; and
- Fifty-three percent require their employees to pay a portion of the cost for the single plan.

For cities with a population of 25,000 to 99,999, which encompasses Lorain, all health care benefits premiums are as follows:

- \$270.79 for single coverage;
- \$691.18 for family coverage; and
- \$7,319 average annual per employee cost.

In addition, health care costs for self-funded plans, similar to Lorain, represented 24 percent of the responders' plans, and reported the following:

- \$307.94 for single coverage;
- \$675.45 for family coverage; and
- \$7,239 average annual per employee cost.

State-wide, the average monthly employee contribution represents approximately 12 percent of the single premiums cost and 14 percent of the family premium cost. In addition, 88 percent of responders provide dental insurance, 58 percent offer optical insurance, and 91 percent offer life insurance.

In contrast, the City's bargaining unit employees pay zero percent monthly for single and family coverage, while non-bargaining unit employees pay 20 percent for single and family coverage. The contribution by the City's non-bargaining employees, at \$136.72, is higher than any of the peers and the SERB state and Cleveland area average. Furthermore, the City offers dental coverage to police and dispatchers only.

**Table 5-3** compares certain features which should be considered when evaluating costs in conjunction with choosing a medical plan.



**Table 5-3: Key Medical Plan Benefits**

	Lorain	Elyria	Hamilton	Springfield
<b>Dental Plan</b>				
<b>Dental Plan</b>	Police and dispatchers only	Yes	Yes	Yes
<b>Deductible</b>	\$0	\$50 single \$100 family	\$50	\$0
<b>Maximum benefit per covered person per benefit period</b>	\$1,000	\$1,500	\$2,500	N/A
<b>Orthodontic services</b>	Not covered	\$1,000 lifetime limit	\$1,000 lifetime limit	\$1,000 lifetime limit
<b>Vision Plan</b>				
<b>Examination</b>	\$10 co-pay in network \$35 benefit out of network	\$10	\$15	\$5
<b>Lenses</b>	\$25 co-pay \$25 benefit out of network	\$25	\$25	45%
<b>Frames</b>	\$25 co-pay \$35 benefit out of network	\$25	Up to \$110	\$35
<b>Contact Lenses</b>	\$105 benefit in or out of network	\$25	\$100 off	15%
<b>Prescription Plan</b>				
<b>Generic</b>	\$0 – fire \$2–Police & Steelworkers \$5 – Non-bargaining	\$5	\$10	\$5 in network 50% out of network
<b>Name brand</b>	\$2 –Fire \$5–Police & Steelworkers \$10 – Non-bargaining	\$10	\$20	\$12 in network 50% out of network
<b>Mail order</b>	\$3 for 90 day supply - generic \$9for 90 day supply - brand name	\$10 for 90 day supply	\$10 for 90 day supply - generic \$20for 90 day supply - brand name	\$5 in network generic \$12 in network brand name 60 day supply
<b>Other Health Care</b>				
<b>Employee Annual Deductible</b>	\$0 in network \$100 single/\$200 family out of network	none	\$0 in network \$250 single/\$500 family out of network	\$0 in network \$300 single/\$600 family out of network
<b>Employee Out of Pocket Maximum</b>	\$500 single/\$1,000 family in network 1,000 single/\$2,000 family out of network	\$0 in network \$400 single/\$800 family out of network	\$1,500 single/\$3,000 family in network \$3,250single/\$6,500 out of network	\$500 single/\$1,00 family in network \$1,000 single /\$2,000 family out of network
<b>Lifetime maximum</b>	\$1,000,000	\$1,000,000	Unlimited in network \$1,000,000 our of network	\$2,000,000
<b>Office Visits</b>	\$10 visit	\$0 in network 20% out of network	\$15 in network	\$10 in network 30% out of network
<b>Emergency room co-pay</b>	\$25 accident/\$50 medical and non-medical	\$0 in or out of network	\$50	\$50
<b>Well Child Care</b>	\$500 limit	\$500 limit	\$15/visit no limit	Not noted
<b>Inpatient Hospital Care</b>	100% in network 80% out of network	100% in network 80% out of network	\$100 co-payment in network 70% out of network	Not noted
<b>Outpatient Care</b>	100% in network 80% out of network	100% in network 80% out of network	\$15/visit for individual therapy \$10 visit for group therapy	Not noted

Source: Lorain, Elyria, Hamilton and Springfield

The following plan benefits illustrated in **Table 5-3**, could explain the higher health care premium costs at Lorain as compared to Hamilton and Springfield:

- Co-pays for office visits: Hamilton employees pay \$15 for in network office visits, while Lorain employees pay \$10 per visit.
- Co-pays for prescriptions: Employees of all of the peer cities have higher prescription co-pays than bargaining unit employees of the City. This includes generic, name-brand and mail order prescriptions.
- Single and family annual deductibles: The single and family deductibles for two of the peer cities are higher for out of network services than at the City. While City single employees' deductible is \$100, single employees in Hamilton and Springfield pay \$250 and \$300, respectively. The City's family deductible is \$200, while in Hamilton and Springfield it is \$500 and \$600, respectively.
- Out of pocket maximums: The out of pocket maximums for services received from out-of-network providers vary across the peers. In Hamilton, the out-of-pocket maximum is \$250 for single and \$500 for family coverage, which are higher than the City's out-of-network single and family deductible of \$100 and \$200, respectively.
- Types of benefits offered: As previously mentioned, the three peers offer dental health coverage to all of their employees. However in the city of Springfield, dental coverage is optional, and those employees who opt for dental coverage contribute a portion of its cost. Only police and dispatchers receive dental coverage in the City.

During the course of this performance audit, fact-finding proceedings occurred between the City and USWA Local 6621 concerning health care costs and benefits. The fact-finder recommends that the City modify current benefit levels by implementing one of the following two options presented in **Table 5-3A**.

**Table 5-3A: Fact-Finder Plan Benefit Recommendations**

<b>OPTION 1</b>	<b>Network</b>	<b>Non-Network</b>
<b>Deductible</b>	\$100 single / \$200 family	\$200 single / \$400 family
<b>Coinsurance</b>	90%	70%
<b>Out of Pocket Maximum</b>	\$1,000 single / \$2,000 family	\$2,000 single / \$4,000 family
<b>Office Visit</b>	\$15 co-pay, then 100%	\$15 co-pay, then 70%
<b>OPTION 2</b>		
<b>Deductible</b>	\$250 single / \$500 family	\$500 single / \$1,000 family
<b>Coinsurance</b>	80%	60%
<b>Out of Pocket Maximum</b>	\$1,500 single / \$3,000 family	\$3,000 single / \$6,000 family
<b>Office Visit</b>	\$20 co-pay, then 100%	\$20 co-pay, then 60%

Source: Fact-Finder Report

Implementing Option 1 would reduce health care costs by 9 percent, or approximately \$252,000 annually, while implementing Option 2 would reduce health care costs by 19 percent, or \$532,000 annually. The fact-finder also recommended the following to help control and reduce health care costs:

- Require bargaining unit employee contributions of five percent, not to exceed \$40 per month for family coverage and \$20 per month for single coverage;
- Increase co-pays for prescription drugs to \$10 for generic drugs and \$15 for brand name drugs; and
- Establish a health care committee to review insurance plans (see **R5.4**).

The City indicated that negotiations with USWA Local 6621 and FOP are currently underway, and it plans to negotiate with the IAFF in 2004 in an effort to control and reduce rising health care costs. Additionally, the City plans to offer uniform plans to each bargaining unit.

**R5.2** The City should continue to negotiate with the respective collective bargaining units to implement the fact-finder's recommendations. However, if the City is unable to reach agreement with the collective bargaining units on fully implementing either of the fact-finder's options, it should consider the following strategies to control health care costs and achieve savings similar to those identified by the fact-finder.

- Increase the amount that bargaining employees contribute toward health care; and
- Increase the prescription co-pay amounts for bargaining employees.

The City of Lorain should negotiate with bargaining unit employees for employee contribution to health care coverage. To create an equitable contribution that would be similar to Springfield, SERB regional, and state averages, City employees could contribute \$25 per month for single coverage and \$60 per month for family coverage,

comprising close to 10 percent of the total premium costs. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the City offset annual increases in health care costs. In addition, the contribution by non-bargaining unit employees should be reduced to match bargaining unit employees. However, if the City negotiates with the collective bargaining units to implement either Option 1 or Option 2, subsequently reducing plan benefit levels provided to employees, requiring a five percent employee contribution may be a more equitable and fair alternative.

*Financial Implication:* If the City required employee contributions for health care insurance at \$25 per month for single coverage and \$60 per month for family coverage, the City would realize a cost reduction of approximately \$259,000. The financial implication is developed based on 434 employees electing family coverage and 89 employees electing single coverage and reducing the amount that non-bargaining unit employees pay to that paid by bargaining unit employees.

Additionally, the City should negotiate with bargaining unit employees for an increase in co-pays for prescription costs. An equitable contribution could require all employees to contribute \$5 for generic drugs and \$10 for name brand drugs, the amount non-bargaining unit employees are currently paying. Per the fact-finder's recommendation, the City should also consider employee co-pays of \$10 for generic drugs, similar to Hamilton, and \$15 for name brand drugs, which is lower than Hamilton's co-pay of \$20. While cost savings based on historical use of the prescription drug plan can be readily calculated, additional cost savings could be realized that can not be readily quantified. Specifically, by increasing the cost to employees for prescription drugs, employees may be discouraged from the casual filling of prescriptions. Furthermore, the City could consider increases in out-of-pocket maximums, office co-pays, and the annual deductible for out-of-network services as additional ways to control health care costs, which are also included in Option 1 and 2 of the fact-finder's recommendations.

*Financial Implication:* If the City could negotiate increased prescription co-pays to \$5 for generic drugs and \$10 for brand-name drugs for bargaining unit employees to match what non-bargaining unit employees are currently paying, the City would realize an approximate cost savings of \$50,000. The calculation is based on 13,931 prescription claims for 2002; claims distributed between generic and name brand prescriptions at 38 percent and 62 percent, respectively; and the bargaining units comprising approximately 75 percent of the City's workforce.

- F5.3 The City does not provide health benefits in a manner that ensures all full-time employees receive the same type of health care insurance at the same cost. The cost to provide health insurance is not being passed along to the employees of the City in an equitable manner. According to the City, this is mainly due to timing issues of the

implemented management plan, and the fact that some bargaining units have contract re-openers and others do not. As noted in **F5.2**, non-bargaining unit employees contribute monthly to their health care premium whereas bargaining unit employees do not. In addition, the prescription co-pays for non-bargaining unit members are higher than all bargaining unit members, and the co-pays are higher for members of the police and steelworker's unions than fire union members.

As shown in **Table 5-3**, although the City offers benefits to its employees, the type of benefits varies by contract. The medical coverage disparities remain from a period in time when the City offered spending credits averaging \$300 for the cafeteria health plan. The employee could use the credits for out of pocket expenses such as co-pays and deductibles. The employee was able to contribute extra pre-tax earnings to this "benefits savings account." The employer portion was offered on a "use it or lose it" basis. City employees may still make pre-tax contributions for the purpose of defraying medical related expenses, but the City no longer offers spending credits.

In addition, dental coverage is only provided to police staff. In 2002, 111 police and dispatchers were enrolled in the dental coverage. The City of Lorain paid \$46,240 for dental coverage premiums while only \$30,049 claims were made, a difference of \$16,191. In addition, firefighters received \$800 to switch from the traditional coverage to the current Preferred Provider Organization (PPO) plan. The \$800 is now included within the firefighters' step schedule. See the **fire department** section of this performance audit for a further discussion on the \$800 addition to the step schedule.

All of the peers offer the same coverage to their employees regardless of the labor organization represented. In addition, the peers' non-bargaining unit members contribute at the same level for each of the benefits received as the bargaining unit members.

To provide some control to the bargaining unit members concerning the health care insurance offered by the City, the negotiated agreements contain the health care package details. The insurance carrier, costs, and types of coverage are considered items subject to negotiation. While health benefits are covered within the negotiated agreements of the peers, those cities and their health care committees have retained the freedom to act in the best interests of the all parties involved. The negotiated agreements with the City of Hamilton contain some details of the health insurance coverage provided to the employee such as the employee costs for out-patient care, out-of-pocket maximums, and co-pays for in-patient care, dental and vision. The negotiated contracts with the City of Springfield detail the types of coverage that will be provided but the costs are not defined. The negotiated agreements of the City of Elyria provide the insurance costs to the employee, but do not detail the coverage. An appropriate and effective method of providing employees a voice in the decisions regarding health care insurance other than through negotiated agreements is a health care committee (See **F5.4**).

**R5.3** The City should provide health benefits in a manner that ensures all full-time employees the same type of health care insurance at the same cost. In addition, the City should consider reducing the amount of detail concerning health care information in the negotiated agreements, similar to the peers. This would provide the City with more flexibility to respond to changes in health care, as further discussed in **F5.2**.

Additionally, the City should consider either offering or eliminating dental health care insurance for all employees. However, prior to providing dental coverage to all employees, the City should implement strategies to improve its financial condition and ensure it has the ability to provide this benefit. If the City provides dental coverage, a portion of the costs should be shared by the employees.

**F5.4** The City does not have an active health care committee to represent the unions and non-bargaining unit employees in discussions concerning health care insurance. A health care committee was created in the past but is no longer active. When active, it was not embraced by all parties in the manner it was intended and resulted in further conflict. Eventually, the committee disbanded out of lack of interest.

As a result, the City has fully relied on the bargaining process to determine benefit levels and employee costs by including the entire benefit book within the negotiated agreement. The negotiated agreements reviewed for Elyria and Hamilton contain language regarding a health care committee that consists of one member from each bargaining unit as well as set number of representatives from the cities. The purpose of the committee is to review cost and experience data and make recommendations to the City regarding the types and levels of benefits that will be made available through the plans.

According to the AFSCME Local 3169 negotiated agreement with the city of Hamilton, the Joint Health and Benefits Committee is comprised of members from all of the City's organized labor groups as well as representatives from the city. The Agent of Record serves as the facilitator to the committee. All negotiated agreements include a tie-in to the committee and also cap the amount which the city will contribute to the cost of the plan. The committee makes consensus recommendations to the city manager.

In 1996, the Government Finance Officers Association (GFOA) recognized the need to involve participants in the decision making process as an effective method to encourage and maintain participant satisfaction with the health plan.

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According to the GFOA, the following items should be considered:

- Employee involvement in health care plan decisions will benefit both the health plan sponsor and the participants. Effective involvement can reduce communication costs, decrease the number of questions directed to health plan sponsors and increase participants' satisfaction.
- Participant involvement should be part of the original adoption of a health care plan. While the health plan sponsor and/or management often make final decisions, institutionalizing participant involvement establishes the expectation that participants' opinions and preferences will be sought, respected and considered when implementing a substantive change to the plan.
- The most appropriate method for obtaining information from participants depends on the available budget, time frame, importance of the issue, geographic dispersion of participants, management interest in involving participants, and workforce interest.
- If a board or committee of reviewers is chosen, guidelines should be developed concerning the makeup of the reviewers, selection and term of reviewers, procedures for review of health care plan changes, as well as specific jurisdiction of the reviewers.
- The health plan sponsor and the staff should determine the type and scope of plan changes that would trigger a need for participant involvement. Such changes include: material increases or decreases in deductibles or coverage, approval processes revisions, access to providers, definition of covered participants or modifications in health plan philosophy.

**R5.4** The City, in conjunction with its unions and non-bargaining group, should encourage the renewal of a health care committee. A health care committee that includes a representative from each bargaining unit along with representatives from the City could ensure support by the employees through participation in, and the activities of, the health care committee, regarding the types and levels of health care offered by the City as well as employee participation in the cost of health care. The committee may offer an appropriate avenue for employee consensus rather than the negotiation process.

### *Analysis of Contractual Issues*

F5.5 Key contractual and employment issues impacting the majority of City employees have been assessed and compared to the peer cities are illustrated on the following pages.

**Table 5-4** presents key benefits offered through negotiated agreements for the City of Lorain and its peers where significant differences were noted. The review excludes police and fire negotiated agreements which are examined in the **police** and **fire** sections of this performance audit.

**Table 5-4: Union Contracts**

	<b>Lorain City Workers USWA Local 6621</b>	<b>Elyria Public Employee AFSCME Local 277</b>	<b>Hamilton Clerical/Technical AFSCME Council 8 Local 3169</b>	<b>Springfield Employees AFSCME Ohio Council #8 Local 1608</b>
<b>Sick Leave Accrual</b>	4.6 hours every bi-weekly period  119.6 hours per year, or 14.95 days per year	4.6 hrs for 80 hrs worked  119.6 hours per year, or 14.95 days per year	10 hours every month  120 hours per year or 15 days per year	0.575hrs for each hour paid or 4.6 hours per 80 hrs paid  119.6 hours per year, or 14.95 days per year
<b>Max. # of sick days paid out at retirement</b>	Must have more than 10 years of continuous service. 10-19 yrs. = 50% of a 120 day maximum 20-24 yrs. = 75% of a 120 day maximum 25+ yrs. = 100% of a 120 day maximum	If employed before 7/1/85, 105 days plus 50% over 105 days in the case of death , disability or retirement. If employed after 7/1/85 – 1/3 value up to 180 days not to exceed 60 days	If hired before 1-1-90, 75% of a 150 day maximum If hired after 1-1-90, 50% of a 150 day maximum If hired after 1-1-94, 25% of a 150 day maximum	Accumulated sick leave in excess of 37.5 days will be paid at 62.5% with no cap.
<b>Longevity</b>	Lump sum payments after 3 years of service of \$450 and increasing \$150 every year thereafter. <sup>1</sup>	1% salary increase for each year completed with a maximum of 20%	Lump sum payments as: • 4-8 yrs: \$400 • 9-14 yrs: \$425 • 15-19 yrs: \$475 • 20-24 yrs: \$525 25+ yrs: \$575	Lump sum payments after 5 years of service as \$85 for each year of service in 2001 and \$90 for each year of service for 2002 and 2003.
<b>Longevity assumption: 10 year employee at \$30,000 / year</b>	Longevity payment received that year – \$1,500	Longevity payment received that year – \$3,000	Longevity payment received that year – \$425	Longevity payment received that year – \$900

**Source:** Lorain, Elyria, Hamilton, Springfield Collective Bargaining Agreements

<sup>1</sup> Employees hired after the execution date of the agreement (January 1, 2001) do not receive longevity until after the fifth year of continuous service.

As indicated in **Table 5-4**, the City varies from the peers on two key issues in its negotiated contracts as follows:



- Sick leave paid out at retirement appears more generous than Elyria and Hamilton. In addition, ORC Section 124.39(B) indicates, in part, that sick leave payout shall not exceed the value of 30 days of accrued but unused sick leave, although section (C) permits political subdivisions to compensate employees for more than 30 days.
- Longevity appears to be more generous than Springfield and Hamilton

Decreasing sick leave payout to 60 days and longevity payments to \$90 per year of service would help the City improve its financial situation while still providing relatively fair severance and longevity payments.

**R5.5** The City should carefully assess the level of benefits which it is willing to provide in relation to the costs required to provide those benefits. The City of Lorain should address the following items in the next negotiated contract:

- Sick leave paid out at retirement should be reduced to 60 days of sick leave accumulated, similar to Elyria.
- Longevity payments should be reduced to \$90 per year of service from the current schedule, similar to Springfield.

*Financial Implication:* Sick leave paid out at retirement for 2002 for employees under the Steelworkers' contract was \$430,302. If sick leave paid out at retirement could be reduced from 120 days to 60 days and assuming this reduction of 50 percent has the same affect on sick leave paid out retirement, Lorain could save approximately \$215,000 annually. Longevity payments for steelworkers in 2002 totaled \$392,736. If longevity payments in Lorain could be reduced from \$150 to \$90 per year of service, and assuming this reduction of 40 percent has the same affect on longevity payments, the City could save approximately \$157,000 annually.

## Financial Implications Summary

The following tables summarize estimated annual savings and implementation costs from the above recommendations. Implementation of recommendations subject to negotiation would require the agreement of all affected bargaining units.

### Summary of Financial Implications Subject to Negotiation

	<b>Recommendation (subject to negotiation)</b>	<b>Estimated Annual Cost Savings</b>
<b>R5.2</b>	Employee contributions for health care insurance as \$25 per month for single coverage and \$50 per month for family coverage for all employees.	\$259,000
<b>R5.2</b>	Increase the co-pay for the bargaining units for prescription drugs to \$5 for generic and \$10 for brand name drugs.	\$50,000
<b>R5.5</b>	Decrease sick leave paid out at retirement to 60 days.	\$215,000
<b>R5.5</b>	Decrease longevity incentive from \$150 to \$90 per year of service.	\$157,000
	<b>Total</b>	<b>\$681,000</b>

### Implementation Costs

	<b>Implementation costs</b>	<b>Estimated One-Time Costs</b>
<b>R5.1</b>	Increase amount budgeted to Internal Service Fund for Health Care self-insurance to ensure adequate funding.	\$1,300,000
	<b>Total</b>	<b>\$1,300,000</b>

## **Conclusion Statement**

The City of Lorain is not adequately funding the Internal Service Fund for self-insurance. The City is not maintaining the prescribed balance of \$750,000 in the Internal Service Fund for self-insurance activity suggested by the City's consultants, and in fact, the balance as of December 31, 2002 showed a deficit of \$234,423. Furthermore, the City has not budgeted enough for self-insurance health care claims for FY 2003. The budget for self-insurance health care claims should be increased to reflect the forecasted health care costs, cover claims incurred in 2002 but not yet paid, maintain the suggested reserve balance of \$750,000, and eliminate the fund's deficit incurred in 2002.

The City does not provide health benefits in a manner that ensures all full-time employees receive the same type of health care insurance at the same cost. In an effort to address relatively high health care costs, fact-finding proceedings were initiated between the City and USWA Local 6621. As a result, the fact-finder recommends modifying current plan benefit levels, requiring bargaining unit employee contributions, and increasing co-pays for prescription drugs. The City should use the fact-finder's recommendations and the analysis in this report to assist in negotiating changes in health care plans with the respective collective bargaining units. If the City required all employees to contribute \$25 per month for single coverage and \$50 per month for family health care coverage, it could save approximately \$158,000 annually. In addition, if the City required these employees to pay more toward prescription costs, it could save approximately \$50,000 annually. The City should also review office co-pays, annual deductibles for out-of-network services, out-of-pocket maximums, and dental health care as ways to further control costs.

Furthermore, in conjunction with its unions and the non-bargaining group, the City should encourage the renewal of the health care committee. The committee may offer an appropriate avenue for employee consensus rather than the negotiation process. Such a process is recommended by the GFOA and has been adopted by two of the three peers.

Lastly, the City should carefully assess the level of benefits which it is willing to provide in relation to the costs required to provide those benefits. Two such benefits are sick leave paid out at retirement and annual longevity payments. Reducing sick leave paid out at retirement to 480 hours could produce a savings of \$215,000 annually. Longevity payments reduced to \$90 per year of service could produce savings of \$157,000 annually.

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# Police

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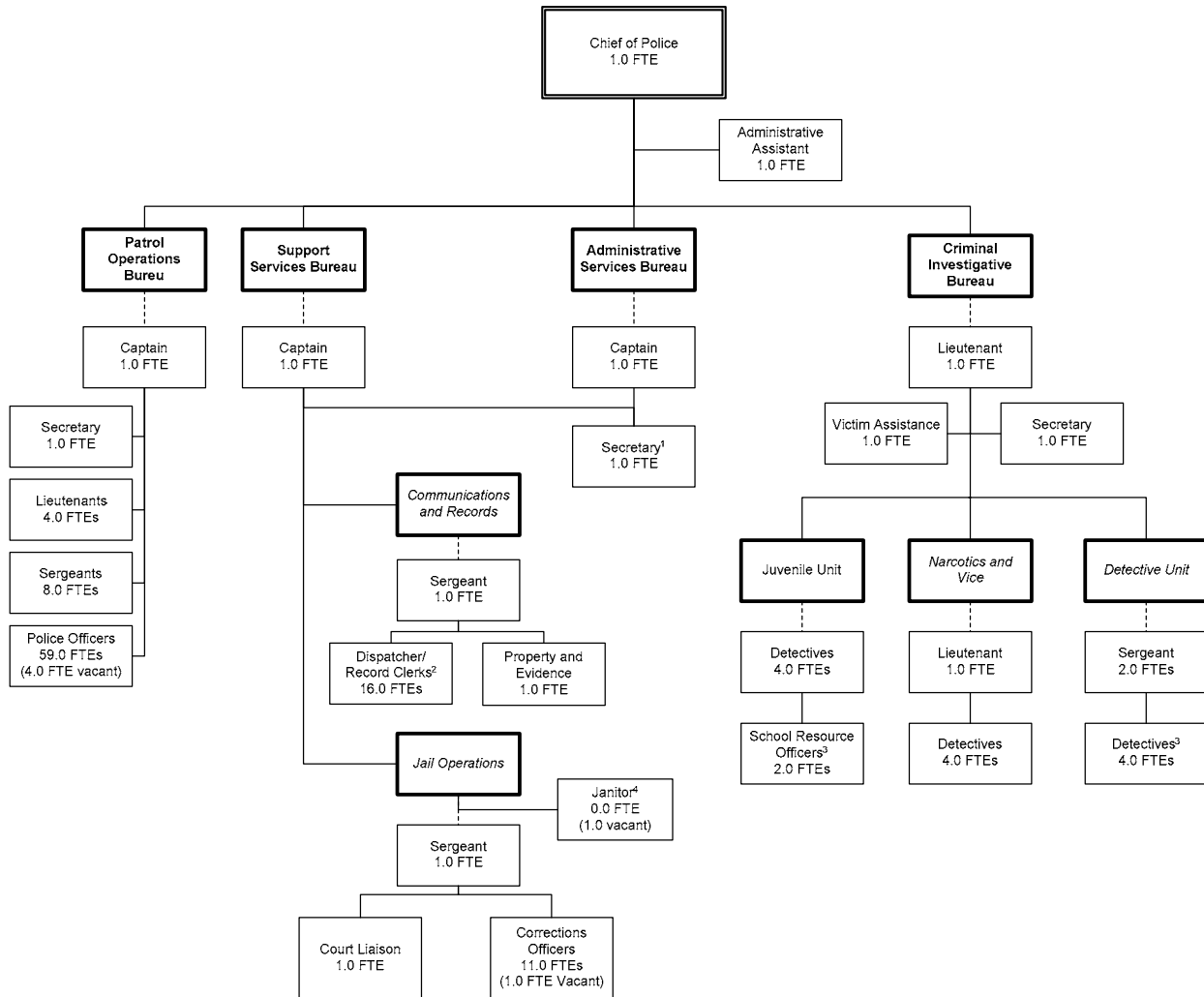
## Background

This section of the report reviews aspects of the Lorain Police Department (LPD) operations. The analysis contained in this section includes selected comparisons with the peer police department operations of the cities of Elyria, Hamilton and Springfield. Additional comparisons are made to other sources, such as the International City/County Management Association (ICMA) Center for Performance Measurement FY 2000 Comparative Performance Measure Report.

### *Organizational Chart and Staffing*

**Chart 6-1** illustrates the organizational structure and staffing levels, by functional area, for all sworn and civilian employees at LPD. All positions are shown as full-time equivalents (FTEs). An FTE is defined as an employee that works 40 hours per week. As of November 30, 2002, LPD consisted of 129 FTEs and 6 FTE vacant positions.

**Chart 6-1: LPD Organizational Chart**



**Source:** LPD Organizational Charts

<sup>1</sup> Administrative Services Bureau and Support Services Bureau share a secretary

<sup>2</sup> Dispatcher/record clerks are classified as Telecommunication/Information Officers in LPD

<sup>3</sup> One detective is permanently assigned to auto theft and mans the crime scene unit as necessary

<sup>4</sup> The janitor position was moved out of the police expenditures to the City’s General Fund

*Organization Function*

The department strives to provide effective and efficient police service to the citizens of Lorain, consistent with the community’s needs and concerns. LPD’s primary functions are the

prevention of crime, the enforcement of laws in a fair and impartial manner, and the apprehension of those who violate the laws.

### *Summary of Operations*

LPD is comprised of four bureaus which are responsible for serving and protecting the citizens of Lorain: patrol, criminal investigations, support services, and administrative services. LPD's Patrol Bureau consists of 72 sworn officers who provide general patrol services throughout the City. Traffic Patrol (4 FTEs), Community Oriented Policing Squad (COPS) (3 FTEs), and K-9 (2 FTEs) are special units staffed with permanently assigned officers within the patrol bureau. There are special units within LPD that assign officers from the bureau on an as needed basis. These units include:

- **Special Weapons and Tactics (SWAT) Unit** uses specialized training and sophisticated weapons and special equipment useful in dealing with snipers, barricaded persons, or hostage takers.
- **Crisis Negotiations Team** provides specialized negotiating skills to resolve hostage, suicide, and sensitive situations.
- **Marine Patrol Unit** provides marine patrol to the International Port of Lorain during the summer months.
- **Underwater Recovery Unit** provides search and recovery services for drowning victims.

Additional support comes from the Police Auxiliary Unit on an as needed basis and is comprised of 55 volunteers. Auxiliary officers are required to volunteer a minimum of 8 hours per month (96 hours per year). In 2002, the unit volunteered approximately 18,000 hours of direct support for traffic control, security and zone patrol, handicap parking enforcement, and officer support during peak incident hours. Additionally, the unit is paid nine dollars per hour by the City for approximately 6,500 hours of duty, primarily during the summer months for patrolling civil problem areas of the park, boat launch ramp, and three public swimming pools.

LPD's Criminal Investigations Bureau consists of 18 sworn FTEs that perform investigations for incidents that occur in the City. The following is a list of units within the Criminal Investigations Bureau:

- **Detective/Auto Theft/Crime Scene Unit** consists of six sworn FTEs assigned to investigate adult Part I Crimes within the City. One officer is assigned to all auto thefts and mans the crime scene investigation unit.
- **Juvenile Unit** consists of six sworn FTEs assigned to perform criminal investigations involving juveniles. Two school resource officers are assigned to the unit. In addition, all juvenile detectives serve as liaisons to a number of schools to facilitate cooperation.

- **Narcotics and Special Investigations Unit** consists of five sworn FTEs assigned to investigate and combat illegal drug use, gambling, other vice crimes and all organized crime (including special assignments).
- **Victim/Witness Coordinator** is one non-sworn FTE assigned to provide support to victims of crime in the City. Duties include delivering subpoenas and administering the Ohio Crime Victim Compensation program for the Department.

The Support Services Bureau consists of five sworn officers, 27 non-sworn employees, and a secretary shared with the Administrative Services Bureau. The Support Services Bureau provides communication and administrative services to support the department. It also provides housing and transportation of prisoners. The specific units within the Support Service Bureau are as follows:

- **Dispatch/Records Unit** consists of one sergeant,,16 dispatchers who are also trained as record clerks and one sworn property and evidence officer. There are three dispatchers assigned per shift; two perform dispatcher duties and one performs the duties of a records clerk. Those assigned to records sort, copy and file court records, patrol reports and case files for the Department. They also copy reports for authorized requests from insurance companies, the courts, the public, and other agencies. Records personnel provide relief for the dispatchers as needed. The dispatchers are the first line of communication with the public and maintain responsibility for disseminating information to officers in the field, generating incident reports, and recording response times via a computer aided dispatch (CAD) console.
- **Jail Unit** consists of 11 correction officers, one court liaison officer, and a sergeant to supervise the jail operations. The facility is responsible for the intake, holding and release of prisoners. The jail operated as a full service jail until September 1998 when the Ohio Department of Rehabilitation and Corrections (ODRC) determined it did not meet the revised ODRC minimum full service jail standards. It is currently classified as a five day jail with a recommended housing capacity of 32 prisoners. Currently, two officers per day spend 8 hours transporting 25 to 30 prisoners to and from Lorain County Jail for housing and court appearances.

The Administrative Services Bureau consists of one sworn officer who shares a secretary with the Support Services Bureau. The Administrative Bureau is responsible for policy and procedures, budgeting, and purchasing for the Department.

Employees of LPD are represented by the following collective bargaining agreements:

- Sworn officers, excluding the chief of police and senior captain, are represented by the Police Officers Contract with the Fraternal Order of Police (FOP), Lodge No. 3;



- Corrections officers and Telecommunications/Information (T/I) officers are civilians represented by agreements with the Ohio Patrolmen's Benevolent Association (OPBA); and
- Administrative personnel in LPD are represented by the City Worker's Agreement with the United Steelworkers Association, local 6621.

The vehicles for LPD are maintained by the City's street department. LPD's fleet has 112 vehicles, consisting of 34 unmarked and 78 marked vehicles. The narcotics unit funds the purchase of, or takes possession of, vehicles through forfeiture statutes as a result of narcotics investigations. Sixteen of the unmarked vehicles in LPD's fleet were obtained as a result of forfeitures. LPD also provides the Lorain Auxiliary Police Unit with 10 of the 78 marked vehicles.

### *Staffing Levels*

**Table 6-1** shows the FY 2002 sworn and non-sworn staffing levels for LPD. Not reflected are 55 volunteer auxiliary police officers that directly support LPD with crowd and traffic control for city functions, emergencies, and construction on an as needed basis.

**Table 6-1: 2002 Lorain Police Department Staffing Levels**

	Budgeted FTEs	Actual FTEs	Vacancies
Sworn Police Officers			
Chief	1.0	1.0	0.0
Captain	3.0	3.0	0.0
Lieutenant	6.0	6.0	0.0
Sergeant	12.0	12.0	0.0
Police Officer	79.0	75.0 <sup>1</sup>	4.0
<b>Total Sworn Police Officers</b>	<b>101.0</b>	<b>97.0</b>	<b>4.0</b>
Civilian Personnel			
Dispatchers/Records Clerks	16.0	16.0	0.0
Corrections Officers	12.0	11.0	1.0
Victim Assistance	1.0	1.0	0.0
Administrative Assistant	1.0	1.0	0.0
Secretary	3.0	3.0	0.0
Janitor	1.0	0.0	1.0
<b>Total Non Sworn Personnel</b>	<b>34.0</b>	<b>32.0</b>	<b>2.0</b>
<b>Total Police Department Positions</b>	<b>135</b>	<b>129.0</b>	<b>6.0</b>

Source: LPD Personnel Master File and LPD

<sup>1</sup> 52.0 (FTEs) patrol officers, 4.0 (FTEs) Traffic officers, 3.0 (FTEs) COPS officers, 1.0 (FTEs) property and evidence officer, 12.0 (FTEs) detectives, 2.0 (FTEs) school resource officers and 1.0 (FTEs) court liaison

In 2002, LPD budgeted for 101 sworn police officer positions and 34 non sworn positions, as shown in **Table 6-1**. Due to the City's budget constraints, the Department has not replaced some officers who have resigned or retired and was staffed at 97 sworn officers as of November 30, 2002. One correction officer position will be replaced when the jail returns to a full service facility. The budgeted janitor position in the jail was transferred to the City's General Fund in 2002.

### *Police Revenues*

Operating revenues for LPD come from the General Fund and a Police Levy Fund resulting from a 0.25 percent per annum addition to the City's municipal income tax. The income tax became effective July 1, 1992 pursuant to City of Lorain Ordinance number 22-92 and generated approximately \$2.4 million in revenue for police in FY2002. The funds generated by the police levy are designated for the purpose of hiring new personnel, including salaries, benefits, training

and equipment. Excess funds are to be transferred to a special capital fund for police use only as determined by city council.

The benchmark for police personnel paid out of the General Fund was set at 90 officers in 1995 by a settlement and release agreement between the Fraternal Order of Police (F.O.P.) Lorain Lodge No.3 and the City. The salaries, benefits and other operating costs for the 90 officers were agreed to be paid by the General Fund.

### *Police Expenditures*

The General Fund, Police Levy Fund and Police Special Revenue Fund were combined in **Table 6-2** in order to present FY 2001 and FY 2002 actual expenditures, and the FY 2003 budget for LPD.

**Table 6-2: LPD Operating Expenditures FY2001-FY2003**

Organizational Code Description	FY 2001 Actual	FY 2002 Actual	% Change FY 2001 to FY 2002	FY 2003 Budgeted	% Change FY 2002 to FY 2003
<b>Police Expenditures Personal Services</b>					
Salaries	\$4,729,792	\$4,709,874	(0.4%)	\$4,575,749	(2.8%)
Overtime	\$450,322	\$450,239	0.0%	\$373,000	(17.2%)
Compensatory time	\$399,024	\$368,914	(7.5%)	\$360,000	(2.4%)
Fringe Benefits <sup>1</sup>	\$1,061,123	\$1,120,103	5.6%	\$1,074,199	(4.1%)
Police and Fire Pension	\$918,261	\$810,302	(11.8%)	\$775,751	(4.3%)
Auxiliary	\$73,681	46,113	(37.4%)	47,000	1.9%
<b>Total Police Expenditures</b>	<b>\$7,632,203</b>	<b>\$7,505,545</b>	<b>(1.7%)</b>	<b>\$7,205,699</b>	<b>(4.0%)</b>
<b>Civilian Personal Expenditures</b>					
Salaries	\$1,028,468	\$1,099,599	6.9%	\$1,004,474	(8.7%)
Overtime	\$66,586	\$48,161	(27.7%)	\$36,250	(24.7%)
Compensatory Time	\$18,934	\$8,440	(55.4%)	\$7,650	(9.4%)
Fringe Benefits <sup>1</sup>	\$322,317	\$438,553	36.1%	\$474,242	8.1%
<b>Total Civilian Expenditures</b>	<b>\$1,436,305</b>	<b>\$1,594,753</b>	<b>11.0%</b>	<b>\$1,522,616</b>	<b>(4.5%)</b>
<b>Other Operating Expenses</b>					
Total Contractual Services	\$528,374	\$278,409	(47.3%)	\$320,625	15.2%
Total Material and Supplies	\$447,190	\$416,023	(7.0%)	\$454,424	9.2%
Total Capital Outlay	\$288,301	\$546,684	89.6%	\$242,000	(55.7%)
Debt Service	\$0	\$187,210	N/A	\$256,503	37.0%
Other Operating Expense	\$58,358	\$18,371	(68.5%)	\$62,700	241.3%
Refunds	\$29,263	\$51,737	76.8%	\$50,000	(3.4%)
<b>Total Other Expenditures</b>	<b>\$1,351,486</b>	<b>\$1,498,434</b>	<b>10.9%</b>	<b>\$1,386,252</b>	<b>(7.5%)</b>
<b>Total All Expenditures<sup>2</sup></b>	<b>\$10,419,994</b>	<b>\$10,598,732</b>	<b>1.7%</b>	<b>\$10,114,567</b>	<b>(4.6%)</b>
<b>Expenditures By Fund</b>					
<b>Total General Fund</b>	7,765,364	7,409,984	(4.5%)	7,586,847	2.4%
<b>Total Police Levy Fund</b>	2,299,571	2,592,528	(2.3%)	2,371,821	(14.0%)
<b>Total Special Revenue Fund</b>	355,061	596,279	68.0%	155,899	(73.9%)

Source: City of Lorain 2002 Expenditure Budget

<sup>1</sup> Fringe Benefits include Retirement, Medicare, P.E.R.S., Workers Compensation, Hospitalization, Unemployment, Clothing, and Employee Life Insurance.

<sup>2</sup> Includes all expenditures from LPD's general, police levy and police special revenue funds except fund transfers

**Table 6-2** illustrates variances in the following expenditure categories:

### *Police*

**Salaries:** Salary increases in 2002 were offset by a reduction of four officer FTEs through retirement or resignation, which resulted in a slight decrease in salary expenses. Wage increases for 2003 are frozen.

**Overtime and compensatory time:** By requiring report writing during duty hours, limiting administrative overtime, and limiting marine and K-9 unit overtime, overtime and compensatory time are budgeted to decrease in 2003.

**Police and Fire Pension:** Decreases 2002 and 2003 reflect retirements and reductions in staffing.

**Auxiliary Police:** In 2001, the auxiliary staff worked in the jail. However, in 2002, no auxiliary staff was hired to work in the jail, which contributed to the decrease in expenditures in 2002. The City anticipates a similar number of hours paid to the auxiliary police in 2003.

### *Civilian*

**Salaries:** Civilian salary expenditures are budgeted to decrease in 2003 due to the City laying off two corrections officers.

**Overtime and compensatory time/civilian:** In 2002, LPD reduced the required minimum corrections staff on shift from three to two in the jail. As a result, LPD had to cover and provide back-up for one less position, which subsequently reduced overtime expenditures to cover minimum required staffing levels in the jail. In 2003, LPD is implementing additional strategies to reduce overtime and compensatory time.

**Fringe Benefits:** Increases in hospitalization costs contributed to the overall increase in benefits in 2002.

### *Other Operating Expenses*

**Contractual Services:** The reduction in contractual services in 2002 is attributed to lowered jail costs by operating a five day jail rather than a full-service jail. The increase in contractual costs in 2003 is due primarily to the maintenance agreement for the new fingerprint machine and additional jail service costs if it again operates as a full service facility.

**Materials and Supplies:** In 2002, ammunition was not purchased and firearms qualification training was cancelled to reduce costs. In 2003, LPD budgeted for the increased cost of petroleum, and will purchase ammunition for firearms training.

**Capital Outlay:** In 2002, LPD purchased two vehicles and 50 mobile data terminals.

**Debt Service:** In 2002, the City began paying debt service on the safety/service bonds for the planned jail and police facility renovations, according to the bond debt schedule.

**Other Operating Expense:** In 2002, training was not scheduled to reduce costs. In 2003, the training schedule is being reinstated to maintain personnel certifications.

As of December 31, 2002 the police levy fund was operating with an unencumbered deficit of \$28,446, while the Police Special Revenue Fund had a positive unencumbered balance of \$259,130.

### *Analysis Not Yielding Recommendations*

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

- *Sick leave:* The average number of sick leave hours per employee at LPD in 2001 and 2002 was comparable to the peers.
- *Overtime:* LPD has implemented effective strategies to reduce overtime, as indicated by a reduction in overtime hours of 25 percent from 2000 to 2002. According to the chief, this decrease represents improved accountability measures, such as holding supervisors responsible for overtime approval, reviewing daily reports by management, and creating a patrol plan as a guideline for supervisors to follow. In 2003, the Department has discussed additional strategies to reduce overtime use with City administration including requiring reports be typed on normal shifts, limiting administrative overtime, limiting overtime for specialized units (marine and K-9), and requesting the court to subpoena only one officer per court case. Nonetheless, LPD could improve the tracking of overtime information (see F6.4).
- *Grants:* LPD has been successful in attaining grants to target the department's needs. LPD's two year average grant funding for 2001 and 2002 is 57 percent above the peer average. The two year average per 1,000 citizens is also 39 percent higher than the peer average. The Department received over \$400,000 in 2001 to purchase and install Mobile Data Terminals in 50 patrol cars, which should increase the efficiency and communication capabilities of its patrol officers.

*Performance Measures*

The following is a list of performance measures used to analyze the City of Lorain's Police Department (LPD) operations:

- Assess current staffing levels and vacant positions;
- Review the use of overtime and compensatory time;
- Identify and assess key issues of collective bargaining agreements;
- Assess vehicle use and maintenance;
- Assess jail operations;
- Assess dispatch operations; and
- Evaluate potential areas of revenue generation.

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## Findings and Recommendations

### *Technology*

F6.1 LPD could more efficiently use its computer system to compile accurate crime statistics, which would help to effectively manage the Department and monitor performance. The case management and incident reporting software have not been synchronized to report specific crimes by the Uniform Crime Reporting (UCR) definitions, resulting in inconsistent and potentially inaccurate data. For example, several clearance statistics were provided to AOS that could not be supported by the Department's case management software. Furthermore, inconsistencies, although minor, in the number of crimes reported were present in two reports provided to AOS. LPD manually tabulates its crime statistics which takes two to three months at the end of each year and may naturally be more susceptible to error. Additionally, the Department purchased crime mapping software which relies heavily on accurate crime statistics for trend analyses to help in solving crimes and assigning officers. Without a synchronized database, the reports generated will be inaccurate. Additional examples of insufficient technology use include the following:

- Overtime, sick leave, and compensatory time are not tracked to easily determine specific reasons for such leave (see **F6.4**).
- Although all detectives have been trained to use the Department's crime mapping software, it has not been consistently used for analysis of crimes that could improve clearance rates and ensure effective officer assignments (see **F6.3**). Additionally, the Unit does not consistently track cases using the case management software, leading to incomplete data.

Technology underutilization may be attributed to an insufficient amount of training and inconsistent resources devoted to technology usage. Although the current technology system has been in place for over a year, lieutenants have only recently received training by the City's MIS administrator to extract data and crime statistics from the computer system. Furthermore, no one has been assigned to consistently perform crime mapping analysis. Although the City's MIS Director provides support, LPD has no resources devoted to using current technology to monitor the Department's performance. The City recently spent over \$500,000 (\$400,000 in grant funding and \$100,000 from the special revenue fund) on Mobile Data Terminals (MDT) to increase the efficiency of patrol officers and allow them to complete reports in the field. However, without a synchronized database, reports completed from the MDTs will not be fully accurate. The police chief stated that the Department needs improvement in developing reports to



manage operations and has expressed interest in improving the Department's ability to use technology.

The peers use the same case management and incident reporting software as LPD, but were able to produce statistics for this audit with relative ease. Springfield and Elyria have staff that is dedicated to monitoring and maintaining the integrity of their databases and generating reports for management. Both Cities report crimes to the FBI using computer generated reports that have been audited for accuracy throughout the year. Springfield has developed AS400 software queries to search for inaccuracies in reports and audits its case management database monthly. Additionally, Elyria uses its computer system to track staff productivity. Twice a year, Elyria reviews officers' performance by using the following data: number of incident reports, calls for service, felony arrests, misdemeanor arrests, traffic citations written, misdemeanor citations written, and sick time used. Elyria has set a standard that each officer should be within 80 percent of the departmental average for the indicators. Lorain tracks similar data, but has not established formal benchmarks defining satisfactory performance. By not fully using technology, LPD may be limiting its ability to manage operations, measure performance, and assign staff appropriately.

**R6.1** LPD should fully use its current technology systems by providing periodic training to staff. Due to the City's employment of an MIS administrator and the Department's past use of this individual for training, LPD would not incur additional costs to train personnel in system capabilities. In addition, LPD should work with the MIS administrator to synchronize the case management and incident reporting software to allow accurate reporting of crime statistics and avoid the need to manually compile data. This should also allow LPD to have additional staff time dedicated to consistently monitor and maintain databases and generate appropriate management reports. Fully using technology can improve the Department's overall operations through the production of accurate workload measures that can be used to determine productivity and needed staffing levels. Furthermore, fully using technology would ensure that reports compiled using the MDTs are accurate and reliable, and thereby allow officers to increase efficiency by allowing reporting to be done in the field. Finally, LPD should establish formal standards to effectively measure staff performance.

### *Sworn Officer Staffing*

F6.2 Although LPD allocates fewer sworn officers per 1,000 residents and per square mile, it appears to be adequately staffed based on calls for service, number of crimes and response times. **Table 6-3** presents staffing levels of sworn officer as of November 30, 2002.

**Table 6-3: Comparison of Sworn Officer Staffing Levels**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
Chief	1.0	1.0	1.0	1.0	1.0
Captain	3.0	3.0	2.0	3.0	2.7
Lieutenant	6.0	6.0	6.0	6.0	6.0
Sergeant	12.0	11.0	12.0	17.0	13.3
Police Officers	71.0	72.0	80.0	93.0	81.7
Traffic Enforcement Officer	4.0	N/A <sup>1</sup>	14.0	8.0	11.0
<b>Total Sworn Police Officers</b>	<b>97.0</b>	<b>93.0</b>	<b>115.0</b>	<b>128.0</b>	<b>112.0</b>
<b>Total Rank Officers</b>	<b>22.0</b>	<b>21.0</b>	<b>21.0</b>	<b>27.0</b>	<b>23.0</b>
<b>Ratio of rank officers to police officer</b>	<b>1:3.4</b>	<b>1:3.4</b>	<b>1:4.5</b>	<b>1:3.7</b>	<b>1:3.9</b>
<b>Total calls for service (2002)</b>	<b>45,367</b>	<b>38,994</b>	<b>72,874</b>	<b>70,059</b>	<b>60,642</b>
<b>Total calls for service per sworn officer</b>	<b>468</b>	<b>419</b>	<b>634</b>	<b>547</b>	<b>533</b>
<b>Total city square miles</b>	<b>24.3</b>	<b>19.9</b>	<b>22.1</b>	<b>22.5</b>	<b>21.5</b>
<b>Total sworn officers per square mile</b>	<b>4.0</b>	<b>4.7</b>	<b>5.2</b>	<b>5.7</b>	<b>5.2</b>
<b>Population</b>	<b>68,652</b>	<b>55,953</b>	<b>60,690</b>	<b>65,358</b>	<b>60,667</b>
<b>Total sworn officers per 1,000 citizens</b>	<b>1.4</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>1.8</b>
<b>Total calls for service per 1,000 citizens</b>	<b>661</b>	<b>697</b>	<b>1,201</b>	<b>1,072</b>	<b>990</b>

Source: Organizational charts and interviews with LPD and peers

Note: See F6.7 for jail staffing and F6.8 for dispatch staffing analysis

<sup>1</sup>Elyria does not have permanently assigned traffic enforcement officers.

Table 6-3 indicates that LPD's number of sworn officers per square mile and per 1,000 citizens is 23 percent and 22 percent lower than the peer average, respectively. However, the Department is responding to 12 percent fewer calls for service per FTE than the peer average. LPD also uses auxiliary personnel in direct support for traffic control, security, zone patrol, handicap parking enforcement, and officer support during peak incident hours (see **Background** section). In addition, Table 6-3 shows that Hamilton and Springfield have more traffic enforcement officers than LPD (see F6.10).

Part I crimes comprise seven offenses that are categorized as violent or property crimes. The FBI tabulates the total number of Part I crimes committed in a city to calculate the related crime indexes and publishes these statistics in the Uniform Crime Report (UCR). Table 6-4 compares LPD Part I crime statistics to the peers for FY 2002.

**Table 6-4: FY 2002 City of Lorain and Peer Comparison of Crimes**

Part I Crimes	Lorain		Elyria		Hamilton		Springfield		Peer Average	
	Reported	Actual	Reported	Actual	Reported	Actual	Reported	Actual	Reported	Actual
Criminal homicide	2	2	1	1	4	4	7	7	4	4
Forcible rape	18	16	39	36	91	76	86	82	72	65
Robbery	109	103	59	59	205	200	290	287	185	182
Assaults	146	106	62	62	312	309	2,801	2,780	1,058	1,050
Burglary	787	722	556	554	1,132	1,117	1,638	1,622	1,109	1,098
Thefts	1,746	1,646	1,936	1,933	3,428	3,095	4,471	4,426	3,278	3,151
Motor vehicle thefts	113	98	117	117	497	439	605	593	406	383
<b>Total crimes</b>	<b>2,921</b>	<b>2,693</b>	<b>2,770</b>	<b>2,762</b>	<b>5,669</b>	<b>5,240</b>	<b>9,898</b>	<b>9,797</b>	<b>6,112</b>	<b>5,933</b>
<b>Part I Crime Supervisors</b>	1.3		2.4		1.6		3.0		2.3	
<b>Total Part I detectives</b>	9.7		7.6		13.2		12.0		10.9	
<b>Part I supervisors to detectives</b>	1:7		1:3		1:8		1:4		1:5	
<b>Part I Crimes per detective</b>	301	278	364	363	429	397	825	816	561	544
<b>Total crimes per sworn officer</b>	30	28	30	30	49	46	77	77	55	53
<b>Crimes per 1,000 citizens</b>	43	39	50	49	93	86	151	150	100	98

Source: UCR Part I Crime statistics data provided by LPD and the peers

**Table 6-4** illustrates that the detectives (see **F6.3**) and sworn officers at LPD are handling and responding to the lowest number of crimes per FTE of the peers. However, the number of crimes reported by LPD may not be fully accurate and reliable because they are compiled manually, and the case management and incident reporting software have not been synchronized (see **F6.1**). In addition, fully using technology for crime mapping would ensure officers are adequately assigned to the different segments of the City (see **F6.1**). Moreover, LPD has MDT capabilities that could make operations more efficient by providing silent dispatching and allowing officers to complete reports in the field (see **F6.9**). Silent dispatching allows officers to communicate directly with each other in the field without having to use the dispatchers. Nonetheless, LPD's response times are lower than the peers, as shown in **Table 6-5**.

**Table 6-5: Average Response Times in Minutes (2002)**

	LPD	Elyria	Hamilton	Springfield	Peer Average
Call to dispatch	8	8	12	11	10
Dispatch to arrival	5	7	5	5	6
Arrival to clear	21	20	27	33	27

Source: Call summary by shift reports for Lorain

As indicated in **Table 6-5**, LPD's response times are better than the peer average in 2002 in all categories, despite having a lower number of officers per square mile and per 1,000 residents. Consequently, LPD is responding to calls for service in a timely manner.

**R6.2** LPD should maintain current sworn officer staffing levels. The police chief and management staff should seek to rectify its statistical reporting issues before making any adjustments to its staffing levels for sworn officers (see **F6.1**). After the technology issues have been resolved, staffing levels should be re-assessed based on accurate and reliable workload measures (e.g., crimes). Furthermore, the Department should maximize its use of current technology (see **R6.1**), analyze overtime usage (see **R6.4**), and continue to use auxiliary personnel to divert non-sworn duties from sworn staff.

### *Police Operations*

F6.3 Although the detectives have a much lower workload than the peers (see **F6.2**), LPD clearance rates have decreased over a three year period. Low clearance rates could be attributed to a decrease in cases assigned to detectives for investigation, inadequate use of case management software, rotating of patrol assignments, and inconsistent interaction with the Detective Unit. According to the FBI national UCR program, the clearance of UCR crimes occurs when at least one person is arrested, charged with the commission of the offense, and turned over to the court for prosecution. UCR crimes can also be cleared by exceptional means when an offender's identity and location are known; there is enough evidence to arrest, charge, and assign the offender to court for prosecution; and circumstances outside of the control of law enforcement prohibit the agency from arresting, charging, and prosecuting an offender.

**Table 6-6** displays Part I crimes in the City from FY 2000 through FY 2002.

**Table 6-6: City of Lorain Summary of Crime Statistics**

Part I Crimes	2000			2001			2002		
	Actual	Cleared	Percent <sup>1</sup> Cleared	Actual	Cleared	Percent <sup>1</sup> Cleared	Actual	Cleared	Percent <sup>1</sup> Cleared
Criminal homicide	0	N/A	N/A	1	0	0%	2	0	0%
Forcible rape	26	19	54%	22	9	36%	16	8	44%
Robbery	94	20	21%	105	40	37%	103	22	20%
Assaults	159	111	69%	151	105	69%	106	79	54%
Burglary	573	62	11%	626	54	9%	722	51	6%
Thefts/Larceny	1,498	241	16%	1,536	231	15%	1,646	156	9%
Motor vehicle thefts	140	37	22%	149	30	17%	98	12	11%
<b>Total number of crimes</b>	2,490	490	20%	2,590	469	18%	2,693	328	12%
<b>Total sworn officers</b>	107			101			97		
<b>Total crimes per sworn officers</b>	23			26			28		
<b>Total crimes cleared per sworn officer</b>	5			5			3		
<b>Total number of Part I detectives</b>	11.4			9.7			9.7		
<b>Total crimes per part I detective</b>	218			267			278		
<b>Total crimes cleared per Part I detective</b>	43			48			34		
<b>Total number of juvenile arrests</b>	558			765			686		
<b>Total number of adult arrests</b>	3,223			3,150			3,984		

Source: LPD UCR statistics and staffing provided by LPD

<sup>1</sup> Percent cleared was calculated by dividing the total cleared crimes by the total reported crimes

As shown in **Table 6-6**, adult arrest increased from 2001 to 2002 even though the number of sworn officers decreased during the same time. Although the number of crimes per sworn officer and detective increased over the three year period, LPD handled the lowest number of crimes per sworn officer and detective of the peers in 2002 (see **F6.2**). **Table 6-6** also shows that clearance rates have decreased from 20 percent in 2000 to 12 percent in 2002, which may be attributed to the decrease in cases assigned to the Detective Unit for investigation. **Table 6-7** depicts the assignment of cases to the Detective Unit over a three year span.

**Table 6-7: LPD's Number of Part I Crimes Assigned to Detectives in Lorain**

	2000	2001	% Change 2000-2001	2002	% Change 2001-2002	Three Year Average
<b>Reported Part I Crimes</b>	2,546	2,630	3.3%	2,921	11.1%	2,699
<b>Number of crimes assigned</b>	712	642	(9.9%)	395	(38.5%)	583
<b>Percent of reported crimes assigned</b>	28%	24%	(14.3%)	14%	(42%)	22%

**Source:** UCR Part I Crime data provided by LPD and case assignment tables provided by LPD Detective Unit

From 2001 to 2002, 38.5 percent fewer Part I crimes were assigned to detectives, while detective staffing remained relatively stable and the number of Part I crimes steadily increased. In addition, the Department purchased automated fingerprint equipment that should provide more immediate evidence to assist in timelier investigations.

Table 6-8 compares clearance rates at LPD to peers.

**Table 6-8: FY 2002 LPD and Peer Comparison of Clearance Rates**

Part I Crimes	Lorain		Elyria		Hamilton		Springfield		Peer Average	
	Cleared	Percent Cleared	Cleared	Percent Cleared	Cleared	Percent Cleared	Cleared	Percent Cleared	Cleared	Percent Cleared
Criminal homicide	0	N/A	1	100%	3	75%	6	86%	3	87%
Forcible rape	8	44%	15	38%	11	12%	46	53%	24	34%
Robbery	22	20%	27	46%	40	20%	88	30%	52	32%
Assaults	79	54%	48	77%	99	32%	1,332	48%	493	52%
Burglary	51	6%	81	15%	75	7%	209	13%	122	12%
Thefts	156	9%	381	20%	451	13%	716	16%	516	16%
Motor vehicles thefts	12	11%	21	18%	15	3%	45	9%	27	10%
<b>Total crimes cleared</b>	328	11%	574	21%	694	12%	2,442	25%	1,237	19%
<b>Total Part I Crimes assigned</b>	395		443		3,403		3,820		2,555	
<b>Percent of Part I Crimes assigned</b>	14%		16%		60%		39%		42%	
<b>Total Part I Crimes assigned per detective</b>	41		58		258		318		214	
<b>Total crimes cleared per detective</b>	34		76		53		152		94	
<b>Total crimes cleared per Part I FTEs</b>	30		57		48		204		103	
<b>Total crimes cleared per sworn officer</b>	3		6		6		19		10	
<b>Crimes cleared per 1,000 citizens</b>	5		11		11		37		20	

Source: UCR Part I crime statistics data provided by LPD and the peers

Table 6-8 shows that LPD is below the peer average in clearing Part I Crimes in all areas excluding forcible rape, assaults, and motor vehicle thefts. The Department's percent of Part I crimes cleared is 42 percent below the peer average which may be attributed to the low number of Part I Crimes assigned. As shown above, LPD assigned and cleared the lowest number of crimes per detective.

According to *Does Your Government Measure Up?*, a police department's clearance rate should be equal to or higher than the average of the clearance rates for departments in the same geographic area. However, LPD's clearance rate is significantly less than Elyria's. According to the International City/County Management Association (ICMA), jurisdictions below 100,000 residents have an average of 6.2 total Part I Crimes cleared

per sworn officer. However, LPD is only clearing 3 crimes per sworn officer while the peers meet or exceed the ICMA average.

In addition to decreasing case assignments to detectives, inadequate use of case management software could impact clearance rates. Although case management software allows for the tracking of case assignments, case disposition and crime totals, the Detective Unit manually completes these activities and does not update cases in the software. LPD personnel note that the case management software is underused and may not be fully accurate and reliable, due to database integrity issues and inadequate use of technology (see **F6.1**). As a result, the clearance rates compiled by LPD may not be fully accurate. For instance, at the end of this engagement, LPD conducted a review of cases initiated in January 2003 and identified a number of them that met the clearance definition, but had not been updated and cleared in the computer system. However, LPD could not provide more reliable and accurate clearance rates prior to completion of this performance audit, which is attributed to the time involved in reviewing current and historical case data, and its inadequate use of technology (see **R6.1**). As stated previously, LPD purchased crime mapping software over a year ago, but does not fully use it to consistently analyze crimes (see **F6.1**). In contrast, Springfield has assigned crime analysis to an officer in internal affairs. Through crime analysis, Springfield has been able to identify and combat problem areas within its city, thereby allowing for the reallocation of staffing to needed areas. This analysis is shared with all officers.

The National Institute for Justice (NIJ) states that crime mapping focuses on where crimes happen rather than on the offenders that commit them. Crime mapping linked with computer aided dispatch and report management software allows a department to analyze patterns, problems, and operations. Geographic and chronologic crime patterns assist in identifying possible suspects and predict criminal activity by time of day. Operations analysis is used to allocate resources, assess workloads, design more efficient schedules, and realign police boundaries. Consequently, officers are in a better position to respond to calls for service and neighborhood concerns in a more timely and effective manner.

LPD does not assign officers on a temporary basis to its Detective Unit. However, Elyria assigns one patrol officer to its detective unit every two weeks to assist detectives on cases in progress. Usually, the patrol officer is assigned a lesser crime to investigate, such as vandalism (not a Part I crime), to introduce them to the investigative process. Elyria has stated that through this process, officers' initial reports of crime scenes were more thorough and accurate. Communication and cooperation between the patrol officers who have participated in the program was also improved.

LPD officers last received evidence technician training in March 2000, while detectives and road supervisors attended "Death Investigation/Crime Scene" class in February 2003. According to a captain at LPD, the Department has been without a training coordinator,



due to an unexpected retirement, for a year and training has been reduced due to budgetary constraints. Elyria, however, completed evidence technician training for all patrol officers in 2002 and continues to provide this training on an ongoing basis (e.g., fingerprinting, photography, and evidence preservation). The training is provided by their evidence collection technicians and the County's evidence technician. According to Elyria, this has broadened the perspective of patrol officers on the investigative process. Moreover, while LPD tries to assign officers to permanent zones, officers currently rotate patrol assignments and each shift supervisor is responsible for assigning officers to specific zones. In contrast, Elyria permanently assigns patrol officers to zones to foster community involvement, which has contributed to the overall communication and cooperation between detectives and patrol officers. By permanently assigning officers to zones within the City, periodically assigning officers to the Detective Unit, and providing evidence technician training, LPD may be able to increase its clearance rates and help deter crime in the City.

**R6.3** LPD should consider implementing the following strategies to improve its crime clearance rate:

- Routinely review cases and monitor reports and data in the computer system, as well as effectively use technology (see **R6.1**) to ensure cases are appropriately cleared and clearance rates are reported accurately;
- Assign more cases to detectives to ensure they are fully investigated and staffing resources are being fully maximized;
- Use current technology, including crime mapping (see **R6.1**), to analyze crimes and subsequently reallocate staffing resources where appropriate;
- Provide patrol officers with evidence technician training;
- Assign patrol officers on a temporary and rotating basis to the Detective Unit to improve overall communication and encourage a more supportive work environment; and
- Permanently assign officers to specific zones in the City to ensure officers possess a strong familiarity with each segment of the community and further foster community involvement.

### *Overtime Usage*

F6.4 While LPD has implemented effective strategies to reduce overtime, overtime and compensatory time earned are well above the peer average, which could be attributed to collective bargaining provisions. **Table 6-9** compares overtime and compensatory hours earned and costs incurred by LPD and the peers for FY 2002.

**Table 6-9: FY 2002 Overtime Hours Earned and Expenditures**

	Lorain		Elyria		Hamilton		Springfield		Peer Average	
	Hours	Pay-Out	Hours	Pay-Out	Hours	Pay-Out	Hours	Pay-Out	Hours	Pay-Out
<b>Overtime Earned</b>	15,764	\$329,567	23,107	\$517,726	10,298	\$243,249	19,166 <sup>2</sup>	\$471,18		
<b>Compensatory time earned</b>	17,908	\$377,330	17,742	\$225,609	4,217	97,861	N/A	N/A		
<b>Total earned</b>	33,672	\$706,897	40,849	\$743,336	14,515	\$341,110	19,166	\$471,168	24,843	\$480,143
<b>FTEs <sup>1</sup></b>	139		143		146		137		142	
<b>Average overtime and compensatory per FTE</b>	242	5,086	286	\$5,198	99	\$2,336	140	\$3,439	175	\$3,381

Source: Information provided by LPD and peers

<sup>1</sup> Includes staff employed throughout 2002.

<sup>2</sup> Springfield reported overtime and compensatory time earned together

**Table 6-9** shows that LPD's average overtime and compensatory time earned per employee is significantly higher than Hamilton and Springfield. However, LPD does not track overtime by specific category, even though the computer software has this capability with minor modifications. As a result, management cannot identify whether overtime earned is duty related or impacted by contractual provisions. Current contractual provisions which appear excessive and could contribute to excessive overtime include the physical fitness incentive (see **F6.5**) and corrections officers automatically earning a half-hour in overtime during a regular workday (see **F6.5**).

In contrast, the peers report overtime and compensatory time earned for off-duty court appearances and in varying detail for other categories. Hamilton's report of overtime usage is detailed by numerous reasons, such as administration, court time, call-in, dispatch shortage, extended workday, committee meetings, investigation, patrol shortage, and DARE program. According to Lorain's information system manager, a field can be programmed in LPD's current database to allow LPD to categorize overtime and compensatory time.

To manage overtime, *Police Overtime: An Examination of Key Issues* published by the National Institute of Justice (NIJ) indicates that a police department must be able to justify expenditures in terms of the work performed, to anticipate the rate and amount of payouts, and to explain why overtime had to be paid to particular individuals and units. According to NIJ, the following records must be kept current in order to accurately and effectively analyze overtime costs:

- A police department's total obligations and payments for overtime (paid and unpaid);
- Obligations and expenditures for overtime by individual officers and units (e.g., Patrol Unit);
- The uses of overtime (e.g., holdovers or shift extensions);

- Circumstances of overtime use (where, when, and under what circumstances); and
- Sources of overtime payment (e.g., federal government).

NIJ states that overtime can be successfully controlled through a combination of analysis, recordkeeping, management, and supervision. Police managers should analyze overtime in terms of work done on paid overtime and on unpaid, or compensatory, overtime. Additionally, NIJ states that some cities regularly report all forms of overtime to city councils.

The failure to track overtime by specific reason inhibits LPD's ability to effectively manage overtime and implement strategies to minimize overtime costs. For instance, excessive duty-related overtime may indicate the need for additional staff, while excessive contractual time earned identifies areas for discussion during future labor negotiations.

**R6.4** LPD should work with the City's information systems manager to program the current database to allow overtime to be easily tracked by specific categories. Statistics and narratives should be analyzed to determine payment obligations, reasons for overtime accrual, and source of overtime payments. The information can also be used to facilitate the cost-benefit analysis between incurring overtime expenses and increasing the number of staff. Furthermore, Department overtime hours and associated costs should be tracked, updated and disseminated to supervisory staff at least every two weeks. This will allow supervisors who are responsible for approving staff overtime to monitor and assess overtime usage by their direct reports. By tracking overtime by specific categories, LPD would be able to implement strategies to minimize the impact of specific operational issues on overtime. Moreover, LPD would have detailed information concerning the impact of various contractual issues on overtime, thus providing valuable support for potential changes in collective bargaining agreements in future negotiations.

### *Collective Bargaining Issues*

F6.5 There are currently three labor agreements under which LPD operates. However, this section of the report will focus on those which govern the majority of LPD's employees. While there are some variations between the contracts, those governing the police dispatchers and corrections officers are similar to those governing the patrol officers. Therefore, provisions of the contract for the Fraternal Order of Police, Lodge No. 3, representing LPD's police officers, are presented in **Table 6-10**.

**Table 6-10: Comparison of Labor Agreements for Lorain and the Peers**

	<b>Lorain</b>	<b>Elyria</b>	<b>Hamilton</b>	<b>Springfield</b>
<b>Fitness Incentive</b>	Fitness testing conducted quarterly: 39 hours (3 hours for each week in quarter) of compensatory or regular time per quarter after passing a voluntary fitness test	None noted	Annual Preferential Pay: \$100 will be paid to members who can run 1.5 miles in less than 15:31 minutes  An additional \$125 will be paid to members who can run 1.5 miles in less than 14:05 minutes	None noted
<b>Longevity</b>	One half of one percent of Class A Patrolman’s annual base salary for each year of service. Maximum of 20 years.  <b>Hires prior to February 1, 2001:</b> Begin payment on third anniversary.  <b>Hires on/after February 1, 2001:</b> Begin payment after fifth anniversary.	1% salary increase for each year completed with a maximum of 20%	<b>Hires prior to January 1, 1995: % of Salary:</b> 5-9 years: 2% 10-14 years: 4% 15-19 years: 6% 20 plus years: 8%  <b>Hires on/after January 1, 1995:</b> 5-9 years: \$725 10-14 years: \$1,450 15-19 years: \$2,175 20 plus years: \$2,900	Five years or more, longevity paid at \$95 per year of service
<b>Minimum Call-In Hours Paid</b>	Minimum of four hours, or actual time worked, whatever is greater.	Minimum of four hours, or actual time worked, whatever is greater.  Call-ins not on regularly scheduled holidays: <ul style="list-style-type: none"> <li>• 2 times basic rate for Sundays, vacation days, and legal holidays except New Year’s Day, Thanksgiving Day, and Christmas Day.</li> <li>• 3 times the basic rate for New Years Day, Thanksgiving Day, and Christmas Day</li> </ul>	Minimum of four hours or actual time worked at overtime rate	Supervisor: Minimum of two hours or actual time worked at overtime rate.  Police Officer: Minimum of three hours or actual time worked at overtime rate.
<b>Last-Call Pay</b>	Officer is paid a minimum of two hours straight pay or the actual overtime, whichever is greater after working minimum of 1/2 hour over	Overtime to nearest 1/10 <sup>th</sup> of an hour for first 30 minutes  Beyond 30 minutes, a minimum of 2 hours pay or actual overtime at 1/10 <sup>th</sup> of the hour over 2 hours	Paid for actual time worked No minimum of hours paid	Overtime for any time over 8 hours No minimum of hours paid
<b>On-Call pay</b>	Minimum 2 hours straight time in addition to the time worked	Minimum of 4 hours pay per day of status	None noted	One hour of overtime rate for each 8 hours of stand by shift period; overtime for all work performed, no minimums
<b>Field Training Officer Pay</b>	Two hours of O/T per day when assigned	None noted	None Noted	None Noted

Source: Lorain and peer bargaining agreements with police

LPD's contract terms are more generous than the peer contracts in the following areas:

- LPD's total fitness incentive is overly generous in both the frequency of fitness testing and payments (i.e., quarterly), and the number of hours earned. While Hamilton also provides a fitness incentive, its testing is annual and subsequent payment is significantly less than LPD. Elyria and Springfield do not offer a fitness incentive. At LPD, 46 officers earned the fitness incentive in FY 2002, which cost the City approximately \$122,000 in compensatory and overtime costs and equates to 2.6 FTEs. However, due to the failure to track overtime by category in an easily reportable manner, LPD is unable to determine the number of hours taken as compensatory time and overtime, and the subsequent costs incurred (see **F6.4**). Hamilton paid out a total of \$8,425 in 2002 for the 38 officers who passed its fitness test.
- The City's current longevity payment scale is more generous than peers. Longevity is calculated as a percentage of the base salary as opposed to a fixed dollar amount. Accordingly, this is a benefit that increases incrementally with every pay increase. The percentage increases advance yearly and there is no cap on the dollar amount of the total longevity payment that can be received annually. In contrast, Springfield applies a fixed dollar amount of \$95 per year, after five years of service, for longevity payments. Additionally, Hamilton has implemented a flat rate pay-out for employees hired after January 1995. **Table 6-11** displays what LPD's estimated longevity costs would be for police officers in 2003 using Hamilton's longevity scale for employees hired after January 1995.

**Table 6-11: Longevity Cost Comparison**

Years of service	2002 officers in category	LPD current cost average <sup>1</sup>	LPD average cost per category	Hamilton Longevity Schedule	Cost per category using Hamilton	Difference
5-9	36	\$1,539	\$55,404	\$725	\$26,100	\$29,304
10-14	19	\$2,639	\$50,141	\$1,450	\$27,550	\$22,591
15-19	9	\$3,738	\$33,642	\$2,175	\$19,575	\$14,067
20+	14	\$4,398	\$61,572	\$2,900	\$40,600	\$20,972
<b>Totals</b>	78	\$12,314	<b>\$200,759</b>	\$7,250	<b>\$113,825</b>	<b>\$86,934</b>

Source: Current labor agreements for Lorain and Hamilton Police

<sup>1</sup> Lorain's 2003 contractual longevity benefits were averaged for the years of service stated

As shown in **Table 6-11**, LPD could save approximately \$87,000 in longevity pay-outs by using a flat rate pay-out, similar to Hamilton.

- LPD's minimum call-in pay of four hours is higher than Springfield, which allows two hours of minimum call in pay for supervisors and three hours of minimum call in pay for police officers.
- LPD's last-call pay is significantly more generous than the peers. There is no minimum in Hamilton and Springfield does not pay overtime as a result of shift change. Hamilton pays straight overtime if necessary and Springfield staggers the patrol officers shift times by one hour to provide constant coverage during shift change.
- LPD provides a minimum of two hours for on-call pay. Hamilton does not have an on-call pay provision while Springfield provides a minimum of 1.5 hours paid for on call status.
- LPD provides two hours of overtime pay for new hires' field training. None of the peers provide field training incentives.
- Correction officers are entitled to a half-hour lunch period, but are also paid for an additional half hour in overtime without requiring any additional duty over eight hours. Based on the number of regular hours worked in 2002, Lorain paid 1,274 hours for a total of \$30,014 for this lunch incentive.

**R6.5** During future negotiations, the City should seek to renegotiate the following provisions:

- Reduce the fitness incentive to a one time monetary reward, similar to Hamilton, or discontinue the practice of offering a fitness incentive, similar to Springfield and Elyria;
- Reduce and convert the longevity schedule to fixed dollar amounts to be in line with Hamilton;
- Reduce the minimum call-in incentive to Springfield's level, which could avoid one hour of earned overtime for each occurrence not exceeding the minimum;
- Either eliminate the minimum last-call pay of overtime earned and pay straight overtime for end of shift overtime or stagger shifts so that overtime for shifts is not required, similar to Springfield;
- Either eliminate the on-call incentive or reduce it to Springfield's level;
- Eliminate two hours of overtime payments for new hires in field training; and
- Discontinue the practice of monetarily awarding correction officers with overtime pay for time not worked.

*Financial Implication:* Based on 2002 costs incurred for fitness incentives at LPD (\$122,000) and the number of LPD employees earning an incentive in 2002 (46), LPD would avoid incurring costs of approximately \$112,000 annually by offering Hamilton

maximum fitness incentive of \$225 per year, per officer. Since LPD does not track specific reasons for overtime use (see **F6.4**), annual cost savings attributed to overtime use cannot be determined. By altering its longevity payment schedule to that of Hamilton, LPD would save approximately \$87,000 annually. In addition, LPD would save approximately \$30,000 annually in overtime payments by eliminating the half hour of overtime currently provided to corrections officers during a normal workday.

### *Vehicle Management and Maintenance*

F6.6 LPD has the largest fleet of vehicles when compared to the peers. **Table 6-12** compares vehicle fleet statistics for LPD and the peers.

**Table 6-12: Police Fleet Comparison FY 2002**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
Marked vehicles	78 <sup>1</sup>	68	39	33	47
Unmarked vehicles	23	30	25	22	26
Other vehicles	11 <sup>2</sup>	8	21	6	12
<b>Total vehicles</b>	<b>112</b>	<b>106</b>	<b>85</b>	<b>61</b>	<b>84</b>
Total number of sworn officers	97	93	115	128	112
Number of sworn officers per total vehicles	0.9	0.9	1.4	2.1	1.3
Number of sworn officers per marked vehicle	1.2	1.4	2.9	3.9	2.4
Average mileage (odometer)	54,092	48,903	65,415	27,487	47,268
Average fleet age (years)	5	6	6	5	6

Source: Vehicle Data provided by Lorain and the peers

<sup>1</sup> Ten of the oldest and highest mileage marked vehicles are assigned to LPD auxiliary police.

<sup>2</sup> There are eleven vehicles used by narcotics consisting of confiscated unmarked cars

As illustrated by the low ratio of sworn officers per vehicle in **Table 6-12**, LPD provides the highest number of vehicles for sworn officers. Hamilton and Springfield have more officers share vehicles, contributing to their higher ratios of sworn officers per marked vehicle. At LPD, vehicles in the pool are assigned so that no car is operated for more than 16 hours in a 24 hour period. Due to budgetary constraints in 2002, LPD has reduced the number of take home vehicles and created a pool of 21 marked vehicles. Furthermore, although LPD is the only peer to assign vehicles to its auxiliary officers,

LPD appears to use auxiliary staff to a greater extent than the peers to supplement patrol operations.

The average mileage per vehicle at LPD is higher than the peers because Lorain has not been able to replace vehicles on a consistent basis in recent years, due to budget constraints. Lorain does not have a formal policy on vehicle replacement, but has an informal policy to replace 10 vehicles per year. According to LPD, the decision to replace 10 cars each year was made in 1992 and based on appropriate planning. According to *911 Dispatching (1998) a Best Practices Review Summary*, distributed by the Office of Legislative Auditor for the State of Minnesota, making an equipment replacement plan work requires advance planning. The plan depends on a complete inventory of equipment and accurate estimates of the expected life of each piece of equipment. It also requires reliable estimates of future replacement costs and yearly adjustments in calculations to accommodate equipment and price changes. Furthermore, funds should be set aside incrementally for the express purpose of replacing equipment in poor condition. In 2002, LPD purchased four vehicles. In an effort to defray costs in 2003, LPD has entered into three year lease agreements with one dollar buyout clauses on 10 new vehicles.

Having officers share vehicles would allow LPD to potentially reduce its vehicle fleet. Moreover, Lorain would avoid vehicle replacement costs and realize some revenue through the sale of its oldest vehicles. If LPD acquires 10 marked vehicles in 2003 and retires five of its oldest marked vehicles, the average vehicle mileage will decrease to approximately 49,000. In addition, the number of sworn officers per marked vehicle increases to 1.3, which is still the lowest of the peers.

**R6.6** LPD should consider reducing five marked vehicles by having officers share vehicles. Furthermore, LPD should prepare a formal police vehicle replacement plan that would enable it to identify and rank replacement needs consistent with generally accepted replacement criteria, such as repair and maintenance costs, operating costs, age, miles, and condition. Developing a viable vehicle replacement plan could assist LPD in ensuring public safety and ensure funds are available to replace equipment and vehicles.

During the course of this performance audit, LPD increased pooled car assignments to 29 and indicated that the vehicle fleet is being reduced.

*Financial Implication:* According to Ohio Department of Administrative Services (DAS), the City would realize one-time revenues of approximately \$7,500 by auctioning five of its oldest vehicles. Additionally, the City would avoid future replacement costs of approximately \$130,000, based on DAS's cost per new vehicle of \$26,000.



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*Jail Operations*

F6.7 The City incurs relatively high costs to operate its current jail, due primarily to operating significantly under capacity. The Ohio jail system is composed of the following classifications: Full Service (FSJ); Minimum-Security (MSJ); Five Day (5D), Eight-Hour (8HR), and Temporary Holding Facilities (THF). Lorain has the only licensed 5D facility among the peers. Because the jail is a 5D facility, two to three corrections officers are on staff 24 hours per day to supervise prisoners who spend the night in the City's jail. Most prisoners cited in Lorain are transferred to the County once they are arraigned. The City incurs costs for transporting approximately 25 to 30 prisoners per day to and from the Lorain County Jail for housing and court appearances.

The City of Elyria operates a FSJ only for adult male prisoners and staffs 3 to 4 corrections officers per shift, 24 hours per day, to monitor prisoners. Elyria has five local and two federal contracts to house prisoners, and charges between \$70 and \$80 per day to offset housing costs. Juvenile and female prisoners are transported to the Lorain County Jail for housing.

Both Hamilton and Springfield operate THFs. THFs in Hamilton and Springfield consist of two cells located in the center of the police facility. The hourly limit for holding prisoners is six in Springfield and eight in Hamilton. Most prisoners are taken directly to a county jail, which provides 24 hour booking. The jail operating costs incurred by Hamilton and Springfield relate mostly to staff who supervise prisoners through the booking, arraignment and hearing process, which could reduce the amount of time police officers spend booking prisoners. **Table 6-13** compares staffing levels, operational costs, and additional data concerning Lorain's jail to the peers.

**Table 6-13: Jail Operations**

	Lorain	Elyria	Hamilton	Springfield
<b>Jail Administrator</b>	1.0	1.0	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Supervisor</b>	N/A <sup>2</sup>	4.0	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Corrections Officer</b>	11.0	15.3 <sup>3</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Court Liaison</b>	1.0	N/A <sup>4</sup>	5.0	4.0
<b>Total Corrections Staff</b>	<b>13.0</b>	<b>20.3</b>	<b>5.0</b>	<b>4.0</b>
<b>Administrators per Corrections Officers</b>	1:12	1:3	N/A	N/A
<b>Bureau Recommended Housing Capacity</b>	32	54	0.0	0.0
<b>Average Daily Prisoner Population</b>	10	51	N/A	N/A
<b>Average Length of Stay</b>	2.5 days	3.8 days	2.5 hours	1 hour
<b>Corrections Staff : Inmate Population</b>	1:0.8	1:2.5	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Total Corrections Staff per Shift</b>	3	4	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Total Bookings</b>	4,670	4,546	11,799	N/A <sup>5</sup>
<b>Total Booking per Corrections Staff</b>	<b>366</b>	<b>224</b>	<b>2,360</b>	<b>N/A<sup>5</sup></b>
<b>Total Square Feet</b>	<b>2,410</b>	<b>12,831</b>	<b>450</b>	<b>108</b>
<b>Total Square Feet per Staff</b>	<b>185</b>	<b>632</b>	<b>90</b>	<b>27</b>
<b>Total Operational Costs<sup>6</sup></b>	<b>\$722,024</b>	<b>\$1,137,296</b>	<b>\$424,489</b>	<b>\$184,215</b>
<b>Average Daily Cost Per Prisoner</b>	<b>\$178<sup>7</sup></b>	<b>\$61</b>	<b>N/A<sup>8</sup></b>	<b>N/A<sup>8</sup></b>

**Source:** Data reported by Lorain, the peers and Ohio Department of Rehabilitation and Correction 2002 jail inspection reports for Lorain, Elyria, Hamilton, and Springfield.

<sup>1</sup> Hamilton and Springfield operate temporary holding facilities and supervision is done by the arresting officer.

<sup>2</sup> The patrol shift officer in charge is called if supervision issues arise in the absence of the Jail Administrator.

<sup>3</sup> Includes two part time corrections officers totaling 1.3 FTE.

<sup>4</sup> Elyria does not assign officers to the court.

<sup>5</sup> Springfield could not provide an accurate account of bookings.

<sup>6</sup> Includes costs to house prisoners in other jurisdictions.

<sup>7</sup> Excludes costs incurred by Lorain to house prisoners at the County.

<sup>8</sup> Hamilton and Springfield do not house prisoners because they operate THFs.

As indicated in **Table 6-13**, Lorain's jail is operating significantly under capacity, resulting in a low ratio of prisoners per corrections officer staff. In addition, the average cost per day to house a prisoner at Lorain (\$178) is significantly higher than Elyria (\$61). Furthermore, Elyria is covering more square feet per corrections staff than LPD. As a

result, current jail operations appear to be inefficient and costly, which negatively impacts the City's current financial condition.

In addition to not being cost-effective, the jail does not currently meet state minimum standards to operate as a FSJ. Therefore, the City is considering expanding the current facility to a 64 bed jail and offsetting operational costs by contracting with other jurisdictions to house prisoners. Assuming the City would house the current prisoners sent to the County, approximately 30 beds would be available to contract with the federal government and other local jurisdictions. According to the City, the projected costs to expand the jail would be approximately \$6.1 million. Based on data provided by the City, **Table 6-14** shows the projected costs and revenues of operating a 64 bed jail.

**Table 6-14: Projected Costs and Revenues for a 64 Bed Jail**

<b>Costs</b>	
Salaries and Benefits	\$995,000
Operations and Maintenance	\$385,000
Annual Debt Service Costs (2003)	\$362,000
<b>Total Annual Costs</b>	<b>\$1,742,000</b>
<b>Revenues</b>	
Contracting to House 30 Prisoners	\$799,000
Collections by Citing Municipal Violations	\$147,000
Other Revenues	\$77,000
<b>Total Annual Revenues</b>	<b>\$1,023,000</b>
<b>Savings by Not Sending Prisoners to the County</b>	<b>\$71,000</b>
<b>Net Results</b>	<b>(\$648,000)</b>
<b>2002 Operational Costs</b>	<b>\$722,000</b>
<b>Net Annual Cost Savings</b>	<b>\$74,000</b>

Source: Lorain

The City plans to use 21 FTE corrections officers and 1.0 FTE jail administrator for the 64 bed jail. If the jail operated at 94 percent capacity, similar to Elyria, the average daily inmate population would be 60. Therefore, the inmate to total corrections FTE would be 2.7, which is similar to Elyria. Additionally, the average daily cost to house a prisoner, excluding the annual debt service costs, would be approximately \$63 for an average daily population of 60 inmates. This is also comparable to Elyria. As a result, staffing and operational cost projections developed by the City appear to be reasonable.

Approximately \$799,000 in revenue could be collected if the City was successful in contracting to house 30 prisoners at \$73 per day, based on Elyria's 2003 federal contracted rate. LPD estimates additional annual collections of about \$147,000 by citing individuals under municipal violations and subsequently housing them at the City's jail, rather than citing individuals under state violations. Although citing individuals under state violations would require the County to pay the related housing costs, the City would not be able to collect any associated fines or fees.

Although **Table 6-14** illustrates that operating a 64 bed jail would result in a net loss of approximately \$648,000 annually, the City would realize annual savings of approximately \$74,000 based on the costs to operate the jail in 2002. Savings would be significantly greater after the debt service has been fully paid, which will take 23 years. Furthermore, annual debt service costs are expected to increase by about \$77,600 after 2003. Thereafter, costs to operate the facility would be similar to the projected revenues.

If the City decides to expand to a 64 bed jail, additional consideration would need to be given to the following:

- Implementing a waiver provided by ODRC to operate as a FSJ, allowing the City to contract with the federal government and other jurisdictions for beds prior to the 64 bed jail being fully constructed;
- Developing formal contracts and adequate rates with the federal government and other jurisdictions to house prisoners; and
- Monitoring costs to ensure operations are efficient and cost-effective, and significant increases in costs are offset by increases in revenues.

Instead of expanding to a 64 bed jail, operating as a THF is another option that could save costs and improve efficiency, similar to Hamilton and Springfield. If Lorain operated a THF, it could reduce 7.0 FTE corrections officers and eliminate resources and activities not needed for a THF, such as jail supplies and laundry and food services, thereby saving the City approximately \$365,000 annually. The remaining staff could be assigned to supervise prisoners through the booking, arraignment and hearing process, and assist with supervision and transportation if necessary. With 6.0 total FTEs (1.0 FTE administrator and 5.0 FTE line staff), Lorain would average 792 bookings per staff, which is significantly less than Hamilton (1,967). As a result, the City may be able to operate with fewer line staff in the future.

If the City operated a THF, it would need to house 10 additional inmates at another jurisdiction each day, such as at the County. LPD estimated that the City's average daily inmate population housed at the County was approximately 34 inmates in 2002. However, the City was charged for an average daily population of 3.5 inmates, equating to 10 percent of the total inmates sent to the County, because the City is responsible for paying only for prisoners cited under a city code that are housed at the County. Based on this, Lorain would pay for one of the 10 additional inmates housed at the County, which would be approximately \$27,000 annually. This is also based on the County's current rate of \$75 per day.

Since LPD does not track costs for prisoner transportation, additional costs to transport prisoners to the County and potentially other jurisdictions could not be determined. Nonetheless, increased costs to transport prisoners could be minimal by adding prisoners

to the current transports and due to the relative proximity of the Lorain County jail. This could also have minimal impact on police officers' time to transport and book prisoners. Moreover, transportation costs could be offset if video arraignment was implemented. Lorain recently received a bid for video arraignment services for the 64 bed jail project that included the initial investment of approximately \$15,000 for equipment and yearly operating costs of about \$4,000 for the service. Similar costs may be associated with establishing video arraignment with the County jail, reducing the need and costs for transportation. **Table 6-15** summarizes the costs and potential savings by operating a THF.

**Table 6-15: Estimated Costs & Savings for a THF**

<b>Costs</b>	
Operational and Staffing Costs	\$357,000
Additional Costs to House Prisoners at the County	\$27,000
Additional Costs for Video Arraignment	\$4,000
<b>Total Annual Operating Costs</b>	<b>\$388,000</b>
<b>2002 Operational Costs</b>	<b>\$722,000</b>
<b>Net Annual Cost Savings</b>	<b>\$334,000</b>

**Table 6-15** shows a net annual cost savings of \$334,000 if the City operated a THF. Additional consideration would need to be given to the following if the City operated a THF:

- Coordinating the booking of prisoners straight to the County;
- Studying the cost of transporting prisoners versus video arraignment;
- Identifying LPD booking requirements for records management, such as mug shots and fingerprinting;
- Reducing the scale of proposed construction to only meet police operational needs (i.e., focus on applicable renovations);
- Consulting the bond counsel to retire bonds, thereby avoiding annual debt costs; and
- Contacting the County and other cities (i.e., Elyria) to ensure prisoners can be housed at other facilities.

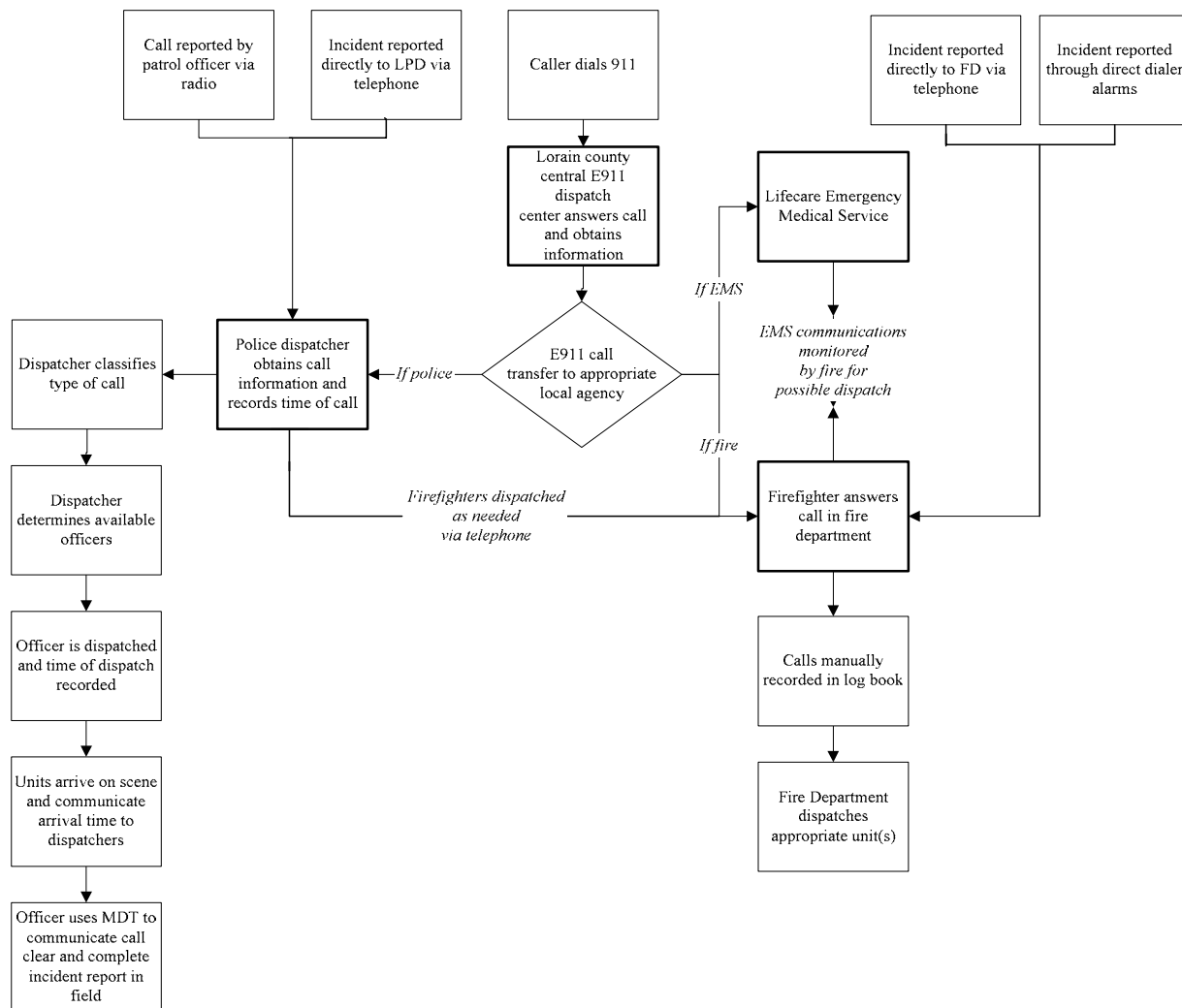
**R6.7** The City should closely and carefully examine the options of either operating as a THF or a FSJ. The City should appropriately involve the community in the decision-making process while also considering the impact of both options on its current and future financial condition. By carefully examining these options, the City would ensure the decision is cost-effective and consistent with the community's needs.

*Financial Implication:* If the City operates a THF, it could save approximately \$334,000 annually in operational costs.

Dispatch

F6.8 LPD is currently operating without centralized dispatch for police and fire. **Chart 6-2** displays the dispatch process for police, fire and EMS. The Cities of Lorain and Elyria use the county dispatch center to process incoming calls for 911. As a result, the county filters calls, identifies circumstances regarding calls and forwards the appropriate information to dispatchers at Lorain and Elyria. As a result, dispatchers at Lorain and Elyria are already aware of the situation prior to receiving calls, which can potentially allow them to dispatch calls to officers in a timelier manner than cities directly receiving 911 calls. Additionally, Lorain’s EMS response occurs through a private agency.

**Chart 6-2 City of Lorain Dispatch Process**



Source: Information provided by Lorain’s Police and Fire Departments

**Chart 6-2** illustrates that Lorain’s dispatch process is fragmented across LPD and its fire department. The separation of dispatch functions between the two departments has resulted in duplications of effort (i.e., records management), duplication of technology, and firefighters performing dispatcher duties. Currently, 3.0 FTE firefighters dispatch fire calls (see **fire section**). Furthermore, the City spent \$20,000 on a replacement part for the fire department’s communication equipment in 2002.

Two of the peers have centralized dispatching centers for their police and fire call response. The City of Hamilton’s communication center is operated out of its police department, whereas the City of Springfield operates its center with dispatchers that are independent of its police and fire departments. This was done to ensure neither of the departments’ needs took precedence over the other.

The Wisconsin State Auditor conducts periodic reviews of local government operations, commonly referred to as “best practice” reviews, to identify successful approaches to delivering public services. According to the Wisconsin reviews, receiving emergency calls in one central location and subsequently dispatching these calls directly to emergency service providers is the most effective process. Centralized dispatch allows agencies to reduce the risk of losing callers, minimize the time needed to respond to emergencies, and maximize coordination of multiple providers.

According to the MIS director, LPD’s computer aided dispatching (CAD) system can support dispatching the calls currently going to the fire station dispatch center. However, dispatchers would require additional training to dispatch fire calls and monitor EMS calls for the City. Springfield fulfilled this need by having firefighters train its dispatchers.

**R6.8** The police and fire chief should collaborate to centralize the City’s dispatching services. To complete this task, dispatchers should be trained by firefighters to obtain and provide the appropriate information regarding incoming fire calls. Since a dispatch center already exists within the police department, it may be more feasible to have all dispatching originate from this location. However, another option would be to have a communications center independent of both the fire and police departments, which reports directly to City administration. Pursuing this option would require involvement of union officials, since current dispatchers are part of a police union. Benefits of centralizing dispatch operations include the following:

- Returning firefighters to firefighting duties;
- Avoiding duplication of technology;
- Centralizing records management; and
- Providing greater opportunities to evaluate all dispatching services and response times.

F6.9 **Table 6-16** compares staffing levels of LPD's Dispatch Unit and to the peers.

**Table 6-16: Dispatch Staffing Level Comparison**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
Total dispatchers	10.0 <sup>1</sup>	8.8	15	17	13.6
Total 911 police calls	8,120 <sup>2</sup>	2,467 <sup>2</sup>	25,537 <sup>3</sup>	28,534 <sup>3</sup>	18,846
Total 911 fire calls received	3,299	3,800	1,787	1,954	2,514
Total EMS calls received	N/A <sup>4</sup>	N/A <sup>4</sup>	7,442	10,967	9,205
<b>Total 911 calls</b>	<b>11,419</b>	<b>6,267</b>	<b>34,766</b>	<b>41,455</b>	<b>27,496</b>
Total non-emergency police calls	37,264	36,527	47,337	41,957	41,940
<b>Total number of calls</b>	<b>48,683</b>	<b>42,794</b>	<b>82,103</b>	<b>83,412</b>	<b>69,436</b>
Total 911 calls per dispatcher	1,142	712	2,318	2,439	2,022
Total calls per dispatcher	4,868	4,863	5,474	4,907	5,106
<b>Population</b>	<b>68,652</b>	<b>55,953</b>	<b>60,690</b>	<b>65,358</b>	<b>60,667</b>
Total 911 calls per 1,000 citizens	166	112	573	634	453
Total number of calls per 1,000 citizens	709	765	1,353	1,276	1,145

**Source:** Dispatch information provided by Lorain and peers

<sup>1</sup> LPD has 16 Telecommunicator/dispatchers that perform both records and dispatch functions. Of the 16 FTEs, it is estimated that 10.0 FTEs are required in the dispatch role, based on having two dispatchers each shift and accounting for leave time.

<sup>2</sup> Elyria and Lorain reported emergency police calls as 911 calls transferred from the county dispatch center.

<sup>3</sup> Springfield and Hamilton reported emergency police calls based on emergency priorities in a CAD report.

<sup>4</sup> The EMS calls for Lorain and Elyria are routed through a private ambulance service. Lorain County 911 routed 4,803 Lorain EMS calls and 3,267 Elyria EMS calls to the ambulance service in 2002.

While **Table 6-16** does not include the amount of time firefighters spend responding to and dispatching calls, the total calls per dispatcher for Lorain is comparable to Elyria and Springfield. LPD operates two communications consoles and fills in with patrol officers for breaks, lunches and dispatcher absences. LPD dispatchers are cross-trained and have dual functions as records clerks and dispatchers. While there are no set schedules for these duties, usually three personnel are assigned to a shift with two fulfilling the dispatch role. In contrast, the peers have dispatchers who only perform dispatcher duties.

While having dispatchers perform dual roles maximizes the use of human resources, sworn officers perform dispatch duties to cover for lunch break and shortages on a daily basis, resulting in time being taken away from patrol activities. However, rotating



dispatcher lunch breaks and using other non-sworn personnel (e.g., secretaries, auxiliary staff) may reduce the need to use sworn officers for dispatch duties. Moreover, the addition of Mobile Data Terminals (MDT) in late 2002 should reduce the workload on dispatch. LPD's sworn officers have MDTs installed in patrol cars that allow reports to be completed in the field and give officers the ability to perform LEADS inquiries (e.g., warrants and driver's license) previously performed by dispatchers. In addition, MDT provides silent dispatching, which allows officers to communicate directly with each other in the field without having to use the dispatchers. As a result, dispatchers have an increased ability to accommodate more calls for service.

**R6.9** The police chief should rotate or stagger dispatchers' lunch breaks and use other non-sworn personnel to provide back-up for dispatchers. Doing so would allow sworn officers to focus on performing patrol and other crime deterrent activities, and more quickly respond to calls for service. Furthermore, fully using technology would have a positive impact on the dispatchers' workload (see **R6.1**).

### Revenue Generation

F6.10 LPD issued 14 percent or 1,454 fewer traffic citations in 2002 than in 2001, while it assigned the same number of officers to traffic enforcement and sworn officer staffing levels decreased by only four percent (see **F6.3**). Additionally, speeding citations decreased from 3,454 in 2001 to 2,670 in 2002. **Table 6-17** shows the total and select citations issued by LPD and the peers in 2002.

**Table 6-17: Traffic Citations Issued by Lorain and Peers (FY 2002)**

	Lorain	Elyria	Hamilton	Peer Average
<b>All citations issued</b>	8,683	7,323	14,704	11,014
<b>Speeding</b>	2,670	1,803	3,404	2,604
<b>Driving under the influence</b>	377	766	380	573
<b>No operator's license/Under suspension</b>	642	1,034	404	719
<b>Sworn officers</b>	75	72	94	83
<b>Number of officers assigned to traffic patrol</b>	4	N/A <sup>1</sup>	14	N/A
<b>All citations per sworn officer</b>	<b>116</b>	<b>102</b>	<b>156</b>	<b>129</b>
<b>Citations per 1,000 citizens</b>	<b>126</b>	<b>131</b>	<b>242</b>	<b>187</b>

**Source:** Information provided by Lorain and peer police departments

**Note:** Springfield information could not be provided.

<sup>1</sup>There is no a permanently assigned traffic patrol in Elyria

As shown in **Table 6-17**, LPD issued more citations per sworn officer than Elyria in 2002, but fewer than Hamilton. Moreover, Hamilton issued significantly more citations per 1,000 residents than LPD, which may be attributed to assigning more officers to traffic enforcement. LPD appears to have an overall sufficient level of sworn officers (see **F6.2**) and could therefore assign more sworn officers to focus on traffic enforcement.

According to *Looking Beyond the Ticket: Traffic Law Enforcement and Beyond* published by the National Highway Traffic Safety Administration, proactive traffic enforcement makes roadways safer, reduces crime and improves the quality of life in neighborhoods. As stated in the report, Peoria, Illinois' proactive traffic enforcement had the following results:

- Increased number of traffic tickets issued;
- Increased criminal arrests;
- Increased officer initiated activity;
- Decreased traffic crashes;
- Decreased citizen generated calls; and
- Decreased Part I Crime Index.

**R6.10** LPD should proactively enforce traffic regulations to ensure public safety. Assigning additional sworn officers to traffic enforcement is an option LPD should consider to effectively provide traffic enforcement. In addition to ensuring public safety, proactively enforcing traffic regulations could have a positive impact on crime rates and result in increased revenue for the City.

*Financial Implication:* Since revenues collected from traffic citations could not be provided, the additional revenue through proactive traffic enforcement could not be quantified.

## Financial Implication Summary

The following summarizes the estimated one-time revenue enhancements, annual cost savings and cost avoidances, and one-time cost avoidances 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

Recommendation	Estimated One-Time Revenue Enhancements	Estimated Annual Cost Savings	Estimated Annual Cost Avoidance	Estimated One-Time Cost Avoidance
R6.5 Reduce the fitness incentive			\$112,000	
R6.5 Alter the longevity payment schedule		\$87,000		
R6.5 Eliminate half hour overtime for corrections officers		\$30,000		
R6.6 Reduce five marked vehicles	\$7,500			\$130,000
R6.7 Operate the jail as a temporary holding facility		\$334,000		
<b>Total</b>	<b>\$7,500</b>	<b>\$451,000</b>	<b>\$112,000</b>	<b>\$130,000</b>

## **Conclusion Statement**

Technology, collective bargaining provisions, and jail operations are the major factors impacting LPD's ability to operate efficiently and minimize costs. Although LPD appears to be adequately staffed with sworn officers based on calls for service, number of crimes, response times, and supplemental use of auxiliary staff, better using its technology system would ensure crime statistics are fully accurate and reliable, and allow LPD to adequately manage and monitor operations. Therefore, LPD should provide periodic training to staff and work with the MIS administrator to synchronize the case management and incident reporting software, thus allowing accurate reporting of crime statistics and avoiding the need to manually compile data. After the technology issues have been resolved, staffing levels should be re-assessed based on accurate and reliable workload measures.

LPD's contract terms are more generous than the peers in numerous areas, including the fitness incentive, the longevity payment scale, minimum call-in pay, last-call pay, minimum hours for on-call pay, and overtime hours for new officers' field training. Moreover, correction officers are paid for an additional half hour in overtime without requiring any additional duty over eight hours. As a result, the City should seek to renegotiate these provisions during future negotiations to save costs while providing an equitable level of benefits similar to the peers. LPD would annually save approximately \$87,000 and \$30,000, respectively, by altering the longevity payment scale and eliminating the half hour of overtime paid to corrections officers during a normal workday. Furthermore, LPD would avoid incurring costs of approximately \$112,000 annually by offering a fitness incentive similar to Hamilton.

The City incurs relatively high costs to operate its current jail, due primarily to operating significantly under capacity and with fairly high staffing levels. In addition, the jail does not currently meet state minimum standards to operate as a FSJ. Therefore, the City is considering expanding the current facility to a 64 bed jail and offsetting operational costs by contracting with other jurisdictions to house prisoners. However, operating as a THF, similar to Hamilton and Springfield, is an alternative option that would be more cost-effective than current operations. Based on the costs and benefits of each option outlined in the report, the City should closely and carefully examine the options of either operating as a THF or FSJ. Furthermore, the City should appropriately involve the community in the decision-making process and consider the impact of both options on its current and future financial condition. If the City operates a THF, it could save approximately \$334,000 annually in operational costs.

To improve crime clearance rates, LPD should consider the following strategies: assigning more cases to detectives, better using current technology, providing patrol officers with evidence technician training, assigning patrol officers on a temporary and rotating basis to the Detective Unit, and permanently assigning officers to specific zones in the City. Additionally, LPD should work with the City's information systems manager to program the current database to allow overtime to be easily tracked by specific categories. Having officers share vehicles would allow

LPD to potentially reduce its vehicle fleet, and developing a formal police vehicle replacement plan would enable LPD to identify and rank replacement needs consistent with generally accepted replacement criteria. Moreover, the police and fire chief should collaborate to centralize the City's dispatching services, thus returning firefighters to firefighting duties, avoiding duplication of technology, and centralizing records management. Finally, LPD should proactively enforce traffic regulations, which could enhance public safety, have a positive impact on crime rates and provide additional appropriate revenue for the City.

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# Fire Department

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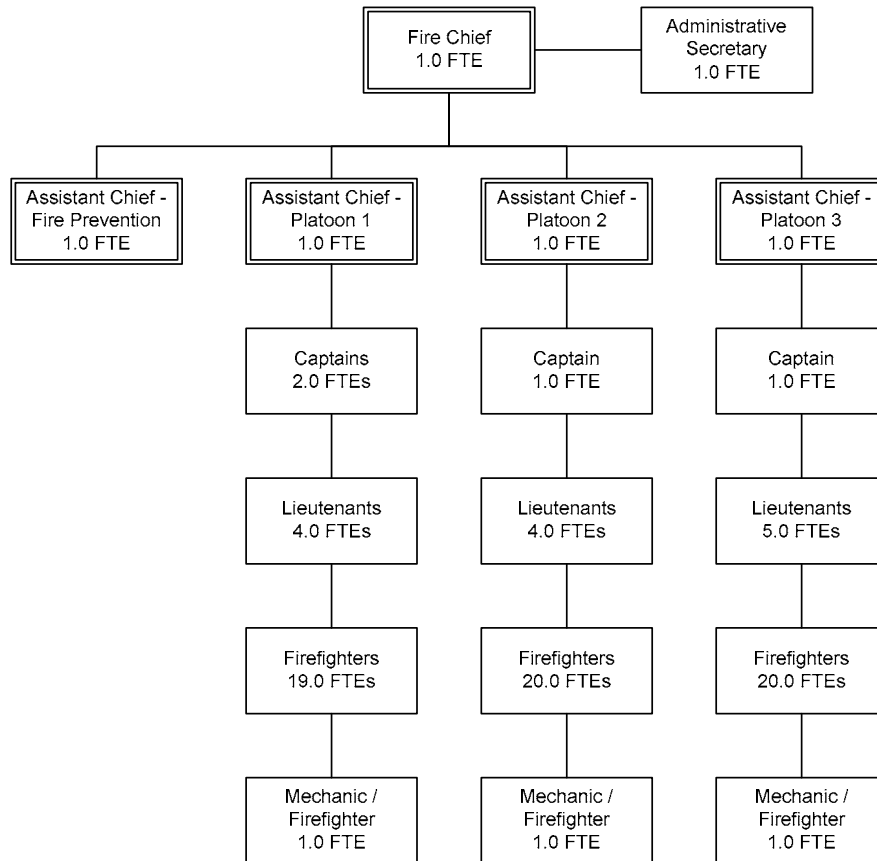
## Background

This section reviews the City of Lorain's Fire Department (the Department or FD) operations. Comparisons are made throughout this report with the peer cities of Elyria, Hamilton, and Springfield to illustrate various operational issues.

### *Organizational Chart and Staffing*

In FY 2002, the Lorain FD operated four stations with 85 personnel. The Department is organized into a three-platoon system, with each platoon working a shift of 24 hours on-duty and 24 hours off-duty in a 19 day work cycle. **Chart 7-1** provides an overview of the Department's organizational structure and staffing levels. All positions are shown as full-time equivalents (FTEs).

**Chart 7-1: Fire Department**



*Organizational Function*

The Lorain FD is charged with safeguarding and preserving life and property through fire suppression activities. In addition, the Department performs fire incident investigations, hazardous materials response, and confined space and high angle rescue. The City’s emergency medical services (EMS) are currently provided by a private company. Lorain FD responds to EMS calls as a first responder, in accordance with established protocols, to provide basic life support. When manpower falls below 19 firefighters per shift, the Department only responds if the private EMS company does not have a unit available.

*Summary of Operations*

The Fire Department currently operates four engine companies and one truck company. One assistant chief is assigned to the fire prevention bureau and performs all of the Department’s fire prevention activities and arson investigations. Lorain FD’s dispatching responsibilities are



assigned to one firefighter per shift. Additionally, one firefighter from each shift has split responsibilities as a firefighter/mechanic. The first 12 hours of their shifts are devoted to vehicle maintenance duties and the remaining 12 hours are devoted to fire suppression duties. However, the firefighters/mechanics respond to all structural fires, regardless of whether they occur during the first 12 hours of their shift or the second 12 hours. The Department also has an administrative secretary.

### *Staffing*

The Lorain FD experienced layoffs of eight firefighters in November, 2001. Two of the individuals were called back to work in July, 2002. As a result of the layoffs, four positions in the fire prevention bureau were moved to a shift schedule. These positions included the training officer. **Table 7-1** presents the 2003 Fire Department FTE staffing levels for the City of Lorain and the peer cities.

**Table 7-1: Fire Department FTE Staffing Levels by Functions**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Administration</b>	<b>2.0</b>	<b>3.0</b>	<b>6.0</b>	<b>7.8</b>	<b>5.6</b>
Chief	1.0	1.0	1.0	1.0	1.0
Clerical	1.0	1.0	1.0	1.8	1.3
Training Officer	0.0	1.0	3.0	2.0	2.0
Other <sup>1</sup>	0.0	0.0	1.0	3.0	2.0
<b>Fire Suppression</b>	<b>80.5</b>	<b>66.0</b>	<b>92.7</b>	<b>60.9</b>	<b>73.2</b>
Assistant Fire Chief	3.0	3.0	3.0	1.6 <sup>2</sup>	2.5
Captain	4.0	5.0	8.0	4.7	5.9
Lieutenant	13.0	15.0	15.0	10.9	13.6
Firefighter	60.5 <sup>3</sup>	43.0	66.7 <sup>4</sup>	43.7 <sup>5</sup>	51.1
<b>EMS</b>	N/A	N/A	15.3 <sup>4</sup>	56.1 <sup>5</sup>	35.7
<b>Fire Prevention</b>	0.9	2.0	1.7 <sup>6</sup>	3.0	2.2
<b>Fire Investigation / Arson</b>	0.1	1.0	1.3 <sup>6</sup>	1.0	1.1
<b>Mechanic</b>	1.5 <sup>3</sup>	1.0	0.0	0.0	N/A
<b>Total Department Positions</b>	<b>85.0</b>	<b>73.0</b>	<b>117.0</b>	<b>128.8</b>	<b>106.3</b>

Source: Fire Departments

<sup>1</sup> The other position at Hamilton FD is the deputy chief of operations. For Springfield FD, the other positions include the captain of data / records, the captain of logistics, and the lieutenant of the EMS bureau.

<sup>2</sup> Springfield FD has battalion chiefs who supervise each shift. Assistant chiefs do not have fire suppression responsibilities.

<sup>3</sup> Lorain FD has three firefighters who spend 50 percent of their time as department mechanics and 50 percent of their time as firefighters.

<sup>4</sup> Totals include 18 FTE firefighters / paramedics that spend approximately 85 percent of their time on EMS and 15 percent on fire.

<sup>5</sup> Of the maximum 39 FTEs on each shift, 17 are devoted solely to fire and the remaining 22 spend approximately 85 percent of time on EMS calls and 15 percent on fire calls.

<sup>6</sup> The deputy chief of fire prevention devotes 65 percent of his time to fire prevention activities and 35 percent to fire investigation activities.

As shown in **Table 7-1**, Lorain FD has fewer total department positions than the peer average and fewer positions in administration, fire prevention, and fire investigation capacities. However, the Department has more FTEs in fire suppression than the peer average. See **F7.1** for additional information on staffing levels.

### *Financial Data*

**Table 7-2** presents the Department's actual expenditures for FY 2001 and FY 2002 and the budgeted amounts for FY 2003.

**Table 7-2: Lorain Fire Department Expenditures**

Expenditure	Actual 2001	Actual 2002	Percent Change 2001-2002	Budgeted 2003	Percent Change 2002-2003
Salaries and wages	\$4,402,665	\$4,341,060	(1.4%)	\$4,303,197	(0.9%)
Overtime	\$174,725	\$69,893	(60.0%)	\$60,000	(14.2%)
Fringe benefits	\$1,767,119	\$1,843,894	4.3%	\$1,899,568	3.0%
Contractual services	\$15,849	\$34,770	119.4%	\$211,000	506.8%
Materials and supplies	\$111,560	\$88,525	(20.6%)	\$100,605	13.6%
Education	\$28,560	\$7,333	(74.3%)	\$10,000	36.4%
Personnel	\$800	\$0	(100.0%)	\$0	N/A
Ladder Testing	\$2,800	\$0	(100.0%)	\$4,500	N/A
Utilities	\$57,266	\$57,373	0.2%	\$61,927	7.9%
Capital outlay	\$11,325	\$1,990	(82.4%)	\$0	(100.0%)
<b>TOTAL COSTS</b>	<b>\$6,572,669</b>	<b>\$6,444,838</b>	<b>(1.9%)</b>	<b>\$6,650,797</b>	<b>3.2%</b>

Source: City of Lorain Auditor's Office

As shown in **Table 7-2**, total FY 2002 expenditures for Lorain FD were approximately \$6.4 million, a 1.9 percent decrease from the previous year. The budgeted amount for FY 2003 is approximately \$6.7 million, a 3.2 percent increase over FY 2002 actual expenditures. Explanations for the significant variances are as follows:

- *A 60 percent decrease in overtime from 2001 to 2002 and a 14.2 percent decrease from 2002 to the budget for 2003:* From FY 2001 to FY 2002, the Department reduced its minimum shift staffing from 20 firefighters to 18 firefighters. Additionally, the Department eliminated its public safety education program which was funded through overtime hours. The decrease from FY 2002 to the budget for 2003 is the result of the Department's continued effort to control overtime costs.
- *A 119.4 percent increase in contractual services from FY 2001 to FY 2002 and a 506.8 percent increase from FY 2002 to the budget for FY 2003:* In FY 2002, the Fire Department received an \$18,874 reimbursement grant for emergency medical technician (EMT) training. The Department had to first spend the funds to receive the 100 percent reimbursement. The increase for budget FY 2003 reflects a \$135,000 matching grant from the U.S. Fire Administration (USFA), which will be used to replace firefighters' self-contained breathing apparatus (SCBA) and personal communication equipment.
- *A 20.6 percent decrease in materials and supplies from FY 2001 to FY 2002 and a 13.6 percent increase from FY 2002 to the budget for FY 2003:* The Fire Department required fewer supplies because of its staffing reductions in FY 2002. The increase for FY 2003 is attributed to higher petroleum prices and anticipated higher maintenance costs.

- *A 74.3 percent decrease in education from FY 2001 to FY 2002:* In FY 2002, the Department eliminated its education department and transferred the training officer to a shift position. As a result, the Department offered less training. The increase in the budget for FY 2003 reflects the need for specialized training for Lorain FD's technical rescue teams.
- *A 100 percent decrease in personnel from FY 2001 to FY 2002:* This account is used to pay for polygraph tests the Department requires new firefighters to take. The Department hired new firefighters in FY 2001, but not in FY 2002.
- *A 100 percent decrease in ladder testing from FY 2001 to FY 2002 and a \$4,500 increase from FY 2002 to the budget for FY 2003:* The ladder testing performed in FY 2002 was not paid for until FY 2003. As a result, the budget for FY 2003 includes the cost of the FY 2003 testing as well as the FY 2002 testing.
- *An 82.4 percent decrease in capital outlay from FY 2001 to FY 2002 and a 100.0 percent decrease from FY 2002 to the budget for FY 2003:* In FY 2002, the Department received funds from a City safety service bond issue, which were used for capital improvements.

### *Operational Statistics*

**Table 7-3** presents key operational data for Lorain FD and the peer fire departments.

**Table 7-3: FY 2002 Fire Department Key Operational Data**

Operational Data	Lorain	Elyria <sup>1</sup>	Hamilton	Springfield	Peer Average
Number of fire stations	4	4	6	7	6
Minimum Staffing – Fire Suppression	18	17	22 <sup>2</sup>	31	23
In-service companies					
Engine companies	4	4	6	7	6
Truck companies	1	1	1	3	2
Square miles of city	24.3	19.9	22.1	22.5	21.5
Average square miles per station	6.08	4.98	3.68	3.22	3.58
Population	68,652	55,953	60,690	65,358	60,667
Number of fire emergency calls – 2002	3,299	3,800	1,787	1,954	2,514
Fire calls per 10,000 residents	480.5	679.1	294.4	299.0	414.4
Average response time to fire emergency calls (in minutes)	4.01	4.00	4.08	6.15	4.74
Number of fires	397	275	388	391	351
Number of inspections (all types)	327	1,500	2,657	1,398	1,852
Number of fires investigated	56	50	85	391	175
Fire related deaths	1	1	0	4	1.7
Fire related injuries	34	40	19	10	23
Number of false alarms	359	250	578	598	475
Number of on-the-job injuries	31	20	25	54	33

Source: Fire Departments

<sup>1</sup> Elyria's data represent averages, as provided by Elyria Fire Department.

<sup>2</sup> Excludes three paramedic units with 2.0 FTEs per unit

As shown in **Table 7-3**, Lorain FD has fewer fire stations and in-service companies than the peer average. Although the City's size and population are larger than the peer averages, Lorain FD's average response time in FY 2002 was lower. The Department performed significantly fewer inspections and fire investigations than the peer averages. The number of inspections completed by Lorain FD decreased in 2002 from prior years due to layoffs in the Department. Following Department layoffs that occurred in November 2001, four individuals were moved out of the fire prevention bureau and into the shift schedule. Staffing in the fire prevention bureau went from five to one, with the assistant chief being the only position left in the fire prevention bureau. The assistant chief does conduct investigations but also has other duties.

In analyzing the number of fire investigations, Springfield reported that they investigate 100 percent of their fires. However, the manner in which Springfield FD classifies investigations and its investigation practices are different than Lorain FD and the other peers. In contrast, Elyria investigated 18 percent of its fires, Hamilton investigated 22 percent, and Lorain investigated 14 percent.

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### *Analysis Not Yielding Recommendations*

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

- *Revenue generation:* Lorain FD has an appropriate fee structure for the work it performs and has a method for HAZMAT cost recovery.
- *Expenses:* Lorain FD's salaries are comparable to those of the peer fire departments. Although Lorain FD had the second highest number of on-the-job injuries compared to the peer fire departments, not all injuries resulted in a payment. If the FD achieved a reduction in total payments, the savings would not be material given the size of the Department's budget.
- *Number of fire stations:* Each Lorain fire station, on average, covers a greater number of square miles than the peer average and therefore, is responsible for more residents and more houses.
- *Grants:* Lorain FD actively pursues grant funds and the total amount received in FY 2002 was significantly higher than two of the peer fire departments.
- *EMS Services:* The City of Lorain contracts with a private entity for EMS services, at no cost to the City.
- *Overtime expenditures:* As illustrated in **Table 7-2**, the Department's overtime expenditures in FY 2002 equaled approximately 1.1 percent of total costs.
- *Staffing:* Lorain FD's staffing level appears adequate and comparable to the peers. As a result, no reductions are recommended. However, the report contains recommendations addressing specific functions (see **R7.2** and **R7.3**).
- *Response times:* The Department's response times, as illustrated in **Table 7-4**, are lower than the peer average and the second lowest overall.
- *Maintenance costs:* Lorain FD's maintenance costs appear comparable to Elyria FD's costs. Elyria FD is the only peer fire department that also does not provide EMS services.

*Performance Measures*

The following is a list of performance measures used to conduct the review of the Lorain FD:

- Assess staffing levels;
- Evaluate fee structure;
- Assess bargaining unit agreement;
- Evaluate vehicle maintenance costs;
- Analyze department expenses;
- Assess number of fire stations;
- Evaluate dispatch functions; and
- Review funding alternatives.

## Findings and Recommendations

### *Staffing*

F7.1 **Table 7-4** presents key operational and staffing ratios for Lorain and the peer city fire departments.



**Table 7-4: FY 2002 Fire Department Operational and Staffing Ratios**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Population</b>	68,652	55,953	60,690	65,358	60,667
<b>Staffing by Function (shown as FTEs)</b>					
Administration	2.0	3.0	6.0	7.8	5.6
Fire Suppression	80.5	66.0	92.7	60.9	73.2
Fire Prevention	0.9	2.0	1.7	3.0	2.2
Fire Investigation/Arson	0.1	1.0	1.3	1.0	1.1
EMS	N/A	N/A	15.3	56.1	35.7
Other <sup>1</sup>	1.5	1.0	0.0	0.0	N/A
<b>Total</b>	<b>85.0</b>	<b>73.0</b>	<b>117.0</b>	<b>128.8</b>	<b>106.3</b>
<b>Staffing per 10,000 Residents (shown as FTEs)</b>					
Administration	0.29	0.54	0.99	1.19	0.92
Fire Suppression	11.73	11.80	15.27	9.32	12.07
Fire Prevention	0.13	0.36	0.28	0.46	0.36
Fire Investigation/Arson	0.01	0.18	0.21	0.15	0.18
EMS	N/A	N/A	2.52	8.58	5.88
Other <sup>1</sup>	0.22	0.18	N/A	N/A	N/A
<b>Total</b>	<b>12.38</b>	<b>13.05</b>	<b>19.27</b>	<b>19.70</b>	<b>19.41</b>
<b>Percentage of Fire Suppression Employees by Rank</b>					
Assistant Fire Chief	3.7%	4.5%	3.2%	2.6%	3.4%
Captain	5.0%	7.6%	8.6%	7.7%	8.1%
Lieutenant	16.1%	22.7%	16.2%	17.9%	18.6%
Firefighter	75.2%	65.2%	72.0%	71.8%	69.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>99.9%</b>
<b>Number of Calls</b>					
Fire	3,299 <sup>2</sup>	3,800 <sup>3</sup>	1,787	1,954	2,514
EMS	N/A	N/A	7,583	10,967	9,275
<b>Total</b>	<b>3,299</b>	<b>3,800 <sup>3</sup></b>	<b>9,370</b>	<b>12,921</b>	<b>11,789</b>
<b>Total Fire Calls per Fire Suppression FTE</b>	41.0	57.5	19.3	32.1	34.3
<b>Average response time (in minutes)</b>	4.01	4.00	4.08	6.15	4.74
<b>Total Fire Suppression Cost</b>	\$6,444,838	\$7,037,062	\$7,282,246 <sup>4</sup>	\$10,132,635 <sup>5</sup>	\$8,150,647
<b>Total Fire Suppression Cost per Resident</b>	\$93.88	\$125.77	\$120.00	\$155.03	\$134.35

Source: Fire Departments

<sup>1</sup> Includes mechanics at Lorain FD and Elyria FD

<sup>2</sup> Total includes First Responder calls

<sup>3</sup> Represents average number of calls per year, not FY 2002 actual calls, as provided by the Elyria Fire Department

<sup>4</sup> Hamilton's fire suppression costs include medications and supplies for paramedic units

<sup>5</sup> Total fire suppression costs include cost related to EMS as a cost breakout for the two services was unavailable

As illustrated in **Table 7-4**, Lorain FD devotes more FTEs to fire suppression than the peer average. The Department's firefighters represent 75.2 percent of the total positions, which is the highest of the peers. Additionally, Lorain FD maintains the highest number of "Other" positions. At Lorain FD, the "Other" FTEs represent the time each firefighter/mechanic devotes to maintenance responsibilities (see **F7.3**). Furthermore, the

Department allocates the least amount of staff to fire prevention and fire investigation/arson (see **R7.2**).

**Table 7-4** also indicates that the Department's fire suppression staffing per 10,000 residents is slightly lower than the peer average and its total staffing per 10,000 residents is lower than each of the peers. Lorain FD also received a higher number of fire calls per fire suppression FTE than the peer average, while maintaining a significantly lower fire suppression cost per resident. Nonetheless, the Department responds to fire emergency calls in a timely manner, as indicated by the comparison of average response times.

### *Contractual Issues*

F7.2 The negotiated agreement between the City of Lorain and the Lorain Professional Firefighters IAFF Local #267 is effective January 1, 2001 to December 31, 2003. **Table 7-5** compares key contractual issues in Lorain FD's negotiated agreement to the negotiated agreements of the peer cities' fire departments.

**Table 7-5: Contractual Agreement Comparison**

	Lorain	Elyria	Hamilton	Springfield
<b>Length of firefighter work day</b>	24 hrs on 24 hrs off	24 hrs on 24 hrs off	24 hrs on 48 hrs off	24 hrs on 48 hrs off
<b>Average work week</b>	51 hrs	50 hrs	51 hrs	52 hrs
<b>Minimum call-in hours paid</b>	2 hrs, 40 minutes	4 hrs	4 hrs	3 hrs
<b>Holidays</b>	240 hrs  148 hrs for 40 hr employees	144 hrs  88 hrs for 40 hr employees	136 hrs  136 hrs for 40 hr employees	240 hrs <sup>1</sup>  96 hrs for 40 hr employees
<b>Number of personal days</b>	None stated	1 day (24 hrs) for > 40 hr employees  3 days for 40 hr employees	Included in holiday hrs for 40 hr employees	2 days for 40 hr employees
<b>Vacation accrual (&gt;40 hr employees)</b>	1-6 yrs: 106 hrs 7-14 yrs: 159 hrs 15-24 yrs: 212 hrs 25+ yrs: 265 hrs	1-6 yrs: 144 hrs 7-13 yrs: 216 hrs 14-20 yrs: 288 hrs 21+ yrs: 360 hrs	1-7 yrs: 120 hrs 8-15 yrs: 168 hrs 16-18 yrs: 216 hrs 19-21 yrs: 240 hrs 22-24 yrs: 264 hrs 25 yrs: 296 hrs	1 year: 48 hrs 2-4 yrs: 72 hrs 5-11 yrs: 120 hrs 12-17 yrs: 144 hrs 18-24 yrs: 168 hrs 25+ yrs: 192 hrs
<b>Sick leave accrual</b> 40 hrs per week > 40 hrs per week	119.6 hrs per year 156.0 hrs per year	120.0 hrs per year 120.0 hrs per year	120.0 hrs per year 153.0 hrs per year	119.6 hrs per year 166.4 hrs per year
<b>Maximum number of sick leave days paid out at retirement</b>	With 25 yrs service – 100% of a maximum of 960 hrs  With 20 yrs service – 75% of a maximum of 960 hrs  With less than 20 yrs service – 50% of a maximum of 960 hrs	Hired before January 1, 1988 – receive 100% up to 840 hours, plus 50% over 840 hours  Hired on or after January 1, 1988 – receive 33% up to 1,440 hours	Hired before May 1, 1994 – 40 hr employees receive 75% , not to exceed 1,200 hours and > 40 hr employees receive 75%, not to exceed 1,680 hrs  Hired after May 1, 1994 – receive 25% of accumulated sick leave (unlimited accumulation)	62.5% of salary for hours in excess of 300 hours
<b>Sick leave incentive</b>	May sell back annual accrued sick if less than 48 hrs used in a calendar year and maintain bank of 480 sick leave hrs	None stated	Receive \$300 for no absences, \$175 for one day absence or \$100 for two day absence	May choose payment for balance of leave if less than 48 hrs used in a calendar year
<b>Tuition reimbursement</b>	Reimburse cost of books and tuition with passing grade of “C” or better (\$10,000 annual department cap)	Reimburse cost of books and tuition with passing grade of “C” or better	Limited to fire science or fire technology courses – reimburse cost of books and tuition, reimbursement amount depends on student performance	In accordance with City policy
<b>Cost of living increase each year of the contract</b>	FY 2001: 3.5% FY 2002: 3.5% FY 2003: 0.0% <sup>2</sup>	FY 2001: 3.5% - 6.1% <sup>3</sup> FY 2002: 3.5% <sup>3</sup> FY 2003: 3.0% <sup>3</sup>	FY 2002: 3.0% FY 2003: N/A <sup>4</sup> FY 2004: N/A <sup>4</sup>	FY 1999: 3.5% FY 2000: 4.0% FY 2001: 4.0%

Source: Collective bargaining agreements

<sup>1</sup> Four employees with less than one year of service only receive 192 hours of holiday pay.

<sup>2</sup> The negotiated agreement stated a 3.5 percent increase for FY 2003. However, union officials and City administration agreed to no increase for FY 2003 in order to prevent 16 firefighter positions from being eliminated.

<sup>3</sup> Per the negotiated agreement, Elyria’s increases occur in the July before the fiscal year listed, rather than at the start of that fiscal year.

<sup>4</sup> The Hamilton agreement contains a reopener for salary increases for FY 2003 and FY 2004.

As shown in **Table 7-5**, Lorain FD’s negotiated agreement, overall, is comparable to the peer cities’ agreements. Although Lorain firefighters receive more holiday hours than

each of the peer fire departments, their total leave time received (holiday, personal, vacation, birthday, anniversary date, compensatory, and Martin Luther King, Jr. Day) is comparable to the peers. In addition to the leave time listed in **Table 7-5**, Elyria firefighters who work the platoon schedule receive a day off for their birthday and a floating day off for Martin Luther King, Jr. Day. Springfield firefighters who work the platoon schedule receive one day off for their birthday and one day off for their date of hire anniversary. Furthermore, Lorain FD's holiday hours are in lieu of premium pay. Hamilton firefighters receive double time for working holidays. In contrast, Lorain firefighters receive their regular pay for working on holidays.

Although the agreement between the City and IAFF Local # 267 is comparable to the peers on the key issues illustrated in **Table 7-5**, it contains several provisions which either do not appear in, or are more generous than those in, the peer fire department agreements. One such provision is the health insurance buy out. To compensate bargaining unit members for switching from the City's traditional health plan to the Preferred Provider Organization (PPO) plan, they received an \$800 lump sum payment in January of each fiscal year and an additional \$800 added to their base salary in December of each fiscal year. Because the December payment is rolled into the base salary, it is subject to the cost of living adjustment (COLA) firefighters receive at the beginning of each fiscal year. None of the peer fire department agreements contain an insurance buy out.

Additionally, employees working the platoon system at Lorain FD receive a shift differential of two hours each biweekly pay period at their base rate of pay. Employees who work the 40-hour per week schedule receive three hours of call-out pay each biweekly pay period at their base rate of pay. None of the peer agreements contain similar provisions.

The agreement also contains a sick leave incentive which is more generous than the peers' incentives. A Lorain firefighter who uses 48 hours, or less, of sick leave in a calendar year, may sell back all unused sick leave accrued in said calendar year and receive 100 percent compensation. Springfield firefighters who use less than 48 hours of sick leave in a calendar year may elect payment for all or any part of the unused 48 hours. Hamilton firefighters receive \$100 to \$300 depending on the number of absences. Elyria FD does not have a sick leave incentive stated in its negotiated agreement.

These relatively generous provisions limit the resources the City can devote to direct fire prevention, fire suppression and fire investigation activities, which includes training and public safety education programs.

**R7.1** During future negotiations, the City should seek to eliminate the insurance buy out and the shift differential/call-out pay, and reduce the sick leave incentive. Such changes

would make Lorain FD's negotiated agreement more comparable to the peers' fire department agreements. In terms of the insurance buy out, both the City and IAFF Local #267 have agreed to eliminate this provision in the next contract.

*Financial Implication:* Eliminating the insurance buy out provision would generate an annual cost savings of approximately \$133,000 for the City. The cost savings is based on each of the 83 firefighters covered by the negotiated agreement receiving \$1,600 annually for three years. However, the cost savings do not include the COLA on the \$800 payment added to the base salary in December of each year. If the City eliminated the shift differential / call out pay for all fire department employees, a cost savings of approximately \$76,000 could be realized. The savings amount is based on the number of employees at each rank within Lorain FD and their respective base rates of pay.

A reduction of the sick leave incentive to mirror that of Springfield FD, would generate a cost savings of approximately \$32,000 annually. In 2001, Lorain paid out \$53,997 for the sick leave incentive and \$52,186 in 2002. Based on the sick leave usage for 2002, there are 15 individuals eligible to sell back their accrued sick leave in 2003. If all of these individuals sell back their time as allowed in the current contractual agreement, the cost would be approximately \$41,000. If the City's sick leave incentive was reduced to that offered by Springfield, the cost to Lorain would decrease to approximately \$9,000, resulting in a savings of \$32,000.

### *Vehicle Maintenance*

- F7.3 Lorain FD's vehicle maintenance is performed by three firefighters/mechanics who spend the first 12 hours of their 24 hour shift devoted to vehicle maintenance duties and the second 12 hours devoted to firefighter duties. The firefighters/mechanics are included in the Department's manpower distribution schedule for the second half of each shift.

The firefighters/mechanics are not certified mechanics, but can request training in a specific area. They perform preventative maintenance, which includes brake work, on a set quarterly schedule. Major repairs, such as body and engine work, are completed by a private contractor certified in fire apparatus repairs. Occasionally, the Department sends repairs to the city garage.

To compensate the firefighters/mechanics for the additional responsibilities, they are paid on the lieutenant salary schedule. In FY 2002, Lorain FD spent \$43,520 on vehicle maintenance and repairs plus \$105,182 for half of the firefighters/mechanics' total salaries and benefits. Refer to **Table 7-2** for FY 2002 expenditures.

Elyria FD also performs its vehicle maintenance and repairs in-house. However, Elyria FD's mechanic is a certified, full-time (40 hours per week) mechanic with training

specific to the manufacturer of the Department's vehicles. Both Hamilton FD and Springfield FD send their vehicles to their respective municipal garages for preventative maintenance and repairs. Hamilton also uses private contractors for specialized repairs and Springfield's Captain of Logistics coordinates with the city garage to determine training needs related to fire apparatus. By performing vehicle maintenance in-house with trained firefighters, Lorain FD limits the number of firefighters on shift. Furthermore, vehicles are not being maintained by certified mechanics whose expertise is vehicle maintenance and repairs.

**R7.2** Lorain FD should transfer vehicle maintenance responsibilities to the city garage and move the firefighters currently performing vehicle maintenance into the platoon schedule, with firefighting duties 100 percent of the time. Including the former firefighters/mechanics in the manpower distribution schedule for the full shift as regular firefighters would increase the Department's minimum shift staffing by 0.5 FTE per shift. For additional information on the centralized garage, refer to the **streets department** section of this performance audit.

Additionally, the firefighters/mechanics salaries should be reduced from the lieutenant salary schedule to the firefighter salary schedule to reflect the transfer of vehicle maintenance responsibilities. When firefighters were moved out of the fire prevention bureau and back into the shift schedule as a result of layoffs, the firefighters' salaries were adjusted to reflect the change in duties. The approximately \$18,000 the Department will save by reducing these salaries could be used to help offset the City's deficit or fund programs, such as training and fire investigations, that have been scaled back or discontinued due to the City's financial situation. Furthermore, funding these programs will allow Lorain FD to allocate additional staffing to fire prevention and fire/arson investigations (see **F7.1**).

### *Fire Dispatch*

F7.4 Lorain FD performs its own dispatch from the Central Station. One firefighter per shift is assigned dispatch duties and is included in the manpower distribution schedule. The Department receives emergency fire calls in the following ways:

- Lorain County E911 Dispatch Center transfers calls to Lorain FD;
- Incidents are reported directly to Lorain FD via telephone; and
- Incidents are reported through direct dialer alarms.

Because Lorain FD is an EMS first responder, the dispatcher also monitors EMS calls to determine if they meet the Department's protocols and require a Department response. All calls are manually entered into a log book by the dispatcher because Lorain FD does not have a computer aided dispatch (CAD) system. After the dispatcher determines if a

response is warranted, fire personnel are dispatched to the scene via a transmission which is broadcast by the dispatch radio to each fire station. The Department's satellite stations receive the transmission through a radio monitor while the Central Station receives the transmission over the station's intercom system.

Depending on the incident, the dispatcher may have to perform the following support duties, while monitoring and dispatching other calls:

- Contact the building or property owner;
- Review water supply maps;
- Contact utility companies;
- Call in more staff, either to assist at the scene or to man the stations; and
- Call for mutual aid.

In FY 2002, Lorain FD replaced its radio system at a cost of approximately \$19,000. According to the fire chief, the Department also needs a repeater radio system. The repeater system, which would cost approximately \$20,000, would be placed in those areas of the City with weak radio signals and would receive the signal from the Department's radio and resend it with a stronger signal.

**R7.3** The City should transfer Lorain FD's dispatching duties and centralize them with the police department. See the **police** section for additional information regarding centralization of the City's dispatch system.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

### Summary of Financial Implications – Subject to Negotiations

<b>Recommendations</b>	<b>Annual Cost Savings</b>
<b>R7.1 Eliminate the insurance buy out provision</b>	\$133,000
<b>R7.1 Eliminate the shift differential / call-out pay provision</b>	\$76,000
<b>R7.1 Reduce the sick leave incentive</b>	\$32,000
<b>Total</b>	<b>\$241,000</b>



## **Conclusion Statement**

Overall, Lorain FD operates efficiently and effectively. The Department's fee structure is appropriate given the work performed and its fire suppression costs are lower than the peer fire departments. In addition, the Department's fire stations cover greater square mileage, on average, than the peers and its response time is the second lowest when compared to the peers. Furthermore, Lorain FD actively pursues alternative funding sources and has received grant funds from the U.S. Fire Administration.

The Department should, however, seek to transfer dispatching and vehicle maintenance responsibilities to other city departments. The firefighters currently performing vehicle maintenance should be assigned firefighting duties 100 percent of the time. Including these positions into the manpower distribution schedule would increase the Department's minimum staffing by 1 FTE per shift. Additionally, Lorain FD should consider reducing the firefighters/mechanics' salaries to reflect the transfer of vehicle maintenance responsibilities. These salary reductions will save approximately \$18,000 and these funds should be used within the Lorain FD to fund programs, such as training and fire investigations that have been scaled back or discontinued due to the City's financial situation.

Additionally, the City should seek to remove from the IAFF negotiated agreement those provisions which are not comparable to the peers and place an excessive financial burden on the City. Eliminating the insurance buy out provision would generate an annual cost savings of approximately \$133,000. If the City eliminated the shift differential/call out pay for all fire department employees, a cost savings of approximately \$76,000 could be realized. A reduction of the sick leave incentive would generate a cost savings of approximately \$32,000 annually.

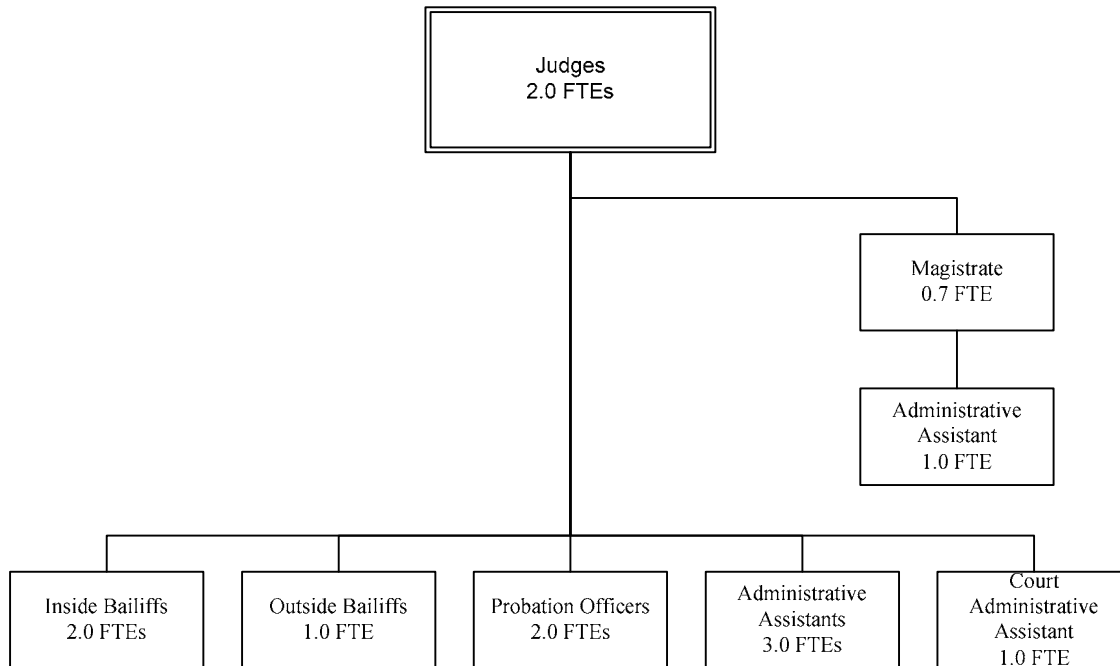
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# Municipal Court

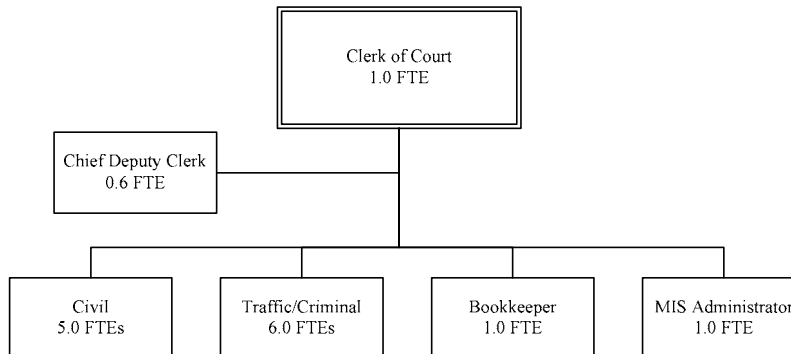
## Background

This section focuses on the operations of the City of Lorain Municipal Court (LMC). LMC is comprised of the judicial division and clerk of court’s office, which are headed by elected judges and a clerk of court. Comparisons are made to municipal courts in Elyria, Hamilton and Parma. **Chart 8-1a** illustrates the organizational structure and staffing levels of the judicial division of LMC:

**Chart 8-1a: LMC Judicial Division Organization Chart**



**Chart 8-1b** illustrates the organizational structure and staffing levels of the clerk of court’s office division:

**Chart 8-1b: LMC Clerk of Court's Office Organization Chart***Organization Function*

In the judicial division, the judges are responsible for interpreting the law, ensuring the administration of justice, and overseeing the operations of the judicial division. The magistrate has a role similar to that of the judges, but only presides over civil cases because the magistrate's level of authority is less than that of the judges. At LMC, the magistrate is part-time and works 28 hours a week. Functions for the remaining judicial staff are as follows:

- Clerical staff (administrative assistants) are responsible for all secretarial duties and compiling data. Two secretaries are also responsible for case assignment and scheduling.
- Inside bailiffs are responsible for ushering people into the courtroom, overseeing operations in the courtroom, completing all payroll paperwork, and processing paperwork for the work program.
- Outside bailiffs handle all civil matters and complete all corresponding paperwork.
- Probation officers investigate offenders' backgrounds and supervise them accordingly.

The clerk of court at LMC is elected to a six-year term, and functions as the chief financial officer of the court. The principal duties of the clerk of court are the following:

- Administers oaths;
- Takes affidavits;
- Issues executions upon any judgment rendered in the municipal court;
- Issues and signs writs;
- Processes subpoenas;
- Collects court revenue from fees and fines;

- Supervises deputy clerks and other staff within the division; and
- Assists in developing the budget.

The part-time chief deputy clerk works 24 hours per week and completes the following functions:

- Completes office management functions of logging work schedules, scheduling vacations, and preparing payroll;
- Balances and prepares daily receipts;
- Processes expungements, appeals or other special case situations;
- Trains and oversees all clerk procedures and duties; and
- Acts as a liaison between judges' offices, prosecutor's office, and clerk of court's office.

The criminal/traffic division in the clerk of court's office is responsible for maintaining case files and handling the payments of fines and fees for all criminal and traffic cases at LMC. Criminal cases include felonies, misdemeanors, and liquor control citations. Traffic cases include speeding, illegal U-turns, failure to control vehicle, failure to stop, driving while intoxicated (DWI) and driving under the influence (DUI). Some of the duties of the deputy clerks in the criminal/traffic division include the following:

- Collect, receipt and post bonds (cash and surety), court costs and fines;
- Enter and maintain accurate records of all motions filed;
- Prepare and file all interims, dispositions, capias, warrants, and subpoenas;
- Process refunds for bonds and restitution payments; and
- Enter commitments, which involve processing paperwork for individuals sentenced to jail.

Civil cases include personal injury, property damages, contracts, forcible entry, small claims, trusteeship, and landlord/tenant cases. In carrying out their responsibilities for civil cases, the deputy clerks of the civil division perform the following functions:

- Verify case information on complaints and create case file jackets and dockets;
- Enter all cases, docket sheet information, judgments and information into the computer and onto civil docket sheets,
- Prepare the general index and daily court case report on each plaintiff and defendant;
- Issue summons on complaints,
- Receive responses on summons issued and issue payments to creditors of trusteeship and garnishment cases;
- Collect, receipt and post filing fees, rent escrow accounts, payments on judgments, payments on trusteeship cases; and
- Schedule hearing dates for small claims and forcible entries.

The bookkeeper is responsible for balancing daily receipts, running distribution reports, receiving money collected from the collection agency, processing six month suspended cases and distributing daily mail.

The management information systems (MIS) administrator is responsible for maintaining the court computer system, entering data, preparing monthly disbursement reports, and preparing electronic file transfers to the collection agency

### *Summary of Operations*

The clerk of court's office is the starting point for cases at LMC. When a new case is received, the deputy clerks assign the case a number. Then, the case is forwarded to the judicial division. While the court has a computer system, the judges' offices do not use the system to schedule cases, set up time frames, or enter and review case information during the case (see **R8.6**). Therefore, the judges' secretaries manually assign court dates according to the availability or schedule of each judge. The scheduling is done on a random basis (see **R8.2**). The judges hear a variety of civil and criminal cases including the following: felonies, misdemeanors, speeding and other traffic violations, DWI and DUI. However, the magistrate hears only civil cases which do not require a jury and all small claims cases. There are 11 deputy clerks responsible for criminal/traffic and civil cases. Of these deputy clerks, six are responsible for criminal/traffic cases and five for civil cases.

The civil operations for LMC begin when a civil complaint is filed. The deputy clerk is authorized to accept a case for filing when it meets the criteria established by Ohio Revised Code (ORC) §1901.17 for a civil action not to exceed \$15,000 or ORC §1925.02(A)(1) for a small claims case not to exceed \$3,000. In a civil action, plaintiffs are encouraged, but not required, to have counsel represent them in court. In addition, a plaintiff may request a jury trial for a civil action. In a small claims action, a plaintiff can file a claim without representation from counsel but cannot request a jury trial.

*Financial Data*

**Table 8-1** presents Lorain's actual expenditures for 2001 and 2002, and the budget for 2003.

**Table 8-1 Lorain Municipal Court Expenditures**

Line Item Categories	2001 Actual	2002 Actual	Percent Change 2001-2002	2003 Adopted Budget	Percent Change 2002-2003
Salaries and Wages	\$926,947	\$989,720	6.8%	\$955,232	(3.5%)
Fringe Benefits	\$346,470	\$717,686	107.1%	\$363,952	(49.3%)
Contracted Labor and Services	\$30,416	\$34,202	12.4%	\$48,658	42.3%
Operating Expenditures	\$54,968	\$60,956	10.9%	\$86,805	42.4%
Capital Outlay	\$18,492	\$34,342	85.7%	\$110,992	223.2%
<b>Totals</b>	<b>\$1,377,293</b>	<b>\$1,836,906</b>	<b>33.4%</b>	<b>\$1,565,639</b>	<b>14.8%</b>

**Source:** Clerk of Courts and Judicial expenditure reports and 2003 adopted budget.

As **Table 8-1** indicates, LMC's expenditures for the years 2001, 2002, and 2003 varied significantly within the following line items:

- Fringe benefits- increases occurred as a result of retirement pay-outs and the hiring of one additional staff person in 2002.
- Contracted labor and services- increases occurred as a result of a copy machine being purchased in 2002. The budgeted increase in 2003 is due to purchasing a new server for the computer system.
- Operating expenditures- increases in 2002 were for supplies and the anticipated increase in 2003 is attributed to the judges' intent to attend more educational seminars.
- Capital outlay- increases occurred in 2002 due to a computer being purchased and the clerk of court's office being remodeled. The budgeted increase in 2003 is attributed to the new server for LMC's computer system.

*Key Operating Statistics*

Key statistics and information for 2002 regarding the caseload of LMC and the peer courts is shown in **Tables 8-2** and **8-3**. Comparative analyses and assessments performed throughout this section are based on information from those tables.

**Table 8-2** indicates the total number of official cases processed in 2002 for LMC and peer courts.

**Table 8-2: Cases Processed in 2002**

	Lorain	Elyria	Hamilton	Parma	Peer Average
<b>Criminal/Traffic Cases Processed</b>					
<b>Felony Caseload</b>	1,697	1,111	1,709	714	1,178
<b>Misdemeanor Caseload</b>	12,137	5,183	7,551	4,183	5,639
<b>Operating a Motor Vehicle While Intoxicated (O.M.V.I) Caseload</b>	1,389	2,358	698	708	1,255
<b>Other Traffic Caseload</b>	9,860	15,529	11,998	7,515	11,681
<b>Total Criminal Cases</b>	25,083	24,181	21,956	13,120	19,753
<b>Civil Cases Processed</b>					
<b>Personal Injury and Property Damage Caseload</b>	135	367	197	185	250
<b>Contracts Caseload</b>	1,322	2,415	2,592	1,436	2,148
<b>Forcible Entry &amp; Detainer (F.E.D.) Caseload</b>	1,202	1,267	1,714	1,172	1,383
<b>Other Civil Caseload</b>	337	78	98	104	93
<b>Small Claims Caseload</b>	308	1,442	1,369	1,304	1,372
<b>Total Civil Cases</b>	3,304	5,569	5,970	4,201	5,247
<b>Criminal and Civil Cases Processed</b>					
<b>Overall Caseload</b>	28,387	29,750	27,926	17,321	24,999

Source: 2002 Ohio Supreme Court Summary Report

As shown in **Table 8-2**, LMC's overall caseload for 2002 was approximately 3,388 cases higher than the peer average.

**Table 8-3** presents the number of official cases disposed and the percentage of total official cases disposed in 2002 for LMC and peer courts.



**Table 8-3: Cases Disposed in 2002**

	Lorain		Elyria		Hamilton		Parma		Peer Average	
<b>Criminal Caseload Dispositions</b>										
<b>Felony</b>	772	45%	1,047	94%	1,663	97%	703	98%	1,138	97%
<b>Misdemeanor</b>	2,462	20%	4,566	88%	7,134	94%	3,592	86%	5,097	90%
<b>O.M.V.I.</b>	399	29%	1,924	82%	651	93%	586	83%	1,054	84%
<b>Other Traffic</b>	7,644	78%	14,515	93%	11,619	97%	5,742	76%	10,625	91%
<b>Total Criminal</b>	11,277	45%	22,052	91%	21,067	96%	10,623	81%	17,914	91%
<b>Civil Caseload Dispositions</b>										
<b>Personal Injury &amp; Property Damage</b>	97	72%	220	60%	119	60%	157	85%	165	66%
<b>Contracts</b>	1,185	90%	1,448	60%	1,482	62%	1,296	90%	1,408	66%
<b>F.E.D.</b>	955	79%	894	71%	1,474	86%	1,150	98%	1,173	85%
<b>Other Civil</b>	52	15%	67	86%	13	13%	94	90%	58	62%
<b>Small Claims</b>	287	93%	1,137	79%	923	67%	1,135	87%	1,065	78%
<b>Total Civil</b>	2,576	78%	3,766	68%	4,011	70%	3,832	91%	3,870	74%
<b>Total Dispositions</b>	<b>13,853</b>	<b>49%</b>	<b>25,818</b>	<b>87%</b>	<b>25,078</b>	<b>90%</b>	<b>14,455</b>	<b>83%</b>	<b>21,784</b>	<b>87%</b>

Source: 2002 Ohio Supreme Court Summary Report

Note: Percent of cases disposed is calculated by dividing dispositions by official cases processed (see **Table 8-2**).

As indicated in **Table 8-3**, LMC's disposition rate was 51 percent below the peer average for criminal cases and it disposed only half of its total cases in 2002. As a result, LMC has the highest backlog of cases when compared to the peers (see **R8.1** through **R8.9**).

### *Analyses Not Yielding Recommendations*

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

- *Court Cost and Fee Schedule for Civil Cases:* Compared to the peer average, LMC charges higher fees in five of the 15 categories in which at least two of the three peers also charge fees. In addition, LMC charges fees in 18 of the 20 categories reviewed, while Elyria and Hamilton charge fees in 13 and eight categories, respectively.
- *Special Funds:* LMC has established more special funds than the peers. In addition, LMC charges comparable fees for the same funds established by the peers.
- *Debit and Credit Card Use:* LMC has established procedures for allowing individuals to pay court costs, fines, and fees with debit and credit cards.

- *Community Service*: LMC has been using community service as a payment method.
- *Compact Procedures*: LMC uses this program to collect traffic fines from out of state offenders.

*Performance Measures*

The following performance measures were used to conduct the analysis of LMC:

- Review of actual expenditures for the past two years and budget for 2003;
- Review case management system's (technology) use and functionality;
- Assess staffing levels within the judges' and clerk of court's offices;
- Review and compare case management performance indicators;
- Assess case management processes and procedures;
- Review and compare collections performance indicators; and
- Assess collections methods and procedures.

## Findings and Recommendations

### Case Management

F8.1 The operations of a court can be measured by the total number of cases processed, the number of dispositions (closing cases), the number of cases pending, and the number of cases pending beyond the Ohio Supreme Court's (OSC) guidelines in a given period. These measurements indicate the effectiveness of the case management process for the entire court. Case management comprises various court activities from the time a case enters the court system to the final disposition rendered by the judge, and include the following:

- Implementing a scheduling process that maximizes the number of cases heard and disposed each day (see **F8.2**);
- Controlling continuances to help avoid backlog (see **F8.3**);
- Following established policies and procedures that guide key activities (e.g., standard time frames for scheduling cases, uniform criteria for granting continuances, overall court objectives and goals, etc.) (see **F8.2, F8.3, F8.4** and **F8.5**); and
- Implementing an effective computer system and using available computer functions to enhance operational efficiency, ensure data accuracy and reliability, and compile and track key performance and management information (see **F8.6** and **F8.7**).

An effective case management process ensures cases are processed, heard, and disposed in a timely manner. However, as indicated in **Tables 8-2** and **8-3**, LMC is not processing and managing caseloads as effectively as the peers. The data in **Tables 8-2** and **8-3** have been aggregated into **Table 8-4**, which indicates the overall effectiveness of LMC and peer case management operations for 2002.

**Table 8-4: Case Processing for 2002**

	Lorain	Elyria	Hamilton	Parma	Peer Average
<b>Total Official Cases</b>	28,387	29,750	27,926	17,321	24,999
<b>Dispositions</b>	13,853	25,818	25,078	14,455	21,784
<b>Disposition Rate</b>	49%	87%	90%	83%	87%
<b>Cases pending at end of December 31</b>	14,534	3,932	2,848	2,866	3,215
<b>% of cases pending at end of December 31</b>	51%	13%	10%	17%	13%
<b>Cases pending beyond time guidelines</b>	0	0	79	0	N/A

Source: 2002 Ohio Supreme Court Summary Report

**Table 8-4** shows that LMC's disposition rate is 44 percent lower than the peer average. Therefore, LMC has over three times more cases pending as of December 31 than its peers. However, even with this significant level of pending cases, LMC has not reported any cases pending beyond time guidelines because it does not use the computer system to track cases pending beyond the time guidelines (see **F8.6** and **F8.7**). Furthermore, LMC does not adequately compile and report case data, which could affect the accuracy and reliability of information presented in **Table 8-4** (see **F8.7**).

According to the American Bar Association, the Conference of Chief Justices, and the Conference of State Court administrators, a court must control the time from civil case filing or criminal arrest to trial or final disposition. Early and continuous control establishes judicial responsibility of timely disposition, identifies cases that can be settled, eliminates delays, and ensures that matters are heard when scheduled. This is achieved by the court making decisions in a timely manner and implementing processing standards (see **F8.2** to **F8.5**). By disposing cases at a lower rate than the peers, LMC is not maximizing collections nor ensuring cases are processed and judicial services are provided in a timely manner.

**R8.1** Since case management affects every aspect of court operations, including the timeliness and effectiveness of providing needed services, LMC should develop strategies and take appropriate measures to improve case management. This can be achieved by implementing the following key recommendations:

- Establishing formal, standard and uniform time frames for scheduling cases, as well as an efficient scheduling process (see **R8.2**);
- Establishing and following uniform policies and procedures for minimizing the number of continuances granted during a case (see **R8.3**);
- Using performance measures (see **R8.4**);
- Engaging the services offered by the OSC (see **R8.5**);
- Using the available functions of its computer system (see **R8.6**);
- Ensuring that caseload reports are accurate and reliable (see **R8.7**); and
- Addressing staffing levels in the civil and criminal divisions (see **R8.8** and **R8.9**).

By improving case management, LMC will be able to reduce the number of total cases pending, thus allowing it to assess more court costs and fines and subsequently increasing collections. Moreover, improving case management would ensure judicial services are administered in a timely manner.

*Financial Implication:* If LMC improved its case management system and increased its disposition rate from 49 percent to the peer average of 87 percent, it would dispose of 10,844 currently pending cases. By applying LMC's three year average collections per disposition of \$179 (see **Table 8-10**) to these additional cases, LMC could collect

approximately \$1.9 million in court costs and fines. Assuming LMC implements improvements to case management and is able to realize these collections over the next five years, the annual average increase in collections would be approximately \$380,000.

- F8.2 LMC's current case scheduling process appears to contribute to its high backlog of cases. The clerk of court's office assigns new cases a number and then transfers them to the judicial office. Upon receipt, the secretaries in the judicial office manually assign the case a date, rather than using the computer system to schedule the case. In addition, the scheduling is done on a random basis as LMC does not have a defined weekly schedule to hear certain types of cases. Instead, all types of cases are heard on any day of the week.

In contrast to LMC, peer municipal courts have personnel who are devoted to case assignment and scheduling (see **F8.8**). These individuals receive the case, assign it a number, and enter it directly into the computer system for scheduling. Schedules may be adjusted manually based on a judge's caseload. Furthermore, all of the peers have established weekly schedules to hear specific cases. For example, Hamilton has a specified schedule whereby arraignments and pre-trials (sometimes jury trials) are heard on Monday; criminal, minor traffic and preliminary hearings are heard on Tuesday through Friday; civil cases and health department cases are heard on Wednesday; and small claims cases are heard on Friday. By segregating the scheduling process between the judicial division and clerk of court's office, and manually scheduling cases in a random/generalized manner, LMC may experience considerable time lags in the scheduling process and not maximize the number of cases that can be heard and subsequently disposed on a given day.

The need to establish time frames for scheduling is identified by Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards, which is a publication that provides benchmarks and best practices used by various local governmental entities. **Table 8-5** presents benchmarks related to scheduling cases from this publication that are implemented by various local courts in the United States.

**Table 8-5 Time Frames for Scheduling Cases**

Municipality	Time Frames for Scheduling
Fort Worth, TX	Schedule 85% of cases on a court docket within 60 days of receipt
Reno, NV	Schedule all trials within 60 days of arrest (1990: 100% compliance)
Fayetteville, AR	Set criminal cases for trial within 90 days
Irvin, TX	Scheduled 100% of trials in 90 days of receipt

**Source:** Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards.

Since each court indicated in **Table 8-5** is not located in Ohio, it is important to note that they are under a different set of laws and regulations than Ohio courts. Therefore, the laws and regulations in Texas, Nevada and Arkansas may have a different effect on the time frames for scheduling cases than for courts located in Ohio. Although LMC has not established formal time frames and goals to schedule cases, staff try to schedule felonies 10 days after receipt and other cases 30 days from initial receipt. However, Hamilton indicated that it attempts to schedule cases two weeks after receipt while Parma and Elyria stated that they attempt to schedule cases three weeks from initial receipt. As a result, LMC appears not to be scheduling non-felony cases as quickly as the peers, which could contribute to poor case processing times and its high backlog of cases. Establishing formal and uniform time frames for scheduling cases would provide objective and clearly defined parameters to help staff assign the next available date for cases and maximize the number of cases that can be heard and disposed each day.

**R8.2** LMC should reallocate and hire additional staff to be solely responsible for assigning and scheduling cases (see **R8.8**). In addition, LMC should develop a specified case schedule, to make the scheduling process easier and better allow for the potential to maximize the number of cases heard and disposed on a given day. Furthermore, LMC should establish standard and uniform time frames for the purpose of processing and scheduling cases. Once established, the time frames should be used as the mechanism to determine when cases should be scheduled and the number of cases that can be processed in a typical day. In addition, LMC should use the computer system to schedule cases, and track and monitor them according to the established time frames. Doing so would ensure cases are being scheduled and processed in a timely manner. Each of these strategies would aid LMC in reducing its current backlog of cases (see **F8.1**).

F8.3 LMC has not established uniform and standard rules to clearly and objectively define criteria used to grant continuances. However, the judges indicated that informal policies are used to grant continuances based on the type of case, and that continuances granted are appropriately justified. For instance, LMC's goal for driving under suspension cases is to assure that all drivers are licensed and insured. Consequently, the judges may allow defendants additional time to obtain a valid driver's license and insurance, and to pay reinstatement fees and fines.

Although LMC has established a \$10 continuance fee, it has indicated that the fee is not enforced. According to the judges, continuances are not tracked because this information is not required by the OSC. Furthermore, LMC does not track and monitor the number of continuances granted on a periodic basis. However, according to OSC's Rules of Superintendence OH Sup.R. 41(D), trial continuances shall be reported on a monthly basis to the administrative judge. Not establishing uniform and standard rules for continuances, not enforcing its \$10 continuance fee, and the failure to consistently track

and monitor continuances could result in excessive continuances being granted. This could cause time lags in disposing cases and contribute to LMC’s large backlog of cases.

The State of California has established specific written rules regarding continuances in its superior courts and **Table 8-6** lists its specific reasons for granting a continuance.

**Table 8-6: State of California Rules for Continuances**

<p><b><u>Death</u></b></p> <ul style="list-style-type: none"> <li>• The death of the trial attorney, expert witness or an essential witness where, because of the proximity of such death to the date of trial, it is not feasible to substitute another attorney or witness.</li> </ul>
<p><b><u>Illness</u></b></p> <ul style="list-style-type: none"> <li>• Illness that is supported, wherever possible, by an appropriate declaration of a medical doctor, stating the nature of the illness and the anticipated period of any incapacity.</li> <li>• The illness of a party or essential witness, except that, when it is anticipated the incapacity of such party or witness will continue for an extended period, the continuance should be granted on condition of taking the deposition of the party or witness in order that the trial may proceed on the next date set.</li> <li>• The illness of the trial attorney or of an expert witness, except that the substitution of another attorney or witness should be considered in lieu of a continuance depending on the proximity of the illness to the date of trial, the anticipated duration of the incapacity, the complexity of the case, and the availability of a substitute attorney or expert witness.</li> </ul>
<p><b><u>Unavailability of Trial Attorney or Witness</u></b></p> <ul style="list-style-type: none"> <li>• The unavailability of the trial attorney when he is engaged in the trial of another case, or in the hearing, investigative or formal, of a State Bar disciplinary matter, if:             <ul style="list-style-type: none"> <li>➢ at the time the attorney accepted the trial date in this case he could not have reasonably anticipated the conflict in trial dates; and</li> <li>➢ the court was informed and made a finding at the pretrial or trial setting conference or on motion made at least 30 days before the date set for trial that the case was assigned for trial to this attorney within a particular law firm and that no other attorney in that firm was capable and available to try the case and was or could be prepared to do so.</li> </ul> </li> <li>• The unavailability of a witness only where the witness has been subpoenaed or is beyond the reach of subpoena and has agreed to be present, and his/her absence is due to an unavoidable emergency that counsel did not know and could not reasonably have known at the time of the pretrial or trial setting conference.</li> </ul>
<p><b><u>Substitution of Trial Attorney</u></b></p> <ul style="list-style-type: none"> <li>• The substitution of the trial attorney only where there is an affirmative showing that the substitution is required in the interests of justice.</li> </ul>
<p><b><u>Significant Change in Status of Case</u></b></p> <ul style="list-style-type: none"> <li>• A significant change in the status of the case where, because of a change in the parties or pleadings ordered by the court, the case is not ready for trial.</li> </ul>

Source: State of California Court Rules



In addition, other courts in Ohio have established standard guidelines for continuances. Butler County has instituted a standard formal policy throughout its county courts by only allowing one continuance for minor/misdemeanor offenses. If an individual requests more than one continuance, they are required to appear before the judge and formally request another continuance. Trumbull County Central District Court has instituted a similar policy by allowing only one continuance per defense and prosecution in civil cases. If more than one continuance is requested, it has to be made in writing and all parties have to appear before the judge.

Implementing measures to minimize continuances would ensure cases are processed and disposed in a timely manner, and help to reduce LMC's current backlog of cases.

**R8.3** The judges should implement measures to reduce continuances. Specifically, the judges should develop and enforce standard and uniform rules for granting continuances. The rules should state and fully explain the following key procedures/policies:

- Maximum number of allowable continuances per case; and
- Reasons that would justify the granting of a continuance.

Additionally, LMC should periodically track and monitor the number of continuances granted via the computer system (see **R8.6**). By tracking and monitoring continuances, LMC would be fully aware if continuances are negatively impacting case management, thus enabling it to implement additional strategies to minimize continuances. The judges should also enforce the payment of the \$10 continuance fee. In addition to minimizing the use of continuances to ensure cases are disposed in a timely manner, enforcing the payment of \$10 per continuance would result in additional revenue for LMC. However, since LMC does not track the number of continuances granted, an estimate of potential additional revenue by enforcing the \$10 fee could not be determined.

F8.4 LMC does not use performance measurements to determine the effectiveness of its case management system. The National Center of State Courts has developed the Trial Court Performance Standards and Measurement System (TCPS), which identifies and outlines various performance measurements. The measurements identified for case management include:

- *Time to Disposition:* This is determined by calculating case processing information collected from a random sample of cases disposed of during the preceding year. The major task is to randomly select a sample from a list of all cases of each type to be examined.

- *Ratio of Case Dispositions to Case Filings:* This can be easily tracked from the information entered into the monthly reports sent to the OSC. The closer the ratio is to 1:1 indicates that the court is effectively managing its caseload.
- *Age of Pending Caseload:* The number of pending cases beyond the OSC time guidelines can be easily tracked from the information entered in the reports sent to the OSC. The filing dates for these cases can be retrieved from the computer system to determine the age of the pending caseload.
- *Certainty of Trial Dates:* This measurement can be tracked by monitoring the frequency of continuances and schedule changes entered in the computer system.

The absence of performance measures hinders the judges and clerk of court from improving customer service, determining effective resource use, assessing departmental performance, and effectively managing its caseload.

**R8.4** The judges and clerk of court should establish performance measures for each of the categories listed in TCPS, and should begin tracking whether LMC is meeting each measure on an annual basis. To accomplish this, the judges and clerk of court should ensure that staff are trained to fully use the computer system as outlined in **R8.6**. By establishing and using performance measures, LMC would be able to better measure departmental effectiveness and identify problem areas that should be addressed, such as identifying strategies to reduce its significant backlog of cases. In addition, LMC should ensure the accuracy and reliability of information critical to effective management of court operations (see **F8.7** and **R8.7**) in order to produce accurate and reliable reports that can be used to monitor caseloads and develop realistic performance measurements.

F8.5 LMC has not taken advantage of the case management services offered by OSC. The OSC provides case management programs (CMP) and training to municipal courts that request their services. Specifically, CMP provides comprehensive training and approaches to case management that are grounded in best practice principles. In addition, CMP assists in the development and revision of case management plans through on-site or telephone consultation with judges, clerks of court, and/or other designated personnel. Upon request, CMP can conduct audits and reviews of how a court uses its case management software. CMP also identifies and recommends resource allocations, staffing needs, and financial needs as they relate to case management principles and fundamentals in a given court. CMP developed “Eleven Fundamentals of Case Flow Management” to assist courts in case management, which are discussed below.

1. **Judicial Commitment and Leadership:** LMC's judges set the tone for establishing court-wide policy and commitment to the philosophy of court responsibility in case progress. If there is no commitment, little will be gained by devising systems for establishing deadlines and tracking cases. In addition, a partnership with the clerk of court is necessary to shape and guide the case flow system. LMC has not developed specific policies and procedures for case management (see **R8.2**, **R8.3**, and **R8.4**).
2. **Court Consultation with the Bar:** Development and maintenance of an orderly, predictable, and effective case flow management system that minimizes delay is of mutual concern to the court and bar. LMC has not been able to process cases in a timely manner (see **R8.1**) and does not consult the bar regularly.
3. **Court Supervision of Case Progress:** The court, in consultation with the attorney(s) for each case, should play an active role in determining the timetable that will govern all proceedings during the life of the case. Principles governing court supervision of case progress include establishing early and continuous court control, maintaining and adhering to scheduled events, and creating the expectation and reality that events will happen when scheduled. LMC has not formally developed specific time frames for case scheduling (see **R8.2**).
4. **Standards and Goals:** It is important to set standards and goals for the system. There are three types of standards and goals: overall time standards governing case disposition for each case type; immediate standards governing elapsed time between major case events; and system management standards concerning issues such as continuances. LMC has not set standards or goals for continuances (see **F8.3**), case scheduling (see **F8.2**), or other important case management activities (see **F8.4**).
5. **Monitoring and Information Systems:** It is important to have an information system to monitor case progress and to measure performance against set standards and goals. Otherwise, the setting of standards and goals is ineffective. Standards have not been set at LMC (see **F8.4**) and the computer system is not used to monitor case progress or processing (see **F8.6**).
6. **Case Assignment System:** There are a number of ways multi-judge courts handle the assignment of cases to judges. The main component with this element is to be aware of the strengths and weaknesses associated with the individual calendar system used in Ohio. The primary strengths are the motivation factors: a judge is responsible and accountable for his/her own caseload; it creates a competitive atmosphere; and it ensures the judges' familiarity with the case. The weaknesses include judicial autonomy and responsibility, which can be counter-productive.

Other weaknesses may include the opportunity for variance in policies and procedures and differences in case disposition times. LMC has not set policies for case management and case assignment is not effective due to inadequate use of computer systems (see **F8.6**), inefficient scheduling process (see **F8.2**), and ineffective staffing allocations (see **F8.8** and **F8.9**).

7. **Early Court Intervention and Early Dispositions:** More emphasis should be placed on the actions a judge can take to obtain early dispositions. **F8.1** explains that LMC is not effectively moving cases through the system.
8. **Scheduling for Credible Trial Dates:** Certainty that trials or other hearings will occur when scheduled is a critical component of effective case flow management systems. Scheduling of cases at LMC is not effective (see **F8.2**).
9. **Court Control of Continuances and Avoiding Backlog:** Controlling continuances is important in establishing trial date certainty. The backlog is the number of cases in the inventory that are older than the time standard set by the court. To avoid backlogs, standards should be set at intermediate stages in the process. Continuances are not minimized at LMC (see **F8.3**) and a significant backlog of cases exists. (see **F8.1**)
10. **Systems Approach and Vision:** An overall system organization is needed for the effective flow of cases. A team approach to case management is needed because one person cannot make the system work, but one person can make the system fail. Case management functions are not effectively allocated and structured at LMC (see **F8.8** and **F8.9**).
11. **Attention to Detail:** Lack of attention to detail is one of the most frequent causes of everyday problems. It is also one of the most common reasons for program failure.

In addition to the fundamentals of case flow management, the CMP also assists courts by providing case management techniques for the various types of cases. As LMC does not achieve the eleven fundamentals of case management, it has not been able to establish an effective case management system.

**R8.5** The judges should contact and engage the services of case management specialists from the OSC. With case management technical assistance, LMC will be able to develop comprehensive approaches to case flow management and improve its operations. LMC would benefit from customized case management training and would be assisted in identifying and implementing best practices, allocating resources efficiently, and would have on-site and telephone consultation as needed. Since the services of CMP are free of

charge, LMC should not only seek the assistance of CMP but attempt to forge an on-going relationship. This would be beneficial to LMC because CMP coordinates consultations with state and nationally recognized court administration experts, and assists in identifying best practices in mediation, drug courts, summary trials, and technology for enhancing case management efforts.

### Technology

F8.6 LMC does not fully use all the features of its case management computer system, which was implemented in FY 1998. **Table 8-7** indicates the capabilities of LMC's case management computer system and whether LMC is using each function.

**Table 8-7: Case Management System Functions**

Case Management System Functions	Features used by LMC? Y/N	Comment
Unlimited docket entries and dispositions for each case	N	The clerk of courts office uses the system for data entry, but the judicial office does not.
Case Tracking with specified case number	N	LMC does not use the system to review case load, backlog or disposed cases.
Warrant tracking on individual parties	Y	LMC uses this feature but it cannot separate warrants by type.
Scheduling	N	LMC does not use the system to schedule cases as the judges prefer manual scheduling.
Data transfers to credit bureau or collections agency	Y	LMC uses this feature.
Supreme court tracking	N	LMC does not use this feature to create OSC reports. Instead, reporting is done manually by counting cases and compiling information from arraignment sheets.
Bureau of Motor Vehicles conviction records, Ohio License suspensions and forfeitures, and warrant blocks	N	LMC could not provide the numbers of block warrants or licenses suspended by Ohio BMV.
Immobilization tracking	N	LMC does not use the feature to track the number of immobilizations.
Failure to pay fines and costs tracking and report generation	Y	LMC uses this to track those accounts needing collection, but it does not track assessments and collection rates.
Case locator with barcode reader	N	LMC does not use this feature.
Ticket tracking and receipting	Y	LMC uses this feature.
Probation tracking with specified probation number	Y	LMC uses this feature.

Source: Case management computer system vendor and City of Lorain

Not fully using the computer system may be due to a lack of staff training. Nonetheless, fully using the capabilities of the case management system could allow LMC to significantly improve operations. For instance, using the system to schedule cases would enhance efficiency and help LMC to schedule and track cases according to uniform and standard time frames (see **R8.2**), which could assist in improving case processing times and reducing its high backlog of cases (see **R8.1**). Using the system to compile data for OSC reports rather than performing this task manually would ensure that the case information is accurate and reliable (see **R8.7**). Additionally, consistently tracking case activity in the system would provide meaningful information that could be used to effectively manage operations. Moreover, training staff to use the system's functions would increase staff productivity (see **F8.8** and **F8.9**).

Although LMC is not fully using the computer system, some staff stated that new case data cannot be tracked or is not readily assessable due to the setup of the system. However, the vendor indicated that these issues can be addressed by writing a new program for the system. Since the case management system is not a Windows-based system, staff cannot develop specialized programs on their own. Instead, the vendor has to develop programming at a cost of \$95 per hour. In contrast, Hamilton's system allows it to provide specific and cumulative data and many other customized reports, because the system has a user defined software program. This allows Hamilton to independently generate new fields and reports without contacting the vendor for additional services. According to LMC, it is in the process of reviewing other case management systems and is receiving bids from vendors for new systems.

**R8.6** LMC should address its technology system issues by implementing one of two options.

- **Option 1:** LMC should immediately begin using its computer system to its fullest potential. Furthermore, it should work with its vendor to address any ongoing systems issues. This can be achieved by increased training and having the vendor make system adjustments. The full use of the computer system will allow LMC to improve overall operations particularly within case management (see **F8.1** and **R8.1**), reduce the amount of repetitive work performed, and allow LMC to maintain accurate case data.
- **Option 2:** LMC should consider purchasing a new case management system that is fully functional and has the ability to generate user-defined programs. This decision should be made by the judges and clerk of courts after closely assessing system needs.

Regardless of whether LMC works with the vendor to improve the current system or purchases a new system, it should ensure that staff are fully trained on the capabilities to derive the maximum benefit of the system. Adjustments to the current system would

result in implementation costs. However, this is currently difficult to quantify because the costs depend on the number of hours needed by the vendor to upgrade/adjust the system. Therefore, LMC should obtain an estimate from the vendor of the hours and costs, and compare this to the cost of purchasing a new case management system to ensure the decision is cost-effective.

- F8.7 LMC does not ensure that case data is fully accurate and reliable. For instance, the data contained in the OSC summary report for FYs 2001 and 2002 does not reconcile to data in LMC's annual reports because case data is obtained from two sources. Specifically, data for OSC reporting is compiled manually from arraignment sheets even though the computer system could be used to compile and track data submitted to the OSC (see **F8.6**). However, data for LMC's annual reports is taken from the case management system, which is not being fully used by LMC (see **F8.6**). Hamilton and Elyria use their computer systems to compile and report case data to the OSC.

According to staff, data contained in the annual report and in OSC reports do not match as a result of the following operational issues:

- The computer system is not being used in the court rooms to compile information during case proceedings, such as entering continuances, judgments, etc. (see **F8.6**).
- The computer system counts charges as cases, which may be a function of data not being entered into the appropriate fields (see **F8.6**).
- The arraignment sheets are not being transferred to the MIS administrator for compilation.

The failure to complete a physical inventory of its cases for nearly four years could also contribute to OSC case data not reconciling to the annual reports. According to OH Sup.R. 38(A) and (B) of the OSC Rules of Superintendence, each judge, on or before the first day of October, shall complete an annual physical inventory of all cases reported. The Rule also requires a newly elected or appointed judge to the court of appeals, court of common pleas, municipal court or county court to complete a physical case inventory within three months of the date the judge takes office. Although LMC has a judge who was appointed in FY 2001, a physical count was not completed. In contrast, Parma's bailiffs conduct a yearly physical inventory of its cases.

According to the judges, LMC is in the process of resolving the caseload reporting problem and improving reporting processes to subsequently improve the accuracy and reliability of case data. LMC commenced a physical inventory of its cases and met with the software vendor in September 2003.

- R8.7** LMC judges should ensure that data reported in the annual report and to the OSC is fully accurate and reliable by implementing the following measures:

- Fully use the capabilities of the computer system (see **R8.6**). In addition to ensuring that data is fully accurate and reliable, using the computer system would improve operational efficiency by avoiding the need to manually compile case data submitted to the OSC.
- Ensure that the appropriate staff person receives the case information in a timely manner, so case data can be entered into the system. This can be achieved by clearly defining job responsibilities for assigning, scheduling, and tracking cases within LMC as outlined in **R8.8**, and eliminating the need to transfer information across offices.
- Complete a physical case inventory annually as outlined in the OSC Rules of Superintendence for the Courts of Ohio. Also, when a new court judge is appointed, LMC should complete a physical count as outlined in OH Sup.R. 38(B). By completing a physical count annually, LMC will be able to reconcile its counts with the information maintained in the system. This will create a system of checks and balances in maintaining case data.

Addressing these issues would ensure that LMC is compiling and reporting accurate case data, which can be used to assess its overall performance.

### *Staffing*

F8.8 LMC's judicial division lacks staff to effectively assign and schedule cases. **Table 8-8** provides information on the FY 2002 staffing levels for LMC's judicial operations compared to peer municipal courts.



**Table 8-8: Judicial Staff Caseload Comparison**

	Lorain	Elyria	Hamilton	Parma	Peer Average
<b>New Cases Filed 2002</b>	16,870	25,976	25,350	15,394	22,240
<b>Total Staff (FTEs)</b>	12.70	18.00	14.98	18.48	17.15
<b>New Cases Filed Per FTE</b>	1,328	1,443	1,692	832	1,297
<b>Judges and Magistrates</b>					
<b>Number of Staff (FTEs)</b>	2.70	3.00	2.25	6.88	4.04
<b>New Cases Filed per FTE</b>	6,248	8,659	11,267	2,231	5,505
<b>Secretaries/Administrative Assistants</b>					
<b>Number of Staff (FTEs)</b>	2.00	2.00	0.00	0.00	N/A
<b>New Cases Filed Per FTE</b>	8,435	12,988	N/A	N/A	N/A
<b>Bailiffs</b>					
<b>Number of Staff (FTEs)</b>	3.0	4.0	4.0	2.60	3.5
<b>New Cases Filed Per FTE</b>	5,623	6,494	6,338	5,701	6,354
<b>Assignment Office</b>					
<b>Number of Staff (FTEs)</b>	2.00 <sup>1</sup>	5.00	5.00 <sup>2</sup>	5.00	5.00
<b>New Cases Filed Per FTE</b>	8,435	5,195	5,070	3,079	4,448
<b>Other Staff<sup>3</sup></b>					
<b>Number of Staff (FTEs)</b>	3.00	4.00	3.73	4.00	3.91

**Source:** 2002 Supreme Court Summary Report, Interviews and Organizational Charts.

<sup>1</sup> This includes secretarial staff, which completes both assignment functions and secretarial functions.

<sup>2</sup> Hamilton's Assignment division functions as a separate division, but is counted under judicial for comparison purposes.

<sup>3</sup> Other staff includes: Lorain-2.0 probation officers and an aide; Elyria-probation officers (2.0 FTEs) and security officers (2 FTEs); Hamilton- probation officers (2.0 FTEs), warrant officer, information services (0.5 FTE), and probation clerk; Parma- probation officers (3.0 FTEs) and small claims processor (1.0 FTE).

**Table 8-8** indicates that LMC staff handled slightly more cases per FTE than the peer average and appears understaffed in the assignment function. As illustrated in **Table 8-8**, LMC's assignment staff completes scheduling and assignment functions for close to twice the number of cases as the peers, which could have a considerable impact on LMC's ability to adequately manage its caseload (see **R8.1** and **R8.2**). Furthermore, in addition to assigning and scheduling cases, LMC's assignment staff also performs secretarial functions. However, LMC employs two additional secretaries/administrative assistants whereas Hamilton and Parma do not employ any such positions. According to Hamilton, all of its judicial staff can be called upon by the judges to perform clerical functions when necessary. Parma indicated that its bailiffs perform clerical functions for the judges. Moreover, LMC does not consistently perform or track vehicle immobilizations (**F8.12** and **R8.12**). In contrast, the bailiffs at Hamilton and Parma perform and track vehicle immobilizations, while handling a higher number of cases than LMC.

Allocating 100 percent of the two secretaries' time to assigning and scheduling cases, transferring 1.0 FTE secretary as an assignment officer, and adding 1.0 FTEs to the assignment area would result in LMC assigning and scheduling 4,218 cases per FTE. Although this is lower than Elyria and Hamilton, it is comparable to the peer average. Considering the significant backlog of cases at LMC, it may need additional assignment staff to ensure new cases are scheduled and processed in a timely manner while simultaneously helping to reduce its backlog of cases. Additionally, having 4.0 FTEs for assignment could ensure that future caseloads are adequately managed and processed, assuming that LMC's caseload increases in the future.

**R8.8** The judges should allocate the 2.0 FTE administrative assistants/secretaries currently performing the assignment and scheduling activities and another 1.0 FTE secretary as full-time assignment officers, whose primary responsibility would be to assign/schedule cases and enter/maintain scheduling data in the computer system. In addition, the judges should hire 1.0 FTE assignment personnel to provide additional needed support and resources to efficiently assign and schedule cases. After LMC has reduced its backlog, it should reassess staffing resources allocated to assignment and scheduling functions. If LMC maintains a similar caseload in the future, it should consider assigning a portion of one assignment staff's duties to other areas, such as probation or administration. If LMC's caseload increases in the future, it should maintain all 4.0 FTEs as assignment staff and determine the need for any additional staff. Another option would be to hire the additional assignment staff as a temporary position. By allocating more staff to assignment functions, LMC will be able to place a greater emphasis on case processing, which would lead to an increase in its disposition rate and allow it to generate additional collections of court costs and fines (see **R8.1**).

Furthermore, the judges should ensure vehicle immobilization duties are consistently performed by the bailiffs. Consistently performing and tracking vehicle immobilizations would result in potential additional revenue for LMC (see **R8.12**). Finally, fully using the computer system (see **R8.6**) for scheduling and other court activities should have a positive impact on LMC's workload and productivity.

*Financial Implication:* Hiring one additional person for assignment will create a cost of approximately \$43,000 annually in salaries and benefits.

F8.9 The clerk of court staff is not adequately allocated among various functions. **Table 8-9** compares LMC's clerk of court staffing levels to the peers.

**Table 8-9: Clerk of Court Staff**

	Lorain	Elyria	Hamilton	Parma	Peer Average
<b>Criminal Division</b>					
<b>Number of Staff (FTEs)</b>	6.0	10.0 <sup>1</sup>	5.5	10.0	8.5
<b>New Criminal Cases in 2002</b>	13,865	21,943	20,949	11,558	18,150
<b>Cases Per Staff (FTE)</b>	2,311	2,194	3,809	1,156	2,135
<b>Civil Division</b>					
<b>Number of Staff (FTEs)</b>	5.0	6.0 <sup>1</sup>	3.5	5.5	5.0
<b>New Civil Cases in 2002</b>	3,005	4,033	4,401	3,836	4,090
<b>Cases Per Staff (FTE)</b>	601	672	1,257	697	818

**Source:** 2002 Ohio Supreme Court Summary Reports, Interviews, and Organizational Charts

**Note:** Excludes pending cases.

<sup>1</sup> Includes 2.0 FTE supervisors in the criminal division and 2.0 FTE supervisors in the civil division who perform some deputy clerk functions.

As illustrated in **Table 8-9**, the criminal division at LMC is handling the second highest number of cases per FTE of the peers. However, the civil division at LMC is handling the lowest number of cases per FTE of the peers. In addition, all of the deputy clerks at LMC perform collections activities whereas Parma and Elyria devote 1.0 FTE and 2.0 FTEs, respectively, to collections. By centralizing collections, Parma and Elyria ensure that collections activities are performed in a consistent and uniform manner.

Transferring 1.0 FTE from the civil division to perform collections functions for the entire court would result in the civil division handling 751 cases per FTE, which is slightly higher than Parma and Elyria but significantly less than Hamilton. Transferring 1.0 FTE from the civil division to collections would allow staff in the criminal division to focus on effectively managing caseloads and reducing the large backlog of criminal cases (see **Table 8-3** and **R8.1**). As LMC works to dispose the backlog of cases and subsequently increases cases requiring collection, having 1.0 FTE devoted to collections functions becomes increasingly important to maximize collections. Furthermore, fully using the computer system could also ensure that clerk of court functions are efficiently performed (see **R8.6**).

**R8.9** LMC should consider transferring 1.0 FTE from the civil division to perform all collections activities, thereby ensuring collections are enforced and maximized. The collections position should be responsible for monitoring collections, entering data, conducting follow-up activities (e.g., sending notices, using block warrants, etc.) and determining ability to pay (see **R8.10** to **R8.12**).

## Collections

F8.10 Although LMC appears to be maximizing collections based on the number of cases currently being disposed, additional revenue could be collected by reducing its considerable backlog of cases (see F8.1). LMC also does not track key data or monitor collections. **Table 8-10** illustrates a three year average of caseloads, disposition rates, and court costs, fines and fees collected by LMC and the peers.

**Table 8-10: LMC and Peer Court Average Collections for FYs 2000-2002**

Category	Lorain	Elyria	Hamilton	Parma	Peer Average
<b>Total Official Cases</b>	26,366	28,428	28,950	23,587	27,078
<b>Dispositions</b>	13,401	24,791	26,427	20,947	24,055
<b>Disposition Rate</b>	51%	87%	91%	88%	89%
<b>Total Collections</b>	\$2,394,361	\$4,039,704	\$4,331,131	\$2,947,906	\$3,772,914
<b>Average collection per Disposition</b>	\$179	\$163	\$164	\$141	\$157

Source: 2000-2002 Ohio Supreme Court Summary Report and peer information

As shown in **Table 8-10**, LMC's three year average of collections per disposition is 14 percent higher than the peer average, suggesting that collections are effective. However, LMC does not track costs and fines assessed to determine collection rates, which would allow it to fully ascertain its success in collecting court costs and fines. Furthermore, LMC's computer system is capable of tracking assessments (see F8.6). In contrast to LMC, Hamilton does track assessed cost and fines, which can also be used to help establish collection rate goals and monitor attainment of these goals. Goals regarding the collection of fines and costs have not been established at LMC. Established goals would help to stress the importance of collections to LMC staff, and provide the staff with achievable and concrete expectations. Similar to Elyria and Hamilton, LMC uses a collection agency as another means of collecting court costs and fines. The fee charged by the collections agency is passed on to individuals owing court costs and fines.

As shown in **Table 8-10**, LMC's three year average disposition rate is 43 percent below the peer average. LMC is consistently maintaining a considerable backlog of cases that could be assessed court costs and fines, which results in LMC not collecting available revenue.

**R8.10** The clerk of court and judges should take steps to effectively monitor collections by using its computer system to track delinquencies, assessments and collection rates, and establish feasible and quantifiable goals regarding the collection of fines and costs. Doing so would allow LMC to adequately manage the collections process and measure its effectiveness. As noted previously, improving case management would ensure that

cases are disposed in a timely manner and allow LMC to generate additional revenue (see **R8.1**).

F8.11 Collection methods at LMC could be enhanced. A 1992 study by the National Center for State Courts attempted to explain what constituted strong collections methods at Mansfield Ohio Municipal Court. The study found that a more aggressive collections method resulted in higher collection rates. The following indicates results of the study as compared to LMC:

- Completing an affidavit of income, expense and financial disclosure that determined a defendant's ability to pay fines and costs deterred defendant's in asking for time to pay, and increased full payments on the day of sentencing. After the affidavit was completed, a collections agent contacted the references listed by the defendant, in the presence of the defendant, to assess the accuracy of the affidavit. LMC uses an affidavit of indigency that serves as a financial disclosure form to help the court establish time to pay and determine ability to pay. However, LMC has not established criteria or policies to guide the decisions to establish a payment plan. For example, LMC does not have criteria to dictate how a payment plan will be established for varying income levels. As a result, someone with a higher income level may be given the same payment plan as someone at a lower income level. Also, the information from the form is not entered into the court computer system, which could make it more difficult to track and monitor payment plans.
- Sending a reminder notice five days prior to the payment due date, a telephone call three days after missed payment, and follow up letter five days after the telephone call resulted in a higher collection rate. LMC only sends one letter to individuals, informing them that they are in default of the payment plan and providing one last opportunity to pay the fines and costs. Although the letter indicates ramifications for non-payment, it does not state that the case will be forwarded to the collection agency or that additional fees will be assessed.

A more recent study completed in 2001 by the National Center for State Courts also noted similar best practices in collection in the Mesa, Arizona Municipal Court. According to the report, evaluation of a defendant's ability to pay and follow-up collection activity (e.g., sending reminder notices prior to payment due date) were an integral piece of the collection program. In addition, A Citizen Study of the City of Toledo Criminal Justice System and the Housing Court released in December 2000 indicated that the Cleveland Municipal Court has implemented standard procedures to effectively enforce collections. For instance, the court sends a reminder notice within two weeks from the date the court granted the defendant time to pay court costs and fines advising the defendant of the required payment. If the defendant is unable to make the payment by the due date, the defendant must contact the court seven days prior to the due date. At this point, the court

can allow a 30 day extension, which requires the payment of an additional late fee or the court can file a request for community service to be performed in lieu of paying the court costs and fines. If the defendant fails to pay the court costs and fines within the required time frames or does not perform the required community service, a *capias* (arrest warrant) is issued on the defendant.

Finally, LMC does not have one staff person dedicated to collections. Instead, collection functions are shared by all deputy clerks. Parma has 1.0 FTE devoted to collection activities. In the future, Parma plans to use its in-house staff to handle collection of all new cases and use the collection agency to collect accounts that are two years past due. Elyria also devotes 2.0 FTEs to collection functions (see **F8.9**). As discussed in the 2001 study, the Mesa Municipal Court also assigned certain staff solely for collections functions.

**R8.11** LMC should establish more effective collection methods, which will be especially critical in collecting court costs and fines attributed to its backlog of cases. This can be done in the following manner:

- **Ability to pay-** LMC should continue to use the indigency form as a means of assessing ability to pay and time to pay. However, LMC should also develop specific payment criteria and procedures for granting payment extensions and establishing payment plans (e.g., by income levels). Furthermore, information obtained from these forms should be maintained in the court computer system for easy tracking and monitoring purposes.
- **Follow-up contact-** Prior to referring cases to the collections agency, LMC's internal process should consist of sending additional notices and making contact through telephone calls prior to the payment due date. The ramifications of default in payment should be further emphasized in each of these notices. Upon completing follow-up calls and sending final notices, tools such as block warrants and license forfeitures should also be used to enforce payment of default fines and fees (see **F8.12**). In addition, the use of these enforcement methods should be monitored for effectiveness on a consistent basis. If payment is not received within a specified time frame, LMC should refer the case to the collection agency for additional follow-up.

Conversely, if LMC continues to refer cases that are 30 days past-due to the collection agency, it should send at least one reminder notice during the month and clearly state in both notices that additional fees attributable to the collection agency will be assessed if payment is not received. Furthermore, LMC should closely monitor the collection agency's effectiveness, considering that it would be relying on the agency to send notices and perform appropriate follow-up activities

to collect court costs and fines. Based on the potential effectiveness of block warrants and license forfeitures, LMC should consider using these tools even if a case is referred to a collection agency.

- **Assign one FTE for collection-** The clerk of court should reassign one FTE to handle all collection activities to ensure collections are fully enforced, provide better oversight and to closely monitor the services provided by the collection agency (see **R8.9**).

F8.12 LMC does not consistently or uniformly use enforcement tools to collect court costs, fines and fees. Three common enforcement tools are block warrants, license forfeitures and immobilizations. Issuing of block warrants and license forfeitures is a collection process enacted under ORC §4503.13, and ORC §4507.16.8.

To issue a block warrant, a clerk of court's office sends an outstanding warrant to the Ohio Bureau of Motor Vehicles (BMV). The BMV sends out notices to these individuals informing them of the block warrant and the requirement to pay the past-due fines. To issue license forfeitures, a clerk of court's office must enter all forfeiture information on to a form approved and furnished by the BMV, and send the form and the person's drivers' license to the BMV for processing. If the license has not been obtained by the court, the BMV would send notification that the person's license has been forfeited and order its return. Individuals with block warrants cannot renew license plates until the past-due fines are paid in full. Also, individuals with license forfeitures cannot renew their drivers' license until the past-due fines are paid in full. As a result, block warrants and license forfeitures serve as effective enforcement mechanisms.

According to interviews with the clerk of court's office and judges, while LMC does issue block warrants and license forfeitures, they are not issued on a consistent and uniform basis. In addition, LMC lacks formal policies and procedures stipulating when a block warrant or license forfeiture should be issued. Furthermore, LMC does not separate block warrants from other warrants being issued, nor does it keep track of the number of license forfeitures issued.

Vehicle immobilization is implemented under ORC §4503.233(A)(2), which allows courts to immobilize and forfeit vehicles for nonpayment of courts costs, fines, and fees. To implement an immobilization, the court sends notification of the immobilization to the person and to the BMV along with a request for payment of delinquent fees and a \$100 immobilization fee. The immobilization fee is later reimbursed to the City by the state. However, LMC does not appear to consistently perform or track vehicle immobilizations.

All three peers use each of these enforcement tools and track the number issued annually. Failure to consistently use these tools means that LMC may not have collected all potential fines and costs. Additionally, as LMC increases the number of backlogged cases disposed, effective collection methods will be important to subsequently enforce collections from these cases.

**R8.12** LMC should consistently use block warrants, immobilizations and license forfeitures to enforce collections. LMC should track and monitor the use of block warrants, license forfeitures, and vehicle immobilizations to ensure that these tools are used in all appropriate circumstances and to measure the overall effectiveness of these collection mechanisms. In addition, LMC should establish formal policies and procedures dictating the circumstances under which these tools should be used to enforce collections. By implementing consistent and uniform enforcement tools, LMC would be able to better enforce payment of court costs and fines.



## Financial Implications Summary

The following table is a summary of estimated annual revenue enhancements and implementation costs for the recommendations in this section of the report. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

### Summary of Financial Implications

<b>Recommendations</b>	<b>Estimated Annual Revenue Enhancements</b>	<b>Estimated Annual Implementation Costs</b>
<b>R8.1 Reduce backlog of cases</b>	<b>\$380,000 <sup>1</sup></b>	
<b>R8.8 Hire 1.0 FTE for case assignment</b>		<b>\$43,000</b>
<b>Total</b>	<b>\$380,000</b>	<b>\$43,000</b>

<sup>1</sup> Annual average assuming LMC reduces its backlog over the next five years.

## **Conclusion Statement**

LMC could significantly improve case management operations, as indicated by its considerable backlog of cases. To effectively manage its caseload, LMC needs to reallocate 3.0 FTEs in the judicial division and hire 1.0 FTE to be responsible for assigning and scheduling cases. In addition, LMC should develop a specified case schedule, which would make the scheduling process easier and better allow for the potential to maximize the number of cases heard and disposed on a given day. Establishing formal and uniform time frames for scheduling cases would provide objective and clearly defined parameters to help staff assign the next available date for cases. Furthermore, uniform rules to clearly and objectively define the criteria used to grant continuances should be established, thus minimizing the number of continuances and subsequently improving case processing times. Using performance measures and engaging the services offered by the OSC would also have a positive impact on case management.

LMC has not fully used the available functions of its computer system. Fully using the capabilities of the case management system, such as for scheduling cases, compiling OSC data, and tracking case activity, could allow LMC to significantly improve operations. However, since the current computer system is not Windows-based, staff cannot develop specialized programs or customized reports. Therefore, LMC should either work with its vendor to address any ongoing systems issues or consider purchasing a new computer system. Regardless, LMC should ensure that staff are fully trained on the capabilities to derive the maximum benefit of the implemented system.

To ensure collections are fully enforced and activities are performed in a consistent and uniform manner, LMC should transfer 1.0 FTE from the civil division to collections. In addition to maintaining an adequate level of staff in the civil division, this would allow staff in the criminal division to focus on effectively managing caseloads and reducing the large backlog of criminal cases. Moreover, although LMC appears to be maximizing collections on the current level of cases disposed, tracking costs and fines assessed to determine collection rates would allow it to better measure and document performance in this area. Additional strategies that would enhance collections at LMC include sending additional notices prior to payment due dates, closely monitoring the collections agency, and consistently using block warrants, vehicle immobilizations, and license forfeitures to enforce collections.

# Street Department

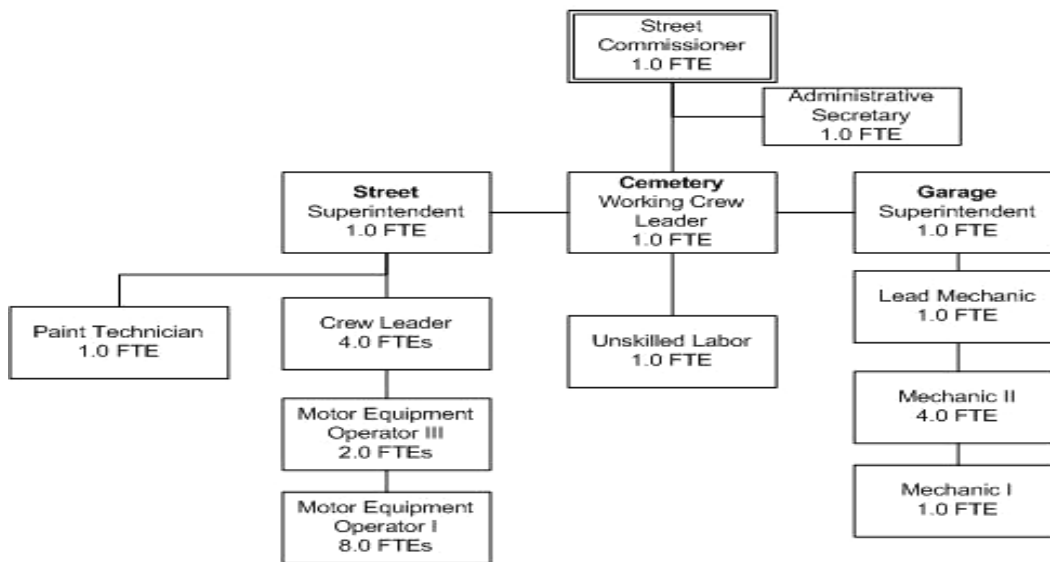
## Background

This section of the performance audit focuses on the City of Lorain Street Department’s (Lorain SD or the Department) functions. The Lorain SD is comprised of three divisions (street, garage and cemetery) responsible for the care and upkeep of the City’s capital investments. The objective of the performance audit is to analyze the street and garage divisions and to develop recommendations for potential improvements and cost savings. Performance comparisons are made between Lorain SD and peer street and garage departments in Elyria, Hamilton, and Springfield. The City of Middletown is used for additional comparisons due to its size and similarity of services provided. Additionally, the cities of Akron and Toledo are used in reviewing strategies to maximize operating revenues.

### Organizational Chart

**Chart 9-1** provides an overview of the Lorain SD organizational structure and staffing levels. All positions are shown as full-time equivalents (FTEs). An FTE is defined as an employee that works 35 hours per week.

**Chart 9-1: Street Department  
as of January 1, 2003**



### *Summary of Operations*

The primary responsibility of the Lorain SD is to maintain the City's infrastructure in a manner which ensures quality services and prevents loss of useful value. The Lorain SD is required to maintain approximately 609 lane miles of roads within the City. A lane mile is defined as the number of lanes times the lane length in miles. The Lorain SD is also responsible for snow removal and ice control; guardrail, sidewalk, catch basin and curb repair; patching, constructing and striping roads; tree removal; street sweeping; and street sign creation and installation. In the winter months, Lorain SD offers overtime to parks, building maintenance, and water and sewer department employees to assist in snow and ice control operations, when needed.

The Lorain garage division (Lorain GD) maintains and repairs vehicles and equipment for the following departments: police, street, engineering, building maintenance, community development, public safety and service, municipal court, and mayor's office. As needed, the Lorain GD also assists the parks and fire departments. All departments are charged-back for mechanics' time and the materials used to repair vehicles and equipment. The Lorain GD maintains a fleet size of 188 vehicles, which have an average age of 11.2 years.

Under the current organizational structure, all divisions report directly to the street commissioner (the commissioner). The commissioner has the responsibility of managing and directing the day-to-day operations of the Department. He is assisted by the superintendents of street and garage. The crew leaders and lead mechanic are in charge of the day-to-day operations of their respective divisions. The Department staff includes one administrative secretary who is responsible for payroll, purchasing, financial records, and customer service.

### *Financial Data*

The Special Revenue Fund, derived from the license plate tax (see **F9.2**), and the General Fund support Lorain SD's operations. **Table 9-1** presents the Lorain SD's actual General Fund expenditures for FY 2001 and FY 2002, and the budgeted amounts for FY 2003.

**Table 9-1: Lorain SD Expenditures (Street and Garage)**

Organizational Code Description	2001 Actual	2002 Actual	Percent Change	2003 Budgeted	Percent Change
Personal Services	\$2,111,803	\$1,629,694	(22.8%)	\$1,723,868	5.8%
Material and Supplies	\$1,293,564	\$1,081,988	(16.4%)	\$1,544,550	42.8%
Contractual Service	\$31,263	\$26,977	(13.7%)	\$177,000	556.1%
Capital Outlay	\$3,849	\$1,541	(60.0%)	\$16,500	970.7%
Debt Service	\$131,070	\$133,893	2.2%	\$133,894	0.0%
Miscellaneous	\$8,211	\$4,028	(50.9%)	\$8,250	104.8%
<b>Total Costs</b>	<b>\$3,579,760</b>	<b>\$2,878,121</b>	<b>(19.6%)</b>	<b>\$3,604,062</b>	<b>25.2%</b>

**Source:** Lorain Street Department

**Note:** Expenditures shown are for the street and garage operations. Cemetery expenditures are excluded from **Table 9-1**, with the exception of capital outlay which can be used by various departments for equipment.

As shown in **Table 9-1**, total FY 2002 expenditures for the Lorain SD were approximately \$2.9 million, an 19.6 percent decrease from the previous year. The budgeted amount for FY 2003 is \$3.6 million, an increase of 25.2 percent over FY 2002 expenditure levels. Explanations for the significant changes include the following:

*A decrease in Personal Services for FY 2002 and increase in the FY 2003 budget:* The 22.8 percent decrease of personal services for the FY 2002 expenditures was the result of approximately ten layoffs (street and garage).

*A decrease in Materials and Supplies for FY 2002 and an increase in the FY 2003 budget:* The 16 percent decrease in materials and supplies for the FY 2002 expenditures was due to a decrease in salt usage attributed to a mild winter. Also, layoffs led to a reduction in the amount of equipment on the roads, and to a reduction in fuel, parts, and labor. Additionally, FY 2003 expenditures were budgeted to be higher than FY 2002 actual levels by 42.8 percent due to an expected increase in materials, especially salt, to reflect historical material usage.

*A decrease in Contractual Services for FY 2002 and an increase in the FY 2003 budget:* The 13.7 percent decrease in contractual services for FY 2002 reflects a decrease in tree services and fertilization over the previous year. Additionally, FY 2003 expenditures were budgeted to be higher than FY 2002 actual levels by 556 percent due to the need to fully implement and operate the fertilization program and tree services, which has not been done in previous years.

*A decrease in Capital Outlay for FY 2002 and an increase in the FY 2003 budget:* The decrease in capital outlay of 60 percent in FY 2002 was due to a lack of funding for capital purchases. Budgeted expenditures for FY 2003 were increased by 970 percent in anticipation of purchasing additional equipment and furniture (chairs and podium) for the new worship building in the cemetery and the removal of two septic tanks.

*A decrease in Miscellaneous for FY 2002 and an increase in the FY 2003 budget:* Lorain SD provides shoe allowances to employees once every two years, which accounts for the decrease in miscellaneous services in FY 2002. In addition to shoe allowances, budgeted expenditures for FY 2003 increased by 104.8 percent due to the anticipated disposal costs of 55 gallon drums of waste oil.

### *Analyses Not Yielding Recommendations*

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

- *Snow and Ice Control:* Lorain SD is the only city compared to the peers that maintains the standard for salt applied per lane mile. Lorain SD effectively maintains the standard level of salt distribution and exceeds the peers in efficiency.
- *Vehicle and Equipment Purchasing:* Lorain SD uses the Ohio Department of Administrative Services' (DAS), General Services Administrative pricing (GSA) program and Ohio Department of Transportation's (ODOT) cooperative purchasing program to receive discounts on materials and equipment in accordance with ORC § 5513.01 (B).
- *Vehicle and Equipment Preventive Maintenance:* After reviewing manual records on preventive maintenance performed on vehicles, it was determined that Lorain GD effectively provides preventive maintenance to the vehicles for which they are responsible. (See **F9.13** for recommendation on recordkeeping)

### *Performance Measures*

The following is a list of performance measures used to conduct the review of the Lorain SD:

- Analyze current staffing levels;
- Review operating revenues;
- Analyze overtime usage;
- Review policies and procedures;
- Analyze street maintenance;
- Analyze snow and ice control program;
- Analyze street sweeping program;
- Analyze the vehicle maintenance and replacement program; and
- Assess technology.

## Findings and Recommendations

### Staffing and Scheduling

F9.1 **Table 9-2** compares January 1, 2003 staffing levels of Lorain SD to the peer street departments.

**Table 9-2: Street and Garage Staffing Comparison**

Classifications	Lorain <sup>1</sup>	Elyria	Hamilton	Springfield	Peer Average
<b>Street</b>					
Commissioner/ Director/ Superintendent / Supervisor	1.3 <sup>2</sup>	2.2 <sup>3</sup>	1.0	1.3 <sup>4</sup>	1.5
Secretary/ Computer Operator	0.3 <sup>5</sup>	0.4 <sup>6</sup>	0.5 <sup>7</sup>	0.5 <sup>8</sup>	0.5
Foreman/ Crew Leader	4.0	1.0	3.0	N/A	2.0
Motor Equipment Operator I/ II / III <sup>9</sup>	10.0	2.0	3.0	17.0	7.0
Paint Technician	1.0	0.0	0.0	0.0	0.0
Maintenance Worker <sup>10</sup>	0.0	9.0	15.0	4.0	9.3
<b>Total Street FTEs</b>	<b>16.6</b>	<b>14.6</b>	<b>22.5</b>	<b>22.8</b>	<b>20</b>
Seasonal / community service workers	Yes	Yes	Yes	Yes	Yes
<b>Garage</b>					
Commissioner/ Director/ Superintendent	1.3 <sup>2</sup>	.2	1.0	1.3 <sup>4</sup>	.8
Secretary/ Computer Operator	0.3 <sup>5</sup>	0.4 <sup>6</sup>	1.0	0.5 <sup>8</sup>	0.7
Foreman/Lead Mechanics / Mechanics	6.0	6.0	5.0	8.0	6.3
Parts person / Inventory / Other	0.0	1.0	1.0	0.2 <sup>11</sup>	0.7
<b>Total Garage FTEs</b>	<b>7.6</b>	<b>7.6</b>	<b>8.0</b>	<b>10.0</b>	<b>8.5</b>
<b>Total Street and Garage FTEs</b>	<b>24.2</b>	<b>22.2</b>	<b>30.5</b>	<b>32.8</b>	<b>28.5</b>
Population	68,658	55,953	60,690	65,358	60,667
<b>FTE per 1,000 population</b>	<b>0.35</b>	<b>0.40</b>	<b>0.50</b>	<b>0.50</b>	<b>0.47</b>

Source: Lorain and peer cities

<sup>1</sup> Excludes cemetery employees who spend 100 percent of their time on cemetery operations.

<sup>2</sup> Includes one commissioner equally spending time in three departments (street, garage and cemetery), and one superintendent.

<sup>3</sup> Includes the assistant safety service director who equally allocates time in 5 departments, one superintendent and one assistant superintendent.

<sup>4</sup> Service director is split equally across 9 divisions (1.0 FTE / 9 = .11 FTE) and the Operations superintendent is split evenly across 5 divisions (1.0 FTE / 5 = .20 FTE).

<sup>5</sup> Includes one secretary equally allocated across three departments (street, garage and cemetery).

<sup>6</sup> Includes secretary and computer operator equally allocated across 5 departments.

<sup>7</sup> The administrative assistant is split equally between street and sewer departments.

<sup>8</sup> Secretaries are split equally across 9 divisions (5.0 FTEs / 9 = .55 FTE per division).

<sup>9</sup> Motor equipment operators are required to have Commercial Drivers Licenses (CDLs).

<sup>10</sup> Maintenance workers are general laborers and are not required to have CDLs.

<sup>11</sup> Inventory specialists are split equally across 9 divisions (2.0 FTEs / 9 = .22 FTE per division).



As illustrated in **Table 9-2**, Lorain SD and GD have 24.3 FTEs, which is 14.7 percent less than the peer average of 28.5 FTEs. In addition, Lorain SD and GD allocate the lowest number of employees per 1,000 population compared to peers. Furthermore, Lorain SD employs a relatively high number of staff with CDL licenses (motor equipment operators), which allows them to perform a broad range of functions as compared to other workers, and could therefore enhance efficiency. **Table 9-3** shows the supervisor to staff ratios for Lorain SD and the peer cities.

**Table 9-3: Span of Control**

	Lorain SD	Elyria	Hamilton	Springfield	Peer Average
<b>Supervisors</b>	2.6	2.4	2.0	2.6	2.3
<b>Staff</b>	21.6	19.8	28.5	30.2	26.2
<b>Span of Control</b>	<b>1: 8.3</b>	<b>1: 8.3</b>	<b>1: 14.3</b>	<b>1: 11.6</b>	<b>1: 11.4</b>

**Source:** Lorain SD and peer cities

**Note 1:** Includes garage and street departments

**Note 2:** All foremen are considered staff due to abilities to perform labor related functions as needed.

As illustrated in **Table 9-3**, Lorain's span of control is lower than the peer average by 27 percent which is mainly due to past lay-offs. Since the lay-offs, Lorain SD crew leaders and foreman are performing a larger role in maintenance activities. Lorain SD has experienced significant lay-offs in the past two years, as shown in **Table 9-4**; and all have occurred at the staff level.

**Table 9-4: Personnel Changes since FY 2001 (FTEs)**

	2001	2002	January, 2003	Percentage Decrease From FY 2001 to January 2003
<b>Street</b>	21.0	17.0	15.0	(28.6%)
<b>Garage</b>	11.0	8.0	8.0	(27.3%)
<b>Administrative staff</b> <sup>1</sup>	3.0 <sup>2</sup>	2.0 <sup>3</sup>	2.0	(33.3%)
<b>Total</b>	<b>35.0</b>	<b>27.0</b>	<b>25.0</b>	<b>(28.6%)</b>

**Source:** Street Department

**Note:** Includes all employees within the Street Department (street and garage), except supervisors

<sup>1</sup> Includes administrative assistant and commissioner

<sup>2</sup> Includes 2 administrative assistants and 1 commissioner

<sup>3</sup> Includes 1 administrative assistant and 1 commissioner

As illustrated in **Table 9-4**, Lorain SD has experienced a 28.6 percent decrease in its staffing levels over the past two years. Lorain SD has approximately four fewer FTEs than the peer average even though it has the highest population, maintains the second highest number of lane miles, and performs the largest number of functions, as shown in **Table 9-5**.

**Table 9-5: Peer Comparison of Services Performed by Street Department**

Types of Services	Lorain	Elyria	Hamilton	Springfield
<b>Street Staffing</b>	<b>16.6</b>	<b>14.6</b>	<b>22.5</b>	<b>22.8</b>
<b>Street Lane Miles</b>	609	409	450	860
<b>Lane Miles per FTE</b>	36.7	28.0	20.0	38.0
<b>Snow and Ice Control</b>	Yes	Yes	Yes	Yes
<b>Street Sweeping</b>	Yes	No <sup>1</sup>	Yes	No <sup>1</sup>
<b>Catch Basin Repair</b>	Yes	No	Yes	No <sup>3</sup>
<b>Cemetery Burials</b>	Yes	No	No	No
<b>Vacant Lot Maintenance</b>	Yes	No	No	No
<b>Leaf Collection</b>	Yes	Yes	Yes	No <sup>1</sup>
<b>Ditching</b>	Yes	Yes	No <sup>2</sup>	No <sup>4</sup>
<b>Sign Making</b>	Yes	Yes	Yes	Yes
<b>Tree Maintenance</b>	Yes	No <sup>5</sup>	Yes	No <sup>5</sup>
<b>Sidewalks</b>	Yes	Yes	No	No
<b>Pothole Patching</b>	Yes	Yes	Yes	Yes
<b>Fence Repairs</b>	Yes	Yes	Yes	Yes
<b>Paving</b>	Yes	Yes	Yes	Yes
<b>Striping</b>	Yes	Yes	No <sup>4</sup>	No <sup>4</sup>
<b>Crack Sealing</b>	Yes	Yes	Yes	Yes

**Source:** Lorain SD and peers

<sup>1</sup> Contracts out street sweeping services. However, Elyria and Springfield employs one street sweeper to clean streets for special occasions, such as parades.

<sup>2</sup> Performed by gas and water division.

<sup>3</sup> Performed by utilities division.

<sup>4</sup> Performed by traffic division.

<sup>5</sup> Performed by forestry division.

**Table 9-5** indicates that the Lorain SD performs all fifteen functions while it maintains the second highest number of lane miles per FTE. However, other factors need to be reviewed to determine efficient staffing levels, such as level of responsibility and specific functions performed for pothole patching, snow and ice control, and vehicle maintenance (see **F9.8**, **F9.9**, **F9.10**, and **F9.11**). For instance, fleet size and vehicle maintenance responsibilities of other city departments impact staffing levels in GD (see **F9.11**). Moreover, assessing the adequacy of staffing levels depends on accurate and systematic record keeping of workload data. However, Lorain SD is not accurately and consistently collecting this information to fully determine if staffing is adequate (see **F9.7**).

**R9.1** The City of Lorain should establish and maintain an effective work order system to ensure staffing levels are adequate and to provide Lorain SD with meaningful management information to improve operational efficiency (see **R9.6**). The work order system should be used to track data for specific functions, such as pothole patching, street sweeping, and snow and ice control. Examples of data that should be tracked in a work order system include the following:

- Amount of time spent patching potholes (see **F9.8**);
- Number of lane miles plowed in a workday (see **F9.9**);
- Number of lane miles or curb miles cleaned, tons of debris collected, and sweeper days worked per year (see **F9.10**); and
- All work performed for special events and holidays (see **F9.5**).

Information collected for each function should be dependent on the needs of the City. See **F9.7** for additional examples of performance measures that would assist the City in assessing staffing levels. After Lorain SD has implemented and consistently used a work order system and in conjunction with the staffing analyses conducted in this report, Lorain SD should re-assess supervisor staffing levels to determine if certain positions could be reduced without negatively impacting operations. For example, Lorain SD could either reduce crew leaders/foremen positions or reallocate them as laborers if they continue to function predominantly as maintenance workers.

### *Operating Revenues*

**F9.2** Two major sources of revenue for maintenance and improvement of a city's infrastructure are permissive license plate taxes and special assessments. **Table 9-6** compares Lorain's tax and special assessment revenue levels with the peers.

**Table 9-6: Street Tax Revenues for FY 2002**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Permissive License Plate Tax</b>	\$274,447	\$280,000 <sup>1</sup>	\$1,218,472 <sup>2</sup>	\$1,192,254 <sup>2</sup>	\$896,909
<b>Special Assessments for Improvements/Maintenance of City Infrastructure</b>	\$0	\$0	\$521,000 <sup>3</sup>	\$0 <sup>4</sup>	N/A
<b>Total</b>	\$274,447	\$280,000	\$1,739,472	\$1,192,254	\$1,070,575
<b>Lane Miles</b>	609	409	450	860	573
<b>Tax Revenue (Dollars) per Lane Mile</b>	\$451	\$685	\$3,865	\$1,386	\$1,868

**Source:** Lorain and peer cities

<sup>1</sup> Elyria is in the process of increasing their license plate tax by \$10. Elyria's vehicle license plate tax will then total \$15 to reflect three license plate taxes at \$5 each.

<sup>2</sup> Has three permissive tax levies.

<sup>3</sup> This represents amount collected in 2001.

<sup>4</sup> Springfield assesses for demolitions, board and secures, weed cutting, building demolition, delinquent sewer, sidewalk, curb, and gutter and old bonds, but does not assess for major capital improvements.

As shown in **Table 9-6**, Lorain SD receives 74 percent less in tax revenue for street maintenance compared to the peer average of \$1,070,575 and 76 percent less per lane mile compared to the peer average. As a result, Lorain SD is not maximizing revenue from the vehicle license plate tax and special assessments on capital improvements or street maintenance (see **F9.3**), thereby relying more on the General Fund to support operations.

Lorain issued a resolution in 1983 (codified ordinance section 193.01) which gives the City the opportunity to levy one license plate tax (\$5), pursuant to the provisions of Ohio Revised Code (ORC) § 4504.06. The existing vehicle license plate tax generates approximately \$270,000 per year; 100 percent of the \$5 tax goes toward street operations and maintenance functions. License plate tax revenue is based upon the number of registered motor vehicles in the City of Lorain. The tax administrator for the Ohio Bureau of Motor Vehicles (BMV) stated that in the last three years (FY 2000-2002), an average of 59,909 vehicles were registered in the City.

According to ORC § 4504.171 and 4504.172, the City has the ability to levy, by ordinance, resolution, or other measure, an additional three motor vehicle levies, at \$5 each. However, the City competes with Lorain County for the opportunity to levy these three motor vehicle levies. 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 one of the three \$5 taxes. Furthermore, two additional \$5 levies were rejected by City voters in 1998 via a referendum.

According to the engineering department's pavement management report, it will cost approximately \$1 million to improve the condition of Lorain's poorly rated roads, which include, but are not limited to: Ashland Avenue, Maple Road, West 16th Street, Randall Street, and Fulton Road. Therefore, any preventive maintenance work, such as crack sealing or pothole patching, placed on these poor roadways may not sufficiently address the substructure. In addition, inadequate funding may lead to deferred road maintenance in the City. This, in turn, may result in increased costs for rehabilitation or reconstruction of roadways and an increased need in revenue.

Springfield and Hamilton have two \$5 motor vehicle levies and receive \$2.50 per registration from one county levy. There are cities within Lorain County with three motor vehicle levies, including Vermillion and North Ridgeville. In addition, the City of Elyria is in the process of adding two resolutions to increase its license plate fees (\$5 each) to approximately \$37.50. If Lorain were to levy one additional license plate tax, the motor vehicle license registration fee would increase by \$5 for City residents to a total of \$32.75 for each automobile (\$20.00 for the license plate, \$10.00 for the permissive tax and \$2.75 for the BMV deputy fee, see **R9.2**). Levying an additional fee of \$5 would reduce some burden from the General Fund, but result in a vehicle registration fee that is lower than Elyria. Moreover, Lorain would be receiving revenue from two levies, whereas other comparable cities already receive revenue from three levies.

- F9.3 The City does not currently have a resolution to assess property owners for the maintenance and repair of streets, tree maintenance, street lighting or any infrastructure improvements as is allowable by ORC Chapter 727. However, the City does assess property owners for sidewalk repairs performed by Lorain SD, if the property owner does not make the repairs within the specified time frame, in accordance with the City codified ordinance 903.06.

In contrast, Hamilton collected an average of \$463,000 in special assessments for capital improvements per year from 1999 to 2001. In addition, the cities of Toledo and Akron levy special assessments of approximately 35 to 60 percent of the total costs connected with various public improvements and programs, such as streets, public property, and city easements to be improved by widening, resurfacing, grading, draining, curbing, paving, and planting trees; constructing and reconstructing sidewalks and driveway approaches; installing water service connections and sanitary sewer house laterals, and constructing sanitary, storm and water mains. According to the cities of Akron and Toledo, their special assessments help offset General Fund expenditures that can then be used for other programs or operational functions within the City.

Akron and Toledo's assessment processes are similar and are in accordance with ORC Chapter 727:

- The estimated cost of the improvement is determined and filed in the office of the Clerk of Council to remain open to the inspection of all interested persons.
- Council may declare the necessity of the improvement by resolution. A resolution of necessity provides for the appointment of an Assessment Equalization Board (AEB) to hear objections of property owners to the estimated assessments.
- The City assessor or auditor prepares the estimated special assessments for the improvement and files them.
- Notice of the adoption of the resolution of necessity and the filing of the estimated special assessments is given to affected property owners.
- Proceedings for the hearing of objections of property owners to the estimated special assessments and the equalization is taken as prescribed by the ORC § 727; provided that objections of the property owners be heard by the AEB.
- After completion of any public improvement and after the actual cost of the improvement has been ascertained, the final special assessment is prepared showing the amount of the special assessment against each lot or parcel of land.
- The final special assessment list is filed with the Clerk of Council, for which Council enacts an ordinance levying the special assessments.
- After the enactment of the ordinance levying the special assessments, the notice of the enactment is published.
- The notice letters are mailed 10 days after enactment of the ordinance levying the special assessments.

Akron and Toledo both use the front footage methodology for calculating the special assessments. The amount assessed by both cities varies by type and location of activity. For example, Akron assesses 100 percent of costs for street cleaning but does not assess for pothole patching or tree maintenance. If street improvements are made to a major thoroughfare, Akron covers a greater percentage of the costs. Based on Akron's 2001 CAFR, the City received special assessment revenues of \$14.9 million which accounted for approximately 5.9 percent of total 2001 governmental fund revenues.

Toledo assesses 100 percent of the total cost for maintenance activities, such as street sweeping, snow removal, and tree maintenance. The assessment for the costs for street lighting is 65 percent; however, if it is a residential street and the owners requested additional

lights, then the assessment percentage may be higher. In addition, Toledo assesses 35 percent of the cost of major sidewalk improvements. In 2001, the City's special assessment revenues were \$20.3 million, which accounted for 7.5 percent of total 2001 governmental fund revenues.

Lorain's budgeted 2003 governmental fund revenue totals \$57.2 million. If Lorain were to establish a comprehensive special assessment program similar to those in Akron and Toledo, special assessments could generate approximately \$2.8 million in additional governmental fund revenues for the City. This assumes that special assessments would account for five percent of total governmental fund revenues, which is less than Akron and Toledo. **Table 9-7** presents a sample of improvement programs that could be charged special assessments. Since the City does not have a system to track current costs for these activities (see **F9.7**), AOS estimated costs incurred in FY 2002 by applying annual increases in the consumer price index and salaries to actual costs incurred in 1998.

**Table 9-7: Estimated Costs for Improvement Programs (FY 2002)**

Program	Cost
Street Sweeping <sup>1</sup>	\$143,136
Street Signs <sup>2</sup>	\$174,653
Tree Maintenance <sup>1</sup>	\$151,416
Street Lighting <sup>2</sup>	\$256,581
Weed Control <sup>2</sup>	\$29,731
Catch Basin Repair <sup>2</sup>	\$110,524
Ditches <sup>2</sup>	\$44,438
Sidewalk Repair <sup>2</sup>	\$9,432
Leaf Collection <sup>2</sup>	\$93,420
<b>Total</b>	<b>\$1,013,331</b>

**Source:** Lorain SD

**Note:** Special assessments include, but are not limited to, the improvement programs listed.

<sup>1</sup> Programs are funded by the Street Construction and Repair Fund

<sup>2</sup> Program is funded by the General Revenue Fund

As indicated in **Table 9-7**, the General Fund incurred estimated costs of approximately \$1.0 million for improvement programs. However, charging special assessments could have offset a portion of these costs, thus relieving some burden from the General Fund.

**R9.2** The City should secure and maintain additional sources of revenue to enable implementation of a long term plan or strategy for local infrastructure improvements and programs. The City should consider instituting the following revenue generating options:

### *Option A (Motor Vehicle Levy)*

The City should consider levying, by ordinance or resolution, one motor vehicle levy in accordance with ORC § 4504.171 and 4504.172. The increase in motor vehicle levy taxes would provide additional revenues of approximately \$266,000 for road improvements. Funding from the passing of this levy will help the City address more than \$1 million in road improvement needs by establishing a constant source of funding.

Much of the City's road infrastructure has reached the end of its useful life and the challenge is to maintain the infrastructure through increased and sustained investment. Meeting this challenge requires networking with public and private organizations, promoting the use of asset management techniques (e.g., condition assessments and preventive maintenance) to optimize resources, educating the public, and encouraging and supporting policy makers in developing infrastructure funding. Passing an additional levy will help offset the cost of road improvement needs within the City and result in an overall motor vehicle tax that is comparable to those levied by other cities.

*Financial Implication for Option A:* Based on revenue collected in 2002, the City could realize an additional \$270,000 in revenue for street maintenance or rehabilitation by passing one additional \$5 motor vehicle levy.

### *Option B (Special Assessments)*

The City should research the possibility of levying special assessments, without petitions, to provide for the payment of a percentage of the cost for public maintenance and improvements, such as street sweeping, road improvements, tree maintenance, street lighting, weed control, ditching, sidewalk repair, and leaf collection as set forth in ORC Chapter 727. The City also has the opportunity to levy special assessments for other public works programs and infrastructure improvements, such as snow and ice control, and constructing sanitary, storm and water mains, as outlined in the ORC Chapter 727.

Levying an assessment would allow all citizens and other interested persons to be involved in the project review process. Before the City imposes special assessments for any street department program, Lorain SD should establish a Capital Improvement Plan (CIP) and a formalized system for compiling labor and cost data for each program. The establishment of a CIP and a program cost system will help the City become more accountable to its citizens in the use of special assessments. (See **R9.1**, **F9.7** and **R9.6** for further analysis).

*Financial Implication for Option B:* Establishing special assessments for the maintenance and improvement programs included in **Table 9-7** could provide additional revenues of approximately \$350,000 to offset the cost of these programs. This is based on an assessment



of 35 percent of the 2002 estimated costs for a sample of programs, which is the lowest special assessment fee charged by Toledo. However, this is a conservative estimate considering that the City does not maintain current cost data for the different activities that can be included in special assessments. Furthermore, other factors impact the amount of special assessments that could be charged, such as the City determining specific activities to be used and the corresponding percentage of costs to be assessed.

F9.4 Lorain SD has the opportunity to apply for reimbursements from the State of Ohio, Department of Taxation (DOT) for the motor fuel tax. The 2002 rate is \$0.22 for every gallon of petroleum purchased and according to the new motor fuel tax law, there will be an increase in motor fuel tax to \$0.24 in 2003, \$0.26 in 2004, and \$0.28 in 2005. According to DOT, Lorain SD has the ability to receive reimbursement on all motor fuel tax paid for all off-the-road (OTR) equipment for up to a year. The total gallons of fuel used for the City’s OTR equipment in the street, parks, cemetery, and water departments in FY 2002 totaled 7,837 gallons.

**R9.3** Lorain SD should apply for tax refunds from DOT to help offset the high cost of petroleum. Lorain SD must request a “refund application” from DOT and provide them with the amount of petroleum used and its total cost, a list of all OTR equipment, and a description of how the equipment was used.

*Financial Implication:* If Lorain SD applied to DOT for reimbursement of motor fuel tax (\$0.22 per gallon) for the 7,837 gallons of fuel used on all OTR equipment it would receive a tax refund of approximately \$1,700 per year.

*Overtime / Sick Leave Usage*

F9.5 **Table 9-8** shows Lorain SD’s overtime usage for FY 2001 and FY 2002.

**Table 9-8: FY 2001 and FY 2002 Overtime <sup>1</sup>**

Fiscal Year	Total Salaries and Wages	Annual Overtime Costs	Overtime as a Percentage of Salaries
2001	\$1,578,167	\$63,100	4.0%
2002	\$1,196,699	\$60,106	5.0%

Source: Street Department

<sup>1</sup> Includes street and garage operations expenditures

**Table 9-8** shows a decrease in salaries and wages in FY 2002 due to the layoffs, and a slight reduction in overtime, which resulted in a 1 percent increase in overtime as a percentage of salaries and wages. **Table 9-9** shows the ratio of overtime to salaries and wages in Lorain SD and the peer cities.

**Table 9-9: Peer Comparison of Overtime (FY 2002)**

City	Lorain	Middletown	Springfield	Peer Average
<b>Total FY 2002 Salaries and Wages</b>	\$1,196,699	\$1,030,800	\$961,696	\$996,248
<b>Overtime Cost<sup>1</sup></b>	\$60,106	\$63,200	\$32,034	\$47,617
<b>Overtime as a Percentage of Salaries and Wages</b>	5.0%	6.1%	3.3%	4.8%

**Source:** Lorain SD and peer cities

**Note:** Hamilton could not provide information on overtime. In addition, Elyria uses an excessive amount of overtime that would skew the analysis.

<sup>1</sup> Includes street and garage overtime

**Table 9-9** indicates that Lorain SD's overtime as a percentage of salaries is slightly higher than the peer average. However, Lorain SD has taken steps to reduce its overtime. Each City department was required to eliminate discretionary overtime and this affected all functions of Lorain SD except snow and ice control, which is considered emergency overtime. Springfield's emergency snow and ice control overtime was minimal in FY 2002 and the city attributed this to a mild winter.

**Table 9-10** compares the percentage of overtime for Lorain SD incurred for snow and ice control versus other functions.

**Table 9-10: Cost of Overtime by Function (FY 2002)**

Function	Estimated Overtime Cost	Percent of Total Overtime
Snow and Ice Control	\$47,214	78.6%
Festivals	\$8,518	14.2%
Other	\$4,373	7.3%
<b>Total</b>	<b>\$60,105</b>	<b>100%</b>

**Source:** Lorain SD

As illustrated in **Table 9-10**, Lorain SD spends 78 percent of the overtime performing emergency snow and ice control functions and 14 percent performing work on non-city sponsored festivals throughout the year. Other functions included garage maintenance, tree trimming and removal, installation and removal of Christmas decorations, and road striping, which are performed before or after rush hour traffic for safety purposes.

Sick leave use, staffing levels and other operational issues could contribute to overtime for snow and ice control (see **F9.6** and **F9.9**). Additionally, Lorain SD does not charge-back expenditures to festival organizers for use of city services. As a result, the City uses General Fund revenues to pay for the overtime of city street department workers who are performing work at various festivals throughout the year. In FY 2002, there were three private festivals which relied on city services, such as road closure/barricades, street sweeping, and litter control. The City paid Lorain SD staff for approximately 290 hours of overtime in FY 2001 and FY 2002, at an average cost of \$8,500 for working non-city sponsored festivals. Staff were paid at the overtime hourly rate of time and a half.

The City of Akron charges organizations for all non-city sponsored events if it involves the use of city employees, equipment and the cost to deliver the equipment. The Akron recreation department is the biggest user of the charge-back process. The City of Akron charges \$20 per hour for the use of city employees, a flat fee of \$35 for setting-up banners for organizations, and \$500 per day for the use of its “show mobile” that includes a stage and sound speakers, with additional fees of \$75 to tow the show mobile and \$20 per hour for a technician.

**R9.4** Lorain SD, with assistance of the director of safety service, should develop an employee chargeability rate, including utility costs (electric and water), for each festival and special event that requires the City's assistance. The charge-back rates should be determined by the hourly wage of the City employee that is performing the work, times the number of hours needed to perform the work. The charge-back costs should reflect the magnitude or complexity of the requirements, such as heavy equipment and electrical hookups. Because the City reaps economic benefits from increased commerce, it is in the City's best interest to make sure charges are reviewed regularly so they are aligned with actual costs. To ensure that the City does not price itself too high, which could discourage special events, it should also compare its rates with those charged by surrounding or competing communities.

*Financial Implications:* Charge-backs would lead to a cost savings of approximately \$8,500 per year for overtime costs incurred by employees performing services for non-city sponsored festivals.

F9.6 **Table 9-11** compares sick time usage with peer cities.

**Table 9-11: Sick Time Usage Comparison (Days)**

Years	Lorain	Hamilton	Springfield	Peer Average	State Employee Average
<b>Number of 2001 FTEs<sup>1</sup></b>	35.0	30.5 <sup>2</sup>	32.8 <sup>2</sup>	31.7	N/A
<b>2001</b>	340 days or 9.7 days per FTE	314.5 days or 10.3 days per FTE	299 days or 9.1 days per FTE	306.8 days or 9.7 days per FTE	7.1 days per FTE
<b>Number of 2002 FTEs<sup>1</sup></b>	27	22.5 <sup>3</sup>	32.8	27.7	N/A
<b>2002</b>	408 days 15.1 days per FTE	300 days 13.3 days per FTE	379 days 11.6 days per FTE	340 days 12.3 days per FTE	7.1 days per FTE (2002 data not available)

**Source:** Lorain SD and peer cities

**Note:** Number of Sick Days per FTE figures is rounded.

**Note:** Elyria could not provide this information.

<sup>1</sup> Street and garage employees only.

<sup>2</sup> For purpose of this analysis, peer staffing levels assumed to be constant for two years.

<sup>3</sup> Hamilton data for 2002 reflects sick leave for street department only as data not provided for fleet maintenance staff.

As shown in **Table 9-11**, Lorain SD used 2.6 (37 percent) and 3.6 (51 percent) more sick days per FTE in FY 2001 and FY 2002 than the State employee sick time average. In FY 2002, Lorain SD used 23 percent more sick days per FTE than the peer average. According to the commissioner, in FY 2001 and 2002, there were several employees who underwent major surgery or had serious illnesses, and there were a few employees who took excessive sick time without being disciplined. Nonetheless, the commissioner does not monitor sick time usage for possible abuse and does not include sick time usage in the performance evaluation process.

The bargaining unit agreement requires all employees to furnish a signed sick leave form to the department head within 48 hours of their return to work to justify the use of sick leave. If the form is not returned, the bargaining unit employee is not to be paid for the use of sick leave on the next scheduled pay-day and disciplinary action may be implemented. However, there is no specific policy that states exactly how many sick days per year, without a doctor's excuse, are considered abusive. In addition, the sick leave forms are not reviewed or signed by the commissioner. In addition to reducing productivity, high sick leave use resulting from lack of formal procedures and monitoring could increase overtime costs (see **F9.6**) or delay the completion of projects. According to Lorain SD, employees do not work overtime for other staff using sick leave.

**R9.5** Lorain SD should adopt sick leave policies and procedures to minimize the amount and type of sick leave used, and consult with its legal counsel in creating such policies. Policies that should 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;
- Requiring all employees to complete a standardized sick leave explanation form;
- Requiring sick leave use to be a component of the employee's evaluation; and
- Analyzing sick leave use trends to identify potential abuse and disciplining employees abusing sick leave, either formally or informally, by discussing apparent abuse with the employee or assigning days off without pay.

The creation of sick leave policies will make employees more accountable for sick leave use, and should reduce the amount of sick leave taken by employees. A reduction of sick leave use may also lead to a reduction in the amount of overtime worked by those who are covering for absent employees and should increase efficiency and productivity.

*Financial Implications:* A reduction of sick leave usage to the State average would result in a cost avoidance of approximately \$12,000 in lost productivity. This is based on a reduction of 2.8 days (22.4 hours) per FTE for the 24.3 FTEs in the Lorain SD who have an average hourly salary of \$22.03.

### *Data Management*

F9.7 Currently, Lorain SD lacks the formal tools for tracking and managing workload statistics for assessing the street department's effectiveness and efficiency. Key workload and quality indicators are not being formally measured because performance records are written manually. Because the Lorain SD does not appear to keep necessary records of its activities in a systematic format, it is difficult to assess the productivity of the department and determine the costs of all programs.

A work order system was developed in-house by using an old R-Base (database) system. The database crashed in 1998 due to its age, and its incompatibility with other databases, such as Access. The commissioner stated that to use the Access database for entering all project activity forms, the R-Base files need to be transferred into the Access database. Information that is generally recorded on the project activity form includes date, project, location, staff and hours, vehicle/equipment used, vehicle/equipment hours, petroleum usage, and other materials and costs. This information was entered and maintained in the R-base system, and annual reports were generated from this data summarizing the total cost of all programs. The last annual report that Lorain SD developed was in 1998.

By keeping formal records and correlated statistics on activities, a street department can create internal benchmarks to assess its needs and performance, and can develop its own performance expectations. Since the department does not gather key data on a formal or consistent basis, the actual number of street signs made, potholes patched, lane miles swept, catch basins repaired, vehicles repaired, trees removed, or other functions performed by staff cannot be accurately determined. This data is necessary for assessing staffing levels, budgeting needs, and capital improvement planning.

Examples of performance measures appropriate to this division include the following:

- Staff time used by type of activity;
- Time required to complete work;
- Number of complaints recorded;
- Number of complaints inspected;
- Number of phone calls answered;
- Number of street signs made;
- Number of potholes patched; and
- Number of lane miles swept.

Measuring performance is important for several reasons, which include the following:

- Focusing management's attention on key issues;
- Providing feedback on performance;
- Identifying problem areas;
- Guiding and directing improvement efforts; and
- Managing workload.

The City of Middletown uses a job card system to track data and assign work. Information on assignment sheets is entered into the system only if it is a measurable record. The information is then entered into a database system using specific codes for each function. The database system was established internally so that the street department could analyze and evaluate employee workload, material usage and overtime. Performance measures are also used to forecast and budget effectively. Some of the functions that Middletown keeps track of include pothole patching, street sweeping, street repairs, street striping, and snow and ice control activities.

**R9.6** Lorain SD should establish a formalized system for determining, establishing and tracking workload measures for street and garage employees, and maintaining total expenditures for each program. Each performance measure should apply a standard to the workload indicator as a measure of effectiveness. To develop this system, Lorain SD should work with the

information technology (IT) department to transfer the R-base files into the Access database. Lorain SD should also establish procedures and a schedule for compiling data as well as determining the most appropriate software to store, analyze and report data.

After performance measures are compiled, Lorain SD should analyze the data and make adjustments to staffing and workloads to optimize efficiency among staff (see **R9.1**). A formal system could be used to record complaints and requests for work. Properly developed and implemented recordkeeping would allow Lorain SD to accurately and objectively determine both the level of service being provided and the staff productivity associated with its functions. Once the department begins measuring its activities, benchmarks and indicators of quality can be used to assess its progress.

Lorain SD should also use workload information to determine any critical voids in service that may exist in the department. Staff layoffs in the Lorain SD may have impacted its ability to perform certain functions, such as charge-back reports for vehicle maintenance (see **F9.13**). However, the current lack of available workload data makes it difficult to assess the impact of the layoffs or the efficiency and effectiveness of the staff. By developing workload statistics, the division will be able to identify its service needs and conduct a gap analysis to determine what functions or levels of service are not being met. Lorain SD will also be able to measure the effects of future staff reductions or additions.

### *Street Maintenance (Pothole Patching and Crack Sealing)*

F9.8 **Table 9-12** shows patching methods of Lorain SD and the peer cities.

**Table 9-12: Comparison of Pothole Patching Methods**

	Lorain	Elyria	Middletown	Springfield
<b><u>Traditional method of filling by hand:</u></b>	Yes	Yes	Yes	Yes
<b>Size of crew</b>	2	2	2	2
<b>Vehicle(s) / equipment</b>	dump truck, shovel, tamper	dump truck, shovel, tamper	dump truck, shovel, tamper	dump truck, shovel, tamper
<b>Materials used:</b>				
<b>-Hot patch</b>	Yes	Yes	Yes	No
<b>-Cold patch</b>	Yes	Yes	No	Yes
<b>-HPM Cold Patch</b>	Yes	No	Yes	Yes
<b><u>Directly dispensed hot patch :</u></b>	Yes	No	No	No
<b>Size of crew</b>	2	N/A	N/A	N/A
<b>Vehicle(s) / equipment</b>	truck, portable patch mobile unit	N/A	N/A	N/A
<b><u>Crack sealing:</u></b>	Yes, but not performed consistently	Yes, but not that often	Yes	Yes

Source: Lorain SD and peers

The majority of the repairs conducted by the peers are completed by two-person crews using the traditional method. Lorain SD uses a three-person crew when performing the traditional method of patching on major roadways, such as route 58 and 611, to ensure the safety of the workers and a two-person crew when using the hot patch machine. In addition, Lorain SD uses three types of asphalt materials for patching: hot patch for use during summer months, high performance material (HPM) cold patch used for cooler months for a more permanent fill, and cold patch as a temporary fill for winter months. Hot patch can only be applied in temperatures above 32 degrees.

As illustrated in **Table 9-12**, Lorain does not have a consistent crack sealing program, which is integral to preventing and retarding the formation of potholes. According to the maintenance effectiveness study initiated under the Strategic Highway Research Program (SHRP) by the Federal Highway Administration (FHWA), the consequences of not sealing cracks in flexible pavements are increased rehabilitation costs and a shortened service life. The study also determined that sealing cracks can minimize secondary crack growth and increase service life by at least two years.

Lorain SD uses mobile, self-contained pothole filler mixing machines known as patch mobiles. The patch mobile mixes the filler at the job site by heating the tar. After the mixture is prepared, the patch mobile blows the filler into the hole. This method requires a minimum



of two workers, with additional personnel needed in heavy traffic areas for safety. The patch mobile process has several advantages: it does not require tamping, it uses a slightly thicker mixture, and it has longer repair duration. However, the patch mobile method is more time consuming than the traditional method and is used infrequently. According to the commissioner, Lorain SD lacks available employees to use the patch mobiles more frequently, even though the directly dispensed hot patch is more durable and lasts longer than the traditional method patches.

Municipal benchmarking standards dictate that it should take a two-man crew one hour to lay 1.92 tons or 0.96 cubic yards of patching material. However, because Lorain SD does not have a system to record the time each employee spends patching potholes, it can only be determined whether Lorain SD is meeting benchmark standards by analyzing the total amount of material used in FY 2002 (725 tons) based on estimated work hours spent filling potholes. See **F9.7** for further analysis on recordkeeping. The street commissioner estimates that one street maintenance employee spends an average of 15 hours per week filling potholes. Based on the 725 tons or 363 cubic yards of material used by the Department in FY 2002 and assuming an average size pothole is 2 feet by 2 feet across and 4 inches deep (0.054 cubic yards in volume), Lorain SD filled approximately 6,722 potholes in FY 2002. Lorain SD's rate of patching 6,722 potholes per year equates to 8.6 potholes being patched every hour. Based on the benchmark standard and assuming an average size pothole, the municipal benchmarks standard for patching is approximately 18 potholes per hour. Therefore, Lorain SD is patching potholes at a rate of less than half the municipal benchmarking standard, indicating that it could increase productivity with its current level of staffing.

By using a three person crew for traditional pothole patching, Lorain SD has less staff time available to perform other critical functions, such as crack sealing and preventative maintenance activities. Additionally, using seasonal staff and/or individuals required to perform community service for non-technical duties could allow other Lorain SD staff to consistently use the patch mobile method, which is more durable and economical than the traditional method.

**R9.7** To increase the efficiency of the pothole repair function, Lorain SD should implement a work order system to effectively track and maintain key workload data, thus ensuring that staff are performing at an optimal level (see **R9.6**). To allow current staff to complete the majority of the patching during the summer months using the patch mobile, Lorain SD should consider using seasonal staff or community service workers to complete other related duties. Increasing the use of the patch mobile could lead to reductions in labor and material costs due to its durability, thereby increasing the amount of time available for preventive measures, such as crack sealing and street sweeping. Developing a consistent crack sealing program

would extend the useful service life of the roads and reduce the frequency of reconstruction and pothole patching work.

*Financial Implication:* Because Lorain SD does not keep track of the location, crew and amount of asphalt filled per pothole, a financial implication on the exact cost savings on labor and materials for using the patch mobile cannot be determined (see **F9.7**). Furthermore, the financial implication related to seeking additional help will depend on whether Lorain SD uses seasonal paid workers or community service workers.

*Snow and Ice Control*

F9.9 The drivers of the vehicles used for snow and ice control are assigned a route and vehicle each day, and are responsible for making sure that the roads on the route are in operational condition. **Table 9-13** shows snow and ice control indicators for Lorain and the peers.

**Table 9-13: Snow and Ice Control Indicators**

	Lorain	Elyria	Hamilton	Springfield	Peer Average
<b>Number of Snow &amp; Ice Control Trucks</b>	21	8	17	25	17
<b>Number of Routes</b>	12	6	10	13	10
<b>Lane Miles</b>	609	409	450	860	573
<b>Average Lane Miles per Route</b>	51	68	45	66	57

Source: Lorain SD and peer street departments

**Table 9-13** shows that the Lorain SD maintains 12 routes consisting of main and residential streets. The peer cities, on average, have fewer trucks (rolling stock) to choose from for their snow and ice control functions compared to the Lorain SD. In addition, Lorain SD maintains a lower workload of 51 lane miles per route compared to the peer average of 57 miles per route.

According to municipal benchmark standards for snow plowing, a one person crew should be able to plow 4.9 lane miles per hour, or 35 lane miles per day, in a normal snowfall, and 3.4 lane miles per hour or 24 lane miles per day, in a heavy snowfall. Because Lorain SD does not maintain records on how many lane miles their operators are plowing in a workday, it cannot be determined if it is meeting the benchmark standards (see **F9.7** for further analysis on record keeping). However, based on the benchmark standards, Lorain SD would need 17.4 FTE operators to plow/salt the whole city in a normal snowfall, in a seven hour work day (including lunch and breaks). Additionally, Lorain SD would need 25 FTE operators to

plow/salt the whole city in a heavy snowfall. Currently, Lorain SD has 15 operators, including the paint technician, to plow/salt all main and secondary roadways. Therefore, Lorain SD does not appear to have enough operators during a regular seven hour shift to plow/salt in a normal snowfall and is forced to depend on other departments for assistance.

The commissioner stated that he depends heavily on other departments such as parks, water, and sewer to help plow and salt, although it is always done on overtime. The Lorain parks department has fewer activities in the winter months and staff spend most of their time fixing and painting benches, and assisting with City holiday decorations. In contrast, Elyria's parks department automatically goes on snow and ice control duty during the winter months due to down time in the parks department during this season. Not assigning parks department staff to snow and ice control activities during regular work hours inhibits Lorain SD's ability to plow and salt the City in a timely manner. The commissioner also stated that all Lorain SD operators and those in other departments receive classroom training on snow and ice control operations prior to the winter season. However, there is no manual or mitigation plan for emergency snow and ice control operations, which is recommended by the American Public Works Association (APWA) as a best management practice. A manual or a mitigation plan would ensure staff are fully aware of emergency procedures.

Moreover, the street commissioner indicated that snow plowing routes were evaluated in the 2001-2002 snow season and additional routes were added within four zones. However, these changes and current routing system have not been sufficiently documented by either establishing a map that reflects the specific routes, or a document that lists the name of the streets within each specific route by driver. Documenting the routing process and subsequent changes ensures that new or temporary drivers know their intended path for salting or plowing. According to the Snow Fighter's Handbook developed by the Salt Institute, effective route planning ensures that street departments provide service as rapidly as possible and clear the highest priority routes first. In the Snow Fighter's Handbook, the majority of time operators spend on their routes should be spent plowing and salting.

**R9.8** Lorain parks department staff should be automatically assigned to snow and ice control activities during normal work hours, from December to March. This will allow the Lorain SD to tailor its plow and salt crew staffing levels to ensure that operators complete the standard recommended lane miles within a reasonable time frame. In addition, use of the parks department for snow and ice control function during regular work hours could ultimately save on overtime (see **Table 9-10** and **F9.5**). Productivity measures should be established and tracked to ensure operators meet standards for snow and ice control operations (see **R9.6**).

Because each snowfall is considered an emergency event, it should be a focus of the City to treat snow and ice events as any other emergency by formulating an emergency mitigation

plan designed to lessen the impact of the event. The snow and ice control plan should focus on identifying all available resources, such as CDL drivers from other City departments. A formal snow and ice control plan should specifically outline the following, in accordance with APWA standards:

- Authority to initiate the emergency plan;
- Personnel and equipment schedules and routes;
- Equipment preventive maintenance, such as spreader calibration;
- Instructions on plowing corporate lines;
- Safety issues such as fatigue and frost bite; and
- Radio communication.

In addition, Lorain SD should periodically review, update, and document its snow and ice routes using experienced staff, who are familiar with the routes. Effective routing should take into consideration the proximity of the salt storage facilities, utilizing all right turns, and the elimination, where possible, of situations requiring salt and plow trucks to back up to prevent the risk of accidents.

### *Street Cleaning*

F9.10 **Table 9-14** shows the street cleaning operations at Lorain SD and the peer cities.

**Table 9-14: Street Cleaning Operation Cost Comparison**

	Lorain	Elyria	Middletown	Springfield	Peer Average
<b>Lane Miles</b>	609	409	557	860	608
<b>Street Cleaning Cost</b>	143,000 <sup>1</sup>	\$54,392	\$219,300	\$120,000	\$131,230
<b>Cost per Sweep</b>	\$59	\$66	\$32	\$92	\$63
<b>Number of Sweepers</b>	3	1	2	1	N/A
<b>Annual Level of Service</b>	4 times All streets swept three times in the Spring and once in the Fall.	2 times All streets swept once in the Spring and once in the Fall.	12 times All streets are swept at least once per month, central business district and other areas are swept more than once per month.	1.5 times All streets are swept once per year, and the central business district is swept twice per year.	5 times All streets are swept at least once per year. Exception: Middletown sweeps once per month.
<b>Other Services</b>	Special events when needed	Special events and business district when needed	Special events when needed	Special events when needed	Special events when needed
<b>Contracted Out</b>	No	Yes <sup>2</sup>	No	Yes <sup>2</sup>	N/A

**Source:** Lorain SD

<sup>1</sup> Estimated for 2002 by applying annual increases in the consumer price index and salaries to actual costs incurred in 1998 (see **F9.3, Table 9-7**).

<sup>2</sup> Contracts out for street sweeping. However, the street department has one sweeper that is used to sweep the business district and for sweeping streets before a parade or other special events.

**Table 9-14** shows that the Lorain SD cleans a similar number of lane miles as the peer average; however, Lorain SD's cost per sweep is 6 percent lower than the peer average. Lorain SD performs street sweeping activities in-house, similar to Middletown, while Elyria and Springfield contract for these services at a higher cost per sweep. In addition, Lorain SD is able to use its street sweeper drivers to perform other functions, such as street maintenance, leaf collection, and catch basin repairs. Furthermore, the street cleaning costs for those cities that contract out only includes the contract price and total costs could be greater, because these cities still own one street sweeper which they use for special events and other cleaning as needed.

Lorain SD does not have designated routes for streets being cleaned on a monthly or yearly basis. As a result, the department does not adequately plan or keep track of streets that have been cleaned. Inadequate planning limits the ability of Lorain SD to determine an effective frequency of street cleaning and efficient use of personnel and machines. According to the commissioner, street cleaning begins in April. Prior to the layoffs, the Lorain SD ran two shifts during the month of April because of the dirt and salt residue accumulated during the

winter season. The roads are normally cleaned with three sweepers during April and May, one sweeper in September and October, and three sweepers in November. There is no street cleaning during the months of June, July and August, except for parades and special events. Because of the lack of record keeping, however, Lorain SD is unable to determine total lane miles or curb miles cleaned, tons of debris collected, and sweeper days worked per year (see **F9.7**).

According to APWA's best management practices, the quality of service should be defined by the frequency and method of services meeting the needs and goals of the community. Cities should maintain a schedule of various street cleaning activities. Cities should also possess a comprehensive and integrated street cleaning plan.

The Environmental Protection Agency (EPA) issued a rule (40 CFR 122.34) to regulate stormwater run off in communities with populations below 100,000. Public works departments across the country are required to develop, implement, and enforce a stormwater management program designed to reduce the discharge of pollutants from municipal separate storm sewer systems. Specifically, 40 CFR 122.34(b) requires implementation of six "minimum control measures" for stormwater management. One of the rules specifically deals with "*Pollution prevention/good housekeeping of municipal operations.*" As required by the EPA, pollution prevention/good housekeeping of municipal operations should be established by implementing a regular program of inspection and maintenance of municipal equipment and facilities exposed to stormwater. One housekeeping function that a city should follow to adhere to the EPA stormwater management program is street cleaning.

According to the International City/County Management Association (ICMA), the desirable frequency of cleaning varies greatly and depends upon such factors as the abutting land use, the variation in pedestrian population during the day and night, and the level of ice control. Generally speaking, the streets in downtown business districts may be cleaned at least once daily usually in the early morning hours. On the other hand, outlying residential areas may be adequately cleaned once a week, or even less frequently, during normal working hours.

According to Municipal Benchmark Standards, one person should be able to sweep 4.16 lane miles per hour or 29 lane miles per shift. Lorain has three street sweepers that are each manned by one operator. If the Lorain SD applied the standard workload for street cleaning, it could expect that 87 lane miles would be cleaned per day. Given that Lorain has 609 total lane miles, it should take the three street sweepers seven days to sweep the entire city (includes improved and unimproved streets). However, because Lorain SD does not keep records on the workload of its operators (e.g., amount of time spent sweeping) or what streets are actually being cleaned, it is difficult for them to determine whether the cleaning frequency of four times per year, or the staffing levels are sufficient to meet the needs and goals of the City (see **F9.7** for further analysis on record keeping and **F9.1** for staffing

analysis). Nonetheless, street sweeping operations appear to be efficient based on the cost per sweep, which is the second lowest at Lorain SD (see **Table 9-14**).

**R9.9** Lorain SD should develop a quality of service statement that details the location, frequency, and time of various street cleaning activities. Lorain SD should also establish a comprehensive and integrated street cleaning plan that delineates the relationship between various functions such as litter control, sweeping and leaf collection, and provides a framework for operational decision making. The street cleaning plan should be routinely updated. Lorain SD should also develop a methodology for establishing effective street cleaning routes with a focus on collection crews, crew size, and location of disposal facilities. Route design of the collection system provides a balance between equipment loads, community needs, and equivalent workload for crews. Effective routing is dependent on the following variables:

- Traffic patterns;
- Parking requirements;
- Street widths;
- Availability of through driveways and alleys; and
- Crew sizes.

Effective routing can be designed using mathematical evaluations, observation, and experience, or a combination of the three. The key factors that should be evaluated consistently with street cleaning activities in order to maintain an efficient program, include capital, operating and maintenance costs, environmental and health factors, feasibility, legislative constraints, and administrative reliability.

### *Vehicle Maintenance*

F9.11 **Table 9-15** shows staffing levels for vehicle maintenance at Lorain SD and peers.

**Table 9-15: Vehicle/Equipment Maintenance Indicators**

	Lorain		Elyria	Middletown	Springfield	Peer Average
	Streets <sup>1</sup>	Other Departments <sup>2</sup>				
<b>Current Mechanic Staffing Level (FTE)</b>	6.0 <sup>3</sup>	6.5	5.0	7.0	8.0	6.7
<b>Number of Vehicles and Equipment Maintained</b>	263	117	495	450	320	422
<b>Number of Vehicles and Equipment items Maintained per FTE</b>	43.8	18.0	99.0	64.2	40.0	63
<b>Centralized</b>	No		Yes	Yes <sup>4</sup>	Yes <sup>5</sup>	N/A
<b>Contracted Maintenance Services</b>	Transmission and body work	Transmission and vehicles that have hydraulics	Transmission and some engine and body work	Transmission and body work	Exhaust work, alignments, replacement of tractor tires (large)	N/A
<b>Shifts</b>	No	No	No	No	No	N/A

**Source:** Lorain SD and peer cities

<sup>1</sup> Garage department maintains street, cemetery, police and all city hall vehicles.

<sup>2</sup> Includes water, water pollution control, parks and fire departments.

<sup>3</sup> Does not include garage superintendent.

<sup>4</sup> Fire department maintains its own vehicles. Therefore, fire department vehicles are not included in analysis.

<sup>5</sup> Includes all City departments (fire, police, airport, city manager, engineering, human relations, municipal court, service and planning).

As illustrated in **Table 9-15**, Lorain SD maintains 30 percent fewer vehicles and equipment items per FTE than the peer average. In addition, Lorain SD and the peers contract out similar work such as transmissions and body work. The City of Lorain does not have a centralized garage to perform maintenance on all city vehicles and equipment. Instead, maintenance and repair responsibility resides in four decentralized departments: street, water, fire and parks (see **Table 9-16**). Because Lorain has a decentralized vehicle maintenance program, the fire, police, and water departments are maintaining 52 percent fewer vehicles and equipment items per FTE, when compared to the peer average. In contrast, Elyria, Middletown (excluding fire), and Springfield have centralized maintenance and repair



functions. **Table 9-16** outlines the vehicle maintenance staff and levels of responsibility within other departments.

**Table 9-16: City of Lorain Vehicle Maintenance Staff**

	Street	Fire	Parks	Water	Total
Staffing level (in-house)	6.0	1.5 <sup>1</sup>	2.0	3.0	12.5
Total number of vehicles /equipment serviced	263	25	15	77	380
Average number of vehicles / equipment serviced per FTE	43.8	16.7	7.5	25.7	30.4

Source: Lorain

<sup>1</sup> Includes three FTEs who are mechanics at 50 percent and firefighters at 50 percent of the time.

As illustrated in **Table 9-16**, the City of Lorain has a total of 12.5 FTE mechanics within the four departments performing vehicle and equipment maintenance on approximately 380 vehicles/equipment, with the street department having the largest vehicle maintenance responsibility.

According to the garage superintendent, centralizing all vehicle maintenance in Lorain SD is a possibility. However, additional work stations may need to be transferred from the water department garage to the Lorain SD garage. The following is a summary of the four city garage operations (street, water, parks and fire):

- The Lorain GD consists of approximately eight maintenance bays. The total garage space within the Lorain GD is approximately 82,274 square feet with 12,000 square feet in the mechanics' work space. Included within the total square footage are three offices and one supply storage area. The Lorain SD stores all its equipment and vehicles under roof.
- The water department recently purchased a building previously used as a car dealership to maintain and house its vehicles and equipment. This building is also used to house the engineering department and water department secretarial staff.
- The parks department is physically connected to the Lorain SD garage. The parks department garage has two bays, parts storage, and houses all equipment and vehicles under roof.

- The fire department does not have a separate garage and uses the fire stations to maintain and store equipment and vehicles.

Base on this review, the street department has the largest garage capacity. The benefits of having a centralized garage include decreasing garage facilities, insurance costs, garage staff, tools and equipment. An additional benefit is the pooling of vehicles and equipment for all departments to use. For example, the parks departments’ vehicles could be used for snow and ice control functions.

**R9.10** The City should implement a centralized garage to maintain all city vehicles and equipment for all departments. If the department implemented a vehicle/equipment to staff ratio comparable to the peer average by centralizing operations, the City could reduce up to five mechanics. Prior to implementing staff reductions, the City should evaluate the impact on other vehicle maintenance costs, such as contract service costs, to ensure that the new staffing level is appropriate and significant work does not have to be contracted out, which would offset some of the cost savings. The 3.0 FTE fire department mechanics that spend 50 percent of their time as firefighters are not included as part of the recommended reduction. However, the fire department would have to determine the impact on staffing or if any reduction in pay is appropriate due to a reduction in mechanical duties. (See **Fire Department** Section of the performance audit for more information.) **Table 9-17** illustrates proposed staffing levels, based on the peer average, for a centralized garage.

**Table 9-18: Proposed Centralized Garage Staffing**

	Lorain Garage	Peer Average
<b>Current Number of Mechanics</b>	11.0 <sup>1</sup>	6.7
<b>Total Reduction of Mechanics</b>	<b>5.0</b>	<b>N/A</b>
<b>Total Number of Recommended Mechanics</b>	6.0	<b>N/A</b>
<b>Total Number of Equipment/Vehicles</b>	380	422
<b>Total Number of Equipment / Vehicles Maintained per Mechanic FTE</b>	63.3	63

Source: Lorain

<sup>1</sup> Does not include the three fire fighters who maintain vehicles 50 percent of their time (1.5 FTEs).

In addition, the City of Lorain should physically relocate all vehicle maintenance operations currently located in the water, parks, and fire departments to the Lorain SD garage. By doing so, the water department would free up additional garage space to house its equipment. This

will increase vehicle life spans by eliminating weathering. The parks garage, because of its physical attachment to the Lorain SD, should be still used for vehicle and equipment storage. Furthermore, the fire stations should continue to be used to house its vehicles and equipment. Centralizing the garage operations at the Lorain SD is possible with some improvements and cleaning of the existing garage and the installation of additional work stations or lifts that can be moved from the water or parks department. The Lorain SD would need to also centralize the parts room which places greater emphasis on the implementation of fleet management system and proper parts inventory processes. (See **F9.13** and **R9.12** for further analysis)

*Financial Implication:* Implementation of a centralized garage would lead to a reduction of up to five mechanics. Based on the average mechanic's salary of \$39,700 and assuming 30 percent for benefits, the City could realize net cost savings of approximately \$258,000 annually.

- F9.12 Lorain SD does not have a long term capital replacement plan to address the replacement of its vehicles and equipment. Instead, Lorain SD replaces vehicles and equipment as funds allow. The average age of Lorain SD's fleet is 11.2 years and the average mileage is 48,500. A review of vehicle records shows that Lorain SD last purchased new equipment in 2001.

In 1998, NAFA developed a survey of public service and utility fleets. The most frequently cited replacement cycle was 60 months/100,000 miles, and vehicles averaged 65 months/88,000 miles in service. In contrast, ODOT's replacement policy is 250,000 miles or 15 years for diesel dump trucks and ten years or 100,000 miles for single axle/tandem axle trucks. NAFA recommends that a government entity develop an efficient replacement cycle or plan based on realistic criteria such as age, mileage, and operating expenses. Replacement plans should be established with the goal of providing the most reliable and safe transportation available at the lowest cost possible. However, Lorain SD's manual method of recording equipment and vehicle information makes it difficult to perform any detailed analysis of operating expenses or mileage during the life cycle of the equipment (see **F9.13**).

The lack of a formalized fleet management system prevents the Lorain SD from attaching total maintenance costs to each vehicle. Therefore, it is difficult to analyze high operating costs sometimes associated with older vehicles and equipment. Although financial constraints were cited as the reason the Lorain SD does not have a vehicle replacement plan, the high cost to operate some vehicles may be diverting resources away from replacement needs.

Overall, the Lorain SD's fleet is well below the ODOT and NAFA age and mileage replacement standards. However, there are a few vehicles with high mileage and age (over 20 years and 100,000 miles), including two pick-up trucks and two dump trucks, that could lead to increased expenses for maintenance and repair, lost productivity, safety risks, and

parts failures. According to the street commissioner, most of these vehicles are due to be sold at auction and there are no plans for replacing them. Based on the costs of one dealership, which was awarded a contract with the State as part of the cooperative purchasing program, an automatic diesel 2.5 ton dump truck costs approximately \$40,000 and an automatic  $\frac{3}{4}$  ton 4 x 4 pick-up truck costs approximately \$19,000.

The vehicle maintenance departments in both Middletown and Springfield prepare five-year capital replacement plans that are used for forecasting long-term departmental needs. The capital replacement plans are updated annually based on the cities' economics and priorities for the current year.

**R9.11** Lorain SD, with the assistance of the director of safety service, should develop a capital replacement plan as part of the overall city-wide capital plan. The plan should prioritize replacements based on vehicles currently incurring the highest costs or experiencing the greatest number of breakdowns and should be linked to the annual budget. Criteria should be established governing when vehicles are due for replacement. The Lorain SD should also begin to set aside funds to purchase new equipment.

A fleet management system will allow Lorain SD to incorporate useful life information for each vehicle and equipment and to develop attributes or characteristics that would indicate when an item is due for replacement (see **R9.12** for fleet management system recommendation). Prior to replacing any vehicle that has exceeded its useful life, Lorain SD should evaluate the necessity of the vehicle. Lorain SD should replace the vehicle only if it is determined that the department cannot function effectively without it. Replacements should be prioritized based on vehicles that have the highest operating costs or the greatest impact on public safety.

### *Technology for Preventative Maintenance*

F9.13 Lorain GD does not have a comprehensive fleet management system for tracking equipment maintenance or parts inventory. Because there is no formalized system, parts used for maintenance are not recorded as they are taken out of inventory. Without a fleet management system, it is difficult to determine when equipment and vehicles are due for preventive maintenance work in accordance with manufacturers' recommendation. It is also difficult for Lorain GD to inventory and budget for parts and supplies or to know if parts are being used for City vehicles or for personal use.

Lorain GD keeps manual preventive maintenance records for all vehicle repairs; however, there is no formalized process for entering information on vehicles and equipment into a centralized database. Most of the work performed on vehicles and equipment is recorded on small pieces of paper and index cards. Each vehicle is assigned an index card on which the

mechanic fills out the date, the vehicle number, the work performed, and how long it took to maintain the vehicle. This and other hand written pieces of paper are used to record work on all vehicles. Some of the index cards show old vehicles that are no longer in service. The only systematic process is the documentation of work performed on vehicles from other departments that is maintained on a spreadsheet and used to determine chargebacks. With the reduction in administrative staff, current staff are unable to keep this spreadsheet up to date and, as a consequence, the chargeback reports (as of January, 2003) are behind by four months.

The cities of Middletown and Springfield each maintain a centralized vehicle maintenance garage and depend largely on computerized fleet maintenance software system to keep track of manufacturers' recommended maintenance requirements, equipment, costs, mileage, inventory, and mechanics' time spent on each vehicle. According to the peers, the fleet maintenance software allows them to effectively manage all rolling stock within the city.

According to NAFA, fleet managers need to know exactly what they are expected to manage. To do so, it is essential for fleet maintenance departments to keep appropriate records. Other departments, such as water, sewer, parks and police, would also benefit from a reliable and accurate fleet management record keeping system by ensuring they are fully aware of the maintenance of their vehicles. The basic records, such as make, model year, model, vehicle identification number (VIN), class, unit number, supplier, date-in-service, license, and warranty will be common to all fleets. However, the following are guides to the type of records that should be kept by category:

- Financial Records- purchase cost, depreciation, current book value, odometer reading and details of chargeback rates;
- Specification Records- unit number, engine size, body type, wheel base, capacity, fuel tank, transmission, tire size and type, and any added equipment;
- Operating Cost Records- odometer readings, standing expenses, running expenses, incidental expenses, and personal usage;
- Maintenance Records- drive train, cooling system, steering, brakes, tires, lights, battery, miscellaneous (wipers, mirrors and radio), glass, and body; and
- Operator Records- employee number, employment location, division, and driving records (license, accidents and restrictions).

**R9.12** Lorain SD should purchase a fleet management system prior to centralizing its garage operations, as recommended in **R9.10**. The fleet management system will provide the

centralized garage with the means to effectively manage all equipment and vehicles by maintaining the following information:

- Task performed, number of employees used, man-hours required, trades of employees, wage rates, date of work order issue, performance deadlines, origin of work request, materials used, and job priority;
- Work histories developed from completed work orders, and related performance standards; and
- Performance measures of employee and equipment productivity which enable more effective budgeting of jobs, establish employee accountability, and provide a means for locating bottlenecks in the garage work force.

The effective management of vehicle and equipment information can be used to properly plan for capital replacement needs and establish an effective preventive maintenance plan based on manufacturer recommendations. (See **F9.12** and **R9.11** for capital replacement analysis). Additionally, the automated system could increase efficiency by giving the mechanic the ability to make cost-effective decisions concerning equipment procurement, utilization, maintenance, and replacement. Also, Lorain GD maintains an automated gas dispensing system which is compatible with most computer fleet software systems.

Lorain SD should research the fleet management systems on the market to determine the best system for the Department. Fleet management systems (not including training) range from \$8,000 for a single user to \$13,000 for a network system with multiple user licenses. A network fleet management system may better ensure that various departments and/or workstations, such as police and fire, have access to the maintenance status and related costs for their equipment. The initial cost of a fleet management system includes technical support for one year. However, each additional year will cost approximately \$1,500. Some companies include training with the initial cost of the software. However, the cost for training varies depending on the company's location and the availability of internet training.

*Financial Implication:* The initial cost for a computerized fleet management software system would be approximately \$13,000 (excluding training). The annual cost for technical support after the first year will be approximately \$1,500.

## Financial Implication Summary

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that the City should consider.

### Summary of Financial Implications

Recommendations	Estimated Annual Revenue Enhancement	Estimated Annual Cost Savings	Estimated Annual Cost Avoidance	Estimated Implementation Costs (One time)	Estimated Implementation Costs (Annual)
<b>R9.2</b> Pass one motor vehicle levy	\$270,000				
<b>R9.2</b> Levy special assessments	\$350,000				
<b>R9.3</b> Apply for motor fuel tax reimbursement		\$1,700			
<b>R9.4</b> Charge-backs		\$8,500			
<b>R9.5</b> Reduce sick leave usage			\$12,000		
<b>R9.10</b> Reduce five mechanics		\$258,000			
<b>R9.12</b> Implement a fleet management system				\$13,000	\$1,500
<b>Total</b>	<b>\$620,000</b>	<b>\$268,200</b>	<b>\$12,000</b>	<b>\$13,000</b>	<b>\$1,500</b>

## **Conclusion Statement**

Overall, the Lorain SD appears to be functioning with minimum resources while providing a level of services comparable to the peers. However, to ensure staffing levels are adequate and to improve operational efficiency through the tracking of workload data, Lorain SD should establish and maintain an effective, automated work order system. Additionally, Lorain parks department staff should be assigned to snow and ice control activities from December to March during normal work hours, which could save on overtime. This would also allow the Lorain SD to tailor its plow and salt crew staffing levels, thus ensuring that operators complete the standard recommended lane miles within a reasonable time frame. Moreover, using seasonal staff or community service workers would allow other staff to complete the majority of the patching during the summer months using the patch mobile, which is more durable and lasts longer. This could also allow Lorain SD to focus on preventive measures, such as crack sealing and street sweeping, to extend the useful service life of roads and reduce the frequency of reconstruction and pothole patching work.

Much of the City's street infrastructure has reached the end of its useful life and the challenge is to maintain the infrastructure through increased and sustained investment. In addition, Lorain SD receives significantly less revenue than the peers for street maintenance and capital improvements, thereby relying more on the General Fund for support. As a result, the City should consider securing and maintaining additional sources of revenue, such as an additional motor vehicle levy and special assessments, to enable implementation of a long term plan and strategy for local infrastructure improvements and programs. Levying an additional motor vehicle fee of \$5 would provide revenues of approximately \$270,000 annually for road improvements and result in an overall motor vehicle tax that is comparable to those charged by other cities. Special assessments could generate an additional \$350,000 in revenue per year.

Considering that Lorain SD's sick leave per FTE is higher than the peers, it should take steps, including consultation with its legal counsel, to adopt sick leave policies and procedures to minimize the amount and type of sick leave used and make employees more accountable for sick leave taken. Reducing sick leave would increase productivity and efficiency.

To enhance Lorain GD operations, the City should implement a centralized garage, develop a long term capital replacement plan and purchase a fleet management system. By centralizing garage operations, the City could reduce up to five mechanic positions, and save approximately \$185,000 annually in salaries and benefits. Additionally, Lorain SD, with the assistance of the director of safety service, should develop a capital replacement plan that prioritizes replacements based on vehicles currently incurring the highest operating costs or the greatest impact on public safety. Finally, a fleet management system would allow Lorain GD to effectively track key data, such as equipment maintenance and parts inventory.



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# Purchasing

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## Background

This section focuses on the City of Lorain's (City) purchasing operations. Comparisons are made to the following peer cities: Elyria, Hamilton, and Springfield. The City does not have a centralized purchasing department. Each department is responsible for purchasing supplies and equipment needed to manage operations. The public safety and service office, city auditor's office (auditor's office), elected officials, board of control, and city council review purchases at different stages in the purchasing process.

### *Organizational Function*

Consistent with city ordinance 153-99, city council authorizes competitive bids for purchases greater than \$15,000. For purchases less than \$15,000, the approval process depends on the department making the purchase. For departments that report to the safety and service office, there is a multi-layer approval process. The safety service director and chief deputy safety service director review and approve requisitions for reporting departments, which include: building maintenance, street (which includes cemetery and garage), employee benefits, community development, fire, police, electrical, utilities, engineering, building inspection, animal warden, and parks and recreation. Pursuant to ORC §733.22, the board of control, comprised of the mayor and safety service director, approves purchases over \$5,000 for the public safety and service director's departments. After city council authorizes competitive bids for purchases greater than \$15,000, the board of control directs the head of the appropriate department to enter into the contract.

Purchasing responsibilities of the public safety and service office include the following:

- Reviewing and approving requisitions and invoices;
- Preparing and monitoring annual appropriations;
- Developing and awarding bids for contracts;
- Maintaining information on the bid notice and list of bidders;
- Developing and approving annual purchasing initiatives during the budget process;
- Researching purchasing initiatives, such as Internet-based procurement system, master copier maintenance agreement, utilities, cell phones and office products; and
- Providing technical assistance to departments upon request.

Department heads within public safety and service departments, and elected officials over the other city departments determine purchasing needs for their areas and approve initial requisitions

for purchasing. Department heads include directors, but also may include high-ranking superintendents and specialized staff who have authorization to approve requisitions. Purchases by the health department are approved by the board of health. Purchases for city council, municipal court, auditor's office, treasurer, and law director are approved by the respective elected officials. Other purchasing responsibilities of departments and elected officials include the following:

- Entering requisitions into the computer system with contract numbers, dates and purchasing information;
- Sending printed POs (after receiving it from auditor's office) to vendor;
- Developing competitive contracts;
- Receiving supplies and equipment purchased; and
- Compiling payment voucher with attached invoice and PO number, and sending it to the auditor's office for payment.

The auditor's office approves purchase orders for elected officials, and assists all departments with various components of the purchasing function. Purchasing responsibilities of the auditor's office include the following:

- Ensuring requisitions do not exceed line item budgets;
- Reviewing requisitions to ensure that those over \$15,000 have a contract, and that purchases over \$5,000 for the departments within the public safety and service office have board of control approval;
- Assigning vendor numbers;
- Printing purchase orders (PO) to distribute to all departments;
- Paying vendors once invoices are received from all departments;
- Reviewing all bidders to ensure they are bonded;
- Maintaining copies of all competitively bid contracts; and
- Providing technical assistance to departments upon request.

### *Summary of Operations*

The City had centralized purchasing in the public safety and service office until it was dissolved in 2000, and was replaced with a decentralized purchasing process (see **organizational function** and **F10.8**). The City's purchasing process includes the following:

- Requisition process – includes processing purchase orders and invoices;
- Bid process – includes competitive bidding and request for proposals; and
- Inventory – includes receiving and tracking of goods.

After appropriate approval from department heads, the public safety and service office, elected officials and the auditor's office, the auditor's office distributes purchase orders to departments within approximately one week of receiving requisitions. Departments may use blanket purchase orders for routine items that a department uses on a regular basis, such as stationary supplies and miscellaneous auto parts. For emergency purchases, departments complete a form containing the reason for the emergency purchase and send it to the auditor's office for approval and processing. The chief deputy safety service director reviews emergency purchases for departments under his purview.

Purchasing staff within each department use a computer system to process requisitions and purchase orders. The City purchased the system approximately ten years ago. Capabilities of the system include the following:

- Controls to prevent overspending of appropriations;
- Storage of key requisition data;
- Electronic approval of requisitions; and
- Printing of purchase orders and budget reports.

In accordance with city ordinance 153-99, city council authorizes and directs by ordinance, competitive bidding for purchases and contracts over \$15,000. Additional requirements state that competitive bids are to be advertised for not less than two weeks, but not more than four weeks, in the local newspaper. The auditor's office and public safety and service office maintain copies of competitively bid contracts. The public safety and service office maintains information on the bid notice and list of bidders. The auditor's office verifies that all bidders are appropriately bonded. Departments are responsible for developing terms of contracts. For example, the fire department would develop the contract for specialized fire equipment.

Each department receives purchased goods and monitors inventory. Departments and the auditor's office monitor inventory for fixed assets (over \$5,000) and consumable goods (under \$5,000). Departments annually send a consumable goods inventory report to the auditor's office.

### *Statistics*

**Table 10-1** details purchasing statistics for Lorain and the peer cities.

**Table 10-1: FY 2002 Purchasing Statistics**

	Lorain	Elyria	Hamilton	Springfield	Peer Avg.
<b>Purchasing Expenditures</b>	\$14,731,564	\$13,323,941	N/A <sup>1</sup>	\$15,376,378	\$14,350,160
<b>Number of Purchase Orders</b>	3,312	6,892	7,464	1,810	5,389
<b>Expenditures per Purchase Orders</b>	\$4,448	\$1,933	N/A	\$8,495	\$5,214
<b>Number of Requisitions</b>	3,287	6,892	7,447	1,954	5,431
<b>Number of Contracts</b>	53	44	46	62	51
<b>Cost of Contracts</b>	\$6,646,103	\$9,317,432	\$6,935,900	\$12,353,038	\$9,535,457

**Source:** Lorain city auditor's office and peer requests for information

<sup>1</sup> Hamilton's computer system is not able to provide a report with purchasing expenditures by commodity.

Lorain is comparable to the peer average for total purchasing expenditures and number of contracts. Lorain is 39 percent below the peer average for number of purchase orders, 15 percent below the peer average for expenditure per purchase order, 39 percent below the peer average for number of requisitions, and 30 percent below the peer average for cost of contracts. Springfield's expenditures per purchase order are considerably higher than Lorain's, indicating it may be more efficient because fewer purchase orders are used, resulting in processing less paperwork. Springfield purchasing staff indicated its purchasing card program reduces the number of purchase orders needed because department staff use the card for all small dollar purchases defined by the cardholder transaction limit (see **F10.5**).

*Performance Measures*

The following is a list of performance measures used to conduct the review of the Lorain purchasing operations:

- Determine if purchasing process is consistent with best practices;
- Assess the effectiveness of purchasing processes; and
- Assess current city-wide purchasing programs.

## Findings and Recommendations

### *Purchasing and Asset Management*

F10.1 The City of Lorain has implemented strategies for purchasing and asset management. **Table 10-2** compares national purchasing best practices from the United States Government Accounting Office (GAO), the State of Ohio Auditor of State's office and the San Antonio performance review to those in the City of Lorain. Although the City's current processes are consistent with a number of best practices for purchasing and asset management, **F10.2** through **F10.8** provide more detail on best practices that the City could achieve.

**Table 10-2: Best Practices for Purchasing and Asset Management**

<b>Recommended Practices</b>	<b>City of Lorain</b>
1) Volume purchases are annually negotiated for discounts.	The City negotiates volume purchases for items such as paper, road salt, chemicals, personal equipment, materials and petroleum products.
2) Annual bulk purchases are consolidated.	The City utilizes bulk purchases for some items, such as paper.
3) The City is involved in collaborative purchasing programs or consortiums.	The City participates in the State purchasing program and ODOT program for purchasing heavy equipment. However, the City could take advantage of additional purchasing programs available to improve purchasing efficiency. See <b>R10.4</b>
4) Analyses are conducted on lease versus buy options to determine the costs and benefits.	Departments perform lease versus buy analyses. However, there are no citywide guidelines to describe lease versus buy criteria See <b>R10.1</b>
5) Supplier performance is monitored.	While departments monitor supplier performance, there are no citywide guidelines for monitoring supplier performance. See <b>R10.3</b>
6) A list of recommended or preferred suppliers, including minority suppliers, is compiled.	The City has a preferred supplier list for office supplies, cell phones, pagers, computers, cleaning supplies, copiers, and utilities, but these preferred vendors are not used exclusively. Although the purchasing system has the capability to track minority suppliers, the city does not have a policy to track purchases from minority businesses See <b>R10.1</b>
7) Purchasing policy and procedure changes are disseminated to appropriate people on a timely basis, with instructions and means for on-going training.	The auditor's office disseminates procedural changes in department memos to all departments.
8) Vendor catalogues containing item numbers, descriptions and prices are maintained and accessible.	Departments maintain and receive vendor catalogs. The public safety and service office maintains catalogues for office supplies, cell phones and computers.
9) Auctions of surplus furniture and equipment are conducted.	The police, street and utilities departments hold separate auctions. Other departments also participate in these auctions.

Recommended Practices	City of Lorain
10) Procurement policies and procedures are summarized, with processes for obtaining goods and services, preparing requisitions, and explaining the approval process.	The City does not have formal written purchasing policies. See <b>R10.1</b> . During the course of the performance audit, the public safety and service office began developing a written purchasing manual.
11) There are clearly defined roles and responsibilities for purchasing and financial staff involved in contract bidding, purchasing and requisitioning.	Although the City has defined roles for the auditor's office and public safety and service department, and defined responsibilities for purchasing and financial staff, the purchasing function could be enhanced by consolidating key purchasing responsibilities. See <b>R10.7</b>
12) Internal controls are effective and consistent.	Internal controls include review by the auditor's office and public safety and service office. The computer system also has automated controls so a department can not request more than the amount appropriated.
13) Emergency purchasing procedures are appropriate.	The public safety and service office and auditor's office review all emergency purchases and assign appropriate coding.
14) Time between purchase order submission and issuance is assessed.	The City does not formally assess the timeliness for this process; however, according to the City auditor, it normally takes one week to process a purchase order. According to the Mayor, departments know that requisitions are due every Wednesday, and purchase orders are distributed either Wednesday afternoon or Thursday. See <b>R10.3</b>
15) Inventory and fixed assets are tracked.	Departments track inventories of fixed assets. The auditor's office ensures fixed assets are classified correctly in the computer system.
16) Cycle time for supplier payment is assessed.	While the purchasing system can track supplier payment, the City currently does not track the length of time it takes for vendors to receive payment. See <b>R10.3</b>
17) Internal Controls for receiving and warehousing are appropriate.	Departments monitor receipt of goods and inventory levels. However, the City has no departmental inventory procedures. See <b>R10.6</b> . During the course of the performance audit, the public safety and service office began developing a purchasing manual that contains a description of inventory procedures for its reporting departments.
18) Warehouses are used effectively.	The City does not have a central warehouse to store goods. Each department maintains its own inventory.
19) Information transmittal between purchasing and accounting/finance is efficient and effective.	The City uses the New World Financial system for purchasing. Purchase orders are entered directly into the software system, which allows for on-line review and approval. However, the City has not placed bids and requests for proposals on line for vendors to access. See <b>R10.5</b> During the performance audit, the City entered into an agreement for an Internet-based procurement system.
20) Staff is trained on purchasing function.	The City does not have a formal purchasing training program. See <b>R10.2</b>

**Source:** United States General Accounting Office statement for Contract Management. "Trends and Challenges in Acquiring Services; Financial Systems, State of Ohio, AOS, "Preliminary Assessment of Functional Areas"; City of San Antonio Performance Review.

F10.2 While the City has no formal purchasing manual, the auditor's office has distributed memos to departments that contain procedures for processing requisitions and purchase orders, and monitoring inventory. Requisition and purchase order procedures instruct department staff on timelines for processing purchases, completing required forms and inputting purchasing information in the on-line system. Inventory procedures instruct staff on conducting physical inventories of equipment and supplies at the end of each calendar year. However, the City does not have a formal written purchasing manual containing information on the competitive bid process, collaborative bidding and other purchasing procedures. The lack of a purchasing manual increases the chance that departments will not fully understand the purchasing function, resulting in increased time to process invoices and purchase orders.

A written purchasing manual clearly outlines the complete purchasing process, and identifies who is authorized to make purchasing decisions. The purchasing manual specifies purchasing thresholds and approval paths, statutory requirements for competitive bidding, and additional procedures for emergency and blanket purchases. According to Government Finance Officers Association (GFOA) procurement guidelines, local governments should have clearly written purchasing procedures. A purchasing manual helps employees understand current purchasing practices, regulations and compliance requirements.

Springfield has developed a written purchasing manual. This manual contains basic information on the purchasing function that includes emergency purchasing procedures, authority and responsibility for purchasing, and the budget appropriation process. Additional highlights of the manual include the following:

- **Bid process** – describes the process for notifying bidders that a specific commodity or service is required by the City. Bidding includes procedures for sole source bids, single source bids, formal bids and informal bids.
- **Buying process** – describes process for obtaining and securing goods and services as needed by various departments and divisions in the City. Buying includes procedures for processing requisitions and emergency purchases, researching vendors, and evaluating the lowest and best price (also see cooperative purchasing procedures).
- **Disadvantaged and minority business enterprise policy** - describes policies for disadvantaged and minority business enterprises to have the maximum opportunity to participate in contracts entered by the City. These policies prohibit City contractors from discriminating against potential subcontractors and potential suppliers.
- **Cooperative purchasing procedures** – describes procedures for government programs that have been legislated for use by local governments to purchase services



and commodities without individually securing competitive bidding. Cooperative purchasing programs include State contracts through the Department of Administrative Services (DAS), the Ohio Department of Transportation (ODOT), and Southwest Ohio Purchases for Government.

- **Purchase card procedures** – describes procedures for the purchasing card program. All cardholders have limits that are defined by each department within the finance department’s guidelines, and with the finance director’s approval. These limits are placed on the use of the card by transaction, type of vendor, number of daily transactions, and other factors. A purchasing card program reduces paperwork and the number of purchases orders for low cost items, and streamlines the vendor payment process by issuing one check to the bank instead of multiple checks to a vendor (see **F10.5**).

**R10.1** The public safety and service office and the auditor’s office should develop formal written procedures and compile them in a purchasing manual to guide the purchasing process. Input from all departments should be obtained in this process. The manual should be updated to reflect current practices and technology. City departments should be provided copies of the manual and personnel should be trained periodically on applying the purchasing practices in the manual.

The purchasing manual should include, at a minimum, the following information:

- Process for obtaining goods and services;
- Procedures for preparing requisitions;
- Explanation of the approval process;
- Emergency purchasing procedures;
- Volume and annual bulk purchases;
- Auctions of surplus furniture and equipment;
- The city’s policy for tracking minority businesses;
- Guidelines for conducting a lease versus buy analysis;
- Guidelines for monitoring supplier performance (see **R10.3**);
- Use of collaborative purchasing programs or consortiums (see **R10.4**);
- Procedures for a purchasing card program (see **R10.4**);
- Guidelines for monitoring receipt and inventory of goods (see **R10.6**);
- Use of procurement practices, such as electronic vendor databases and on-line bidding (see **R10.5**); and
- Code of Ethics.

Following standard purchasing policies and procedures ensures consistency in the purchasing process. Furthermore, the manual could provide guidance on implementing

those recommended procedures and practices that Lorain does not currently have in place.

During the course of the performance audit, the public safety and service office began development of a purchasing manual.

- F10.3 While the auditor's office has distributed written material to departments describing the purchasing process and how to enter requisitions into the computer system, the City does not have a formal purchasing training program. The auditor's office and public safety and service office provide technical assistance to departments on purchasing, but do not conduct formal training programs for department staff. The chief deputy safety service director stated that training would be provided for staff regarding the City's recent agreement to use an Internet-based procurement system (see **F10.6**). City purchasing staff also do not attend purchasing training provided by outside organizations. Establishing a formal program and providing appropriate training would ensure staff have sufficient knowledge of proper purchasing procedures. For example, appropriate training could help key staff develop clear specifications for contracts.

Springfield has a Project Management Certification program which includes a purchasing component and also trains all new staff who receive purchasing cards. Springfield is also a member of the National Institute for Governmental Purchasing (NIGP), an organization which offers purchasing training seminars and professional certification programs for purchasing professionals. NIGP training includes low cost options such as on-line training or more intensive one to five day purchasing seminars. Through NIGP, purchasing professionals can also sign up for the Certified Professional Public Buyer or Certified Public Purchasing Officer programs. Completing purchasing training seminars and certification programs demonstrates that purchasing staff meet a certain standard of competency in public purchasing.

- R10.2** The public safety and service office and the auditor's office should establish training standards and options for department staff. Training options could include in-house training for department purchasing conducted by either safety services or auditor's office, or external training options such as seminars and on-line training provided by NIGP. Training department staff on the purchasing function ensures the staff is qualified and knowledgeable to perform key purchasing activities.

*Financial Implication:* NIGP's lowest cost option for training is a web seminar, which costs approximately \$600 for ten people to attend two seminars a year (\$300 per seminar). This fee includes a \$75 initial sign-up cost. There is a \$25 fee for each additional guest member participating. Training topics for 2003 include strategic planning for purchasing, green procurement, requests for proposals (RFP), and basic legal principals in public purchasing.

F10.4 Lorain does not have citywide guidelines to establish a formal vendor monitoring program, in which historical data is collected on vendor performance to identify trends. The auditor's office tracks some purchasing data such as information on inventory, and the public safety and service office tracks other types of information. For example, the public safety and service office maintains a preferred supplier list and catalogues for office supplies, cell phones and computers. Departments maintain supplier lists and catalogues on specialized equipment.

A vendor monitoring program would allow the City to identify vendors who deliver high quality and low cost products quickly, and potentially cancel or replace purchase orders and contracts with poor performing vendors. According to GFOA, the types of data that can be tracked in a vendor performance monitoring program include the following.

- Quality of goods;
- Timeliness of deliveries;
- Number and type of vendor complaints;
- Percentage of purchasing employees receiving training or holding certifications for procurement;
- Percent of early discounts taken;
- Average number of change orders and contract amendments;
- Penalties for failure to meet prompt payment requirements; and
- Customer satisfaction of operational units concerning vendor performance.

Moreover, the City does not currently track the length of time it takes vendors to receive payment. According to the auditor's office, checks are issued on the 15<sup>th</sup> and the end of each month for invoices that have been received. Delays can occur between receipt of the goods and submission of the invoice for a number of reasons. For example, as departments monitor the receipt of goods, the individual who does the monitoring may not be the same person who requested the goods which can result in a delay in submission of the invoice. Other reasons for delays include staff persons responsible for that process being out of the office or other work demands taking precedent.

In addition to not assessing cycle time for supplier payment, the City does not consistently pursue discounts for early payment from suppliers. The Lorain fire department has received bids that include prepayment discounts but the City does not have a procedure advising departments about requesting early payment discounts on purchases. The City of Elyria routinely takes advantage of discounts for early payment; however, the city was unable to quantify the savings achieved from this type of discount. Elyria's accounts payable system tracks the date of invoice and date of payment, and automatically applies discounts to invoices from vendors that offer early payment discounts as a regular business practice. For other vendors, the early payment discount can be manually entered in the accounts payable system.

While the City's software has the capability to track time between requisition and issuance of the purchase order, the City does not formally assess the timeliness of this process. The City does electronically process requisitions and purchase orders and according to the auditor, it usually takes one week to process a purchase order. The lack of a formal assessment does not appear to have resulted in any problems for the City's purchasing process; however, formally tracking this time would fully ensure that purchase orders are processed in a timely manner.

**R10.3** The public safety and service office and the auditor's office should develop guidelines to monitor vendor performance by instituting a vendor performance monitoring program. As part of the program, the public safety and service office and the auditor's office should track historical data on vendor performance to ensure high quality and low cost goods.

The public safety and service office and the auditor's office should also routinely evaluate the prices each department pays for goods and services to identify opportunities to reduce costs. The auditor's office should implement procedures to assess cycle time for supplier payment to ensure suppliers are paid in a timely manner and to maintain good working relationships with suppliers. The auditor's office should identify savings that are forgone as a result of not taking discounts for early payment. If potential savings are greater than the costs associated with taking advantage of discounts for early payment, then the City should implement procedures to achieve price reductions.

The auditor's office should routinely assess the time between requisition and issuance of purchase orders. The timeliness of this process should be tracked to ensure that it continues to occur in a timely manner and to identify any potential lapses in the process.

F10.5 The public safety and service office and the auditor's office do not take full advantage of available purchasing programs to obtain discounts and improve purchasing efficiency. For instance, the City does not currently use just-in-time (JIT) agreements, United States Communities Government Purchasing Alliance (U.S. Communities) and membership in national/regional organizations to improve purchasing. The public safety and service office has registered with U.S. Communities, but has not used the program to purchase goods as better prices were found outside of the program. The City does participate in the Ohio Department of Administrative Services (ODAS) purchasing program for purchases like police vehicles, and participates in the Ohio Department of Transportation (ODOT) purchasing program for heavy equipment. The City also obtains volume discounts for items including paper, road salt, chemicals, personal equipment, materials, and petroleum products.

Springfield uses JIT contracts for supplies and materials and has obtained savings that average 15 percent on these purchases. A JIT contract requires a vendor to deliver goods

timely and reduces the amount of inventory that must be maintained by the city. This then reduces inventory carrying costs, which include the cost of storage facilities.

Springfield and Hamilton use the U.S. Communities Government Purchasing Alliance to purchase office supplies and furniture. U.S. Communities pools the purchasing power of public agencies to achieve volume discounts on computers, office supplies, janitorial supplies, and other products. Eligible participants include cities, public schools, state agencies and other government agencies. Eligible agencies register on-line and there are no fees to participate in the program.

Springfield is a member of the National Institute for Governmental Purchasing (NIGP), National Contract Management Association (NCMA) and Southwest Ohio Purchasers for Government (SWOPG). NIGP and NCMA offer professional certification and training programs for purchasing professionals and provide networking opportunities for local government officials. The SWOPG is a purchasing collaborative that bids on behalf of member local governments in Southwest Ohio for volume purchases. Springfield currently uses the program to purchase rock salt. According to Springfield's Purchasing Specialist, the city has saved 10 to 20 percent on those items obtained through a purchasing collaborative. Furthermore, Lorain is eligible to become a member of Central Ohio Organization of Public Purchasers (COOPP), which is a chapter of the NIGP. There is no geographic boundary requirement to joining COOPP and membership includes NIGP training discounts.

Springfield also uses a purchasing card program to facilitate regular purchases and reduce the amount of paperwork needed in the process (see **Table 10-1**). The purchasing card program cost approximately \$1,000 to set up and there is no annual fee. Each department has the ability to monitor, via the Internet, purchases by its staff and to modify cost centers assigned to each purchase, if necessary. According to Springfield's deputy finance director, the program requires well developed procedures, clear timelines, and consequences for individuals and departments that do not consistently follow procedures.

**R10.4** The public safety and service office and the auditor's office should consider using additional purchasing programs including JIT agreements, purchasing cards, the U.S. Communities Government Purchasing Alliance, and membership in national and regional purchasing organizations. Using JIT delivery allows departments to efficiently manage inventory by relying on vendors to act as warehouses and receiving next-day delivery on many goods. To ensure that purchasing cards are used appropriately, the City should develop clear and specific procedures to guide the process (see **R10.1**), and monitor the use of the purchasing cards accordingly. Purchasing cards will reduce the need to process requisitions and purchase orders for small dollar and routine purchases. Moreover, the public safety and service office and the auditor's office should periodically review the U.S. Communities Government Purchasing Alliance program to determine if

cost-savings could be realized for departmental supplies and other goods. Membership in national purchasing organizations would provide additional training and networking opportunities. One option for Lorain would be to ascertain the interest of other northeast Ohio cities in forming a local cooperative purchasing group. Information is also available from NIGP as to the requirements to become a member of that organization.

*Financial Implication:* If Lorain realized 15 percent savings similar to Springfield for a JIT agreement for office supplies, based on 2002 office supply expenses of \$43,421, the annual savings would be approximately \$6,500. The cost for implementing a purchasing card program is estimated at \$1,000 based on the set-up costs incurred by Springfield. However, the City would realize efficiency improvements and potential cost savings from the reduction in requisition and purchase order processing.

F10.6 The public safety and service office and the auditor's office could take advantage of additional technological capabilities for purchasing. The City has not placed bids and RFPs on-line for vendors to access. The chief deputy safety services director researched this option in 2002, but the company selected went into bankruptcy. Hamilton uses DemandStar, a free, Internet-based service operated by Onvia, Inc. that allows government buyers to place bid requests and RFPs on-line for vendors to access. The government buyer supplies DemandStar with a vendor database, copies of RFPs and bid requests. DemandStar automatically matches them with the business offering the product of service.

Another available purchasing technology for governments is electronic data interchange (EDI). An EDI system can be used to deliver purchase orders, invoices, and bid requests electronically to vendors. Developing this type of system is costly, and would not be feasible for the City to implement due to budget constraints.

**R10.5** The public safety and service office and the auditor's office should consider technological capabilities to implement innovative procurement practices, such as the use of an electronic vendor database and on-line bidding. Benefits of an electronic vendor database and on-line bidding include the following:

- Increase bid competition with access to local and national suppliers;
- Eliminate mailing costs and reduce advertising expenses;
- Reduce administrative tasks;
- Eliminate supplier database maintenance;
- Enhance Web presence; and
- Support supplier outreach programs.

As a long term plan, the City should research the feasibility of an EDI system, which would result in a faster trading cycle, adoption of just-in-time techniques, ability to retain

existing customers by improvements to business processes, and the ability to respond to highly competitive new market participants.

During the performance audit, the chief deputy safety service director entered into an agency membership for Onvia, Inc. which operates an Internet-based procurement system. This agreement will provide a mechanism to distribute formal requests for bids and quotes on line.

- F10.7 The public safety and service office and the auditor's office do not have centralized control over the receipt of goods, except for a few items such as paper, chemicals and salt. City departments receive goods and monitor inventory. The auditor's office receives an annual physical inventory report from City departments for purchased goods under \$5,000 (consumable inventory). The auditor's office also checks the inventory of purchased goods over \$5,000 (fixed assets) in the computer system by referencing invoices.

Although the auditor's office receives inventory reports from departments, no departmental inventory procedures have been developed. According to GFOA, an efficient procurement program is thoroughly and effectively integrated with the budgeting, accounting and material management functions through clear procedures, integrated systems, and good coordination among all involved personnel. Without procedures, department staff does not have standards to follow for monitoring inventory, which could increase the chance for loss or theft and inadequate stocking of supplies and equipment. The lack of training further increases the chances department staff would not be knowledgeable of inventory standards (see **F10.3**). Since the City does not currently have centralized warehousing for the majority of supplies and equipment, following standard procedures would ensure departments track inventory accurately and consistently.

Examples of procedures for managing inventory include the following:

- Use of purchasing software to track inventory;
- Guidelines for inventory turnover;
- Schedule for regular physical inventory checks;
- Replacement cycle for equipment such as computers; and
- Use of just-in-time (JIT) agreements (See **R10.4**).

Another option for cities to use in managing inventory is centralized warehousing. Hamilton has a centralized warehouse that contains supplies (other than low-cost office supplies), and equipment for vehicles. The warehouse maintains \$2 million in inventory and requires two FTEs who are responsible for receiving and distribution. Elyria and Springfield do not have centralized warehouses. Developing standard inventory

procedures for all departments would allow Lorain to operate without central warehousing.

**R10.6** The public safety and service office and the auditor's office should develop standard inventory procedures, such as procedures for inventory tracking, inventory turnover, physical inventory checks, equipment replacement cycles, and JIT agreements. Although individual departments receive and track inventory, the City should implement standard inventory procedures for all departments.

During the course of the performance audit, the public safety and service office began developing a written purchasing manual. The manual has a section to address inventory procedures. Further development of the manual is needed to address all of the recommended areas.

F10.8 The City does not have one staff person or department responsible for overseeing key facets of the purchasing function. The chief deputy safety service director has various purchasing responsibilities but only for safety service departments. The chief deputy safety service director cannot require departments reporting to a separate board or elected office to follow safety service office recommendations for purchasing. In addition to purchasing responsibilities, the chief deputy safety services director has other non-purchasing duties related to management of City operations. The auditor's office has some centralized responsibilities for purchasing, such as reviewing departmental contract amounts and developing procedures for all departments. The safety services director indicated that centralized purchasing did not work effectively in the past because Lorain is a statutory city and therefore, elected officials overseeing their departments cannot be required to participate in a centralized purchasing process. As a result, the purchasing staff was only able to be involved with the purchasing process in the public safety and service office.

Although the City has a decentralized purchasing process where by departments determine what to purchase, centralized oversight of the purchasing function would ensure that departments follow appropriate procedures and obtain competitive prices. According to GFOA, the likelihood of good coordination is enhanced if purchasing and inventory monitoring is the responsibility of one position. GFOA also states that a jurisdiction's official in charge of procurement operations should be a trained, certified, professional purchasing manager. The current lack of standard purchasing procedures (see **F10.1**), a vendor monitoring program (see **F10.3**), a standardized training program (see **F10.2**) and centralized inventory monitoring (see **F10.7**) shows that standard purchasing oversight functions are not performed effectively.



In the absence of a formal purchasing department, oversight responsibilities for the City purchasing function given to one person or department could include the following:

- Negotiating volume discounts for items purchased annually;
- Consolidating orders for annual bulk purchases;
- Establishing term contracts and just-in-time purchasing agreements;
- Performing lease versus buy analyses;
- Monitoring vendor performance;
- Compiling a list of recommended or preferred vendors;
- Disseminating information about purchasing programs used;
- Maintaining vendor catalogs, containing item numbers, descriptions and prices; and
- Conducting auctions of surplus furniture and equipment.

In Lorain, these functions are either dispersed across different departments or they are not performed. In contrast, Hamilton and Springfield's purchasing oversight responsibilities are consolidated in their finance departments. Although all of the City departments cannot be forced to have other staff involved in their key purchasing functions, working together to have some central oversight in the process would ensure key purchasing functions are being adequately performed and potentially reduce duplication of activities.

**R10.7** The public safety and service office and the auditor's office should ensure key purchasing oversight functions are performed. Options include hiring a full-time staff person with purchasing experience to perform the key purchasing responsibilities, or establishing a workgroup comprised of representatives of the auditor's office and the public safety and service office to review and ensure uniform and consistent oversight functions are performed. Performing key purchasing oversight functions centrally will help to ensure departments follow standard procedures and the City obtains competitive prices. This would facilitate the City's implementation of a purchase card program to improve efficiencies in the purchasing process (see **R10.4**).

Furthermore, implementing standard procedures, a vendor monitoring program, a standardized training program, and centralized inventory monitoring would improve consistency in the purchasing process and provide better oversight while still giving departments the flexibility to determine specific purchasing needs. Finally, for this recommendation to be effective, and for benefits to be fully achieved, all city departments would need to adhere to the procedures described in the purchasing manual and work together to implement an improved purchasing process that provides for some level of consistency and standardization.

*Financial Implication:* Based on Ohio Department of Job and Family Services (ODJFS) occupational wage survey estimates for 2002, the average annual wage for a purchasing agent in the Cleveland-Lorain-Elyria area is approximately \$61,100 including benefits.

## Financial Implications Summary

The following table summarizes estimated annual costs, one-time costs and savings associated with the recommendations in this section. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

### Summary of Financial Implications

<b>Recommendation</b>	<b>Estimated Annual Costs</b>	<b>Estimated One-Time Implementation Costs</b>	<b>Estimated Annual Cost Savings</b>
<b>R10.2</b> Establish training standards and options for department staff.	\$600		
<b>R10.4</b> Use JIT agreements, U.S. Communities Government Purchasing Alliance and membership in national/regional purchasing organizations.			\$6,500
<b>R10.4</b> Implement purchasing card program.		\$1,000	
<b>R10.7</b> Hire a full-time staff person in the auditor's office with purchasing experience to perform the majority of purchasing responsibilities.	\$61,100		
<b>Total</b>	<b>\$61,700</b>	<b>\$1,000</b>	<b>\$6,500</b>

## **Conclusion Statement**

While the City does implement a number of recommended practices for purchasing, there are a number that the City has not implemented. Improvements are needed in the oversight of the purchasing function which include developing standard procedures for monitoring inventory, developing standardized purchasing policies and procedures, developing a purchasing training program for staff, and monitoring vendors. The safety services office and auditor's office should also continue to evaluate collaborative purchasing programs including JIT agreements, which would reduce the need for departments to maintain large inventories and allow them to receive next-day delivery on many goods. Additionally, the public safety and service office and the auditor's office should consider using available technology to increase efficiency (e.g., use of an electronic vendor database and on-line bidding).

With the responsibilities for purchasing assigned to various staff throughout the City, key purchasing oversight functions are not performed effectively. In the absence of a formal purchasing department, key oversight functions should be assigned to one person or department. One option is to hire a full-time staff person in the auditor's office with purchasing experience at a cost of approximately \$61,000. Once oversight of the purchasing function is improved, the City should implement a purchasing card program to further provide flexibility in the process, and reduce staff time and resources presently needed to process requisitions and purchase orders. The City spends nearly \$15 million to purchase goods and services, and should ensure that there is appropriate oversight in the purchasing process and that all of the recommended practices aimed at improving purchasing efficiency are being implemented.

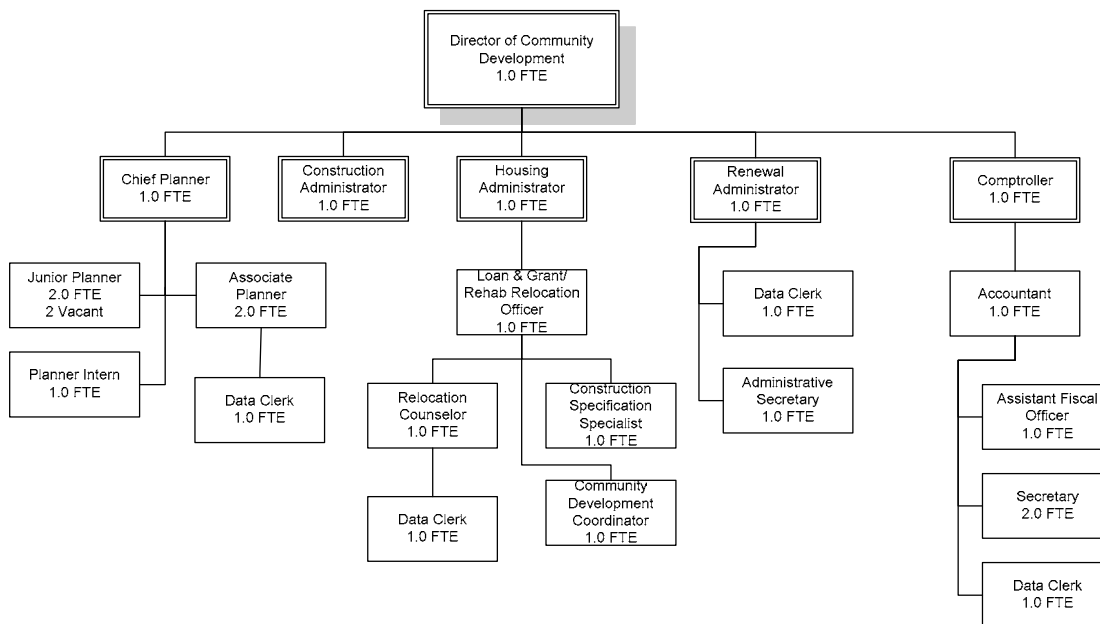
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# Community Development

## Background

This section focuses on the Lorain Community Development Department (CD) operations. Comparisons are made to the following peer cities: Elyria, Hamilton, Parma, and Springfield. The City of Toledo was used for best practice comparisons in terms of the diversity of economic development programs and policies for Enterprise Zone Agreements. **Chart 11-1** illustrates the organizational structure of CD as well as staffing levels. All positions are shown as full-time equivalents (FTEs).

**Chart 11-1: 2003 Organizational Chart**



**Source:** Lorain Community Development Department

As shown in **Chart 11-1**, CD has 24 employees with two current vacancies. As of January 2003, the two junior planner positions are vacant, and there are no immediate plans to fill the positions. The planner intern position is full-time, but this position is temporary. The City also contracts with the Lorain Development Corporation (LDC) to operate a business loan program. This 1.0 FTE position is not shown in **Chart 11-1** because it reports to a separate nine member board, and not the director of community development.

### *Organizational Function*

CD has three divisions; planning, housing and administration. CD also employs two other positions, the renewal administrator and construction administrator, which are not a part of these three divisions. Clerical support staff work in the three divisions and for the renewal administrator.

Planning staff prepare applications for federal and state grants, and develop plans for community and economic development projects funded by these sources. Grant sources include the United States Department of Housing and Urban Development (HUD), United States Department of Commerce Economic Development Assistance (EDA) and the Ohio Department of Development (ODD). The planning staff is also responsible for project management for the various development activities conducted by CD and oversees the financing of development projects in the City. Housing staff administer federally funded housing assistance programs for income eligible recipients. Housing staff responsibilities include writing property specifications, contracting for property repairs, monitoring loan delinquencies and providing technical assistance to community housing development organizations (CHDO). The accounting/clerical support staff performs book-keeping tasks, prepares purchase orders, and conducts other accounting functions including loan servicing, along with typing and receiving phone calls.

The renewal administrator manages community redevelopment activities, including overseeing construction improvements tied to loan programs and monitoring tax abatements. The renewal administrator coordinates the acquisition and disposition of real property as well as the sales of all single family, in-fill houses (i.e., new construction). The construction administrator serves as the department's general contractor and schedules and coordinates major construction projects.

### *Summary of Operations*

CD manages economic development and housing programs for the City. CD programs include a business loan program, commercial and residential tax incentive programs, an owner occupied rehabilitation program, a rental rehabilitation program, and a single family, infill housing construction program. According to the director, CD also provides technical assistance for five CHDOs and other nonprofits, the Homeless Task Force, and street and park improvements.

The City contracts with LDC, a 501(c)(4) non-profit corporation, to administer a business loan program and its staff reports to a nine-member Board. LDC issued approximately \$1 million in business loans in 2001 and \$3.8 million in 2002. The business program operates on multiple sources of funding that include EDA Title IX and HUD Section 108 funds. Business loans vary in size from \$20,000 to about \$2 million. Council approval is required if the loan exceeds \$200,000 or exceeds 30 percent of project costs. Businesses use loans for a variety of economic development purposes that can include purchasing land, buildings, and equipment, and renovating existing property.

CD offers commercial and residential property tax abatement programs for businesses and homeowners. The two tax abatement programs that CD offers are Enterprise Zone (EZ) and Community Reinvestment Areas (CRA). EZ tax incentives are designed to attract business development in an area by abating a percentage of real and/or personal property tax for up to ten years. CRAs provide tax abatements for ten years or more for increases in property valuation for historic preservation, residential rehabilitation, industrial remodeling and expansion, and new commercial, residential, and industrial construction. The entire City of Lorain qualifies as an EZ, and currently there are seven active agreements with businesses in the City. At present, there are five CRAs identified in the City, located in residential areas. Both tax abatement programs are regulated by the Ohio Revised Code (ORC): ORC § 5709.61(A)(1) regulates EZs and ORC § 3735.65(B) and 3735.67 regulate CRAs.

CD housing programs include an owner-occupied rehabilitation program, rental rehabilitation program and an in-fill (new construction) housing program. Housing program funding originates from a combination of HUD Community Development Block Grant (CDBG) and HUD HOME program funding. The owner-occupied rehabilitation program provides low interest loans to assist income eligible homeowners to make housing repairs. The rental rehabilitation program also targets income eligible recipients, and assists landlords with repairs and investment in properties. The in-fill housing programs provide funding for the construction of new housing.

CD is involved with planning and funding for City economic development projects. City economic development projects include, but are not limited to, the following:

- Upper Black River Project – In 1999, a master plan for the Upper Black River was completed. CD collaborated with the Lorain Port Authority and the Ohio Department of Natural Resources to provide funding for the plan. The master plan proposed integrating an 18-hole golf course, nature-walk trails and an industrial park to offer varied use of the site. CD is currently in the process of negotiating the purchase of the land for this project.
- Downtown Riverfront Urban Renewal Area – Work on this project began in October 2001. The project includes a 420-unit residential housing development known as “HarborWalk”, nautical boutiques, restaurants, a health club, boardwalk and pier, commercial fishing village, California Avenue extension, and a 34,000 foot commercial center. Financial support included \$1 million in State roadwork development grants awarded in 2001 and City-backed tax increment financing bonds in the amount of \$4.85 million for land acquisition and public improvements, along with City-granted tax abatements.
- Colorado Industrial Park – This is a joint project between the City of Lorain and the Port Authority that started in 1997. As part of this project, an automotive business constructed a 20,000 square foot addition in 2000, creating 140 new jobs. This same business is planning an additional expansion. The existing size of the site is 36 acres and CD is in the process of

purchasing an additional 410 acres to further develop the project. Ohio Department of Development grants were used to fund infrastructure improvements for the project.

- **Lorain Pellet Terminal** – CD is in the process of hiring a consultant to develop a master plan for the Lorain Pellet Terminal and the plan is scheduled for October 2003 completion. CD has received a \$30,000 grant from the Ohio Department of Natural Resources (Coastal Management Assistance Grant) for the development of the plan. In March 2003, the City was awarded \$260,000 from ODD to conduct the Phase II environmental review of this site. An urban renewal plan of the area is scheduled for November 2003 completion at a budgeted cost of \$50,000.

CD works with a variety of agencies and City departments on economic development initiatives and projects. The following lists agencies and City departments that CD provides financial assistance to and/or collaborates with for economic development initiatives and projects. The list does not include funding agencies, such as EDA and HUD.

- **Lorain Port Authority** – CD partners on the Riverfront Urban Renewal/Grove Site, the Colorado Industrial Park, and other projects. The Lorain Port Authority provides additional financing for these projects.
- **Community Development Corporations (CDCs)** – CD sets aside a portion of CDBG and HOME funds for assistance to CDCs and Community Housing Development Organizations (CHDOs). CD provides technical assistance to these agencies and collaborates on jointly funded projects.
- **Community Improvement Corporations (CIC)** – CD contracts with Lorain Development Corporation on operating a business loan program funded through EDA and CDBG funds.
- **Lorain County Community Development Department (LCCD)** – CD works with LCCD in the Comprehensive Economic Development Strategy (CEDS) planning process to fund EDA projects. According to the director, CD has also worked with LCCD on program development.
- **Lorain Chamber of Commerce** – CD has an on-going contract with the Lorain Chamber of Commerce for demographic and marketing data. CD receives business referrals from the Lorain Chamber of Commerce, and contracts with the agency on other infrequent projects, such as a strategic plan and business surveys.
- **City Departments** – CD provides police and utilities departments with demographic information for grant applications and works with the auditor's office and treasurer's office to track financial information. CD also works with the engineering department on road



projects, the building department on housing inspections, the legal department on developing contract language, and the health department on building demolitions.

In addition, the director indicates that CD is working with ODD on securing an urban redevelopment loan, the Ohio Department of Transportation on a State infrastructure bank loan, and with a local financial institution on providing financing for the further development of the Colorado Industrial Park project.

### Financial Data

Federal and state grants, along with program income, fund CD programs. The CD department receives no General Fund dollars from the City. **Table 11-1** shows CD's actual 2001 and 2002 expenditures, and budgeted 2003 expenditures.

**Table: 11-1: Community Development Expenditures 2001-03**

Category	2001 Actual	2002 Actual	% Change 2001-2002	2003 Budgeted	% Change 2002-2003
Personal Services	\$1,212,146	\$1,357,027	12.0	\$1,209,782	(10.9)
Materials and Supplies	\$1,100	\$6,304	473.1	\$500	(92.1)
Contractual Services	\$814,561	\$603,496	(25.9)	\$2,260,487	274.6
Capital Outlay	\$1,208,331	\$1,158,818	(4.1)	\$541,231	(53.3)
Debt Service	\$562,906	\$555,757	(1.3)	821,500	47.8
Other	\$193,557	\$149,785	(22.6)	\$1,315,340	778.2
Other Financing Uses	\$2,331,997	\$4,536,258	94.5	\$34,831	(99.2)
<b>Total<sup>1</sup></b>	<b>\$6,324,598</b>	<b>\$8,367,445</b>	<b>32.3</b>	<b>\$6,183,671</b>	<b>(26.1)</b>

Source: City of Lorain 2001 Comprehensive Annual Financial Report; 2002-03 budget reports

<sup>1</sup>Total expenditures exclude interfund transfers.

Explanations of variances in **Table 11-1** include the following:

- Personal Services increased 12 percent from 2001 to 2002 due to CD managers taking advantage of a PERS incentive program to be paid out for sick leave at the end of the year. The decrease in 2003 is due to the retirement of one CD staff.
- Materials and supplies were higher in 2002 due to receiving an EDA planning grant.
- Contractual services, other expenses and debt service decreased from 2001 to 2002 due to the timing of activities related to various projects currently underway. The 2003 budgeted amount includes carryovers and new revenues, and reflects all available funds. While the budget reflects all available funds, due to timing of projects, these allocations will not be fully expended in 2003 but will be spent over multiple years as permitted by

the terms of the grants. The 2002 and 2003 variances for contractual services and other categories result from disbursements during one year being a low percentage compared to all available funds. For example, EDA actual expenditures equaled \$294,000 in 2002, but were budgeted as \$700,000 in 2003 because all funds were not expended in 2002 and were carried forward to 2003.

- Capital outlay decreased in 2003 in part because CD had purchased the health department building in 2002 for approximately \$400,000.
- Other financing uses increased in 2002 due to CDBG interest liability and a \$3.4 million dollar Section 108 loan repayment. The budgeted amount decreased in 2003 as the budget reflects no Section 108 loan repayments.

### *Analysis Not Yielding Recommendations*

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

- *Tax Abatements:* CD provides residential tax abatements under CRA and the City's EZ Agreements contain clawback provisions, which require businesses that are offered the abatement to create or retain a specific number of jobs. CD has not been fined by ODD and the amount of taxes foregone did not have a significant impact on the City's revenues.
- *Private Investment:* CD generated a level of private investments comparable to Springfield, which operates a similar type of business loan program.
- *Other:* The permitting approval process was not assessed because CD does not perform that function for the City.

*Performance Measures*

The following is a list of performance measures used to conduct the review of the Lorain Community Development Department:

- Analyze current staffing levels;
- Assess effectiveness and efficiency of economic development practices; and
- Evaluate use of community development grants and fees.

## Findings/Recommendations

### Organization and Staffing

F11.1 Staffing levels for CD and the peers are shown in **Table 11-2**. The economic development category includes the number of staff with specific responsibilities related to development activities, such as tax abatement and business attraction. CD planning, construction, and renewal administration staff work on various economic development activities for the department, but they also have other duties, so they were not included under economic development in **Table 11-2**. Positions classified as neighborhood development/housing included housing rehabilitation, code enforcement and neighborhood development positions. The support/financial category includes data clerks, secretaries, and fiscal staff. General planning/other services include department directors, general planning positions and other specialized staff such as senior services. **Table 11-2** does not include intern positions.

**Table 11-2: CD and Peer Staffing**

	Lorain	Elyria <sup>1</sup>	Hamilton <sup>2</sup>	Parma <sup>3</sup>	Springfield <sup>4</sup>	Peer Average
<b>Economic Development</b>	N/A	1.0	3.5	N/A	1.0	1.8
<b>Neighborhood Development/Housing</b>	5.0	6.0	7.0	2.0	13.0	7.0
<b>Support/Financial</b>	9.0	1.0	5.5	2.0	7.0	3.9
<b>General Planning/Other Services</b>	7.0	2.0	5.5	3.0	3.0	3.4
<b>Total</b>	<b>21.0</b>	<b>10.0</b>	<b>21.5</b>	<b>7.0</b>	<b>24.0</b>	<b>15.6</b>
<b>CDBG Entitlement</b>	<b>\$2,898,258</b>	<b>\$906,539</b>	<b>\$1,929,918</b>	<b>\$2,095,916</b>	<b>\$3,210,876</b>	<b>\$2,035,812</b>
<b>Entitlement/FTE</b>	<b>\$138,012</b>	<b>\$90,654</b>	<b>\$89,764</b>	<b>\$299,417</b>	<b>\$133,786</b>	<b>\$153,405</b>

**Source:** Lorain CD organizational chart; peer information requests

**Note:** Lorain and Parma have no positions specifically designated as economic development.

<sup>1</sup> Elyria staffing includes an economic development director, community development, and code enforcement.

<sup>2</sup> Hamilton staffing includes economic development department, planning, and human relations.

<sup>3</sup> Parma staffing includes community development.

<sup>4</sup> Springfield staffing include an economic development director, planning and development (excluding inspection services), human relations, and neighborhood development.

Based on CDBG funding per FTE, Lorain's staffing level is 10 percent below the peer average. Overall staffing for Lorain is similar to Hamilton and lower than Springfield. Lorain, Hamilton, and Springfield offer more economic development programs than Elyria and Parma (see **F11.5**), which could contribute to their higher staffing levels. While Lorain's staffing level is below the peer average in terms of CDGB funds per staff, the staffing allocation in each city varies, partially due to differences in organizational structure.

Springfield and Hamilton do not have distinct community development departments. Rather, community development and planning functions are in separate divisions. Hamilton has an economic development department and a separate planning division. Hamilton's economic development division has an economic development director, administrative secretary, development specialist, and part-time administrative specialist. The economic development department is responsible for economic development programs, such as Enterprise Zone (EZ) administration and the business loan fund. Hamilton's planning division is primarily responsible for neighborhood development and general planning activities. Springfield has a department of planning and development responsible for housing inspection, CDBG program administration, code enforcement, and zoning administration. Springfield also has a department of human relations, housing and neighborhood services division, responsible for housing rehabilitation and other neighborhood programs. Springfield employs a director of economic development in the city manager's office.

Similar to Lorain, Elyria and Parma have community development departments. Parma has staff responsible for litter control and senior services, which CD does not have. Parma's community development director allocates a portion of his time to economic development activities and the city provides an EZ tax incentive program for businesses. Elyria has positions for housing rehabilitation, which CD also employs, but does not have a planning unit or other positions such as renewal administrator and construction administrator. Elyria employs a director of economic development in the Mayor's Office.

While there are certain differences in organizational structure, the percentage of support/financial staff for CD is higher than the peers. CD support/financial staff members comprise 43 percent of total staff for the department. In contrast, support/financial staff in Hamilton and Springfield comprise 26 and 29 percent, respectively. In addition, Hamilton and Springfield provide a slightly more diverse set of economic development programs than CD (see **F11.5**). CD's support/financial staff is high because CD has a specialized administrative division that provides clerical and accounting functions including the documentation required for the business loan program. CD also employs a comptroller and assistant fiscal officer to oversee and manage its financial activities. However, support/financial functions for peers are spread across multiple city departments and the peers' CDBG program administrators absorb many administrative tasks, resulting in employing fewer support/financial staff. For instance, the peers do not have comptroller or assistant fiscal officer positions. According to CD, its housing programs require the current level of support/financial staff. While evaluating housing programs was beyond the scope of this performance audit, staff devoted to housing programs at CD and the peers are included in **Table 11-2**.

Additionally, the support/financial staff for Springfield's business loan program is outsourced to the Small Business Development Center (SBDC), which uses 1.0 FTE to support the loan program. SBDC pays for cost of operating the program by receiving 50 percent of the interest of the loans, which was approximately \$51,000 in 2002, and the City receives the remaining portion. Although the dollar amount of business loans and project investments is considerably higher in Lorain than Springfield, the number of loans provided to businesses is comparable (see **F11.6**). Furthermore, Hamilton administers significantly more EZ agreements than CD (see **F11.7**).

Finally, Lorain is a statutory city with specific duties and responsibilities for elected officials and their related departments. As a result, pooling or sharing support/financial staff with other departments may be difficult. In addition, other departments may need training to effectively perform CD's support/financial responsibilities due to HUD's detailed reporting and accounting requirements. Any savings from pooling or sharing staff depends on the amount other departments would charge back in support and administrative costs to CD. If other departments charge back less than the amount CD is currently spending in support/financial staff, CD and the City would realize a net savings that could be used to increase staff for program functions (see the **financial forecast** section for more information on charge backs). Allocating a higher percentage of staff to program activities could ensure that CD has sufficient resources to improve the economic and community development of the City.

**R11.1** CD should review various strategies to reduce the number of support/financial staff and increase staff with primary responsibility for economic or community development functions. CD should consider the following strategies to reduce staff responsible for support/financial functions, enabling CD to then increase staffing resources for programs:

- Assign support/financial duties to current program administrators, allowing CD to reduce current support/financial staff and replace them with staff dedicated to planning, housing and economic development;
- Provide training for current support/financial staff in order for them to meet different job responsibilities related to planning, economic development and housing activities;
- Outsource current support/financial staff for the business loan program; and/or
- Work with other departments to determine if support/financial staffing levels can be pooled and shared.

If CD decides to consolidate support/financial and programmatic functions, position descriptions should be revised accordingly to reflect the focus on programming activities, but also include responsibility for select support/financial functions. Prior to sharing staff

with other departments, the City should determine the charge back costs to CD (see the **financial forecast** section) and provide appropriate training to ensure other departments effectively perform support/financial functions for CD. Moreover, the above options may not be mutually exclusive. For instance, CD may need to share support/financial staff with other departments and assign support/financial duties to current program administrators in order to reduce its support/financial staffing levels and subsequently increase staffing for programmatic functions. Focusing staff activities on planning, economic development and housing increases the workforce commitment to program development. Furthermore, staff could be used to work on programming in the areas of economic and community development.

- F11.2 CD performs economic development functions similar to the peers, but the organization of internal economic development functions is not as coordinated. LDC staff performs business retention and expansion duties for the business loan program. CD's construction administrator, renewal administrator, and planning staff also perform economic development duties, such as administering tax abatement programs and applying for economic development grants. In addition, the CD director stated that he spends more than 50 percent of his time on economic development, and that he and the director of LDC are the key points of contact for economic development. However, LDC's economic development activities for the City are limited to the business loan program.

Peers have specific staff or departments formally designated for economic development. Elyria and Springfield have economic development directors reporting to the Mayor's office and the City Manager's office. In Springfield, the director of planning and development also allocates a percentage of his time to economic development programs that are funded through CDBG money. Hamilton has an economic development department responsible for administering programs that include EZ tax abatements and the business loan fund.

Without specific staff or departments formally assigned to lead and coordinate economic development, information may not be effectively shared between departments and agencies. CD has knowledge of the financial and workforce status of companies receiving business loans (see **F11.5**), but does not receive adequate information on the financial and workforce status of other companies. In certain instances, CD learned of industry and company layoffs after the decisions were finalized. Hamilton tries to gain information of issues affecting local businesses by assigning one economic development program employee to visit businesses on an on-going basis, and the city partners with the Chamber of Commerce to perform business retention visits. Springfield conducts a business retention and expansion survey every two to three years to determine the risk of businesses leavings, growth issues and other concerns. The business and retention survey is conducted in partnership with various community organizations, including the city,

Chamber of Commerce, banks, non-profit organizations, workforce development organizations and area businesses. Moreover, formally assigning staff to economic development could help CD in coordinating efforts to create more new jobs and diversify the City's economy (see **F11.3**).

**R11.2** To ensure effective coordination of economic development activities, the City and CD should review job functions and shift current responsibilities in order to designate a specific staff person for economic development. With assistance and support from other appropriate staff, this staff person would be responsible for business attraction, retention and expansion, obtaining grant funds, and ensuring information is shared between all organizations and agencies so business data is readily accessible to staff in each area. Assigning staff to economic development could increase information sharing, and provide improved customer service to businesses. Based on the staffing analysis in **Table 11-2**, additional staff are not needed to accomplish this change. The restructuring of the staff to combine programmatic and administrative responsibilities outlined in **R11.1** should facilitate the designation of a staff person to focus on economic development. Furthermore, in partnership with key stakeholders, CD should consider developing and conducting a survey to identify the risk of businesses leaving, growth issues, and other issues impacting business retention.

### *Economic Development*

F11.3 Economic indicators of business investments, new jobs, and job loss information for 2000-02 are shown in **Table 11-3** and **Table 11-4**. Data in **Table 11-3** comes from an ODD annual database on announced expansions and attractions, and shows business investment and jobs for 2000-02. The data is gathered in a yearlong process of surveys of state agencies, chambers of commerce, and local development agencies. To be listed in the database, a project has to meet at least one of the following criteria: a minimum investment of \$1 million, have square footage of 20,000 or more, or create 50 or more jobs.

**Table 11-3: Business Investments and Jobs for 2000-02**

	Lorain	Elyria	Hamilton	Parma	Springfield	Peer Avg.
<b>2000 Population</b>	68,652	55,953	60,690	85,655	65,358	66,914
<b>Investments</b>	\$197,600,000	\$16,280,000	\$176,380,000	\$56,707,000	\$48,249,200	\$74,404,050
<b>New Jobs</b>	300	76	544	430	773	456
<b>Investments per Capita</b>	\$2,878	\$291	\$2,906	\$662	\$738	\$1,112
<b>New Jobs per Population</b>	1:229	1:736	1:112	1:199	1:85	1:147

Source: Ohio Department of Development



Lorain is higher than the peers for investments per capita, excluding Hamilton. However, U.S. Steel/Lorain Tubular and Republic Technologies International constitute 90 percent of Lorain's total investments, indicating that Lorain's business investments and job growth could be better diversified. Lorain is below the peer average in creating jobs and creates fewer new jobs per city resident than three of the four peers, resulting in less new income taxes for the City.

**Table 11-4** reflects plant closure and layoff notifications submitted as part of the Worker Adjustment and Retraining Notification Act (WARN). WARN provides protection to workers, their families and communities by requiring employers to provide notification 60 calendar days in advance of plant closings and mass layoffs.

**Table 11-4: Job Loss Data for 2000-02**

	Lorain	Elyria	Hamilton	Parma	Springfield	Peer Ave.
<b>Number Affected</b> <sup>1</sup>	359	651	794	0	2,894	1,085

**Source:** Ohio Department of Job and Family Services

<sup>1</sup> Number affected refers to notifications of layoffs and does not reflect actual layoffs.

From 2000 through 2002, Lorain has not been as impacted by layoffs as Elyria, Hamilton and Springfield. Springfield has the highest number of reported layoffs, more than seven times that of Lorain. Nonetheless, diversifying its tax base and attracting new businesses and subsequent new jobs would enhance the economic development of Lorain and increase revenue to support City operations.

**R11.3** CD should develop programs and implement strategies to create more new jobs and a more diversified economy. The key recommendations that could improve CD's economic development programs and planning include the following:

- Prepare an economic development plan (see **R11.4**);
- Diversify programs and reallocate resources (see **R11.5**);
- Improve the collection of actual job data from businesses receiving loans (see **R11.6**);
- Enter into EZ agreements which create new jobs and payroll (see **R11.7**);
- Compile data on economic development and demographics (see **R11.8**);
- Consider using CDBG funds for new programming (see **R11.9**); and
- Continue to pursue funds to develop brownfield sites (see **R11.10**).

*Financial implication:* Improving CD's economic programs and planning should result in an increase in new jobs to the City similar to that achieved by the peers. If CD were to achieve similar outcomes in terms of new jobs as the peers, the City would see an increase of approximately 50 new jobs annually, which would result in approximately \$30,000 in additional revenue. This is based on the City's income tax rate of 1.75 percent

and median income of \$33,917. Furthermore, the City could realize additional revenue through property taxes from new businesses.

F11.4 Prior to this performance audit, CD had not developed a strategic economic development plan. CD did have project specific plans but did not have a comprehensive document that provided a synopsis of the department's goals, objectives, and projects. In June, 2003, CD released a report titled *Strategic Development Initiative for Colorado Industrial Park*. This report contains background for the project, maps and pictures, information on the projected economic impact of the park, budget details, and a financial forecast with projected revenues and loan payments for two scenarios. CD also developed reports, such as the Strategic Industrial Development Plan Business Visitation and Surveys that was prepared in May 2000. The purpose of this project was to assess the business climate in Lorain.

An economic development plan provides a blueprint for achieving community objectives by translating a community's broader vision and goals into economic initiatives. Economic development plans provide cities with a tool to determine how economic development needs can be addressed. An economic development plan would allow CD to better coordinate economic development projects with other community agencies, effectively allocate funding to projects, and identify goals and performance measures for economic development.

According to the University of Missouri's community and economic development manual, an economic development plan includes the following:

- A strategy that targets compatible businesses and employment opportunities;
- A marketing program that emphasizes community assets;
- Financing tools to aid development, including tax abatement and waivers, grants, low-cost loans, and special taxing districts;
- An inventory of potential sites for development, including appropriate zoning, inventorying hazardous materials and other environmental problems, and providing infrastructure improvements;
- An inventory of available public lands, including lease commitments in developments, and providing support facilities such as parking, port facilities, and job training; and
- A method to expedite the approval process and reduce the complexities of existing zoning and building codes.

Economic development programs are essential to sustaining a city. The types of economic development programs and incentives Lorain offers have a direct impact on its economic status. The lack of economic programming in the City may lead to the following:

- Reduced growth in the commercial and residential tax base;
- Reduced job growth as a result of the City's inability to retain and expand existing business; and
- Inability to attract private investment.

**R11.4** CD should prepare an economic development plan for the City and implement the economic development programs outlined in the plan. During the course of this performance audit, CD developed an economic development plan that addressed all of the recommended components, including the following:

- *Statement of purpose:* The statement should explain the purpose of the plan, what the City hopes to accomplish, and how the activities listed in the plan support and maintain the values of the community. It should also describe the organization established to formulate and carry out the plan for the community.
- *Goals for economic change:* This section of the plan should outline the goals of the proposed plan and how each will be evaluated and monitored for effectiveness.
- *Community analysis:* The analysis should be the basis for determining strategies for change based on current conditions in the community. This portion of the plan should include the history of the community, as well as an assessment of the physical resources, community facilities, institutional resources, and social and economic resources.
- *Strategies and tactics for achieving goals:* CD should develop strategies for community and economic change that correspond to the goals established in the earlier sections. Typical strategies for influencing and directing economic change include capturing existing income, retaining and expanding existing economic businesses, capturing outside investment, creating new export enterprises and recruiting of compatible enterprises.
- *Action Timetable:* This section of the plan should explain how CD will reach its specified goals.

The economic development plan should be used to establish economic development programs that meet community needs. The economic development planning process should involve stakeholders from the mayor's office, City departments and stakeholders outside City government. The mayor's office and City departments such as the building department, street department, and parks and recreation department can provide valuable input on economic development goals for the City. The plan should address regional economic development needs and include external stakeholders such as Lorain County Port Authority, Lorain County Community Development Department, and Lorain County

Chamber of Commerce. Including input from the mayor's office, City departments, and other stakeholders in the planning process develops a collaborative and regional approach for economic development in the City.

F11.5 According to data provided by the Mayor, the top ten employers' workforces comprised 48 percent of the total number of employees working in Lorain in 1995, which decreased to 30 percent in 2002. While the number of employees working for the top ten employers decreased by approximately 4,500 workers or 33 percent, the total number of employees working in the City increased by approximately 2,000 workers or 7 percent from 1995 to 2002. Therefore, attracting smaller businesses could also contribute to the decrease in the percent of employment attributed to the City's top ten employers, thereby resulting in a more diverse economy. Nonetheless, CD allocates a greater amount of economic development assistance than peer departments, but does not have economic development programs as diversified as Hamilton, Springfield or Toledo (see **F11.9**). Examples of economic development programs that could be used by cities include the following:

- **Business revolving loan program** – promote job creation by providing loans to businesses that would have difficulty securing financing from other sources.
- **EZ tax incentive** – provide property tax abatements and credits to attract new businesses and jobs, and to encourage facility expansion.
- **Brownfield redevelopment** – redevelop properties that are inactive due to environmental contamination.
- **Business retention and expansion** – visit and survey businesses to learn concerns and needs.
- **Data Management** – disseminate and maintain data on economic development and demographics.
- **Business Marketing** – market to businesses through advertising campaigns, direct mailings and the Internet.

Other economic development programs include fee waivers, small business development, and workforce development. The purpose of a fee waiver program is to lower development costs by waiving fees for inspections, permits, and other items connected to development projects. Small business development centers provide services to start-up businesses and entrepreneurs, and may offer services such as micro-enterprise loans and business counseling. Workforce development programs are designed to train individuals for specific jobs or industries.

Economic development program's offered by CD and the peers are displayed in **Table 11-5**.

**Table 11-5: Economic Development Program Comparison**

Program	Lorain	Elyria	Hamilton	Parma	Springfield
<b>Business Loan</b>	X		X		X
<b>EZ Tax Incentive</b>	X	X	X	X	X
<b>Brownfield Redevelopment</b>	X	X	X		X
<b>Business Retention/Expansion</b>	X		X	X	X
<b>Data Management</b>			X		X
<b>Business Marketing</b>			X		X
<b>Other</b>	X <sup>1</sup>		X		X

**Source:** CD and peer information

<sup>1</sup> CD uses tax increment financing to assist in the development of urban renewal areas. The Lorain County Chamber of Commerce operates a Small Business Development Center.

Compared to the other cities, Springfield and Hamilton provide a greater array of programs for economic development. See **F11.6**, **F11.7**, **F11.8** and **F11.10** for more information on CD involvement in business expansion and retention, data management and brownfield redevelopment. **Table 11-5** shows the most common programs offered by cities are EZ programs, business loan programs, and brownfield redevelopment programs.

Hamilton and Springfield offer additional economic development programs. Using a grant from the United States Environmental Protection Agency (USEPA), Hamilton has implemented a job training program initiative where 30 students received Occupational Safety and Health Administration (OSHA) certification. Springfield offers a fee-waiver program, micro-enterprise loan fund, and municipal tax and job credits. Offering a variety of economic development programs gives cities additional tools to increase jobs and attract new businesses.

Although larger in population than Lorain, Toledo offers a wide variety of economic development programs. Toledo partners with local banks to operate a neighborhood micro-enterprise loan pool. The Lorain County Community Development Department previously operated a county-wide micro-enterprise loan fund, which included the City; however, it is no longer provided. Toledo also offers services to assist technology-oriented businesses, a downtown employment incentive program, a municipal jobs tax credit program, and a youth entrepreneur program.

CD contracts with the Lorain Chamber of Commerce (LCCC) for demographic and marketing data. CD and LCCC collaborated on developing CD's strategic plan four years ago that recommended the department be more involved in regional initiatives. According to LCCC, however, CD is not involved in its regional economic development initiatives, such as business-to-business marketing and GLIDE. GLIDE is a partnership

between Lorain Community College, the County Commissioners and LCCC. Nevertheless, actively participating with LCCC in regional initiatives could aid in improving the City's economy.

**R11.5** CD should explore creative and innovative programs that would diversify Lorain's economy and have a positive impact on the City's economic development. Additionally, CD should use a regional perspective by collaborating with other county agencies to ensure that current programs meet the needs of businesses operating in the City, and to obtain assistance and additional strategies that could aid in its economic development activities. This should be addressed as part of the City's economic development plan (see **R11.4**). Diversifying economic development programs would provide additional tools for CD to attract and retain businesses, provide technical assistance to businesses, and enhance the quality of life through remediation of contaminated sites. See **F11.9** for more information on CD and peer programs.

F11.6 Lorain contracts with LDC to operate a business revolving loan program. Springfield is the only other peer operating a similar business loan program. LDC annually reports financial and employment information for business loans to CD and City Council in the Consolidated Annual Performance Evaluation Report (CAPER). The business revolving loan program's primary goal is to create jobs by loaning businesses a portion of the cost of expansion or construction. In **Table 11-6**, business loan information for LDC is based on projected data. On the loan application, businesses enter information on projected jobs created and retained, and investment results. LDC also receives certified financial statements from businesses with projected payroll information.

**Table 11-6** shows business loan program statistics for LDC's and Springfield's business revolving loan funds.

**Table 11-6: Business Revolving Loan Program 2000- 2002**

Category	Lorain	Springfield
Number of Loans	19	24
Number of Jobs Created/Retained	620.5	20.5
Total Project Investment	\$15,624,492	\$3,335,593
Loan Amount	\$7,021,650	\$1,119,205
Loan Amount/Investment	45%	34%

Source: Lorain and Springfield business loan reports

LDC's business loan program creates or retains jobs through loans which total over six times the loan amount issued by Springfield. However, LDC numbers are projected for job creation/retention, whereas Springfield's data is based on actual reports submitted by businesses. Consequently, LDC does not have verification that projected numbers are accurate and the data does not reflect the true impact of the program for Lorain.

LDC does require businesses to annually send financial statements in order to verify payroll and determine if a business is still profitable; however, it only receives approximately 15 percent of the required financial reports. LDC does not annually receive reports from businesses verifying application requirements such as job creation and retention. As a result, LDC currently is developing a process to improve tracking receipt of financial statement information through a spreadsheet. The spreadsheet would contain financial information such as loan amount, monthly payment, tax information and loan term. LDC staff indicated another method to improve collection of financial information is to send letters to businesses reminding them that financial statements are due. By ensuring that complete financial information is received from all businesses, LDC can determine earlier if businesses are at-risk and in financial trouble, and proactively adjust loans to assist the business. Adding additional requirements that businesses send information on job creation and retention, and other contract requirements would help to ensure businesses follow through on commitments of the loan.

Springfield provided a report on the business revolving program showing committed employees versus actual employees. Springfield requires businesses to file semi-annual employee reports and job commitment agreements to verify actual job data. Springfield receives approximately 90 percent of these reports back from businesses. Springfield sends letters outlining the reporting requirements to businesses 30 days before the report due date, and conducts follow-up telephone calls if reports are not submitted on time.

**R11.6** LDC should continue to improve its process for collecting financial and actual job data from businesses. LDC should require businesses to file employee reports containing actual job data and remind businesses of requirements by sending reminder letters and making follow-up telephone calls. CD should add language to the contract with LDC to require that LDC obtains annual reports from businesses outlining application requirements that include job creation and retention. CD staff should work with LDC to ensure that adequate monitoring is being done of financial information sent by businesses. By improving the process to collect complete financial and job information from businesses, LDC would be better able to determine at-risk businesses, ensure contract requirements are met, and provide CD with more accurate information. In addition, this information should be shared with the Lorain income tax department to assist it with planning and enforcing collections. During the course of this performance audit, the CD director indicated that LDC will institute an annual review of each active loan and require that data be submitted.

F11.7 CD and its peers administer Enterprise Zone (EZ) tax incentive programs. The EZ tax incentive program promotes job creation by providing property tax abatements to businesses located in the zone. **Table 11-7** shows aggregate information since 1989 on the EZ tax incentive program for CD and the peers. Aggregate information in the table

comes from the 2001 ODD annual report on the Ohio EZ program. The table includes data on jobs retained, jobs created, new payroll, real property investment, and personal property investment.

**Table 11-7: CD and Peer EZ Agreements as of 2001 <sup>1</sup>**

	Lorain	Elyria	Hamilton	Parma	Springfield	Peer Avg.
<b>Number of Active Agreements</b>	11	11	67	2	6	22
<b>Jobs Retained</b>	4,283	760	2,821	160	124	966
<b>Jobs Created</b>	168	456	1,505	19	848	707
<b>New Payroll (000's)</b>	\$6,073	\$14,655	\$61,827	\$1,620	\$21,369	\$24,868
<b>Real Property Investment (000's)</b>	\$30,468	\$21,885	\$111,410	\$1,853	\$27,554	\$40,676
<b>Personal Property Investment (000's)</b>	\$192,914	\$47,747	\$179,285	\$74,706	\$77,350	\$94,772

**Source:** Ohio Department of Development: Ohio Enterprise Zone Program 2001 Annual Report

<sup>1</sup> Since 2001, the number of active agreements has changed for Lorain and peers because some have expired. Currently, Lorain has seven active agreements, Elyria has 11 active agreements, Hamilton has 43 active agreements, Parma has 2 active agreements and Springfield has 8 active agreements.

Lorain is below the peer average for four categories; number of active agreements, jobs created, new payroll, and real property investment. However, if Hamilton were removed from the analysis, Lorain would be below the peer average in only two categories, jobs created and new payroll. Lorain has effectively retained a large number of jobs through EZ agreements, but has made less progress in creating new jobs and payroll. Lorain's high retention rate is due to two employers accounting for the majority of retained jobs. Three separate agreements, two with United States Steel Corporation and one with Republic Technologies International, account for 3,800 actual jobs retained, which is 89 percent of the total jobs retained. Hamilton has entered into approximately 200 percent more EZ agreements than the peer average, resulting in higher levels of job creation and new payroll. Compared to the peers, Lorain's EZ agreements reflect higher investments for personal property and also show more investment than three of the four peers in real property investment. Only Hamilton EZ agreements show more investment in real property.

CD's renewal administrator coordinates and monitors EZ agreements. After initial meetings with City officials, including the mayor and director of community development, eligible businesses submit applications to CD, which are reviewed for accuracy. Applications contain job retention and creation requirements, length and amount of abatement, and penalty provisions if there is a reduction in jobs. City Council has one to three readings to review the EZ proposal before taking action on the application. The renewal administrator prepares EZ annual reports for ODD and attends Council meetings when EZ agreements are discussed. The Tax Incentive Review Council reviews tax agreements annually. The council is generally comprised of the executive officer of the municipal corporation, a member of the legislative authority, the county



auditor, the chief financial auditor of the municipal corporation, a board of education representative, and two members of the public.

**Table 11-8** shows information on the most recent EZ agreement's for CD and the peers.

**Table 11-8: Lorain CD 2002 EZ Agreements**

	Lorain <sup>1</sup>	Hamilton	Parma	Springfield
# of 2002 Agreements	1	6	1	1
New Jobs	0	122	25	6
Jobs Retained	550	285	0	105
Abatement Level	60%	58% <sup>2</sup>	40% <sup>3</sup>	50%
Abatement Term (years)	10	10	5	5
Estimated Annual New Income Taxes <sup>4</sup>	\$0	\$66,468	\$35,343	\$2,640
Estimated Annual Retained Income Taxes <sup>4</sup>	\$313,206	\$41,593	\$0	\$72,800

**Source:** Lorain CD and peer information requests. Elyria was not included as it had no agreements for 2002.

<sup>1</sup> Lorain's most recent agreement is a 2001 agreement with U.S. Steel Tubular Division

<sup>2</sup> Hamilton's agreements are 100 percent abatement but the city requires businesses to make an annual payment to school districts. The total payment in 2002 was \$49,947. This results in an average effective tax exemption rate of 58 percent for businesses in 2002.

<sup>3</sup> Parma staggers the abatement level over the term of the agreement. The abatement level begins at 25 percent in year one and increases to 40 percent by year five.

<sup>4</sup> Estimated annual new income taxes and annual retained income taxes were calculated by multiplying new (or retained) payroll by the respective city's income tax rate.

Similar to **Table 11-7**, **Table 11-8** shows that peer EZ agreements are more effective in creating new jobs and taxes. Toledo is another City that is effective in administering EZ agreements. Toledo has approximately 100 EZ agreements that have created 3,759 jobs and retained 14,170 jobs, thus creating 1 job for every 83 residents and retaining 1 job for every 22 residents. While Lorain retains a comparable number of jobs per resident (1 job for every 16 residents), it only creates 1 job for every 409 residents. Toledo also developed policies with requirements for creating new jobs and payroll. In addition, Parma implemented a practice of staggering the abatement level to ensure a business is meeting job requirements before offering higher levels of abatement.

**R11.7** CD should establish EZ agreements that create new payroll and jobs. Creating new payroll and jobs increases tax revenue for the City (see **R11.3**), and improves the local economy. CD should develop EZ agreement policies similar to those in Toledo with requirements for creating new jobs and payroll. Developing tax incentive policies ensures EZ agreements result in economic benefits for the City and add additional criteria to monitor agreements. CD should also consider staggering the abatement level like Parma, and should continue to weigh costs and benefits of taxes foregone for school districts and the City when entering into EZ agreements.

F11.8 CD does not compile economic development and demographic data in organized reports. CD does have access to Geographic Information System (GIS) software through the Lorain County Auditor, which can be used to track this type of data and produce local area maps. In October 2003, CD indicated it purchased GIS software for database management. Although CD appears to have adequate staffing levels (see **F11.1**), CD staff indicated that lack of staff time and cost are the reasons economic development and demographic reports are not available. CD staff does access external databases and information from various sources, including the United States Census for demographic information, Lorain County for aerial photos, Lorain County Chamber of Commerce for business/employment information, and Ohio Environmental Protection Agency (EPA) for environmentally contaminated site locations. CD staff use HUD Community 20/20 software to track basic community development data for HUD projects. Examples of information tracked with this software are housing rehabilitation locations and infrastructure improvement projects. The failure to maintain economic development and demographic reports results in the inability to provide useful business and demographic information to businesses and the public.

Hamilton and Springfield maintain economic development and demographic data. Hamilton's economic development department maintains economic and demographic data which is available to potential developers, site consultants, marketing firms, businesses, and individuals requesting information. Hamilton also maintains an inventory of available commercial property, facilitating the matching of prospective buyers and sellers for industrial and commercial property. Springfield's economic development department maintains data on its website, including data on the labor force, education, industrial parks, available properties, and retail sites. In addition, Springfield, in collaboration with Ohio Edison and Clark County, collected survey data on business retention and expansion in the community. The report provides information on strengths and weaknesses, worker skills, government services, infrastructure needs and tax abatement.

**R11.8** CD should compile economic development and demographic data into organized reports. CD should then disseminate pertinent information such as available land sites, available building sites, and customized demographic information. Improving the ability to track and query community development data and quickly produce useful reports would enhance service to businesses and the community.

### *Economic Development Funding*

F11.9 CD directs CDBG funds to economic development and public works projects. In contrast, peers spend CDBG funds more for public services and housing. **Table 11-9** shows 2001 CDBG disbursements for CD and the peers.

**Table 11-9: 2001 CDBG Disbursements for CD and Peers <sup>1</sup>**

	Lorain	Elyria	Hamilton	Parma	Springfield	Peer Average
<b>Administration and Planning</b>	\$426,345	\$113,905	\$428,961	\$208,310	\$501,879	\$313,264
<b>Admin/planning % of Total</b>	15%	13%	22%	10%	16%	15%
<b>Acquisition</b>	\$49,571	\$3,974	\$128,981	N/A	\$415,910	\$182,955
<b>Economic Development</b>	\$744,622	N/A	\$331,858	\$136,313	\$217,680	\$228,617
<b>Housing</b>	\$383,744	\$475,700	\$538,040	\$377,196	\$1,495,953	\$721,722
<b>Public Improvements</b>	\$960,210	\$113,027	\$283,791	\$1,214,099	\$153,634	\$441,138
<b>Public Services</b>	\$17,889	\$92,919	\$218,287	\$159,999	\$350,234	\$205,360
<b>Repayments of Section 108 Loans</b>	\$260,682	\$107,014	N/A	N/A	N/A	N/A
<b>Other <sup>2</sup></b>	\$55,195	N/A	N/A	N/A	\$75,586	N/A
<b>Total Disbursements</b>	\$2,898,258	\$906,539	\$1,929,918	\$2,095,916	\$3,210,876	\$2,035,812

Source: U.S. Department of Housing and Urban Development CDBG disbursement reports

<sup>1</sup> CDBG disbursement reports are for different time periods. Parma and CD reports are for the time period 01/01/01 to 12/31/01; Springfield report is for the time period 04/01/01 to 03/21/02; Elyria report is for the time period 03/01/01 to 02/28/02; Hamilton report is for 05/01/01 to 04/30/02.

<sup>2</sup> Other category is for CDBG non-profit organization capacity building.

Lorain spent approximately 26 percent of total CDBG funds on economic development, compared to the peer average of 11 percent. Public improvement expenditures were primarily allocated for street improvements. Lorain spent approximately \$640,000 of the public improvements amount on street improvements, which comprises 22 percent of all CDBG funds. Peers generally spent more CDBG funds than Lorain on public services and housing. Lorain and the peers also receive HOME funding for housing programs. Lorain's decision to focus on economic development activities is based on internal priorities developed by the City in conjunction with the HUD consolidated local plan and EDA planning process. While Lorain spends more on economic development than peers, it is not as effective in creating new jobs and businesses (see **F11.3**).

**Table 11-10** shows programs funded in 2002 by CDBG for CD and the peers.

**Table 11-10: CD and Peer CDBG Programs**

Program Type	Lorain	Elyria	Hamilton	Parma	Springfield
<b>Public Services</b>	-fair housing	- fair housing - senior citizens	- human relations - police patrol - youth services - senior services - arts/culture -workforce training - shelter - health care - YWCA	- fair housing - senior citizens - furnace safety - litter - snow removal - project help (low-income housing assistance)	- healthcare -violence prevention - food pantry - homeless -youth services - weed cutting
<b>Facilities /Public Improvement</b>	-street//sidewalk -historic lights -downtown - parks	- street/sidewalk - park	- parks - street/sidewalk -historic preservation - school	-historic renovation - parks - street/sidewalk	Does not fund
<b>Housing</b>	-housing rehab -rental rehab	- housing rehab - code enforcement - architectural barrier removal	- homebuyer - housing rehab - rental rehab	- home buyer - housing rehab - code enforcement	-code enforcement -housing rehab -housing repair
<b>Economic Development</b>	- business loans	Does not fund	- business loan	- percent of director's time	-business loan -technology center
<b>Community Organizations</b>	- CHDO - CDC	- CDC	-business districts	- Does not fund	- CHDO

**Source:** Lorain 2002 CDBG budget; peer information requests

Similar to **Table 11-9**, **Table 11-10** shows that peers fund more programs for housing and public services, while CD focuses more on economic development and facilities improvement projects. Specifically, three out of four peers spend a portion of CDBG money on housing code enforcement. Peers fund numerous public service programs that CD does not, including senior services and youth services programs. For economic development, Springfield also funds a technology center with CDBG funds. In addition, Lorain spends less money on community organizations. In 2003, Lorain CHDO budget requests were approximately \$100,000. For peers, Hamilton budgeted approximately \$200,000 for business districts and Springfield budgeted \$175,000 for a CHDO. Elyria did not provide financial information on the CDBG amount budgeted for its CDC. Allocating adequate funding to community development organizations could allow them to have a positive impact on the economic development of an area.

One difference regarding the administration of CDBG money in Lorain and the peers is that peer CDGB money may be allocated to different City departments, while in Lorain CDBG money is budgeted exclusively in community development. For example, in Hamilton, a portion of CDBG money is awarded to parks and recreation, public works, economic development, and the planning department. In contrast to Lorain and Parma, Elyria and Springfield receive approximately \$40,000 and \$100,000, respectively, from the General Fund for economic development. Springfield uses this funding to pay the salaries and benefits of the director of economic development in the city manager's

office. Hamilton receives minimal support from the General Fund (approximately \$20,000). By including the amount of General Fund support the peers receive with their total CDBG funding, Lorain still spends significantly more CDBG dollars on economic development activities than the peers. However, Hamilton funds economic development activities through reimbursements from the Utility Fund of approximately \$800,000 annually. Hamilton operates its own utilities (e.g., gas, electric, etc.). Via a cost allocation process, economic development staff charge the majority of their time attracting and retaining businesses to the Utility Fund, because businesses are either current or potential utility customers. Lorain, however, lacks an up-to-date cost allocation policy (see the **financial forecast** section). If the City implemented a process for CD staff to appropriately charge a portion of economic development activities to other funds, CD may be able to have more CDBG funding available to address community development needs.

Using CDBG funds for economic development and public improvements assists with business retention and expansion, and improves infrastructure for the City. However, peers use CDBG funds to fund operations and programs in other City departments such as housing code enforcement and parks and recreation programs. According to CD, it spent more funding in 1998 and 1999 on parks and recreation. According to the City, Lorain's priority for the use of CDBG funds is economic development because other programs and organizations in Lorain target community development. Nonetheless, focusing solely on economic development and public works limits the ability of the City to maximize the use of CDBG money to develop new programming for low to moderate income individuals.

**R11.9** The City and CD should consider using CDBG funds to develop new programming designed to enhance the quality of life for City residents. Program options include parks and recreation, technology centers, and workforce development. Using CDBG funds innovatively for community development and new programs enhances the quality of life by improving the condition of parks, the education of the workforce, and the development of new technologies and businesses. In addition, enhancing the quality of life also improves economic development by making the City a more attractive place for businesses to locate and expand.

CD should evaluate current and new projects in terms of new businesses, jobs created, income tax generated, and other outcomes appropriate to community development activities. The results of these evaluations should be used as a basis for the on-going allocation of CDGB funds. The evaluations should include benchmarking Lorain's outcomes with external entities such as peer cities. Moreover, the City should review the possibility of having other funds, excluding the General Fund, support economic development activities by updating and reviewing its cost allocation policy and obtaining

appropriate input from its legal counsel (see the **financial systems** section for additional information on a cost allocation policy).

F11.10 In March 2003, CD received a Clean Ohio Fund grant award for brownfield redevelopment. CD plans to use the \$260,000 grant to conduct an environmental study of the Pellet Terminal site. The brownfield redevelopment funds available to Ohio cities primarily come from the Clean Ohio Fund, a state grant program started in 2000 to clean up brownfields for redevelopment of idle industrial and commercial property. Even with the recent brownfield redevelopment grant, Lorain is below the peers in accessing these dollars to benefit the City. **Table 11-11** shows the 2002 grant funding received by CD and the peers.

**Table 11-11: CD and Peers 2002 Grant Funding**

Categories	Lorain	Elyria	Hamilton	Parma	Springfield
Federal	CDBG EDA HUD (BEDI)	CDBG	CDBG EPA	CDBG	CDBG
State	ODD (State 629)	EPA	Clean Ohio Funds	Ohio Recycle Grant	Clean Ohio Funds

**Source:** CD proposed 2002 CDBG Budget; peer information requests

Hamilton and Springfield receive Clean Ohio Fund grants for brownfield redevelopment. Hamilton has received approximately \$2 million for brownfield redevelopment, which included Clean Ohio Funds, EPA, and HUD funds. Springfield has been awarded \$1.9 million in Clean Ohio funds to remediate a former manufacturing site. CD can apply for brownfield redevelopment grants, but CD’s environmental study has to be completed before clean-up costs can be determined.

As shown in **Table 11-11**, CD and the peers all receive CDBG allocations to fund a variety of community development projects, which includes economic development projects. See **F11.9** for further information on how CDBG money was spent by the cities in 2001. Lorain has also received EDA grant funds for planning and business loans. EDA loan funds have been used to facilitate business expansion in Colorado Industrial Park. The ODD (State 629) infrastructure grant is for Colorado Industrial Park infrastructure improvements. HUD’s Brownfield Economic Development Initiative (BEDI) funds were used to clean-up environmentally contaminated sites throughout the City. In 2002, CD budgeted approximately \$50,000 in reprogrammed BEDI funds for brownfield redevelopment.

**R11.10** CD should continue to pursue funds to redevelop brownfield sites. Redeveloping brownfields improves the quality of life for City residents by cleaning up previously contaminated sites, and adds value to the local economy by attracting new commercial development. In addition, CD should identify and prioritize all potential brownfield sites for redevelopment to facilitate the process for receiving grant funding.

CD's environmental study of the former Lorain Pellet Terminal has not yet been completed. As a result, the amount of future brownfield redevelopment grants could not be quantified.

## Financial Implication Summary

The following table summarizes the performance audit recommendations that contain financial implications.

### Summary of Financial Implications

<b>Recommendations</b>	<b>Estimated Revenue Enhancement (Annual)</b>
<b>R11.3</b> Develop programs and implement strategies to create more new jobs and a more diversified economy.	\$30,000



## **Conclusion Statement**

CD administers economic development projects for the City within the limits of the federal and state revenues received by the department. Although CD is adequately staffed, it has a higher percentage of support/financial staff than peers. Allocating support/financial functions to program administrators, providing training for current support staff to allow them to perform programmatic functions, outsourcing support/financial duties for the business loan program, and/or working with other departments to determine if clerical and support staffing levels can be pooled and shared, are options CD should consider to streamline support/financial operations.

In comparison to peers, CD spends a greater percentage of funds on economic development, but does not provide the same diversity of programming and has not been as effective in attracting new businesses or creating new jobs and new payroll. By taking measures to improve economic development activities, such as diversifying programs, participating in regional initiatives, reallocating resources, and entering into EZ agreements targeting new jobs, the City could generate approximately \$30,000 in additional revenue.

Peers fund more programs for housing and public services with CDBG monies, while CD focuses more on economic development and facilities improvement projects. Using CDBG funds innovatively for community development and new programs enhances the quality of life by improving the condition of parks, the education of the workforce and the development of new technologies and businesses. This can also have a positive impact on economic development. Therefore, the City and CD should consider using CDBG funds to develop new programming designed to enhance the quality of life for City residents.

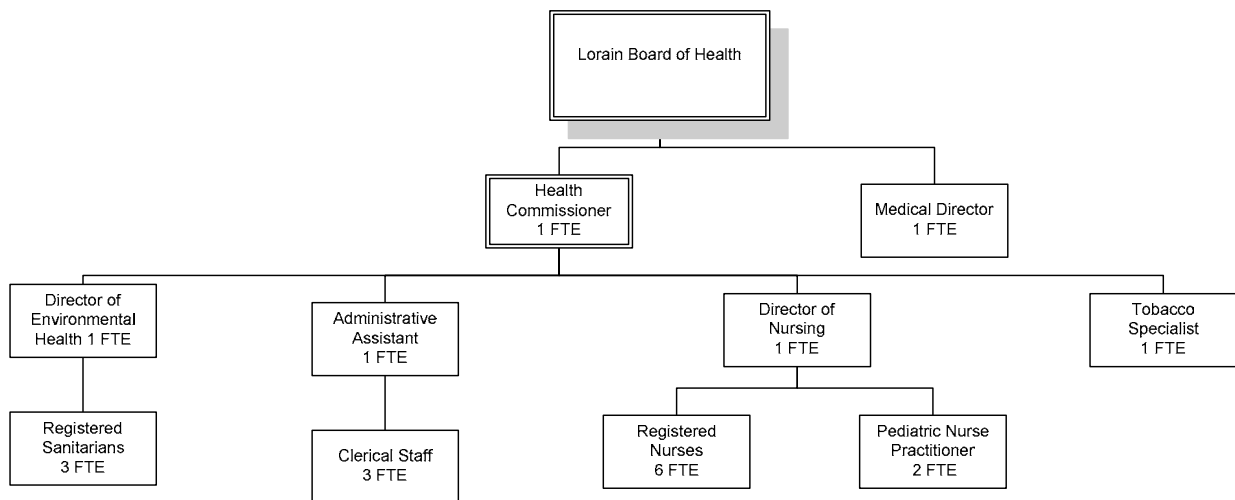
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# Health Department

## Background

This section focuses on the Lorain Health Department (HD) operations. Comparisons are made to the following peer cities: Elyria, Hamilton and Middletown. **Chart 12-1** illustrates the organizational structure of the Lorain HD as well as staffing levels. The staffing levels are illustrated as full-time equivalents (FTEs).

**Chart 12-1: 2003 Organizational Chart**



**Source:** Lorain Health Department

As shown in **Chart 12-1**, the Lorain HD has a staff of 20 FTEs. Clerical staff includes two clerks and a registrar.

### *Organizational Function*

The Lorain Board of Health (Board) is the governing body for the health district under Ohio law. The Board has authority to hire staff, develop programs and enforce specific sections of the Ohio Revised Code (ORC) and Rules of the Ohio Public Health Council. The Board may make such orders as are necessary for its own government, for the health of the public, the prevention or restriction of disease, and the prevention, abatement, or suppression of nuisances. The Board is

comprised of five members appointed by the Mayor, with the approval of City Council. Board members serve for a period of five years, with one member appointed or re-appointed each year. The Mayor serves as President of the Board.

The health commissioner is the executive officer for the Board and performs administrative functions such as planning and directing of various health programs. The medical director provides the medical direction for all patient care and environmental health actions of the health district.

Environmental health personnel address community health compliance issues involving, but not limited to, mobile homes, food establishments, nuisance complaints, swimming pools and infectious waste. The director of environmental health and staff members in this area enforce city and state laws, and ordinances pertaining to environmental health compliance. The director of environmental health oversees the division, provides training to personnel, and plans environmental health programs. Environmental health staff members perform scheduled inspections, validate and revoke permits and licenses, attend court hearings, provide public education, as well as perform other duties. Environmental health personnel are required to be registered sanitarians with the State of Ohio.

The director of nursing plans and directs public health nursing services. Public health nursing includes registered nurses and pediatric nurse practitioners. Public health nurses provide services in health promotion and education, ambulatory health clinics and communicable disease control. Pediatric nurse practitioners are responsible for initiating and maintaining health care for pediatric clients in the Child Health Clinic. Public health and pediatric nurse practitioners are both responsible for developing a nursing care plan and assessing community resources. In 2001, Lorain HD had a contract with University Hospital for physicians to provide services in the Sexually Transmitted Disease (STD)/Human Immunodeficiency Virus Clinic, but the contract was terminated for 2002. Lorain HD decided to cancel the contract because the clinic was not cost-effective. Lorain HD still offers HIV screening and testing, but refers STD clients to a family care center or private physicians.

The health educator (tobacco prevention specialist) is responsible for managing tobacco education programs. This position also facilitates focus groups and develops stakeholder surveys and assessments for data collection.

Clerical positions include two clerks and a registrar. Clerks are responsible for typing, record-keeping and other clerical duties. The registrar is responsible for maintaining vital statistic and public records, and providing additional clerical support.

### *Summary of Operations*

Lorain HD provides environmental health, public health nursing, vital statistics, and health education services. ORC Chapter 3709 regulates health services provided by local health districts.

Environmental health services include programs to protect the public's food supply, eliminate public health nuisances, ensure safe housing, assure safe recreational water and eliminate other illnesses. See **Table 12-3** for a detailed list of Lorain HD environmental health services. Environmental health programs generally involve a licensing process where applicants apply to the local health district. For example, new food service establishments apply for an operating license. Local health districts inspect environmental health programs to ensure compliance with ORC standards and charge a fee to recoup inspection costs. For environmental health fees such as food service, Lorain HD performs a cost analysis to set fee amounts in accordance with ORC requirements.

Major public health programs include an Infectious Disease Testing and Counseling Center, Child Health Clinic, Bureau for Children with Medical Handicaps (BCMh) funded programs, and the Help-Me-Grow program. See **Table 12-3** for a detailed list of Lorain HD public health services. Infectious disease services include a physical examination, laboratory testing, risk-reduction counseling, immunization, treatment and referral. The Child Health Clinic staff offers preventative health care for infants and children up to 21 years of age. Child Health Clinic services include physical examinations, immunizations, evaluation of growth, development, nutrition, vision, hearing and emotional health, health education, counseling, and referral to other services or community resources. BCMh funding received by Lorain HD is for a home-visitation program designed to connect public health services with families whose children have developmental delays. BCMh is a state-administered program operated within the Ohio Department of Health (ODH). Help-Me-Grow is a home- visitation program funded partially by ODH. Its purpose is to help families with children from birth to three years of age.

Health education activities include increasing awareness of cardiovascular health, promoting recycling and addressing tobacco-related health problems. Lorain HD also records birth and death vital statistics for the City.

### *Financial Data*

The health commissioner presents an itemized budget to the Board and Mayor's office. The Mayor's office specifies the amount of money available to fund health services. The Board is responsible for determining how funds are to be spent on programs and setting the funding levels for each program. The health commissioner provides monthly budget reports to the Board and submits financial reports to ODH.

Lorain HD revenue sources include fees, grants, fee-for-service revenue, and the General Fund. The General Fund comprises 24 percent of total health revenues. Lorain HD charges fees for a variety of services, including environmental health inspections, public health immunizations and screenings, and vital statistics. Lorain HD receives grant funding primarily from ODH, including grants for cardiovascular health, tobacco prevention and HIV. Lorain HD is also receiving a \$60,000 bio-terrorism infrastructure grant from the Center for Disease Control (CDC) to prepare for bio-terrorism emergencies. Lorain HD contracts with the City of Avon Lake to provide comprehensive health services, Lorain City Schools to provide medical services and Lorain Children and Family Services Council (LCFSC) to provide child health services such as prenatal visits. Lorain HD's General Fund allocation is determined after other revenue sources such as grants and fees are received and collected. The City does a year-end transfer to Lorain HD for its General Fund contribution. The City waits for Lorain HD to receive and collect revenue from fees and grants to assess how much money it needs to cover total expenditures.

**Table 12-1** shows Lorain HD expenditures in 2001-02 and budget for 2003.

**Table 12-1: Health Department Expenditures 2001-03**

Expenditure Category	2001 Actual Expenditures	2002 Actual Expenditures	% Change 2001- 2002	2003 Budgeted Expenditures	% Change 2002- 2003
<b>Salaries and Benefits</b>	\$1,177,938	\$1,140,812	(3.2)	\$920,936	(19.3)
<b>Contractual Services</b>	\$94,874	\$52,418	(44.8)	\$75,190	43.4
<b>Materials and Supplies</b>	\$24,237	\$25,584	5.6	\$51,774	102.4
<b>Travel and Transportation</b>	\$16,870	\$15,569	(7.7)	\$11,250	(27.7)
<b>Miscellaneous<sup>1</sup></b>	\$75,283	\$107,835	43.2	\$160,064	48.4
<b>Total</b>	\$1,389,202	\$1,342,218	(3.4)	\$1,219,214	(9.2)

**Source:** City of Lorain Health Department Year-End Financial Reports

<sup>1</sup> Miscellaneous includes utilities, capital outlay, debt service, and other operating expenses and refunds.

Explanations for the significant variances are as follows:

- *A 19.3 percent decrease in salaries and benefits from 2002 to the budget for 2003:* Salaries and benefits reduction is due to the elimination of two positions, the clerk typist and cardiovascular health coordinator.
- *A 44.8 percent decrease in contractual services from 2001 to 2002 and a 43.4 percent increase to the budget in 2003:* In 2002, Lorain HD did not have the STD contract. The 43.4 percent increase to the budget in 2003 is due to a budgeted expenditure for \$22,000 for a bio-terrorism infrastructure grant.

- *A 102.4 percent increase in materials and supplies from 2002 to the budget in 2003:* Materials and supplies increased due to budgeting \$15,000 for appropriate supplies for the bio-terrorism infrastructure grant, and additional costs for maintenance of the health department building.
- *A 27.7 percent decrease in travel and transportation from 2002 to 2003:* The decrease is due a reduction in the travel budget for staff to attend training.
- *A 43.2 percent increase in miscellaneous from 2001 to 2002 and 48.4 percent increase from 2002 to the budget in 2003:* The 43.2 percent increase in 2002 is due to \$31,500 loan repayment for the new health building. The increase in 2003 is due to a budgeted expenditure of \$5,000 for the bio-terrorism infrastructure grant, a capital outlay increase of \$20,000 to upgrade computer equipment and a budgeted expenditure of \$10,000 for a new printer/scanner for vital statistics.

### Statistics

**Table 12-2** shows 2002 health workload statistics. Middletown environmental health (other) is only for inspections, while other cities also reported such events as environmental tests. Middletown reported child immunizations only for child/adult immunizations category.

**Table 12-2: Health Department Statistics 2002**

Workload	Lorain	Elyria	Hamilton	Middletown	Peer Avg.
Population <sup>1</sup>	86,797	55,953	60,690	51,605	56,083
FTEs	20.0	44.7	22.7	30.3	32.6
Population per FTE	4,340	1,252	2,674	1,703	1,720
Food Service Inspections	1,077	880	1,787	526	1,064
Environmental Health (Other)	1,340	757	25,479	490	8,909
Birth/Death Certificates	12,900	8,216	16,015	10,639	11,623
Child/Adult Immunizations	5,576	10,871	3,104	5,228	6,401
Welcome Home Visits	574	309	296	388	331
Early Start	1,511	122	N/A	2,865	1,494

Source: 2002 Annual Report, Ohio Department of Development Demographic Profiles and peer information requests

<sup>1</sup> Because the City of Lorain Health Department has a contract with Avon Lake to provide health services, the population of Lorain (68,652) and Avon Lake (18,145) were added together.

For the environmental health (other) category, Lorain and Hamilton are substantially higher than peers because of higher reported numbers for garbage and refuse inspections in the environmental health category; Hamilton reported 9,101 and Lorain reported 510. Hamilton did not report early start workload statistics.

*Analyses Not Yielding Recommendations*

In addition to the findings presented in the report, analyses that did not yield any recommendations include staffing levels and health services. The population served per FTE at Lorain HD is 60 percent higher than the peer average (see **Table 12-2**). The major factor affecting Lorain HD's lower staffing levels is health and medical staffing, which is 120 percent below the peer average. Lorain also has lower staffing levels because two positions were recently eliminated. While Lorain HD serves a larger population than the peers with less staff, it offers an array of services similar to the peers (see **F2.1** and **Table 12-3**). Using minimal staff resources to provide necessary health services to the City shows that Lorain HD operates efficiently.



*Performance Measures*

The following is a list of performance measures used to conduct the review of the Lorain Health Department:

- Analyze current staffing levels;
- Analyze department and workload statistics;
- Review health services;
- Assess grant seeking activities; and
- Assess department fees.

## Findings and Recommendations

### Health Services

F12.1 Health services may differ from community to community depending on the services hospitals provide, Ohio Department of Health (ODH) funding, and local community needs. **Table 12-3** shows services offered by Lorain HD and peers.

**Table 12-3: Health Services Comparison**

Function	Lorain	Elyria	Hamilton	Middletown
<b>Environmental Health</b>				
Food, School, Pool Inspections	X	X	X	X
Animal Bites, Nuisances	X	X	X	X
Infectious Waste	X	X	X	X
Tattoo Parlors	X	X	X	X
Private/Public Sewage	X	X	X	X
Housing	X	X	X	X
Rodent/Pest Control	X	X	X	X
<b>Public Health</b>				
HIV Testing	X	X	X	X
Immunizations	X	X	X	X
Infectious Disease Testing	X	X	X	X
BCMh	X	X	X	X
Ohio Early Start	X	X	X	X
Welcome Home	X	X	X	X
Children Health Clinics	X	X	X	X
Communicable Disease	X	X	X	X
<b>Health Education<sup>1</sup></b>				
Tobacco Prevention/Other	X	X	X	X
<b>Vital Statistics</b>				
Registrar	X	X	X	X

**Source:** Lorain City Health Department Organizational Chart and 2001 Annual Report

<sup>1</sup> Hamilton does not have an FTE position for health education, but public health nurses conduct health trainings at the senior citizen center. The health educator position for Elyria HD is currently vacant.

**Table 12-3** indicates that Lorain HD offers similar services when compared to the peers. However, there are some differences in specific health programs provided by Lorain HD and the peers. For environmental health, Hamilton has a community service section which assists with nuisance abatement and other environmental health projects using individuals sentenced to community service by the municipal court. Other environmental services offered by Lorain HD and peers are similar, although the degree to which each city performs the service may vary. For example, if one city has more recreational campsites, environmental health staff would have to perform more on-site visits to these facilities.

For public health, Elyria also contracts with obstetricians, pediatricians, a nutritionist and dental clinic staff, and employs an epidemiology coordinator to coordinate bio-terrorism education. Elyria also has a craniofacial clinic, travel clinic and weight check center. Elyria and Middletown health departments have social and health service staff providing medical and referral services. Elyria social and health services provides assessments of prenatal clients, information and referral to other county agencies, and assists in addressing other citizen concerns. Middletown employs two homemakers, who are responsible for providing nursing services to senior citizens homes.

Although there are some differences in the specific health programs provided by Lorain HD and the peers, Lorain HD offers similar health services with less staff and uses the least amount of General Fund revenue to support its operations (see **Table 12-4**). Providing a sufficient level of health services reduces the risk of contagious diseases, ensures food is safe for consumption and educates the public on health issues.

### Health Funding

F12.2 Sources of revenue for health departments include fees, State funding, contracts and city General Fund dollars. Fees are assessed for services such as health inspections and obtaining vital statistics records. State funding, which includes program specific grants (see **Table 12-5**) and contracts provide funding for a number of the clinical services provided. **Table 12-4** shows 2002 Lorain HD and peer revenue sources.

**Table 12-4: FY 2002 Health Department Revenues**

Revenue Sources	Lorain	Elyria	Hamilton	Middletown	Peer Avg.
Fees/Licenses <sup>1</sup>	\$382,979	\$519,987	\$291,851	\$373,027	\$394,955
State Funds	\$567,529	\$591,360	\$267,056	\$817,439	\$558,618
Contracts	\$70,500	\$482,055	\$0	\$0	N/A
City General Fund	\$321,209	\$690,509	\$935,428	\$420,000	\$681,979
% of General Fund/Total	24%	30%	63%	26%	38%
Total Revenues	\$1,342,217	\$2,283,910	\$1,494,335	\$1,610,466	\$1,796,237
Revenue per Capita	\$15.5	\$37.6	\$26.3	\$31.2	\$31.7

**Source:** Lorain HD 2002 Annual Report to ODH, Lorain HD 2002 Financial Report; Elyria HD Annual Financial Report to ODH; Elyria Financial Information; Hamilton HD Annual Financial Report to ODH; Hamilton HD Financial Information; Middletown HD Financial Information

<sup>1</sup> Fees are comprised of Medicaid Reimbursement, Medicare Reimbursement, Other Insurance Reimbursement, Patient Fees/Sliding Fees, Environmental Health Licenses and Fees, and Vital Statistics Fees.

Lorain HD is 37 percent below the peer average when comparing the General Fund revenues as a percent of total revenues, meaning HD operates with less reliance on the City General Fund than peers. Hamilton receives the highest percentage of General Fund support at 63 percent because the health department receives \$370,000 from the Public Safety and Health Income Tax Levy. **Table 12-4** also shows that Lorain HD's revenue

per capita is the lowest of the peers, which could be attributed to the lower amount of funding obtained from grants and contracts (see **Table 12-5**), as well as to sharing services with Elyria. Elyria revenues are higher because the city is the fiscal agent for Lorain County to receive grant dollars to administer the child and health services consortium, which Lorain HD participates. Grants awarded through the consortium include dental grants, infant mortality and child and health services.

Grants and contracts received by Lorain HD and peers in 2002 are shown in **Table 12-5**. N/R in **Table 12-5** means not received.

**Table 12-5: Comparison of Grant and Contract Revenue**

Grant	Lorain	Elyria	Hamilton	Middletown	Peer Avg.
ODH Subsidy	\$28,782	\$18,112	\$19,166	\$17,113	\$18,130
ODH Tobacco	\$75,985	\$16,506	N/R	N/R	N/A
ODH Cardiovascular	\$27,557	N/R	N/R	N/R	N/A
ODH HIV	\$37,113	N/R	N/R	N/R	N/A
ODH Child Health Services	\$91,350	\$248,137	N/R	\$309,237	\$185,791
ODH Infant Mortality	N/R	\$118,856	N/R	N/R	N/A
ODH Bio-Terrorism	N/R <sup>1</sup>	\$12,182 <sup>1</sup>	N/R	N/R	N/A
TANF/GRF Help-Me-Grow	\$302,812	\$356,141	\$243,723	\$400,170	\$333,345
ODH Immunization Action Plan	N/R	N/R	\$74,491	\$48,302	\$40,931
Dental Grants	N/R	\$37,836	N/R	N/R	N/A
BCMNH Nursing Fees	\$8,760	\$25,908	\$10,628	\$2,220	\$12,919
Other <sup>2</sup>	\$120,500	\$61,500	\$23,331	\$77,535	\$54,122
<b>Total Grant /Contract Revenue</b>	<b>\$692,859</b>	<b>\$895,178<sup>3</sup></b>	<b>\$371,339</b>	<b>\$854,577</b>	<b>\$707,031</b>
<b>Total Grant/Contract Revenues per Capita</b>	<b>\$8.0<sup>4</sup></b>	<b>\$16.0</b>	<b>\$6.1</b>	<b>\$16.6</b>	<b>\$12.6</b>

Source: Lorain HD and peer health departments

<sup>1</sup> Lorain HD received \$61,376 in ODH Bio-Terrorism grant funds in 2003. Elyria received a quarter of its grant funds in 2002, totaling \$12,182.

<sup>2</sup> Lorain HD has a contract with the City of Avon Lake for \$60,500 to provide comprehensive health services, a \$10,000 contract with Lorain City Schools to provide nursing services and receives \$50,000 for Lorain County Commissioners Solid Waste. Elyria receives \$50,000 for Lorain County Commissioners for Solid Waste, \$1,500 for United Way, and \$10,000 from March of Dimes. Hamilton expended \$23,331 from a Butler County Medicaid Outreach Grant used to pay staff to enroll clients in Medicaid. Middletown received \$40,397 for Healthy Start Health Families grant and \$37,138 for Title XX home-based services both through Butler County Department of Job and Family Services.

<sup>3</sup> Grants for Elyria have been adjusted to reflect only the portion that is retained by Elyria. This amount does not include grant dollars received by Elyria as the fiscal agent for the child and health services consortium.

<sup>4</sup> Includes populations in Cities of Lorain and Avon Lake.

Lorain HD is 38 percent below the peer average in total grant revenues per capita, primarily due to the large amount of grant dollars Elyria and Middletown receive. Middletown receives more grant dollars per capita because they provide more child services than Lorain HD. Elyria receives additional grant dollars for its child health services and dental clinic. Lorain HD shares programs funded through these grants so

that City residents can take advantage of the additional health services provided by Elyria. This shared service arrangement avoids service duplication and is an efficient way to utilize health service funding.

In 2002, Lorain HD did not receive ODH Immunization Action Plan and ODH Bio-Terrorism grants. According to the Lorain HD health commissioner, ODH reduced funding for the immunization action plan grant and did not award Lorain County these funds in 2002. In 2003, Lorain HD will receive approximately \$60,000 for the ODH bio-terrorism infrastructure grant. Furthermore, Lorain HD appears to be aggressive in seeking new grants, especially given the limit on available local dollars to use as matching funds. Obtaining additional grants for health programs allows local health districts to offer services they could otherwise afford to with only local funding.

**R12.1** Lorain HD should continue to aggressively seek additional funding sources that meet identified community health needs. Obtaining additional funding from grants decreases the level of General Fund revenue needed to operate the department and increases the level of available services. Lorain should also initiate an action plan to form a combined health district with the Lorain County Health Department (See **R12.3**), which would impact favorably on its grant seeking activities.

### *Health Department Fees*

F12.3 Fee structures for Lorain HD environmental health services and the peers are shown in **Table 12-6**. ORC § 3709.09(A) regulates the establishment of a uniform system of fees for services provided by a city health department. City health departments develop cost methodologies to justify fees charged for environmental health and vital statistics. For example, for food service, city health departments calculate costs based on staff hours, wages and salaries, fringe benefits, travel costs and support costs. For local health department fees, the city receives a portion of the revenue with the remainder going to ODH. In addition, city health departments charge other fees for inspections and licenses for which the full amount collected is forwarded to ODH. **Table 12-6** shows the local fee amount charged for Lorain HD and peer cities' environmental health and vital statistics services.

**Table 12-6: Environmental Health and Vital Statistics Fees**

Fees <sup>1</sup>	Lorain	Elyria	Hamilton	Middletown	Peer Ave.
Swimming Pools	\$200	\$135	\$95	\$140	\$123
Spas	\$200	\$55	\$95	\$270	\$140
Commercial Food Service	\$325	\$361	\$242	\$367	\$323
Noncommercial Food Service	\$163	\$180	\$121	\$183	\$161
Mobile	\$131	\$81	\$65	\$105	\$84
Vending	\$24	\$14	\$15	\$36	\$22
Birth/Death Records	\$11	\$8	\$10	\$8	\$9
Manufactured Home Parks	\$175	\$80	\$100	\$71	\$84

<sup>1</sup> Commercial food service and noncommercial food services are averaged for all classes of inspections.

Lorain HD exceeds the peer average for all fee categories as shown in **Table 12-6**. The reason fees for Lorain HD and peers differ is due to different cost methodologies (See **F12.4**). Lorain HD charges within 10 percent of the peer average for commercial food service, noncommercial food service, and vending. Lorain HD charges over 30 percent more than the peers for inspections of swimming pools, mobile homes and manufactured home parks. Although Lorain HD fees are higher, it uses fewer General Fund dollars than peers. Furthermore, Lorain HD operates with less staff than the peers to serve the City's population (see **Table 12-2**).

F12.4 Lorain HD develops cost methodologies to identify total costs for administering programs. The cost methodologies are used to set appropriate fee amounts. Total costs are determined by identifying support costs, program costs, and program income. Support costs include administrative expenditures for staffing and administrative purchases (i.e. maintenance, telephone). An example of a support cost is a portion of the health commissioner's and administrative assistant's salaries, based on time spent administering the program. Program costs include actual staff costs for performing duties such as inspections and immunizations, and well as miscellaneous costs such as license fees transmitted to ODH. Program income is generated through fees and license charges for many programs, and subsidizes the costs for the program. An example of a program that generates program income is the retail food program, which charges fees for inspections. **Table 12-7** shows indirect and direct costs along with program revenues for programs with the highest costs in each division. General Fund dollars are used to cover costs exceeding program revenues.

**Table 12-7: Lorain HD Total Program Costs 2001**

Division/Program	Support Costs	Program Costs	Program Income	Costs to General Fund
<b>Environmental Division</b>				
Nuisance Program	\$27,060	\$42,993	\$50,000	\$20,053
Rabies Control	\$6,688	\$9,153	\$0	\$15,841
Lead Program	\$3,934	\$11,320	\$5,199	\$10,055
<b>Public Health Nursing</b>				
STD/HIV	\$10,756	\$95,164	\$60,791	\$45,129
Welcome Home	\$12,880	\$39,501	\$21,400	\$30,981
Homeless Shelter	\$2,955	\$9,330	\$0	\$12,285
<b>Vital Statistics</b>				
Vital Statistics	\$19,069	\$86,143	\$84,889	\$20,323

Source: Lorain HD 2001 Cost Report

Programs with the highest total costs are the STD/HIV, Welcome Home, vital statistics and nuisance programs. These programs also generated higher program incomes. STD/HIV had the highest program costs and used more General Fund dollars. The reasons for high total costs for some programs include reductions in ODH funding, high costs of physicians, and poor fee collection rates. However, Lorain HD has only tracked collection rates for STD, so a full assessment of collection rates could not be performed. Lorain HD and the peers employ strategies to reduce costs. Using cost-methodologies, Lorain HD evaluates grant programs and fees annually to determine cost-effectiveness. An example of how Lorain HD used the cost-methodology report to evaluate a program is the STD/HIV clinic. Lorain HD determined the clinic was not providing a cost-effective service and canceled the physician contract. Examples of Lorain HD's funding collaboration with the two other districts in the county include the county-wide communicable disease reporting system, the bio-terrorism infrastructure grant, and child health services. Lorain HD also does not pay overtime and owns a second-hand car to reduce costs for travel for trainings and seminars.

Hamilton and Middletown have provided examples of how they have reduced costs and enhanced revenue for programs. The following are examples of these cost-cutting and revenue enhancing strategies:

- Evaluate grant programs to determine which programs are self-supporting and assess critical need to the community. Grants should respond to health needs in community. If a position is funded by a grant, the health district may still have to pay for insurance and unemployment for that employee (see **R12.1**).
- Determine if service duplication between City and County health districts exists. See **F12.5** for more information on combined health districts.

**R12.2** Lorain HD should continue to develop strategies to reduce costs for programs that are not self-supporting. Lorain HD should begin to track and monitor collection rates for all programs and analyze the impact of these rates on program revenues. By tracking and monitoring collection rates, Lorain HD would be able to determine which programs are not cost-effective and subsequently develop strategies to improve collection rates, thereby increasing revenue to offset program costs and reduce reliance on the City's General Fund.

F12.5 As part of this audit, an analysis was performed to determine the feasibility of the Lorain HD combining with the Lorain County Health Department, and to identify the advantages and disadvantages of such a merger. The Lorain HD health commissioner indicated combining the two districts would increase the tax burden on City residents to pay for the combined health levy and reduce the level of health services to City residents.

In Lorain County, Lorain, Elyria and Avon Lake are the only three cities that do not use the Lorain County Health Department. The Lorain County Health Department offers health services similar to Lorain HD, including environmental health, adult immunizations, Early Start, Welcome Home, tobacco prevention, and vital statistics. The only program the Lorain County Health Department provides that Lorain does not offer is the Fetal Alcohol Syndrome Prevention Project. Lorain County has a current health levy that was passed as 1 mill, but has since been reduced to 0.69705. The tax burden for the owner of a \$100,000 house is \$21 a year. If a new levy was passed at 1 mill, the tax burden would increase to approximately \$30 year.

According to ORC § 3709.01, each city constitutes a health district while townships and villages in each county are combined into a health district and are known as a "general health district." A general health district and city health district can merge to form a single combined health district. A "combined health district" performs the same duties required of a general health district.

ORC § 3709.07 outlines procedures for combining a city health district with a general health district. The district advisory council of the general health district would meet and vote on combining the districts. A majority affirmative vote by the members of the district advisory council is required to approve combining the health districts. The legislative authority of each entity must also vote on the question and a majority affirmative vote is required for approval. When the majority of the district advisory council and the legislative authority have voted affirmatively, the chair of the council and the chief executive of each city enter into a contract for the administration of health affairs in the combined district. The contract states the proportion of the expenses paid by the city or cities and by the original general health district. The new district advisory council of the combined general health district consists of the members of the district



advisory council of the original general health district and the chief executive of each city constituting a city health district, each member having one vote.

Examples of districts that have combined with a city include Clark County Combined Health District (City of Springfield), Toledo/Lucas Combined Health District (City of Toledo) and Crawford County (City of Bucyrus). According to the report, “Establishing a Regional Health Department for Lucas County”, there is a trend in public health for local health departments to focus on facilitating service delivery and coordination rather than providing direct service. With this trend, combining health districts is a potential option to improve the district’s ability to respond to community health needs. The report establishes the following guiding principles for developing a contract between a regional health department and a city:

- Public health services, like park, library and emergency health services can be provided most effectively and efficiently on a regional basis.
- Parties enter the regionalization agreement in good faith, which includes a commitment to maintain current relative levels of support for an initial period established under the contract, not to exceed five years.
- A “budget neutral” approach will be used to set initial levels for local government financial support to the new agency, basing these contributions on the current service levels of each entity.
- A transition period will be required to enable the new Board of Health to organize itself, define its mission and the resultant structure of the new agency, and provide for collective bargaining procedures, including election or designation of bargaining units.
- Accountability is built into the agreement such that periodic reviews of changes in population distribution, the financing of health care services, and the tax base of the contracting entities will be undertaken.

Clark County Combined Health District and Toledo/Lucas County Health District offered input on the benefits of combining local districts. Benefits to a combined health district include the following:

- Providing more services and expanding days and times services are offered;
- Coordinating bio-terrorism efforts;
- Providing efficient services and purchasing through economies of scale;
- Acting as unified voice when lobbying state government on health issues and applying to ODH for funding;

- Reducing confusion in referral process when clients do not know which jurisdiction provides certain health services;
- Reducing competition on grants and making it possible to prepare grants to support programs designed to serve a larger and more inclusive community, increasing the attractiveness of such proposals to sponsors;
- Focusing on long-range planning on public health issues for district;
- Reducing fees to a community because combined district is able to provide services at a lower cost; and
- Operating with a County Levy for health in a combined health district can eliminate City General Fund dollars used for health.

Nonetheless, difficulties in creating a combined health district include the following:

- Addressing multiple collective bargaining agreements, although Lorain HD staff are not governed by a collective bargaining agreement;
- Obtaining political acceptance and voter approval; and
- Ensuring a commitment to a relatively lengthy process. For instance, Toledo/Lucas health district took two years to get the votes in place to combine health districts.

In Clark County, Springfield initially contracted with the county health department to provide health services for its residents and transferred its health department staff to the county. After the transition to the county was deemed successful, a health levy was placed on the ballot and subsequently passed by the city residents. With the passage of the levy, Springfield no longer supported the services through its General Fund. As a result, the General Fund could be used to support other needed city services.

**R12.3** As part of its long term strategic planning, the Lorain Board of Health should explore the option of combining the Lorain HD with the Lorain County Health Department, which would provide a model for continuing public health services to the City while eventually eliminating the use of General Fund dollars to support these services. Since the combining of the health districts would require approval by the voters to increase the taxes paid by City residents, Lorain should fully inform its residents of the service benefits and identify savings that could be reallocated to other critical municipal services. One option is to pursue a direct contract with the Lorain County Health Department for services. This would provide time to acquaint City residents with the change and time for both entities to evaluate this model of service delivery.

Although there would be no immediate savings to the City during the initial stages of the transition, the City would eventually eliminate the General Fund contribution for health services, which was approximately \$321,000 in 2002. One issue that would impact the continuation of the General Fund contribution is the outstanding debt of \$766,500 on the Lorain HD office building. Due to the various issues that would be impacted by forming a combined health district, the financial implication of this recommendation for the immediate future can not be accurately quantified.

## **Conclusion Statement**

The Lorain HD offers City residents various health services, including, but not limited to, environmental health, immunizations, vital statistics, health education and child health services programs. For programs Lorain HD does not offer such as dental, City residents can access services in Elyria or through the Lorain County Health District.

Overall, Lorain HD operates efficiently, as indicated by it serving a large population with less staff and using fewer General Fund resources than peers. Lorain HD develops fees based on cost methodologies and has developed strategies to reduce costs that include evaluating fees and grant programs annually and collaborating with other health departments to receive grants and develop health initiatives. Lorain HD should continue to seek additional grant funds and streamline costs to reduce reliance on the General Fund. By tracking and monitoring collection rates, Lorain HD would be able to determine which programs are not cost-effective and subsequently develop strategies to improve collection rates, thereby increasing revenue to offset program costs and reduce reliance on the General Fund. Furthermore, Lorain HD should also consider initiating an action plan to combine with the Lorain County Health Department to provide cost effective and efficient health services to City residents.