



Dave Yost • Auditor of State



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To the Residents and elected officials of the Village of the City of Gallipolis:

The enclosed performance audit of the Village of the City of Gallipolis was requested by the Village to help address a significant revenue shortfall, reduce service expenditures, improve operating efficiencies and fill its mission of delivering effective services to its citizens.

Funding for the audit came from the Leverage for Efficiency, Accountability, and Performance (LEAP) revolving loan program, which was authorized by the Ohio General Assembly in 2011 to provide financial assistance for local governments in deferring the cost of performance audits.

In consultation with the Village, the Auditor of State's Ohio Performance Team focused on Human Resources, Administration, the Police Department, Public Works and Village Services.

Among the primary conclusions of this audit are:

- (1) The Village could save more than \$1.5 million annually by implementing recommendations in this audit report, more than 14 percent of the Village's total expenditures.
- (2) The Village should evaluate the benefits of a Joint Economic Development District.
- (3) The Village's voluntarily undertaking the expense and risk of an independent review indicates both confidence and competence, and the performance audit substantiated credible evidence of performance improvements that would provide increased value to residents and taxpayers.

The Auditor of State commends the commission, city manager and staff of the Village of the City of Gallipolis for their dedication to improving government operations.

Sincerely,

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

Dave Yost
Auditor of State

Table of Contents

Results in Brief.....	2
Synopsis.....	3
Recommendations.....	7
Appendix	21

Results in Brief

Why AOS Conducted This Audit

The Village of the City of Gallipolis requested the Auditor of State's Ohio Performance Team conduct a performance audit to improve the efficiency and effectiveness of operations, and address concerns that declining revenues coupled with current operating practices could lead to a financial deficit. Concerns were heightened by a 50 percent decrease in the Village's 2011 General Fund balance compared to 2010.

Funding for the audit was provided through the Leverage for Efficiency, Accountability and Performance (LEAP) Fund, which is to be repaid the following year from the savings generated by implementing audit recommendations.¹ Project cost of \$82,500 and total findings of \$1.58 million in savings yield an ROI of 1,913 percent, or \$19.13 in annual savings for every taxpayer dollar invested.

Financial Implications

The performance audit identifies potential cost savings exceeding \$1.58 million, which represents 14.2 percent of the proposed 2012 total expenditures of the Village. Financial implications are summarized below. Non-financial management recommendations are discussed in the report (including economic development, police officer special duty and water treatment master meters).

Summary of Performance Audit Recommendations

Recommendations with One Year Impact	Impact
R.2 Contract with Gallia County Sheriff for police services	\$452,400
R.3 Purchase online utility account management software	\$55,700
R.4 Contract for pool management	\$50,000
R.5 Contract for income tax collection services	\$48,000
R.6 Lower compensation levels	\$31,800
R.7 Contract for burial services and cemetery mowing	\$30,800
R.8 Reduce Police Department workweek ¹	\$26,100
R.9 Reduce Inflow/Infiltration (I/I) for waste water treatment system	\$25,900
R.10- R.15 Additional recommendations	\$51,500
Total Recommendations with One Year Impact ²	\$772,200
Recommendations with Long Term Impact	
R.1 Improve water treatment infrastructure	\$807,600
Total Recommendations with Long Term Impact	\$807,600
Total Cost Savings from Performance Audit Recommendations	\$1,579,800

¹Savings from this recommendation will not be realized should the Village implement **R.2**

²To avoid duplication, savings from a reduction in Cemetery Sexton wages were extracted as these are contained in R.6 and R.9

¹ Not all potential savings are achievable within one year. AOS has identified \$772,200 in savings that could potentially have a one year impact and therefore should be subject to LEAP Fund repayment.

Synopsis

What is Good Performance: Scope, Objectives and Benchmarks

Applicable standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

Scope and Objectives of the Audit

Through a review of the operations of the Village, AOS selected the following areas for detailed assessment:

- Human resources management;
- Administrative departments operations;
- Police Department operations;
- Public Works Department operations; and
- Village services.

Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. AOS developed objectives designed to identify efficiencies that could be gained from the operational areas listed above.

The following objectives were identified in consultation with the Village.

How do overall staffing levels and employee salary schedules compare to the peers?

How do health care benefits compare to benchmarks?

How does overall sick leave usage compare to Department of Administrative Services averages?

How can costs be reduced for cemetery, code enforcement, and municipal pool operations?

Would contracting for income tax collection be cost effective?

Is the economic development function effective?

How does the water loss rate compare to accepted industry standards?

Are staffing levels appropriate for utility services provided?

Is an effective maintenance and repair program for water and sewer infrastructure in use?

Is the vehicle and equipment fleet adequate for the Villages needs?

Is the utility billing and collection process cost effective?

Are delinquent utility collection practices effective?

Is the Police Department's shift schedule feasible?

Is Police Department overtime excessive?

Would contracting police services from the county sheriff be cost effective?

Are Police Department vehicle maintenance and replacement practices efficient?

Methodology and Benchmarks

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

AOS conducted the performance audit of the Village in accordance with generally accepted government auditing standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Data was drawn from fiscal years 2009, 2010, 2011 and year-to-date 2012. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. The performance audit involved significant information sharing with the Village, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the Village of key issues impacting selected areas, and shared proposed recommendations to improve operations. Throughout the audit, input from the Village was solicited and considered when assessing the selected areas and framing recommendations. The Village provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the Village's comments.

The following Ohio municipalities were selected as peers: the City of Belpre, Loudonville Village, the City of Marietta, and the Village of New London. These peers

were selected based upon demographic and operational data. Whenever possible, these peer municipalities were used for comparison. In some areas of Village operations such as the pool and cemetery operations, comparisons using these municipalities were not possible. In these instances, other cities that have achieved efficiencies in select areas using unique practices were used. In addition, other benchmark data and standards were chosen from other applicable organizations and sources such as the State Employment Relations Board (SERB) the Ohio Environmental Protection Agency (EPA) and the Ohio Department of Administrative Services (ODAS).

Noteworthy Accomplishment

The Village operates with a total staff level 16 percent smaller than the peer average while offering similar services. Specifically, the Fire Department, Police Department, and administrative offices have significantly fewer employees than the peers. See **Table 11** of the **Appendix** for detailed staffing information.

Conclusions

The performance audit identifies total cost savings in excess of \$1.5 million, which represents 14.2 percent of the proposed 2012 total expenditures of the Village. The following table summarizes those performance audit recommendations that contain financial implications.

Summary of Performance Audit Recommendations

Recommendations with One Year Impact		Impact
R.2	Contract with Gallia County Sheriff for police services	\$452,400
R.3	Purchase online utility account management software	\$55,700
R.4	Contract for pool management	\$50,000
R.5	Contract for income tax collection services	\$48,000
R.6	Lower compensation levels	\$31,800
R.7	Contract for burial services and cemetery mowing	\$30,800
R.8	Reduce Police Department workweek ¹	\$26,100
R.9	Reduce Inflow/Infiltration (I/I) for waste water treatment system	\$25,900
R.10	Shift the code enforcement function to a three day per week position	\$18,000
R.11	Reduce number of service vehicles	\$10,800
R.12	Reduce Police Department overtime	\$10,000
R.13	Eliminate additional pay for acting sergeants	\$5,200
R.14	Eliminate the waterslide	\$3,900
R.15	Eliminate pool concession stand	\$3,600
Total Recommendations with One Year Impact²		\$777,800
Recommendations with Long Term Impact		
R.1	Improve water treatment infrastructure	\$807,600
Total Recommendations with Long Term Impact		\$807,600
Total Cost Savings from Performance Audit Recommendations		\$1,579,800

¹ Savings from this recommendation will not be realized should the Village implement R.2

² To avoid duplication, savings from a reduction in Cemetery Sexton wages were extracted as these are contained in R.6 and R.9

The Auditor of State Ohio Performance Team express their appreciation to the management and employees of the Village of the City of Gallipolis for their cooperation and assistance throughout this audit.

Recommendations

R.1 Invest in water distribution system.

Financial Implication: The net present value of replacing the water distribution system would be approximately \$807,600 assuming a 50 year useful life and a 15 percent water loss rate. **Table 1** displays a detailed calculation.

Table 1: Net Present Value of Water Loss Reduction

Gallons lost in 2011	96,312,000
Annual gallons saved assuming 15 percent water loss	47,026,000
Difference	46,495,000
Expenditures per gallon	\$0.0047
Annual savings	\$218,526
Present value of 50 years of savings ¹	\$4,767,681
Initial investment	(\$3,960,000)
NPV of Savings	\$807,681

Source: Gallipolis Public Works Department

¹ Assumes 3.91 percent cost of capital.

The Village was unable to determine the exact age of its water distribution system; however, it was estimated that it is 50-70 years old and nearing the end of its useful life. Older water systems typically suffer high water loss rates due to leaks from pipe erosion and aging valves. Water loss is calculated by taking the difference between the amount of water input into the distribution system and available to sell and the amount of authorized consumption (billed metered, billed unmetered, unbilled metered and unbilled unmetered). The difference represents lost revenue. For 2003 through 2011, the Village's water distribution system has had an average water loss rate of 28 percent. In 2011, the Village had a water loss rate of 29 percent, representing approximately 96 million gallons lost within the system. This loss rate equates to approximately \$481,000 in production costs based on 2011 data.

Control and Mitigation of Drinking Water Losses in Distribution System (U.S. EPA, 2010) states that there is no current comprehensive national regulatory policy that limits the amount of water loss from a public water supply's distribution system. Most states, however, do have policies and regulations that address excessive distribution system water losses. The policies vary, but most set limits that fall within the range of 10 percent to 15 percent as the maximum acceptable value for the amount of water that is lost or "unaccounted-for." The level of water loss for the Village's water system significantly exceeds this range.

In order to decrease the Village's water loss, it would need to invest in its distribution infrastructure to repair areas of leakage. The Village was unable to determine the exact level of capital investment that would be needed. Based on the age of the system, savings were estimated based on a full replacement of the infrastructure. *Costs for Water Supply Distribution System Rehabilitation* (U.S. EPA, 2002) estimates that various trenchless

pipe renovation techniques cost from \$6-10 per linear foot. At \$10 per foot, the Village would need to spend approximately \$3.96 million to replace all the lines in the water distribution system. It was assumed that a total replacement of infrastructure should allow the Village to operate its system with a maximum loss rate of 15 percent.

R.2 Consider contracting with the Gallia County Sheriff’s Department to provide police service.

Financial Implication: Contracting with the Sheriff for police service would save approximately \$452,400 in salary, benefits, and other expenditures. **Table 2** displays detailed expenditure comparison.

Table 2: Cost Comparison: GPD vs. Gallia County Sheriff

	GPD 2012 Budgeted	Gallia County Sheriff Estimated Costs	Difference
Expenses			
Payroll Expenses	\$550,662	\$497,105	(\$53,557)
Benefits	\$254,111	\$75,705	(\$178,406)
Housing of Prisoners	\$150,000	\$0	(\$150,000)
All Other Costs	\$175,552	\$105,000	(\$70,552)
Total	\$1,130,325	\$677,810	(\$302,515)
Cost per Hour	\$40.37	\$24.21	(\$16.16)
		Estimated Hours	28,000
		Total Annual Savings	\$452,480

Source: Gallipolis Police Department data and the Gallia County Sheriff’s Office

Approximately 28 percent of General Fund expenditures were allocated to police services in 2011. This is expected to increase to an estimated 31 percent in 2012. The Village should take into consideration whether the operation of a full-service police department is feasible considering the 13 percent population loss that occurred in the last decade.

The Gallia County Sheriff’s Department (the Sheriff) is headquartered in Gallipolis and offers police services to municipalities within the County. Deputies are paid directly by the villages at a rate of \$17.50 per hour plus payroll taxes and a 14 percent employer pension contribution. An additional \$3.75 per hour is charged to the villages in order to reimburse the Sheriff for vehicle and uniform expenses for each deputy. Villages are not responsible for paying for health insurance. Deputies who are under contract remain under the command of the Sheriff while on patrol within a village and may be dispatched to an outside emergency. When this occurs, villages are not required to pay the hourly rate for this time.

The cost to employ a full time police officer is \$40.37 per hour (\$83,969 annually) including wages, benefits, prisoner housing and other costs. In contrast, the cost to contract for a Sheriff’s deputy is \$24.21 including the hourly add-on for vehicle and uniform expenses. The cost to contract with the Sheriff would save Gallipolis an estimated \$16.16 per man-hour based on 2012 wage data.

R.3 Purchase the software necessary for utility customers to manage their accounts online.

Financial Implication: The net present value of using online account management software is approximately \$55,700 assuming 15 percent of the current customer base signs up for online account management and the software remains in use for five years. **Table 3** contains a detailed calculation.

Table 3: Net Present Value of Account Management Software Purchase

Annual Estimated Savings	\$13,031
NPV of Five Years of Savings ¹	\$58,159
Initial Investment	(\$2,400)
NPV of Software Investment	\$55,758

Source: Gallipolis Utility Department data

¹ Assumes 3.91 percent cost of capital.

The Village’s current billing and processing of utility payments costs an estimated \$94,000 per year including approximately \$13,000 in postage expenses. Beginning on the first day of the month, the billing supervisor and the two clerks split their time between collecting mail, opening envelopes and entering billing and payment information into the computer system and handling walk-in customers at the window. It was estimated that these three individuals spend approximately 40 hours, combined, on this process.

Utility billing software could be purchased for \$2,400 with about \$300 in annual service fees. This software would allow customers to access account information and make payments online. Projected savings from online account management include savings from reduced postage costs of the Village and the assumption that an FTE could be reduced as man-hours for bill and payment processing are lessened. A 2011 Connect Ohio survey found that 75 percent of Gallia County residents use the Internet regularly and 49 percent take advantage of online bill pay. This survey suggests that there is a market for online services among the Village's customer base.

The Village may also consider purchasing a public kiosk or terminal where customers who might wish to use the electronic bill pay but do not have Internet access could check and pay their bills. Alternately, the Village’s existing software vendor offers support for setting up a standard computer as a public terminal where customers would be able to access their accounts. Either of these options could speed the Village’s transition to electronic billing by assuaging the fears of customers who may have little experience with online bill pay systems.

R.4 Consider outsourcing the management of its pool to a private contractor.

Financial Implication: The Village could save approximately \$50,000 by contracting out pool management services based on similar savings by the City of Maple Heights.

Total costs to operate the municipal pool in Gallipolis for 13 weeks in 2011 amounted to \$131,000. This includes the water slide and concession stand during all hours of operation but does not include the cost of the water, which is provided by the Water Department. Pool revenues totaled approximately \$67,000 in the same year. Because revenues fell short of total expenditures, a transfer of \$50,000 was needed from the General Fund to the Pool Fund to cover the excess costs, equating to a loss of \$550 for each day the pool was open.

Pool management through a private contractor has benefited several municipalities in Ohio. The cities of Belpre and Maple Heights are two municipalities that contract pool management from a third party. Administrators of both cities noted that, in addition to fiscal savings, contracting out to a private operator reduced administrative activity for the pool operations. Private companies specializing in pool management often have more staffing and technical resources than municipal staff members. Furthermore, the contractor's knowledge of pool management can be vital in developing efficiencies in such areas as hours of operation, concession and slide operations (hours and staffing levels); and maintenance and repair of capital equipment.

Both cities noted significant financial savings from contracting for management. City officials at Belpre stated that since allowing a third party to manage its pool, the amount of funds transferred to cover pool operating expenses has been reduced. Similarly, Maple Heights expenditures to operate its pool have decreased significantly since contracting for management. Maple Heights first contracted only its lifeguard function in 2008. By 2010, Maple Heights had decided to allow the company to also run the remaining pool operations including concessions and admissions. Maple Heights noted that when the city ran the pool, overstaffing of lifeguards and maintenance employees was prevalent. The contractor was able to identify proper staffing levels and other operational cost savings measures to reduce overall expenditures by approximately 38 percent.

R.5 Outsource all or a portion of its income tax operation.

Financial Implication: The Village could save approximately \$48,000 by outsourcing its income tax operations assuming a cost of 3.5 percent of revenues.

The Village employs a full time Tax Administrator and Tax Clerk to oversee the collection of its income tax. From 2007 to 2011, average yearly expenditures for the Income Tax Department were about \$104,000, or 6.4 percent of tax receipts.

The Central Collection Agency (CCA) and the Regional Income Tax Agency (RITA) are statutorily authorized to administer income tax services to municipalities in Ohio. These two entities currently provide income tax collection services for more than 250

municipalities in Ohio. Each municipality is billed for its services based on the percent of total collected and number of transactions processed. Fees average between 2 percent and 4 percent of revenue collected.

The following Ohio municipalities recently began contracting income tax operations to RITA and CCA:

- Village of Middleport, 2008: Middleport was able to save approximately \$60,000 in staff salaries as well as other costs necessary to run an in-house collection operation. Middleport collects approximately \$220,000 annually and pays a fee of 3 percent of revenue.
- Village of New Richmond, 2010: New Richmond pays three percent of its revenue for collection and processing returns. The Fiscal Officer noted that much of the upfront costs and research were provided at no cost.
- City of Belpre, 2012: Belpre sought to shift the responsibility of collection of late fees and penalties to the contractor. The city has not yet been able to quantify additional collections that have resulted from this action.

Should the Village contract for income tax collection operations, it is reasonable to assume that it could achieve similar savings.

R.6 Negotiate lower compensation for the City Manager, Auditor, utility clerks, and Cemetery Sexton.

Financial Implication: By reducing the compensation rates of the City Manager, Auditor, utility clerks, and Cemetery Sexton, the Village could save approximately \$31,800 annually.

Wages for Village employees were compared to pay for similar positions at the peers. **Table 4** displays those positions that were found to have wages in excess of the peer average.

Table 4: Wage Comparison

	Gallipolis	Peer Average	Difference	Annual Impact
City Manager	\$29.42	\$25.54	\$3.88	\$8,070
Auditor	\$24.15	\$21.17	\$2.98	\$6,198
Utility Clerk	\$13.02	\$10.31	\$2.71	\$5,636
Cemetery Sexton	\$17.38	\$11.65	\$5.73	\$11,918
			Total	\$31,822

Source: Gallipolis and peers

As shown in **Table 4**, the Village had wages for four positions that exceeded the peer average salary for similar positions. The annual impact ranged from about \$5,600 to \$11,900 with a total annual impact of about \$31,800.

R.7 Compensate the Cemetery Sexton per burial, contract for cemetery mowing and

require payment of rent and utilities for the onsite residence

Financial Implication: The Village could save approximately \$30,800 by contracting for mowing and burial services assuming it would receive the average price per acre and pay the average cost per burial of the surveyed municipalities, in addition to savings of \$6,000 by requiring the occupant of the cemetery residence to pay rent and utilities.

Table 5 shows a detailed cost analysis of cemetery operations.

Table 5: 2011 Cemetery Expenditures: Actual vs. Contracted

	Actual	Contracted (Estimated)	Difference
Personal Services	\$85,609	\$0	\$85,609
Cost of onsite residence	\$6,000	\$0	\$6,000
Contracted Burials - 33 burials X \$700/burial	\$0	\$23,100	(\$23,100)
Contracted Mowing - 49 acres X \$32/acre X 24 weeks	\$0	\$37,632	(\$37,632)
		Total	\$30,877

Source: Gallipolis cemetery data; Violet Township, Ohio; Village of Middlefield, Ohio; City of Lancaster, Ohio and City of Nicholasville, Kentucky

Since 2007, average annual expenditures for the cemetery have been approximately \$131,000. For the same time period, the Cemetery Fund consistently operated with a deficit, requiring an average transfer of approximately \$91,000 from the General Fund. The Village employs a full time Cemetery Sexton with a salary of about \$35,000 annually with residence and vehicle included. The Sexton’s duties include selling lots, opening and closing graves, and mowing and maintaining the cemetery as needed.

In 2011, the cemetery had 33 burials, 7 cremations, 8 weekend services, and 11 lot sales. Based on this workload, the Village should assess whether a full-time sexton is warranted. Several Ohio municipalities contract for burial services including Violet Township which contracts at a rate of \$700 per burial.

According to the Gallia County Auditor, the Village operates and/or maintains three cemeteries totaling 49 acres. The mowing and upkeep of the cemeteries is completed by the Sexton and seasonal employees. It is common practice for municipalities to contract out for cemetery mowing. For example, the Village of Middlefield, the City of Lancaster (both in Ohio) and the City of Nicholasville, Kentucky contract for cemetery mowing service. These municipalities incurred an average expense of \$32 per acre for their mowing contracts. Although the Village paid a comparable rate for this service, \$30 per acre in 2011, this does not include the additional cost for the salary of the Sexton.² Contracting for the entire scope of work performed, rather than paying the Sexton to complete this work in addition to the seasonal labor, would have been more cost effective.

² Expenditures for seasonal work, (primarily for mowing) have averaged approximately \$36,000 including benefits.

Expenditures for seasonal work, (primarily for mowing) have averaged approximately \$36,000 including benefits. According to the Gallia County Auditor, the Village operates and/or maintains three cemeteries totaling 49 acres. The mowing and upkeep of the cemeteries is completed by the Sexton and seasonal employees. In addition to the salary of the Sexton, the Village paid \$30 per acre for seasonal labor for mowing in 2011. It is common practice for municipalities to contract out for cemetery mowing. The Village of Middlefield, the City of Lancaster (both in Ohio) and the City of Nicholasville, Kentucky contract for cemetery mowing service. These municipalities incurred an average expense of \$32 per acre for their mowing contracts.

The Cemetery Sexton receives an additional form of compensation in the form of a free residence with utilities while residing on-site at the cemetery. The Village utilizes on-site residences at the fire station and cemetery to allow for the employees residing in those units to respond to job related tasks more quickly. The Village must decide whether the risk management benefit of having an employ reside onsite in the cemetery outweighs the cost of this residence.

The Village of Loudonville, Ohio had a similar situation in which the Cemetery Superintendent (sexton) was provided a free onsite residence. However, in 2012, Loudonville concluded that the benefits of having an onsite employee no longer outweighed the associated costs. As a result, an ordinance was created stating that "the Cemetery Superintendent shall no longer receive free rent or utilities, but shall lease the residence provided by the Village for \$400 per month and pay all utilities consumed by the Superintendent and his family."

Based on 2011 statistical data available for the Village, the average monthly mortgage within Gallipolis was \$361 and the average monthly property tax was \$81. Combined with an estimated monthly utility expense of \$60, the Village is spending an estimated \$6,000 per year for the on-site residence.

R.8 Reduce the paid lunch breaks for police officers by one-half hour.

Financial Implication: Based on the median officer wage of \$20.05, the reduction of 1,300 paid lunch hours would result in a savings of approximately \$26,100 in payroll and pension expenses.³

The Police Department operates with three 10 hour shifts per day. Each officer is allowed one paid hour for lunch during each shift pursuant to the department manual, meaning that a ten hour shift essentially has nine working hours. Scheduling officers for 9.5 hours per day, including one-half hour of paid lunch, would maintain the current number of scheduled working hours per day.

³ Should the Village implement **R.2**, the savings from this recommendation will no longer be feasible.

Table 6 shows the cost of offering a paid lunch hour for the Police Department.

Table 6: Paid Lunch Analysis

Regular hours worked	26,053
Shift length (hours)	10
Paid lunch hours	2,605
Median hourly cost of police officer	\$20.05
Total Cost	\$52,224

Source: Village payroll records

In comparison to other departments, the Village personnel policy manual outlines several different lunch policies. According to the City Manager, the policy for a one-hour paid lunch for police officers has been carried forward from a prior police contract despite the Police Department employees no longer being employed under a bargaining agreement. Though the Fair Labor Standards Act does not require a lunch period, any unpaid breaks must allow an employee complete relief from duty.

R.9 Conduct routine preventive maintenance to reduce inflow and infiltration in its sewer system.

Financial Implication: If the Village reduced its inflow and infiltration rate to a level similar to the peers, it could save approximately \$25,900 in costs associated with running the wastewater treatment plant.

Table 7 contains a detailed cost analysis.

Table 7: I/I Data: 2009-2011

	Gallipolis	Peer Average	Difference
Sanitary Sewer Collected	404,756,667	372,210,333	32,546,333
Water Billed	196,974,267	190,171,397	6,802,870
Difference (Treated but Unbilled)	207,782,400	182,038,936	25,743,464
Percent of all Collected but Unbilled	51%	49%	2%
Additional I/I Treated			2%
2% of Average Treated Gallons			8,095,000
Cost per Gallon			\$0.0032
Cost to Treat Additional I/I			\$25,904

Source: Gallipolis Sewer Department data; Village of Loudonville, Ohio; Village of New London, Ohio and City of Marietta, Ohio

Inflow and infiltration (I/I) refers to water in the sewer system that does not come from a metered sewer. Inflow refers to water entering the system through improper connections while infiltration refers to groundwater that seeps into the system through leaks in the pipes. I/I results in water that the Village must treat but cannot directly charge customers for the cost.

From 2009 through 2011, the Village billed an average of 49 percent of all water treated compared to the peer average of 51 percent. This 2 percent difference equates to

approximately 8 million gallons of I/I water treated. I/I can be reduced through some routine maintenance. The Ohio EPA recommends that a municipality reduce I/I by dividing its system into sections and focus on reducing it in those sections where the inflow and infiltration is the most prevalent. One common method to reduce I/I is regular cleaning of both storm and sanitary sewers through sewer jetting. Sewer jetting uses a high pressure stream to clean the infrastructure allowing sewer water to flow more easily through the system. The Village owns a jetter, but maintenance with this tool is performed on an as-needed basis due to insufficient staffing.

R.10 Shift the code enforcement function to a three day per week position and outsource the building permit function.

Financial Implication: Shifting the code enforcement function to a three day per week part time position and contracting out the building inspection/permit function would save the Village approximately \$18,000 based on 2011 data. See **Table 8** for cost detail.

Table 8: Code Enforcement Cost Detail 2011

Code Enforcement Total Compensation	\$49,397
Estimated Salary - 3 Day Work Week	\$29,638
Savings	\$19,759
Cost \$32 per Permit	(\$1,664)
Total Savings	\$18,095

Source: Gallipolis financial and code enforcement data

In 2011, the Code Enforcement Department had total expenditures of approximately \$100,000. The primary driver of departmental expenditures was the cost of a full-time Code Enforcement Officer who is responsible for permitting and code enforcement. Based on population loss that has occurred in the past decade coupled with the low permitting workload, the Village should consider reducing staffing in this department.

Harrison, Ohio outsources the building inspection and permitting services to self-employed inspectors. The coordination of this function, as well as code enforcement, is overseen by a part time employee that works three days per week. Contracted inspectors are paid based on the number and type of inspections they conduct. Under this model, the inspectors do not work a consistent number of hours per week and do not receive health care benefits. Costs are reduced by paying inspectors \$25 per inspection plus benefits (with the exception of health care) and travel expenses.

The City of Seven Hills also contracts out its permitting function. Using a system similar to Harrison’s in which inspectors are paid per permit, Seven Hills was able to issue permits at a cost of approximately \$32 per inspection.

R.11 Reduce the number of service vehicles in the fleet.

Financial Implication: The reduction of four vehicles could save the Village approximately \$10,800.

Table 9 contains a detailed list of fleet vehicles identified for reduction.

Table 9: Reduction of Fleet Vehicles

Make/Model	Last 4 Digits of VIN	Year	Current Odometer	Estimated Value	Insurance	Estimated Sales Price ¹
GMC Club Cab	4370	1989	N/A	\$1,200	\$170	\$1,280
GMC Sonoma	1348	1991	N/A	\$600	\$170	\$725
Ford F-150	5781	1993	137,475	\$1,400	\$170	\$1,465
Ford Pickup	9578	1993	137,475	\$1,300	\$170	\$1,373
Chevy 4x4	4559	1993	151,592	\$3,000	\$170	\$2,945
GMC C6402 Dump Truck	1401	1985	87,229	\$1,600	\$170	\$1,650
Buick Century	7136	2002	160,000	\$1,500	\$0	\$1,388
Total Savings						\$10,825

Source: Gallipolis Service Department data

The Village does not have a system in place to identify the proper size of its vehicle fleet, nor does it have any guidelines on when to replace vehicles due to age and/or mileage. As a result, the Village may be spending additional funds on vehicles that are not needed or are not cost effective to operate.

The City of Dublin, Ohio has developed a vehicle replacement policy built around the type, age and mileage of the vehicles. Dublin’s general recommendation is to replace light trucks and sedans after 8 years or 120,000 miles and heavy trucks after 12 years or 75,000 miles. The service department must also track the cost of repairs and calculate a projected cost of ownership for each vehicle each year. This allows the city to make decisions about whether to repair or replace a vehicle based on a cost/benefit analysis. Using the vehicle inventory policies from the City of Dublin, AOS calculated that the Village can reduce its inventory by five pickup trucks, one sedan and one dump truck.

Reducing the vehicles contained in **Table 9** would result in a fleet of seven pickup trucks, one van and three dump trucks. The resulting fleet would still enable the Village to address necessary services for the health and general welfare of its population based on a comparison with the fleet sizes of the peer municipalities.

R.12 Reduce Police Department overtime by adopting a Section 7(k) work period and eliminating minimum call-in times.

Financial Implication: By implementing an alternative work period, the Village could reduce approximately 1,700 hours of Police Department overtime for a savings of approximately \$10,000.⁴

While the Village’s written policy is for overtime to be calculated on a weekly

⁴ Should the Village implement **R.2**, the savings from this recommendation will no longer be feasible.

basis, overtime for Police Department personnel is actually calculated on a per shift basis. Any time worked beyond ten hours per day is considered overtime. Department policy is that overtime must be approved in advance by the Chief of Police or a shift supervisor; however, there are exceptions that allow overtime to be approved at the discretion of the shift supervisor.

Section 7(k) of the Fair Labor Standards Act allows for municipalities to establish alternative work periods for police officers. A work period may be up to 28 consecutive days in length. Within a 28 day work period, police officers are due overtime compensation only after working 171 hours.

By adopting a 28-day work period for the purpose of calculating overtime for Police Department employees, the Village would be required to pay overtime only for hours worked exceeding 171 hours per officer.

Additionally, the Village should also eliminate minimum call-in times that are paid at overtime rates. When an overtime situation becomes unavoidable, the Village should promote the use of compensatory time in order to minimize cash payments as compensation for overtime. The Village has personnel policies that address the accrual of compensatory time and minimum call-in times. Compensatory time can be awarded at one and a half hours for each overtime hour worked in lieu of cash. Compensatory time can then be used as if it were leave time. The personnel manual also establishes a minimum two hour call-in time paid at time and a half the hourly rate for Village employees. This policy applies any time an employee is called in for work at an unscheduled time.

R.13 Eliminate the practice of providing additional pay for acting sergeants within the Police Department.

Financial Implication: Eliminating additional pay for designating acting sergeants would save the Village approximately \$5,200 in wages and benefits.⁵

The Police Department does not employ full-time sergeants. Department policy based on the prior bargaining agreement allows for a senior patrolman to command a shift without holding the rank of sergeant. The most senior patrolman is temporarily promoted to acting sergeant if an officer ranked lieutenant or higher is not working during a shift. This promotion lasts only for the duration of the shift and includes a 6 percent pay increase in addition to 19.5 percent pension contribution and 1.45 percent contribution for Medicare.

In 2011, every full time patrolman received additional pay for being designated as acting sergeant, indicating no unique qualifications are needed for this in-shift promotion relative to the other police officers.

R.14 Bypass the construction of a new waterslide or reduce pool hours of operation.

⁵ Should the Village implement **R.2**, the savings from this recommendation will no longer be feasible.

Financial Implication: Bypassing installation of a new slide in 2013 would enable the Village to avoid approximately \$3,900 in additional lifeguard wages.

Contributing to the \$50,000 deficit to operate the municipal pool was the operation of a waterslide that was removed for 2012. The Village ran the slide nearly 22 hours per day due to concerns that the slide may not restart if turned off. The Village is considering installing a new slide which would be operational in 2013. Although the new slide would likely be more efficient, the Village would still incur costs for man-hours associated with lifeguarding at the waterslide area.

Independent of outsourcing pool management, the Village must determine the cost/benefit of continuing to operate a slide. The most easily identifiable cost for slide operation are the additional wage expenditures needed for lifeguarding, as the operation of the slide requires a lifeguard to be stationed nearby. Eliminating the slide would reduce the need for this position thereby reducing the wage expenditures. Eliminating the slide would also reduce the electricity needed to run the electric water pumps.

R.15 Eliminate or reduce operating hours of the pool concession stand.

Financial Implication: Eliminating the concession operation would result in an immediate savings of \$3,600.

The Village offers a full concessions operation which is open during all hours of pool operation. In 2011, sales did not cover operating costs, contributing approximately \$3,600 to the Pool Fund operating deficit. The primary expenditure for the concessions operation was employee wages of approximately \$11,000 which includes costs for retirement, Medicare, and workers compensation.

Independent of outsourcing pool management, the Village must determine the cost/benefit of continuing to operate a concessions operation. Eliminating or reducing the hours of concessions sales would result in an immediate financial impact for the Village.

R.16 Ensure that the master meters are in proper working order and are read regularly.

Master meters allow an entity to monitor water loss by dividing the distribution system into sections in order to calculate and monitor water loss for each section. In 2005, the Village installed six master meters to help ascertain how much water the system was losing and help identify the approximate areas where the water loss was occurring. Since the installation of the meters, they have not been read on a regular basis and the Village is receiving no benefit from these meters. As a result, the Village cannot pinpoint the area where the system is experiencing the highest water loss rates.

The Kentucky Rural Water Association (KRWA) suggests that master meters are a key part of a preventative maintenance plan because they allow an entity to isolate sections of its system with the highest water loss rates. Master meters allow municipalities to focus

resources to sections with the most breaks and highest loss. By reading its master meters on a routine basis, the Village would be better able to pinpoint and focus resources on areas of greatest need.

R.17 Offer for-hire police services, also known as special duty, to businesses within the community.

Criminal complaint data tracked by the Police Department showed that one-third of all complaints came from business locations in 2011. In addition, most of those businesses had multiple calls during the year.

The Police Department currently offers some special duty services to the community, but its services are not widely used. Contracting businesses pay an officer's overtime rate, employer pension contribution, and employment taxes. Payment for service is received by the Village who then pays the officer. The Village received \$3,738 for an estimated 131 hours of special duty services in 2011. There are some short term assignments that occur throughout the year; however the only regularly occurring special duty assignment is to direct traffic at a restaurant for one hour on Friday afternoons. According to the Chief, the department has difficulty finding officers that want to work special duty assignments though the Chief has the authority to schedule staff at his discretion.

The Village does not currently promote or actively work to expand special duty services of the Police Department. By promoting the use of police special duty services, a greater on-duty police presence could be maintained at no additional cost to the Village. The Police Department has an existing relationship with some businesses as well as an agreement with a local business association to check doors of businesses in the evening while officers are on patrol (referred to as merchant police work). The association pays the Village \$6,000 per year for this service.

R.18 Consider creating a Joint Economic Development District (JEDD) to foster economic development.

The City Manager is responsible for economic development and has formed a good relationship with Gallia County Economic Development Department. As a result, there are several joint projects between the two entities which could foster economic development within the community.

Since 1993, more than 20 Joint Economic Development Districts (JEDD) have been created in Ohio to promote local cooperation among townships, cities and villages. JEDDs provide a mechanism by which townships and cities/villages can foster development activities without annexation. The creation of a JEDD eliminates barriers that exist between local governments that impede economic development. JEDDs make economic development beneficial for both government entities involved.

The Village has not worked with the County to create a JEDD nor has it explored the possible benefits of forming one. Although the benefits of the creation of a JEDD are

difficult to measure, the function of a JEDD could help the implementation of economic development plans created by the City Manager.

Appendix

Supplemental Overview

Financial Data

Table 10 displays General Fund revenue and expenditure data from 2009 through 2011.

Table 10: Historical Financial Data - General Fund

	2009	2010	Change	2011	Change
Unencumbered Balance	\$982,681	\$1,225,918	24.8%	\$617,103	(49.7%)
Revenue	\$4,714,245	\$4,453,203	(5.5%)	\$3,965,171	(11.0%)
Expenditures	\$3,473,133	\$3,843,368	10.7%	\$3,704,790	(3.6%)
Expenditures as Percentage of Revenues	73.7%	86.3%	N/A	93.4%	N/A

Source: Gallipolis Auditor

As shown in **Table 10**, the Village has experienced a significant decline in revenues coupled with a steep increase in expenditures. As a result, for every one dollar received in revenue in 2011, \$0.93 was expended compared with just \$0.73 in 2009. Because of the steep narrowing of its operating margin, the Village’s General Fund balance decreased 37.2 percent in the three year period shown.

Staffing Data

Table 11 displays the Village’s staffing levels to the peer municipalities.

Table 11: Staffing Level Comparison

	Gallipolis	Belpre	Loudonville	Marietta	New London	Peer Average	Difference
Administrative	5.5	6.5	1.1	17.5	3.0	7.0	(1.5)
Code Enforcement	1.5	0.0	0.1	0.0	0.0	0.1	1.4
Taxation	2.0	0.0	0.0	3.0	1.0	1.0	1.0
Police	14.0	14.0	10.0	36.0	4.0	16.0	(2.0)
Fire	1.0	1.0	4.0	35.0	0.0	10.0	(9.0)
Public Works	23.0	15.5	6.8	58.2	11.0	23.0	0.0
Cemetery	1.0	0.0	0.1	1.3	0.0	0.3	0.7
Total	48.00	37.0	22.1	151.0	19.0	57.4	(9.4)

Source: Gallipolis and peers

As shown in **Table 11**, the Village operates with a total staff approximately 20 percent smaller than the peer average. Staffing levels exceeded the peer average only in the areas of code enforcement, taxation and cemetery operations.

CLIENT RESPONSE

The letter that follows is the official response of the Village of the City of Gallipolis to the performance audit. Throughout the audit process, staff met with Village officials to ensure substantial agreement on the factual information presented in the report.



THE City of Gallipolis

P. O. Box 339, Gallipolis, Ohio 45631
(740) 441-6004

September 25, 2012

Mr. David Yost
Auditor of State
88 East Broad Street
Columbus, OH 43215

Dear Auditor Yost:

We have received our requested Performance Audit and appreciated the pleasure of sitting down face-to face with your representatives during a closed session of our September 4th commission meeting. The five of us as commissioners are well-attuned to the fact that our municipality is experiencing a declining population, which impacts the ethical and financial responsibilities of our office as commissioners.

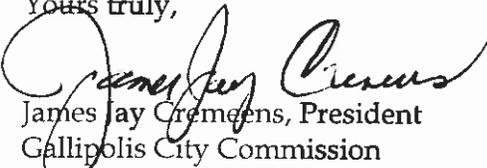
The study conducted by your field auditors was discussed in some detail with us, and I feel it to be a competent analysis of those areas we most need to consider in light of declining revenues and increasing municipal expenditures.

I have seen our community go from a vibrant city of nearly 10,000 residents to now a village of approximately 3,500 townfolk, but with the same level of expectation in regard to municipal services, whether it should be professional police protection, superb street care or even the mowing of our village cemeteries. All five commissioners agree that we must sit down and make some decisions, some more difficult than others, on providing affordable municipal services.

The community has placed its trust in us, and the responsibility falls directly on our shoulders to operate our small town government in the most financially feasible way possible. In discussion with our Village Solicitor, Mr. Adam Salisbury, we are planning to meet in private session to further discuss the Performance Audit and begin the path to implement many of your team's cost saving recommendations.

Again, I appreciate the work done by your office and the professional opinions rendered by your talented staff. The Board of Commissioners will be meeting soon to begin our in-depth discussions of the Performance Audit and we will be in contact with your office to keep you abreast of our accomplishments.

Yours truly,


James Jay Cremeens, President
Gallipolis City Commission

James J. Cremeens

Steven E. Wallis

City Commission
Michael W. Brown

James A. Cozza

W. Matthew Johnson

Randall J. Finney, City Manager

Annette M. Landers, City Auditor

Adam R. Salisbury, City Solicitor

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Dave Yost • Auditor of State

VILLAGE OF THE CITY OF GALLIPOLIS

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 11, 2012