



Auditor of State
Betty Montgomery

CITY OF NORWOOD PERFORMANCE AUDIT

FEBRUARY 23, 2006



**Auditor of State
Betty Montgomery**

To the Citizens of the City of Norwood:

Pursuant to the Ohio Revised Code (ORC) §118.022, the Mayor of the City of Norwood requested that a fiscal analysis be performed by the Auditor of State's Office (AOS). The analysis forecasted a deficit of \$1,546,000 for the City's General Fund for the year ending December 31, 2004. Subsequently, AOS placed the City of Norwood (Norwood) in fiscal watch on October 7, 2004. To assist in improving financial conditions, and to facilitate removal from fiscal watch status, ORC §118.023 permits AOS to provide technical and support services to municipalities. In accordance with this authority, a performance audit was initiated for the City of Norwood.

Following discussions with officials from the City, the following areas were identified for review: financial systems, including utility billing and income tax, human resources, safety services which include fire and police, public works and recreation, mayor's court, and the buildings and health departments. These components of Norwood's operations were selected because they are essential to the City's mission of providing service and assistance to its citizens. 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, 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 Mayor and its contents discussed with appropriate City officials. The City has been encouraged to use the results of the performance audit as a resource in improving its overall operations and service delivery.

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

Sincerely,

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

BETTY MONTGOMERY
Auditor of State

February 23, 2006

Executive Summary

Project History

As provided by Ohio Revised Code (ORC) § 118.022, the Mayor of the City of Norwood requested that a fiscal analysis be performed by the Auditor of State's Office (AOS). This analysis indicated that conditions meeting the criteria for fiscal watch existed as defined in ORC § 118.022(A)(4). The City's financial forecast of the General Fund for the year ending December 31, 2004 indicated that a forecasted deficit of \$1,546,000 would be experienced. This amount exceeded one-twelfth of the General Fund revenue from the prior year and as a result, AOS placed the City of Norwood (Norwood) in fiscal watch on October 7, 2004. To assist in improving financial conditions, and to facilitate removal from fiscal watch status, ORC § 118.023 permits AOS to provide technical and support services to municipalities. In accordance with this authority, a performance audit was initiated for the City of Norwood.

Based on AOS research and discussions with City officials, the following areas were identified for study in the performance audit:

- Financial Systems, Income Tax and Utility Billing;
- Human Resources;
- Safety Services, including Police and Fire operations;
- Public Works; and
- Miscellaneous Departments including
 - Health Department
 - Building Department
 - Mayor's Court.

On February 21, 2005, AOS staff began fieldwork for the performance audit in the City of Norwood.

City of Norwood Overview

The City of Norwood is located in Hamilton County near Interstate 71 and State Route 562, and is surrounded by the City of Cincinnati. Norwood was established as a city in 1888. In 2000, the City's population was estimated at 21,675 residents.

Norwood is a statutory city and its legislative operations and distribution of responsibilities are defined in Ohio Revised Code. The 9-member City Council is responsible for appropriations

and budget monitoring while day-to-day operations are managed by an elected Mayor and the Safety/Service Director who is appointed by the Mayor. The Mayor and Safety/Service Director assumed their responsibilities in January of 2004 and were members of City Council prior to that date.

During the 1980's, the City experienced financial problems related to the downsizing and eventual closure of the General Motors plant located in the City. The City's financial condition deteriorated and it was placed in fiscal emergency on January 4, 1980. The City was the second local government to be so designated. During this period, salary ordinances were suspended due to the City's financial condition. The City did not emerge from fiscal emergency until June 25, 1987.

Over the past decade, the City has worked strenuously to attract developers and improve its financial outlook. Economic development has improved the job opportunities for residents and marginally increased income tax receipts. However, Norwood has strong bargaining units and has historically negotiated very generous collective bargaining agreements. The City now recognizes that the bargaining agreements significantly contribute to its growing financial crisis and has discussed remedies like being placed in fiscal emergency or in bankruptcy. Under the current economic conditions it appears that the City will either have to reopen the contracts with agreement from the bargaining units or wait until the contracts expire to make desired changes to the agreements. In March 2005, the Auditor of State projected deficits of \$3.6 and \$6.1 million for fiscal years ending December 31, 2005 and 2006, respectively.

The City has experienced a declining General Fund balance and population, and a growing outstanding employer liability to the police and fire pension funds. Expenditures have exceeded revenues for the last three years, and carryover balances have diminished. Furthermore, neither the 2003 nor 2004 financial audits have been completed. The majority of the audit procedures related to the City's 2003 budgetary information and compliance were completed. However, the GAAP-basis financial statements and supporting documentation for 2003 were not provided to AOS auditors until mid-august of 2005 and the sufficiency of this information is still under review. In addition, this was the first year the City implemented Statement Number 34 of the Governmental Accounting Standards Board (GASB 34) Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Subsequently, the City has discussed performing an audit on the City's 2004 and 2005 financial records in 2006. Outstanding liabilities included the 2nd and 3rd quarter 2004 employer contributions of \$755,000 due to the Ohio Police and Fire Pension Fund (OPFPF). In addition an agreement exists between the City and OPFPF, concerning past due obligations from 1995, that requires monthly payments of \$8,750 for police through 2007, and \$8,750 for fire through 2011. The City is attempting to negotiate with OPFPF for payment of the past due obligations.

Despite projected increases in General Fund deficits, City Council has not developed or implemented a financial recovery plan. Although some reductions in expenditures have been

made by the administration, large increases in cost of living adjustments for bargaining unit staff, coupled with negotiated manpower increases in the Police and Fire departments have negated any cost savings. This audit contains recommendations for operational enhancements and identifies substantial cost savings, due in part to high negotiated wages in several areas, and the high levels of staffing (often contractually required) in the safety service departments.

Objectives

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. The overall objective of this performance audit is to assist the City in identifying strategies for eliminating the conditions that brought about the fiscal watch declaration. The following assessments were conducted in this performance audit¹⁻¹:

- Financial Systems, including financial management practices, Auditor and Treasurer's Office operations, utility billing practices, and income tax collection practices;
- Human Resources, including the City's organizational structure and staffing levels, salary and compensation levels, benefits, personnel policies and procedures, and labor agreements;
- Safety Services, including the efficiency and effectiveness of Police and Fire Department operations;
- Public Works operations, including the efficiency and effectiveness of street maintenance, snow and ice control, and parks and recreation activities; and
- The self-sufficiency and potential for increased efficiency for the Health and Building Departments and Mayor's Court.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations comprise options that the City can consider to stabilize its financial condition while ensuring continuity of services.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between February 21, 2005 and August 15, 2005, and data was drawn from fiscal years 2002, 2003, 2004, and 2005. To complete this report,

¹⁻¹ Enterprise funds were not included in the audit assessments.

the auditors gathered a significant amount of data pertaining to the City, conducted interviews with numerous individuals associated internally and externally with the various departments, and reviewed and assessed available information. Furthermore, periodic status meetings were held throughout the engagement to inform the City of key issues impacting audited areas, and share proposed recommendations to improve or enhance operations. Finally, the City provided written comments in response to various recommendations, which were taken into consideration during the reporting process.

In addition, several cities were selected to provide benchmark comparisons for the areas assessed in the performance audit. The cities of Alliance (Stark County), Trotwood (Montgomery County), and Whitehall (Franklin County) were used as peers in the performance audit. These cities were selected based upon demographic and operational data. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, including the Government Finance Officers Association, the American Public Works Association, the State Employment Relations Board, the Ohio Municipal League, the United States Department of Justice, and the International City Managers Association.

The Auditor of State and staff express appreciation to the City of Norwood, City of Alliance, the City of Trotwood, and the City of Whitehall for their cooperation and assistance throughout this audit.

Conclusions and Key Recommendations

While City administrators have been working with the Auditor of State to identify cost saving opportunities, no plan has been developed and cost saving measures have not been widely implemented. Efforts by the City to avoid implementation of collective bargaining agreement clauses resulted in arbitration findings against the City and a requirement that the City provide back pay to Fire Department personnel. Although no strong cost containment measures have been independently implemented by the City, and it has been unsuccessful in its approach with the collective bargaining units to discuss concessions to avoid future deficits, the City has cut costs and reduced its projected deficit.

The performance audit found that Norwood could generate substantial savings by improving its operations to meet peer service and staffing levels. Estimated cost savings for items not requiring negotiation total \$2.8 million, while cost savings for items requiring negotiation are estimated to be approximately \$4.5 million. Staffing levels in several departments were one and one-half times those of peer cities. Further, while starting wages in several areas were 10 to 20 percent higher than the peers, Norwood had not taken steps to negotiate lower salary and wage scales. A review of historical expenditures demonstrated that the City has not made efforts to reduce costs and public officials stated that they could not make cost reductions until the performance audit was completed.

The performance audit contains several recommendations pertaining to the City of Norwood. The most significant recommendations are presented below.

In the area of financial systems, the City should consider the following:

- **Require the development and implementation of a five-year financial forecast that would project future revenues and expenditures and enable Norwood to identify financial trends and consider the future consequences of current decisions. The City should also complete its financial reports in conformance with GAAP in a timely manner.**
- **Develop and adopt financial planning and budgetary policies and procedures for a balanced budget. In addition, the City Auditor's Office, in conjunction with City administrators, should prepare a summary of the City's budget document to communicate the results of these efforts to the taxpaying public and assist the readers with understanding of the key issues. City Council should use the budget and its financial projection to help mitigate any measures that might negatively impact Norwood's financial position.**
- **Develop and adopt a formal capital improvement plan for all areas of operations.**
- **Require all employees to participate in direct deposit for salary payments for a potential savings of \$12,500 per year.**
- **Record and monitor all leave accumulation and usage through the City's payroll software and use the payroll software to calculate "special pays" that result from the annual leave buy back.**
- **Establish an Audit Committee as a standing subcommittee of the City Council to be responsible for overseeing internal and external audit functions.**
- **Ensure the City Auditor's Office employees are trained to be proficient with the Office's software and the purchase order requisition system. Training from SSI would be about \$2,000 for two one-day sessions.**

In the area of utility billing, the City should consider the following:

- **Assess the possibility of privatizing its water system operations and consider turning over delinquent accounts to a third party collection agency.**

- **Adopt policies that outline the manner in which water rates are structured and the extent to which rates will offset its maintenance and operational costs, as well as Greater Cincinnati Water Works' rate increases.**

In the area of Income Tax Collections, the City should consider the following:

- **Either outsource earnings tax collection operations or adopt policies and practices for better identifying taxpayers and ensuring effective collections. Due to numerous and fundamental operating limitations, a third party earnings tax management service should be considered for resolution of these issues. Norwood could potentially generate additional revenue of \$854,000 annually through outsourcing earnings tax operations.**
- **If operations are retained in-house, upgrade outdated software with more current applications that have appropriate features for the Earnings Tax Department such as online filing/payment capability, data mining features to identify non-filing taxpayers by comparing tax accounts to other lists, and compatibility with other applications used in daily operations. SSI (the City's financial software vendor) also produces a tax software package. Implementation would cost about \$10,000 if Norwood runs this software through the Auditor's Office server**
- **If operations are retained in-house, employ a tax commissioner on at least a 0.5 FTE basis and an additional account clerk at a cost of about \$72,600.**
- **Consider amending the Income Tax Ordinance to require mandatory filing for all residents 18 years of age and older and lower the earnings tax credit for individuals paying earnings taxes to other entities. If Norwood decreased the tax credit to 50 percent, it could increase revenues by \$273,000 based on the current tax returns filed and taxes collected. Also, consider amending Ordinance Number 93-2000, to include a penalty for those who fail to file estimated taxes.**
- **Establish formal policies and procedures to identify delinquent accounts to more effectively monitor and update delinquent account information. Applying a conservative delinquency rate of 2 percent to Norwood's total collections, it is reasonable to assume that Norwood has at least \$224,000 in accumulated delinquent accounts. Applying a 22 percent collection rate on these delinquencies (the collection rate similar to that of Alliance), Norwood could potentially collect \$49,280 in penalties and interest.**

In the area of Human Resources, the City should consider the following:

- **Develop and implement a long-term strategic plan which formally defines, prioritizes, and reports the administration's goals, objectives, and strategies as they pertain to statutory guidelines and City operations. The strategic planning process should be representative and be based upon input from internal and external stakeholders, including employees, members of Council and the public.**
- **Approach each collective bargaining unit, starting with the Fire Department, to formally request concessions in staffing levels currently mandated through collective bargaining agreements and implement collective bargaining procedures for the administration.**
- **Reduce the salaries for Council members and the position of vice-mayor in order to bring salary levels for these duties in line with the peers for an estimated savings of \$30,300 annually.**
- **Negotiate and implement at least a 10 percent employee contribution requirement toward monthly health insurance premiums and eliminate the PPO plan for an annual savings of \$279,500.**
- **Reduce costs associated with the Millenium Plan and C-9 Trust Fund covering health care costs for retirees for an annual cost savings of \$300,000.**
- **Formalize policies and standard operating procedures for all operations.**
- **Control and limit salary step increases in future contract negotiations, particularly since the potential cost savings resulting from performance audit recommendations may not fully offset future projected deficits. The City should hold step increases flat in FY 2005-06 for both bargaining and non-bargaining unit employees and equitably administer any cost of living adjustments (COLA) determined affordable based on an annual review of financial conditions. Based on FY 2004 personal services expenditures (excluding benefits), the annual cost associated with granting a 1 percent increase to all employees would be \$255,600. Also, seek to negotiate labor agreements which help achieve a greater degree of efficiency, as well as a higher level of equity among all employee groups. Finally, seek to negotiate the removal of early retirement incentives (ERIs) from contractual agreements.**
- **Renegotiate the manner in which sick leave usage and buy-back payments are calculated to be commensurate with the peers. Sick leave hours paid should match the number of sick hours used and the fraction of unused leave purchased back annually should be not more than two-thirds and should be consistent for all**

employees receiving this benefit. Furthermore, the City should negotiate stiff penalties as a means of dealing with known instances of sick leave abuse and monitor patterns of sick leave usage more closely.

- **Eliminate contractual employment agreements for the Police and Fire chiefs positions. Employment contracts for supervisory personnel, which contain costly benefit levels above the peers, represent significant financial and conflict of interest risks to the City. Since the Chief of Police and Chief of Fire department positions are civil service jobs, employment terms should be outlined within the civil service job description and should include annual wage and insurance benefits. These should be reviewed by Council and passed by ordinance, similar to the practice of peers.**

In the Fire Department (NFD), Norwood should consider the following:

- **Reduce Fire Department personnel levels by up to 22 full-time equivalent (FTE) employees, thereby achieving staffing levels and costs comparable to peers and national benchmarks. By implementing the proposed recommendation, the cost avoidance for the City would be about \$1,900,000 from January 1st – December 31st, 2006. Minimum manpower requirements could be fulfilled through mutual aid, as is the practice in several surrounding municipalities.**
- **Significantly reduce NFD overtime costs and negotiate to greatly reduce or eliminate MMP requirements for a savings of over \$150,000 annually.**
- **Restructure the financial incentives for EMS certifications to a level similar to the peers for new hires and change new hire qualifications to require EMT certification.**
- **Decelerate the growth in salaries to levels which are comparable to the peers and other local jurisdictions in the region by limiting cost of living increases to 1 percent for the next 4 years. Norwood could avoid about \$877,000 in personnel costs over a four-year period or about \$219,000 per year (assuming the implementation of recommended staffing reductions). Also, reduce longevity pay for employees hired after the expiration date of the current contract agreement.**
- **Limit the use of one-time revenues for operating expenses. The City should attempt to prevent the over-reliance on unpredictable funding sources to sustain general operations. However, it should explore the options of alternative funding for the Department beyond traditional methods.**
- **Increase the fee schedule of the Bureau of Fire Safety and adopt policies that outline the manner in which fees and charges are established. If NFD implements additional**

fees for services currently offered free of charge, it could generate a minimum of an additional \$31,000 in revenue. Increasing permit fees would raise an additional \$10,000 each year.

In the Police Department (NPD), Norwood should consider the following:

- **Reduce current staffing levels by 9 FTEs and 6.0 FTE vacant positions to achieve staffing levels and work load levels comparable to the peer average. This would result in a savings of about \$1.2 million annually.**
- **Restructure the pay scale for employees within NPD to better reflect regional pay levels. Also, negotiate a reduction in the contractual salary COLA growth rates to 1.0 percent for the next five years. By doing so, Norwood pay scale would become somewhat more comparable to that of its peers. This recommendation would result in \$2.3 million in savings over the forecast period or about \$458,000 annually.**
- **Develop alternative funding solutions to help offset the cost of activities of the Police Department**

In Public Works and Recreation Departments, Norwood should consider the following:

- **Increase the labor allocation by 2.0 FTEs to the streets maintenance function by shifting 1.0 FTE from park maintenance and hiring an additional 1.0 FTE for a net cost of \$35,100. Also, reevaluate the management structure so that adequate time can be spent administrative and planning activities. Finally, reduce parks recreation staff by a net of 2.0 FTEs for a cost savings of \$43,600.**
- **Purchase an automated work order system to facilitate operational planning, task management, and personnel management and to allow the Department to monitor and track labor allocations. Implementation of this recommendation would cost between \$12,500 and \$37,500 annually.**
- **Prepare a major infrastructure inventory with quality ratings based on objective and absolute standards. Prioritize and plan future infrastructure improvement and preventative maintenance tasks.**
- **Formalize purchasing policies to incorporate best practices that generally ensure goods and services are obtained in an efficient manner, there are sufficient internal controls, and the quality of service/goods from suppliers is monitored. Also, participate in the cooperative purchasing.**

- **Formalize its snow and ice control practices into a formal policy document. In addition, Purchase and install salt spreaders with electronic application controls, or alternatively, replace its salt control equipment as funding becomes available. Using salt spreaders could result in a net savings of \$5,000.**
- **Prioritize and reduce the number of activities provided by the Parks and Recreation Department according to available funding and operating costs, citizen feedback, and participation. The City would realize savings in wage costs associated with operating these programs and, potentially, operating costs such as maintenance/preparation of ball fields and swimming pools. Similarly, through cost/benefit analyses and citizen feedback, the Department should prioritize and reduce the number of facilities and assets based on available funding, facility operating costs, and use levels. This could potentially reduce the wages associated with operating or maintaining these facilities, as well as other supply or repair costs.**
- **Prepare formal vehicle and equipment replacement plans and implement a preventative maintenance program for all City vehicles and equipment.**

In the Building Department, Norwood should consider the following:

- **Establish policies and procedures that include documented internal controls for remote collection of fees for inspections**
- **Reduce 1 FTE Housing Inspector to achieve similar workload ratios for residential functions when compared to the peers. Other options include contracting with the Hamilton County Department of Building Inspections or raising fees to cover the cost of the services. With the reduction of 1 FTE Housing Inspector, the City would be able to save an estimated \$44,000.**

In the Mayor's Court, Norwood should consider the following:

- **Update internal control procedures related to the segregation of duties for the recording of court dispositions and the resulting fine and fee collection.**
- **Revise City Administrative Code § 159.03 to increase its personnel bonds from \$2,500 to an amount proportionate to the amount of cash handled by the Court.**
- **Establish common terms of payment at the time of sentencing to facilitate effective collections management practices and implement receivables policies and record keeping practices that allow an analysis of the aging of receivables. In addition, establish policies to ensure proper delinquent notices are sent, as well as formal criteria for taking punitive action against delinquent accounts.**

In the Health Department, Norwood should consider the following:

- **Consider outsourcing the Health Department activities to the Hamilton County Health Department for an annual cost avoidance of approximately \$254,000, including costs for contracting, in General Fund expenditures.**
- **If retained in-house, limit the scope of services to provide only those services that are not provided by the Hamilton County Health Department resulting in a reduced cost to the General Fund of about \$196,000.**
- **If retained in-house, aggressively seek additional funding sources that meet identified community health needs. By increasing its level of grant funding, the Department could reduce its reliance on the General Fund by about \$105,000.**
- **If retained in-house, raise service fee amounts to levels comparable to Hamilton County and begin collecting all fees for services. If the Norwood collected all fees due, it could increase revenue and offset its program costs by about \$116,000. If it increased its fees to levels similar to Alliance and the County, it could generate about \$138,000.**
- **If retained in-house, use established performance measurement processes to determine the level of effectiveness within the Health Department and of the services provided to its constituents.**

Issues for Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following such issues.

- **Governmental Structure:** Norwood operates as a statutory municipality under the guidelines of Ohio Revised Code Chapter 7. Statutory municipalities follow state laws concerning procedural matters, including state statutes governing the form or structure, and processes of government. Municipalities that adopt a charter may exercise powers of local self-governance through its provisions. As a statutory city, Norwood has endured ongoing financial hardship for at least the past decade and has been declared in fiscal oversight status on more than one occasion. Under the current financial conditions, particularly if the City is unable to negotiate a payment plan with the OPFPF, Norwood has a high likelihood of being insolvent by 2006. Documented correspondence between the Norwood Solicitor's Office

and AOS' Local Government Services and Legal Department provides evidence of Norwood's struggle to sustain fiscal stability.

City leaders, with advice and assistance from their legal counsel, may wish to consider the benefits of drafting a charter in order to enhance regulatory control over government operations. Although Norwood's Council and elected officials are ultimately responsible for good stewardship of City monies, historical and ongoing financial problems may be due, in part, to constraints and limitations imposed under both State statute and the current organizational structure. Under a charter form of government, similar to the City of Trotwood, the charter would control matters of local self-governance. However, City legal counsel should ensure that charter provisions do not violate constitutional provisions or infringe upon general laws.

- **Clerical Staffing:** This issue pertains to both the Police and Fire departments. Over two years ago, the City's Police Department secretary position became vacant and has not been filled. Due to budgeting constraints, the secretary within the Fire Department became responsible for both positions, working half days in each Department. In addition, several job functions of the secretarial position have been distributed among personnel within the two departments. The departments should examine the workload of the shared secretarial position to ensure administrative tasks are being completed.
- **Replacement of Dispatching Equipment:** It was noticed during the course of the Audit that the Dispatching equipment was ageing and Department personnel stated that it would soon need to be replaced. Best practices state that governments should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. With policies in place, the City should be able to determine the longevity or condition of the equipment and the cost of capital assets, and determine how the costs can be absorbed in the budgeting process. According to the Safety/Service Director, the City has received a \$350,000 donation to purchase equipment. A discussion on capital planning is contained in **R5.4** and the **finance** section of this report.
- **Outsourcing Dispatching Operations:** The City should consider the option of outsourcing the Dispatching operation to Hamilton County in an effort to reduce expenses. Due to the fixed expenses of equipment and shift coverage, there appears to be potential for a larger operation to absorb Norwood calls without a proportionate increase in their costs. Therefore, the potential for negotiating with Hamilton County for contractual dispatch services for less than in-house operational costs is high. In addition, outsourcing would be an alternative to large capital investments for replacement of dispatch equipment. An analysis should be conducted to determine the cost of outsourcing operations compared to the cost of on-going in-house operations, and the service levels provide versus the service level of the County Dispatch.

- **Scope of Public Works Department Operations:** A comparison of NPWD's scope of operations reveals that there are limited instances where the Department may benefit from outsourcing certain operations. Activities with a high potential for contracting for services at a lower cost are characterized by either sporadic demand and high capital costs or a labor intensive nature able to be performed by low or unskilled individuals. However, as the City does not maintain accounting records at a level of detail to determine function costs within City departments, this audit could not conclusively determine if these activities could be outsourced at a lower cost. The Department should evaluate its activities for savings resulting from contracting with third parties. Specifically, the Department should determine if savings are available by outsourcing mowing and litter control activities. For instance, the Department could seek to partner with Hamilton County's work detail program for juveniles that have committed minor crimes, implement a similar program to complete litter control activities, or continue to use the Mayor's Court work detail as noted by the Safety/Service Director.
- **Replacement of Equipment:** It was noticed during the course of the audit that the computer equipment in the Building Department was out of date. GFOA recommends that governments adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. These policies help ensure that needed capital assets, or improvements receive appropriate consideration in the budgeting process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance. The policies can address inventorying of capital assets, evaluate the difference between maintenance and replacement, and determine the source of funding for the capital assets. Stakeholders should have an opportunity to provide input as policies and plans are developed. Once the policies have been adopted, they should be publicly available, and should be used during the budgeting process. With policies in place, the City should be able to determine the longevity or condition of the equipment, the cost of capital assets, and determine how those costs can be accommodated in the budgeting process. This will help enable the City to replace equipment and to have a more functional Building Department. It will also allow them to better track and maintain updated records. Updated records can help assist management or other departments in the any decision making process.
- **The Use of Ohio State Supreme Court Case Management Specialists:** The State Supreme Court of Ohio offers free case management and technical assistance for case flow management which could help the Mayor's Court develop a comprehensive plan to improve their processes. The State Supreme Court also offers free training on identifying and implementing best practices, and allocating resources efficiently. Specifically, case management programs or 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. This issue could not be investigated fully because it would exceed the scope of this engagement as well as time and budget constraints. However, as it is a free service, it was determined that this could be a valuable resource to Norwood's Mayor's Court.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that Norwood should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 1-1: Summary of Performance Audit Recommendations

Recommendation	Annual Revenue Enhancement	Annual Cost Savings	Annual Cost	One-time Costs
Recommendations Not Subject to Negotiations				
R2.7 Implement direct deposit		\$12,500		
R2.11 & R2.12 Software training				\$2,000
R2.18, R2.19, R2.20, R2.21, R2.23 Outsourcing ETD operations OR increase the effectiveness of in-house operations, City Ordinances, and Earning Tax practices.	\$906,000 to \$1,122,000		\$74,000 to \$268,000	\$10,000
R3.4 Reduce salaries of Council members		\$30,300		
R4.2 Eliminate overtime for MMP		\$151,000		
R4.9 Increase fees for permits and implement fees for inspections	\$31,000			
R6.1 Reduce a net 2.0 FTEs in parks and recreation staff		\$43,600		
R6.1 Hire 1.0 FTE street maintenance employee			\$35,100	
R6.2 Purchase work order system software				37,000
R6.5 Install salt spreaders		\$8,200		\$3,200
R7.2 Reduce 1 FTE Housing Inspector		\$43,655		
R9.1, R9.2, R9.3, R9.4 Outsource Health Department operations to Hamilton County OR increase the efficiency of internal operations	\$0 to \$199,000	\$196,000 to \$254,000		
Subtotal	\$937,000 - \$1,352,000	\$485,255 - \$543,255	\$109,100 - \$303,100	\$42,200
Recommendations Subject to Negotiations				
R3.11 Limit COLA increase to 1 percent City wide				
R3.5 Establish a single HMO plan option and require 10.0 percent monthly premium contribution		\$279,500		
R3.6 Eliminate C-9 trust fund		\$300,000		
R3.11 Limit COLA increases to 1 percent City-wide		\$255,600		
R4.1 Reduce 22 Fire Department FTEs		\$1,900,000		
R4.4 Reduce the rate of Fire Department COLA increases		\$877,000		
R5.1 Reduce Police FTEs by 9 FTEs and remove 6.0 FTE vacant positions		\$1,204,000		
R5.2 Restructure the Police Department Pay Scale		\$458,000		
Subtotal	\$0	\$5,273,500	\$0	\$0
Total	\$937,000 - \$1,352,000	\$5,758,755 - \$6,302,010	\$109,100 - \$303,100	\$42,200

Source: Financial implications identified throughout this performance audit

Comparative Statistics

Table 1-2 displays demographic statistics and ratios for Norwood and the three cities used as peers in this performance audit.

Table 1-2: Demographic Statistics and Ratios

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
2000 Population	21,675	23,253	27,420	19,201	23,291
Total Area (square miles)	3.12	8.61	30.54	5.22	14.79
Per Capita Revenues (2002)	\$731.90	\$411.45	\$ 323.84	\$ 910.03	\$548.44
Per Capita Expenditures (2002)	\$713.55	\$ 385.70	\$318.62	\$ 845.04	\$516.45
% Revenues over Expenditures (2002)	2.6%	6.7%	1.6%	7.7%	5.3%
Median Household Income	\$32,223	\$30,078	\$34,931	\$32,794	\$32,601
Unemployed	3.4%	3.9%	3.7%	3.1%	3.6%
Industry Percent of Workforce					
Agricultural	2.0%	7.0%	1.0%	1.0%	3.0%
Manufacturing	17.3%	25.1%	20.8%	9.6%	19.5%
Retail	12.9%	13.7%	10.5%	15.9%	13.4%
Education/Government	13.8%	21.5%	21.9%	13.1%	19.8%

Source: US Census Bureau, Census 2000 and the Ohio Dept of Development 2003 Population Estimates

Table 1-2 demonstrates that Norwood's revenues and expenditures, when compared on a per capita basis, are the second highest of the comparison group. Its unemployment rate and median household income were slightly below the peer average. Of the comparison cities, Norwood is the smallest geographical area represented. It should, however, be noted that there are differences in the operational structures and services provided by each city. To the best extent possible, the differences between the cities were factored into the analyses to ensure a fair and reasonable comparison, and to ensure that the recommendations were reasonable options for the City of Norwood.

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Financial Systems

The financial systems section of the report contains analyses of the Auditor and Treasurer's Offices operations, the City's financial management practices, its utility billing function, and earnings tax operations.

A. Auditor and Treasurer's Offices and Financial Management

Background

This report section examines expenditures, purchasing practices, and internal controls, as well as the operations of the Auditor's Office of the City of Norwood (Norwood or the City). Included in this analysis are assessments of the Treasurer's Office and the Auditor's Office. These two offices are responsible for all Norwood fiscal matters, including accounts receivable, accounts payable, earnings tax collections, payroll, budgeting and financial analysis.

On February 26, 2004, Norwood City officials, the Auditor of State's Office (AOS) representatives and the City Bond Council met to discuss the City's fiscal problems. Discussions included such areas as borrowing to pay current operating costs; accounting and legal ramifications of not paying operating costs versus encumbering certain City obligations in the current year; the availability of State grants or loans; and the ramifications of fiscal emergency and/or fiscal watch designation. The Mayor requested that a fiscal watch analysis be performed by the AOS Local Government Services (LGS). Based on this analysis, AOS certified a projected unencumbered fund deficit in the General Fund of \$1.5 million for the year ending December 31, 2004, and, subsequently, the City of Norwood was placed in fiscal watch on October 7, 2004. ORC § 118.023 permits LGS to provide technical and support services to municipalities in fiscal watch to assist entities in improving their financial condition and assist in removing them from fiscal watch and/or emergency status.

On August 24, 2004, City Council requested that the City Auditor, City Treasurer and City Law Director be present at all its meetings to respond questions posed by City Council. Since October 2004, the City has met with LGS on several occasions to develop and adopt a financial recovery plan; however, little progress has been made in stabilizing the City's long-term financial outlook. The City increased garbage rates \$10.40 per month in February 2005 and will also consider increasing or adding other fees. The City has also reduced staffing by not filling vacant positions, but no other significant action has been taken. LGS continues to provide services in an effort to assist the City in developing a financial recovery plan.

On December 31, 2004 the City's General Fund had a cash balance of approximately \$378,000, outstanding encumbrances of \$314,000, and unrecorded liabilities of approximately \$1 million. The unrecorded liabilities included 2nd and 3rd quarter employer liabilities of \$755,000 due to the Ohio Police and Fire Pension Fund (OPFPF) for 2004. An agreement already exists between the City and OPFPF to pay past due obligations from 1995, that requires monthly payments of \$8,750 for police through 2007 and \$8,750 for fire through 2011. The City is in negotiations with OPFPF to determine payment options for the additional unpaid balance.

The City has not completed the 2003 or 2004 financial audits. While 2003 records were initially declared unauditible, the City Auditor provided additional records to AOS financial auditors. The City was notified that fiscal year 2003 would be declared unauditible if financial records were not provided within 90 days of April 25, 2005. In August 2005, the City provided some financial documentation to AOS. Upon review of the records, the financial auditors requested significant modifications to GAAP statements to ensure their accuracy. Once the City Auditor's Office makes the requested changes, the records will be reviewed and a financial opinion issued based on the final condition of the 2003 records. The City Auditor's Office also informed AOS that it would like 2004 and 2005 financial records audited at the same time, an option which is available to the City.

The City has relied heavily upon its 2 percent earnings tax to fund general operating expenses. Earnings taxes generated \$11.2 million or 67 percent of the General Fund's \$16.6 million revenue in 2004. The 2005 annual appropriations adopted by Council authorized payroll for 17 of the 26 pay periods in the year in anticipation of a cash shortfall. The City administration has expressed its desire to slowly and incrementally bring costs under control and eventually negotiate better terms with its collective bargaining units while maintaining service levels. However, City officials have not identified significant reductions or strategies to control costs.

Summary of Operations

The primary financial operations of Norwood are carried out by ten employees—five (3 FTEs) in the Treasurer's Office and five (4 FTEs) in the Auditor's Office. The Treasurer is an elected official whose office is responsible for the majority of Norwood's cash collections (with the exception of the City's Community Center and the Municipal Pool); signing all disbursement checks; managing all banking functions; providing cash balance information; completing daily and monthly bank reconciliations, as well as reconciling its accounts with the Auditor's Office and the Water and Building departments' accounting records. The Office also handles health insurance information for City employees. In addition, the operations of the Earnings Tax Department are the responsibility of the Treasurer. For additional information, see the **earnings tax** section of this report.

The Auditor's Office is responsible for the primary accounting functions of the City which include accounts receivable and payable; payroll; budgeting and financial monitoring and

analysis, and the annual financial audit prepared in accordance with GAAP. The Safety/Service Director, the Treasurer and City Council, along with the Auditor's Office, are responsible for compiling information for the development of the annual budget which establishes the projected operating revenues and expenditures for the upcoming year. The budget is prepared using a process which first estimates projected revenues. Once revenues are projected, payroll amounts are budgeted. After salaries and benefits are projections are completed, contractual obligations are projected. Using the remaining funding, supplies are then budgeted. After all expenditures are projected, the appropriations spreadsheet is finalized. Once the budget has been reviewed and modifications have been finished, City Council then uses this as the formal budget which must be approved by March 31st.

The Auditor's Office generates Norwood's financial reports, including a monthly report submitted to City Council detailing cash revenues and expenditures on a monthly and year-to-date basis. The Office is also primarily responsible for the annual financial audit and reporting under GAAP or GAAP conversion of its cash basis financial transactions. Monthly budgetary, receipt, expenditures, and check register reports are generated from the general ledger/payables system. Detailed payroll reports are also generated on a weekly and monthly basis, while various earnings tax and utility reports are generated on a monthly basis. Monthly budget reports were provided to department heads for a period of time, but are now provided only when requested.

The Auditor's Office uses Software Solutions Incorporated (SSI) financial software. The software includes functions for payroll, revenue, and expenditures, as well as an online requisition process which is not currently used pending additional training. In addition, the software has the capability to receive online payments; however, this function was not purchased. The Treasurer' Office uses Microsoft Office to record operations and create financial reports.

When requisitioning supplies and materials, requisition requests are created and approved on a departmental level and submitted to the Auditor's Office for creation of a purchase order. After verifying the availability of funding, the requisition is approved, and a purchase order is generated and signed by the Auditor and the elected official that heads the respective department. For departments not headed by an elected official, the Safety/Service Director has the responsibility for signing all purchase orders. When an invoice is received, the purchase order is matched to the invoice by the Auditor's Office and a check is drawn. The check, invoice, and purchase order are then forwarded to the Treasurer for endorsement of the check and final payment. In an initial interview, the Deputy Auditor indicated that because of its financial situation, Norwood is paying accounts payable, on average, beyond 60 days past the due date. As a result, the City is unable to take advantage of any possible discounts for early payment and may be making late payments or incurring interest on purchases.

Financial Analysis

Financial data contained in the background section of this report represents data provided by Norwood. It should be noted that this data is unaudited and represents the City's understanding of its financial position. It should be further noted that there is no uniform accounting system for municipalities in Ohio. As a result, revenue and expenditure classifications were determined by AOS from financial data provided by Norwood and the peer municipalities to which the City is compared (Alliance, Whitehall, and Trotwood).

Table 2-1 displays Norwood's total revenues for 2002 through 2004.

Table 2-1: Norwood Historical Revenues

	Norwood 2002	Norwood 2003	% Change	Norwood 2004	% Change
Taxes	\$13,551,725	\$13,696,490	1.1%	\$14,473,282	5.7%
Licenses and Permits	\$209,933	\$281,397	34.0%	\$297,917	5.9%
Intergovernmental Revenue	\$907,471	\$794,679	(12.4%)	\$811,065	2.1%
Chargers for Services	\$568,683	\$596,461	4.9%	\$583,191	(2.2%)
Fines and Forfeitures	\$363,524	\$315,716	(13.2%)	\$304,380	(3.6%)
Miscellaneous Revenue	\$2,128,291	\$142,851	(93.3%)	\$145,984	2.2%
Public Transportation	\$1,152	\$71	(93.8%)	\$0	(100.0%)
Non-Departmental Revenue	\$170,967	\$18,999	(88.9%)	\$11,633	(38.8%)
Total General Fund Revenue	\$17,901,746	\$15,846,664	(11.5%)	\$16,627,452	4.9%

Source: Norwood Revenue Reports

As shown in **Table 2-1**, Norwood's revenue decreased 11.5 percent in 2003, but increased 4.9 percent in 2004 to approximately \$16.6 million (about 1.3 million under 2003 amounts). The significant decrease in 2003 was caused primarily by a decrease in miscellaneous revenues. Proceeds of \$2,026,083 from the sale of capital assets occurred in 2002. Without this one-time sale of assets, Norwood's 2002 revenues of \$15,875,663, would be similar to the 2003 level. Norwood's intergovernmental revenues experienced significant volatility, decreasing 12.4 percent in 2003 due to the elimination of FEMA grant funding. Also, prior to 2004, the City provided transportation to senior citizens, but discontinued that service in 2004.

In relation to its total revenue, Norwood has historically had a high reliance on earnings tax and other assessed taxes, such as tangible personal and real estate property taxes. In 2002, tax revenues accounted for 75.7 percent of Norwood's total revenues. This percentage increased to 86.4 percent and 87.1 percent in 2003 and 2004, respectively.

For the purposes of this analysis, Norwood's financial systems operations were compared to three peer cities: Alliance, Trotwood and Whitehall. **Table 2-2** displays Norwood's and the peers' revenues by line item (type) and as a percentage of total revenue.

Table 2-2: 2004 Revenue Comparison (in 000's)

	Norwood		Alliance		Trotwood		Whitehall		Peer Average	
Earnings Taxes	\$11,216	67.5%	\$5,761	63.3%	\$5,207	58.4%	\$13,352	77.6%	\$8,107	66.4%
Property & Other Taxes	\$3,258	19.6%	\$1,201	13.2%	\$2,389	26.8%	\$660	3.8%	\$1,417	14.6%
Licenses and Permits	\$298	1.8%	\$133	1.5%	\$217	2.4%	\$121	0.7%	\$157	1.5%
Intergovernmental Revenues	\$811	4.9%	\$1,056	11.6%	\$759	8.5%	\$1,651	9.6%	\$1,155	9.9%
Chargers for Services	\$583	3.5%	\$21	0.2%	\$269	3.0%	\$669	3.9%	\$320	2.4%
Fines and Forfeitures	\$304	1.8%	\$433	4.8%	\$0	0.0%	\$0	0.0%	\$144	1.6%
Miscellaneous Revenue	\$146	0.9%	\$451	5.0%	\$74	0.8%	\$586	3.4%	\$370	3.1%
Transfers In	\$0	0.0%	\$38	0.4%	\$0	0.0%	\$175	1.0%	\$71	0.5%
Non-Departmental Revenue	\$12	0.1%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total General Fund Revenue	\$16,627	100.0%	\$9,094	100.0%	\$8,916	100.0%	\$17,213	100.0%	\$11,741	100.0%

Source: Norwood and peer revenue reports

Note: Totals may be affected by rounding

Table 2-2 illustrates that Norwood has a reliance on earnings tax similar to the peers as evidenced by 67.5 percent of Norwood's total revenues generated through this means compared to the peer average of 66.4 percent. However, when considering all taxes, the rate of reliance on taxes of 87.1 percent for Norwood was greater than the peer average of 81 percent. In contrast, Norwood relies less on intergovernmental sources of revenues. Norwood collects 4.9 percent in intergovernmental revenue compared to the peer average of 9.9 percent.

Revenues, particularly tax revenues, are greatly affected by population levels. Therefore, Table 2-3 displays revenues for Norwood and the peer in relation to each city's respective population.

Table 2-3: 2004 Revenues per Capita

	Norwood	Alliance	Trotwood	Whitehall	Peer Average	% Difference
Population	20,781	22,892	27,070	18,611	22,858	(9.1%)
Earnings Taxes	\$540	\$252	\$192	\$717	\$387	39.4%
Property & Other Taxes	\$157	\$52	\$88	\$35	\$59	166.9%
Licenses and Permits	\$14	\$6	\$8	\$7	\$7	111.7%
Intergovernmental Revenues	\$39	\$46	\$28	\$89	\$54	(28.1%)
Chargers for Services	\$28	\$1	\$10	\$36	\$16	79.7%
Fines and Forfeitures	\$15	\$19	\$0	\$0	\$6	132.4%
Miscellaneous Revenue	\$7	\$20	\$3	\$31	\$18	(60.9%)
Transfers In	\$0	\$2	\$0	\$9	\$4	(100.0%)
Non-Departmental Revenue	\$1	\$0	\$0	\$0	\$0	0%
Per Capita General Fund Revenue	\$800	\$397	\$329	\$925	\$551	45.3%

Source: Norwood and peer revenue reports and the US Census Bureau 2003 estimated populations.

As shown in **Table 2-3**, Norwood generates almost 50 percent more revenue on a per capita basis when compared to the peer average, despite having a population 9.1 percent lower than the peer average. Norwood generated 101.4 percent more revenue per capita than Alliance and 142.9 percent more than Trotwood. With the exception of intergovernmental revenues, miscellaneous revenues, and transfers, Norwood generated a higher level of revenue on a per capita basis in every revenue category.

Higher license and permit collections in Norwood are due to higher building permit revenues of \$210,787 compared to Alliance with \$71,400; Trotwood with \$87,187; and Whitehall with \$21,955. Charges for services are also higher due, in part, to the \$426,000 generated by its EMS services which the peers do not offer. Fines and forfeitures are higher because of collections made by the Norwood Mayor's Court. Revenue generated by licenses and permits, charges for services, and fines and forfeitures represent costs passed on to users or penalties for legal infractions.

Taxes, on the other hand, are usually based on legislation and, while often voted, must be paid by all residents who meet certain income and age criteria. Norwood receives a significantly higher amount of taxes per capita than the peer average and two of the peers. Norwood receives 129 percent more taxes per capita than Alliance, 148.2 percent more than Trotwood, and 56.2 percent more than the peer average.

Table 2-4, examines taxes per housing unit and median income for Norwood and the peers.

Table 2-4, Taxes Per Housing Unit and Median Income

	Norwood	Alliance	Trotwood	Whitehall	Peer Average	% Difference
2000 Total Housing Units	10,044	9,730	12,020	8,997	10,249	(2%)
Income Taxes	\$11,215,645	\$5,760,927	\$5,207,121	\$13,351,537	\$8,106,528	38.4%
Income Taxes Per Housing Unit	\$1,117	\$592	\$433	\$1,484	\$791	41.2%
Property & Other Taxes	\$3,257,637	\$1,201,296	\$2,389,364	\$660,223	\$1,416,961	129.9%
Property & Other Taxes per Housing Unit	\$324	\$123	\$199	\$73	\$132	41.1%
2003 Median Income per School District	\$26,246	\$21,900	\$24,836	\$24,309	\$23,682	10.8%
Total Taxes per Capita	\$697	\$304	\$281	\$752	\$446	56.2%
Per Capita Taxes as % of Median Income	3%	1%	1%	3%	2%	41.1%

Source: US Census Bureau 2000 Housing Units and Ohio Department of Education 2003 Ohio Personal Income Tax by School District.

As noted in **Table 2-4**, Norwood's total housing units are 2 percent below the peer average but earnings taxes collected in 2004 were 38.4 percent greater than the peer average, thus Norwood's earnings taxes per housing unit are also higher than all the peers and 41.2 percent higher than the peer average. Norwood's property and other taxes collected were higher than all of the peers and the peer average by 129.9 percent, resulting in much higher property and other taxes per housing unit.

Norwood's median income is 10.8 percent higher than the peer average; 19.8 percent higher than Alliance; 5.7 percent higher than Trotwood; and 8.0 percent higher than Whitehall. In addition Norwood's total per capita taxes, as a percentage of median income, are 41.1 percent higher than the peer average, as well as two of the peers. Overall it appears Norwood is generating sufficient levels of revenue.

How revenue is allocated identifies the City's priorities. **Table 2-5** displays Norwood's total 2003 through budgeted 2005 expenditures by department and displays the annual percentage change.

Table 2-5: Norwood Departmental Expenditures

	2003	2004	% Change	Budget 2005	% Change
General Government	\$2,098,000	\$1,935,191	(7.8%)	\$1,931,416	(0.2%)
Public Safety	\$10,615,969	\$10,073,456	(5.1%)	\$10,503,187	4.3%
Community Environment	\$386,893	\$368,420	(4.8%)	\$363,180	(1.4%)
Highway and Streets	\$122,526	\$112,656	(8.1%)	\$100,943	(10.4%)
Public Health	\$396,370	\$422,343	6.6%	\$357,560	(15.3%)
Waste Removal	\$780,716	\$632,363	(19.0%)	\$239,692	(62.1%)
Non-Departmental	\$1,178,249	\$1,551,546	31.7%	\$2,239,990	44.4%
Subsidies/Transfers	\$772,053	\$1,163,770	50.7%	\$1,268,450	9.0%
Total General Fund Expenditures	\$16,350,776	\$16,259,745	(0.6%)	\$17,004,418	4.6%

Source: City of Norwood Expense Report with Encumbrances Detail

As shown in **Table 2-5**, Norwood was able to decrease spending in every departmental category with the exception of public health, non-departmental services, and subsidies and transfers from 2003 to 2004, but anticipated an overall increase in 2005 of 4.6 percent. In its largest expenditure categories, public safety (police, fire and EMS), Norwood was able to decrease expenditures by 5.1 percent in 2004 by not filling vacant positions and forgoing payment of the employer's share to the Police and Fire Pension Fund, but it projected a 4.3 percent increase for 2005 for negotiated wage and step increases. Public health expenditures rose 6.6 percent in 2004 due to a 28.7 percent increase in health medical services personnel expenditures. In 2005, budgeted amounts decreased 15.3 percent for public health because of a reduction in contracted personnel.

In addition, Norwood's 2004 non-departmental expenditures increased 31.7 percent due to increases in employee benefits—mostly retirees' health care, the C-9 Trust, State unemployment compensation (see **human resources** for additional information on retirees' health care and the C-9 Trust) and professional and legal services. Subsidies and transfers include an annual subsidy to the recreation fund of \$85,000, EMS fund of \$110,000, and separation pay of \$270,000, along with a transfer of \$192,000 for the outstanding Police and Fire pension obligation. This line item increased in 2004 as the City refinanced and combined its note debt of \$6.5 million in May 2004 which required interest payments of \$469,248 in the first year. Additionally, Norwood projected a 44.4 percent increase in non-departmental expenditures, largely due to expected increases in judgments against the City and outside legal fees. The subsidies and transfers increased because of a projected \$200,000 increase in employee separation fees and the transfer of \$370,000 in trash fees posted in the General Fund.

Historically, Norwood has allocated a majority of its expenditures to public safety as these departments have accounted for 64.9 percent of the City's total expenditures in 2003, 62 percent in 2004, and projected at 61.8 percent in 2005. For public safety related functions, a 4.3 increase has been budgeted to account for personal services increases for Fire and Police personnel (also see the **police** and the **fire** sections of this report).

As with revenues, Norwood's expenditures were compared to the expenditures of selected peer municipalities for 2004. **Table 2-6** displays actual 2004 departmental expenditures and the percentage of total General Fund expenditures for Norwood and the peers'.

Table 2-6: 2004 General Fund Departmental Expenditures (in 000's)

	Norwood		Alliance		Trotwood		Whitehall		Peer Average	
General Government	\$1,935	12.7%	\$2,149	22.5%	\$2,676	28.7%	\$9,554	50.0%	\$4,793	33.8%
Public Safety	\$10,073	65.9%	\$5,573	58.4%	\$4,960	53.3%	\$7,931	41.5%	\$6,155	51.1%
Community Environment	\$368	2.4%	\$612	6.4%	\$353	3.8%	\$855	4.5%	\$607	4.9%
Highway and Streets	\$113	0.7%	\$54	0.6%	\$241	2.6%	\$0	0.0%	\$98	1.1%
Public Health	\$422	2.8%	\$469	4.9%	\$0	0.0%	\$0	0.0%	\$156	1.6%
Waste Removal	\$632	4.1%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Non-Departmental	\$1,551	8.4%	\$56	0.6%	\$436	4.7%	\$762	4.0%	\$418	3.1%
Subsidies/Transfers	\$1,164	3.0%	\$634	6.6%	\$642	6.9%	\$0	0.0%	\$426	4.5%
Total General Fund Expenditures	\$15,288	100.0%	\$9,546	100.0%	\$9,308	100.0%	\$19,102	100.0%	\$12,652	100.0%

Source: Norwood and peer expenditures reports

Note: Totals may not sum due to rounding

In 2004, Norwood allocated 65.9 percent of its total expenditures to public safety – the highest amount of the three peers and 14.8 percent higher than the peer average (see the **police** and **fire** sections of this report). Norwood was also higher than the peer average in public health expenditures (1.2 percent higher), waste removal (4.1 percent higher) and non-departmental expenditures (5.3 percent higher). It should be noted that Norwood's 12.7 percent allocation for general governmental expenditures was lower than all three peer cities and 59.6 percent lower than the peer average. In addition, the lower allocation for community environment and highways and streets may indicate that these services receive a lower priority in Norwood.

Table 2-7 displays the departmental expenditures for Norwood and the peers on a per capita basis.

Table 2-7: 2004 Per Capita Departmental Expenditures

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Population	20,781	22,892	27,070	18,611	22,858
General Government	\$93	\$94	\$99	\$513	\$235
Public Safety	\$485	\$243	\$183	\$426	\$284
Community Environment	\$18	\$27	\$13	\$46	\$29
Highway and Streets	\$5	\$2	\$9	\$0	\$4
Public Health	\$20	\$20	\$0	\$0	\$7
Waste Removal	\$30	\$0	\$0	\$0	\$0
Non-Departmental	\$62	\$2	\$16	\$41	\$20
Subsidies/Transfers	\$22	\$28	\$24	\$0	\$17
Total Departmental Expenditures	\$736	\$417	\$344	\$1,026	\$596

Source: Norwood and peer expenditures reports and US Census reports

As shown in **Table 2-7**, Norwood's per capita expenditures exceeded two of the peers and the peer average. In 2004, Norwood spent \$485 per capita for public safety functions, 70.8 percent more than the peer average of \$284, and 13.8 percent more than Whitehall. In addition, Norwood significantly outspent the peers on a per capita basis for public health, waste removal, and non-departmental expenditures.

Table 2-8 displays total expenditures by classification and as a percentage of total expenditures for Norwood and the peer's.

Table 2-8: 2004 Expenditures by Classification (in 000's)

	Norwood		Alliance		Trotwood		Whitehall		Peer Average	
Personal Services	\$12,170	74.8%	\$7,344	76.9%	\$6,145	66.0%	\$13,867	72.6%	\$9,119	71.8%
Contractual Services	\$1,036	6.4%	\$545	5.7%	\$1,255	13.5%	\$1,871	9.8%	\$1,224	9.7%
Materials and Supplies	\$188	1.2%	\$852	8.9%	\$496	5.3%	\$645	3.4%	\$664	5.9%
Other	\$150	0.9%	\$115	1.2%	\$334	3.6%	\$1,956	10.2%	\$802	5.0%
Total Non-Departmental	\$1,552	9.5%	\$56	0.6%	\$436	4.7%	\$762	4.0%	\$418	3.1%
Total Subsidies/Transfers	\$1,164	7.2%	\$634	6.6%	\$642	6.9%	\$0	0.0%	\$426	4.5%
Total Expenditures	\$16,260	100.0%	\$9,546	100.0%	\$9,308	100.0%	\$19,102	100.0%	\$12,652	100.0%

Source: Norwood and peer expenditures reports

Table 2-8 illustrates that a majority of Norwood's and the peers' expenditures are allocated to personal services. In 2004, Norwood spent 74.8 percent of total expenditures on personal service related classifications, a level higher than two of the three peers and 33.4 percent higher than the peer average. It should be noted that Norwood expenditures are significantly lower than all the peers in materials and supplies and other classifications. Norwood's percentage of expenditures in these areas was just 2.5 percent of total expenditures, compared to the peer average of 10.9 percent of total expenditures. This is indicative of the limited repairs to City infrastructure that have been made in the last couple of years in Norwood.

Table 2-9 displays Norwood and peer per capita expenditures by expenditure classification.

Table 2-9: 2004 Per Capita Expenditures by Classification

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Population	20,781	22,892	27,070	18,611	22,858
Personal Services	\$586	\$305	\$222	\$745	\$424
Contractual Services	\$50	\$23	\$46	\$101	\$56
Materials and Supplies	\$9	\$35	\$15	\$35	\$28
Other	\$7	\$5	\$0	\$105	\$37
Total Non-Departmental	\$75	\$2	\$16	\$41	\$20
Total Subsidies/Transfers	\$56	\$28	\$24	\$0	\$17
Total Expenditures	\$782	\$417	\$344	\$1,026	\$596

Source: Norwood and peer expenditures reports and the US Census

As **Table 2-9** illustrates, Norwood outspent the peers on a per capita basis in several categories. Norwood's per capita expenditures of \$586 for personal services was 38.2 percent higher than the peer average. Mirroring the expenditure information displayed in **Table 2-8**, Norwood's expenditures for contractual services, materials and supplies, and other expenditures, were lower than the respective peer averages.

Debt Service

In 2004, Norwood transferred \$477,077 from the General Fund to the Bond Retirement Fund to subsidize debt expenditures after the consolidation of \$6,545,752 in debt. In addition, the City transferred \$192,500 from the General Fund to cover debt payments to the Police and Fire Pension Fund and has projected a transfer of \$210,000 in 2005. The debt transfers were a contributing cause of the City's financial circumstances.

Financial Forecast

On October 7, 2004, the AOS declared the City of Norwood to be in fiscal watch pursuant to ORC § 118.02.2 (see City of Norwood Fiscal Watch Analysis Report). AOS noted that the following condition was present at Norwood, resulting in the fiscal caution declaration:

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.

In conjunction with this performance audit, LGS is working closely with Norwood to create a comprehensive financial recovery plan. This recovery plan will include the projected revenues, expenditures and fund balances for a five-year period and should assist the City in eliminating its fiscal operating deficit trend.

Because the City has not completed its financial forecast, a requirement under fiscal watch conditions, **Table 2-10** has been developed to display a two-year financial projection. Estimates for 2005 were projected using 4 months of actual results as the base. Estimates for 2006 and 2007 were based strictly on the historical average change from 2002 through 2004. The purpose of the projection is to present what Norwood's operating results might be if current operational practices continue. These projections will also be used to illustrate the impact of the recommendations contained in this report.

Table 2-10: Norwood Two Year Operating Results Projection (in 000's)

	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Forecast FY 2006	Forecast FY 2007
Total Revenues	17,901,746	15,847,000	16,627,000	17,040,949	17,522,187	18,056,977
Total Expenditures	18,113,954	15,580,000	16,833,000	17,092,226	17,494,698	17,898,379
Other Financing Sources(Uses)		(772,000)	(1,164,000)			
Excess Revenues and Financing Sources Over Expenditures	-212,208	(505,000)	(1,370,000)	(51,276)	27,489	158,598
Cash Balance, January 1	1,372,208	1,160,000	655,000	(715,000)	(766,276)	(738,787)
Cash Balance, December 31	1160000	655,000	(715,000)	(766,276)	(738,787)	(580,189)
AOS Recommendations - In-house Operations					6,256,855	6,299,055
AOS Recommendations - Outsourced Operations					7,021,110	7,063,310
Ending Fund Balance w/AOS Recommendations - In-house Operations					5,518,068	11,975,721
Ending Fund Balance w/AOS Recommendations - Outsourced Operations					6,282,323	13,504,231
Encumbrances at December 31		239,000	313,000	307,000	335,000	335,000
Unencumbered Fund Balance, December 31 - In-house Operations		416,000	(1,028,000)	(1,073,276)	5,183,068	11,640,721
Unencumbered Fund Balance, December 31 - Outsourced Operations		239,000	(1,028,000)	(1,073,276)	5,947,323	13,169,231

Source: AOS recommendations and LGS Fiscal Watch certification October 7, 2004.

Note: AOS recommendations for 2006 reflect only those recommendations that can be implemented without negotiation. As several of the City's contracts will expire in 2006 and 2007, the full effect of recommendations subject to negotiation are shown in 2007.

Assessments not Yielding Recommendations

During the course of this audit, several assessments of operations were conducted that yielded no recommendations. These assessments are as follows:

- **Internal Controls:** Internal controls were assessed to determine if they would detect fraud, waste, and abuse. Most internal controls, unless mentioned in this audit, were deemed to be sufficient. Some areas were also highlighted for operational improvements.
- **Debt Management:** General debt management practices were assessed for appropriateness and, in most cases, were determined to be appropriate. However, the City's current financial condition is affecting its ability to meet the terms of some debt payment requirements.

Recommendations

Financial Recovery

R2.1 The two-year forecast (Table 2-10) shows the necessity for Norwood to make significant policy decisions regarding its operations. Facing an estimated cash deficit of \$738,787 by 2006, Norwood should act promptly to address its financial stability, and immediately address recommendations contained in the report to help achieve a positive fund balance. Options for the City to consider are contained in this report and primarily focus on reducing expenditures, eliminating selected City services and increasing revenues. However, the City should also continue to independently identify means to reduce its operating expenses.

Should Norwood continue to maintain its current spending and revenue patterns, the City's General Fund is projected to have an operating deficit each year of the projection period. Norwood's operating deficit has not been caused by insufficient revenues; rather, the cause is rooted in excessive expenditures levels. As shown in **Table 2-7**, Norwood spent \$485 per capita for public safety functions, 70.8 percent higher than the peer average of \$284 in 2004. Salaries and benefits are a major contributing factor to these higher costs. In addition, Norwood significantly outspent the peers on a per capita basis for public health, waste removal, non-departmental expenditures, and had a higher level of subsidies/transfers from the General Fund. Also, as shown in **Table 2-9** of the background section of this report, Norwood's per capita expenditures for personal services of \$586 was 38.2 percent higher than the peer average. For additional analysis on benefits and salary levels see the **human resources** section of this report.

The GFOA recommends that a component of the budget process be an analysis of the overall financial status of the governmental entity and its key funds, including but not limited to an analysis of available financial resources. This brief analysis should discuss the current financial status, the immediate future status, and long-term trends. The emphasis of this analysis is on the understandability of the financial status and issues, not necessarily on exact numbers and detail. Included in this analysis should be procedures that the City could enact to increase revenues and decrease expenditures while eliminating services that are not feasible.

This analysis should be provided, at least in written form, early in the process so a broad financial framework is available to stakeholders and decision-makers. The final budget materials should contain an updated status report.

R2.2 The City Council, along with elected officials, should require the development and implementation of a five-year financial forecast that would project future revenues

and expenditures and enable Norwood to identify financial trends as it considers the future consequences of current decisions. The forecast should be a dynamic document, revised periodically, as Norwood's economic environment changes and more relevant data becomes available. Effective use of long term forecasting will better enable the City to plan for the future, and anticipate the costs of programs and services for its citizens.

The City does not have policies or procedures pertaining to the development and review of a forecast to help project its revenue and expenditures. Under fiscal watch, the City Auditor should provide the City Council with a monthly report detailing the cash balances of all City funds on a month-to-date and year-to-date basis and monitors the annual budget. The annual budget projects the expected revenues and expenditures for a one year period. The City does not develop a forecast of revenues or expenditures that extend past the current fiscal year.

Forecasting refers to a range of techniques that produces estimates of future revenue and expenditures by modeling casual relationships. According to the Government Finance Officers Association (GFOA), a government should have a financial planning process that assesses long-term implications of current and proposed policies and programs, and includes key assumptions for developing appropriate strategies to achieve goals. A key component in determining future options, potential problems and opportunities is forecasting revenues and expenditures.

According to GFOA, a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs and assumptions, and develops appropriate strategies to achieve its goals. A key component in determining future financial options, potential problems, and opportunities is the forecast of revenues and expenditures. Sound revenue and expenditure forecasting practices provide organizations with the following:

- An understanding of available funding;
- Evaluation of financial risk;
- Assessment of the likelihood that services can be sustained;
- Assessment of the level at which capital investment can be made;
- Identification of future commitments and resource demands; and
- Identification of key variables that cause change in the level of revenues.

Organizations should forecast at least three to five years beyond the current budget period and should regularly monitor and periodically update the document. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to all participants in the budgeting process, and should also be referenced in the final budget document. To improve future forecasting, the variances between previous

forecasts and actual results should be analyzed. The variance analysis should identify factors that influence revenue collections, expenditure levels and forecast assumptions.

Additionally, GFOA maintains that forecasts play an important role in helping governmental entities establish long-term financial plans. As such, long-term financial plans should include:

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

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

A financial forecast is a significant part of a City's overall strategic plan and should be used as a tool to help it emerge from an operating deficit status. Trends in revenues, cash flows, expenses and key financial ratios can provide the basis for long-term forecasting of an organization's resources and needs. Forecasting will also help in establishing appropriate controls on spending which need to be in place through the budget and planning process to control expenditures. The absence of a financial forecast document leaves Norwood administrators without an effective planning tool. Council and management should develop and implement the financial planning, forecasting and budgeting processes that are essential elements of sound financial management.

Budgeting

R2.3 Norwood should complete its 2003 financial reports in conformance with GAAP. Preparing financial statements in accordance with GAAP principals is required by Ohio law under ORC § 117.41. Producing financial statements in accordance with GAAP standards provides financial report users with a uniform system of financial reporting. As a result, GAAP standards promote consistency and reliability in financial statements and assist in the auditing of financial statements. GAAP statements would provide Norwood and its stakeholders with the ability to reliably assess the City's financial standing, and allow the comparison of Norwood's operating statistics to other municipalities.

As part of its historical financial practices, Norwood records financial transactions on a cash-basis of accounting, using cash disbursements and receipts journals to record its day-to-day transactions. At year end, the City Auditor's Office is responsible for using the cash-basis journals to prepare the information necessary to create GAAP-basis financial statements.

On April 25, 2005, AOS notified Norwood that, without immediate action to resolve prior fiscal years' audits, the City would be declared unauditible for 2003. The majority of the audit procedures related to the City's 2003 budgetary information and compliance were completed. However, the GAAP-basis financial statements and supporting documentation for 2003 were not provided to AOS auditors until mid-august of 2005. This information has been reviewed and the City Auditor has been provided a list of recommended corrections to be made before a final opinion is issued on the financial statements. Also, the City Auditor has requested that the 2004 financial audit be combined with the 2005 audit, an option which is available to the City.

ORC § 117.41 states that if the Auditor of State determines that an office cannot be audited because its accounts, records, files, or reports have been improperly maintained, the person making the determination may declare the public office to be unauditible. The financial audit provides citizens the assurance that funds have been accounted for and used in accordance with applicable laws and regulations. Without an audit, the accuracy and reliability of the City's financial information may be considered questionable.

- R2.4 Norwood should develop and adopt financial planning and budgetary policies and procedures for a balanced budget. The policies and procedures should include the roles and responsibilities of personnel involved in the process. The established guidelines should also include opportunities for department heads to provide input throughout the planning and budgeting process. The City Auditor's Office should provide a budget timeline and preparation package to all department heads prior to the beginning of the budgeting process.**

In addition, the Auditor's Office, in conjunction with City administrators, should prepare a summary of the City's budget document to communicate the results of these efforts to the taxpaying public and assist the readers with understanding of the key issues. The Auditor's Office should establish the practice of educating administrators, City Council, and other stakeholders on any complex or difficult issues pertaining to the financial reports created by the Auditor's Office. Finally, City Council should use the budget in conjunction with the financial projection in Table 2-10 to help mitigate any measures that might negatively impact Norwood's financial position. A well designed and properly maintained system of documenting financial planning and budgetary policies will enhance both accountability and consistency for Norwood administrators.

The City's budget is prepared by estimating revenue resources, salaries and benefits, and contractual obligations, and then using the remaining funding for material and supplies. After estimated resources and expenditures have been completed, the appropriations are prepared and adopted. Departmental input into the process is minimal.

During the audit, several Norwood department heads cited the lack of budgetary information throughout the year as a hindrance to effectively managing fiscal operations. Department heads are not actively involved in decisions to reduce costs or reallocate resources within departments. Because periodic budgetary information is not provided, department heads have difficulty assessing where the department stands on a year-to-date basis. In response to this audit, the City Auditor's Office stated that it was the responsibility of the department heads to request information from the City Auditor's Office and indicated that information would be provided upon request. However, the Safety/Service Director stated that requests for information have not been fulfilled and no monthly reports have been provided since January 1, 2004. In order to be effective, an organization's management should have access to financial information throughout the fiscal year to ensure the final budget is adhered to, and estimated resources are not exceeded.

The City also does not prepare a written summary of the budget to help readers understand key issues. Because of the time and educational level required to read and understand the entire budget document, a concise summary and guide to key issues is valuable to ensure the education and involvement of City Council and the public.

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

The National Advisory Council on State and Local Budgeting (NACSLB) has established effective budgeting practices to help governmental entities prepare a budget to meet goals, service levels, and proposed projects for the next year. In *Putting the NACSLB Recommended Budget Practices into Action: Best Practices Budgeting* (April 2000) it is recommended that an organization provide its departments with a budget package that includes the following:

- A general discussion of the budget philosophy and methodology;
- Long-term goals of the City and major changes that will affect the budget year;

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

Typically, a city's council members and other stakeholders have various backgrounds and training, and do not always understand the financial information presented. According to GFOA, a summary should do the following:

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

The summary should be available and disseminated in an easily accessible manner that is likely to be widely communicated to the public in an effort to generate interest. In addition, the summary should be as non-technical and easy to read as possible. The summary can take many forms, including a transmittal letter, budget message, executive summary or budget-in-brief.

According to the National Advisory Council on State and Local Budgeting, a budget should be based on objectives established for each function/department and the estimated costs to accomplish the objectives. This method helps promote departmental responsibility for the funds spent. The purpose of a budget process is to help decision makers make informed choices about the allocation of resources. Therefore, the City should develop a formal

timetable outlining specific budgetary activities and allowing sufficient time for planning. The timetable should include the participation of all individuals involved in the budget process including the Mayor, Safety/Service Director, City Auditor, department heads, and City Council.

R2.5 Norwood’s City Auditor should create and submit to City Council, a monthly budget report that details budget-to-actual data on a month-to-date and year-to-date basis. Council members, as well as other stakeholders, should use the information in the report to assess performance and determine actions to be taken should a fund or department run close-to or above budgeted levels. Regularly monitoring budget-to-actual levels should increase operating efficiency and allow cost-saving actions to be implemented earlier in the process, as opposed to reacting after overspending or a shortfall of revenue has occurred.

The Auditor’s Office provides City Council with a monthly report detailing cash receipts and disbursements for all funds on a month-to-date and year-to-date basis. The report details the unexpended balance in the fund, as well as outstanding encumbrances and an ending unencumbered cash fund balance. However, the report does not contain a comparison of monthly or year-to-date budget to actual performance information. Without this information, Council members and other stakeholders are unable to compare actual performance with the budgeted or anticipated revenue and/or expenditures. Monthly budget-to-actual reports provide relevant information to allow decision-makers to recognize potential budgetary shortfalls or overspending in a timelier manner.

The GFOA recommends that a government evaluate its financial performance relative to the adopted budget. Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers an opportunity and time to consider actions that may be needed if major deviations in budget-to-actual results become evident. It is also an essential input in demonstrating accountability and monitoring performance.

The GFOA further states that budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances should be periodically reviewed during the budget period. Comparisons for at least the current year should be included in the budget document and be generally available to stakeholders during discussions related to budget preparation and adoption. Consistency and timeliness are particularly important when implementing this practice: it is essential that reports are prepared on a routine, widely-publicized basis. In addition to monitoring budget-to-actual results, reasons for deviations should be provided by the parties responsible and evaluated by Council or its designee to determine if action is required.

The lack of budget-to-actual comparisons leaves Norwood administrators with no knowledge of current performance. As a result, a department or program may not be aware that it is performing below standards and may not adopt changes or attempt to improve performance. In addition, City departments may not be aware of remaining budgeted funds and may perpetuate operating inefficiencies.

R2.6 Norwood should develop and adopt a formal capital improvement plan. The capital improvement plan should address the condition of Norwood’s existing capital assets and planned acquisitions, as well as maintenance and replacement schedules for its assets. The capital improvement plan should also identify and include funding sources to meet the City’s scheduled capital needs. This capital plan should be incorporated in the City’s budget and financial forecast documents and should be periodically updated, at least annually or as new information becomes available throughout the year.

Norwood does not have a formal capital improvement or replacement plan. City administrators have cited the priority to continue on-going services, which may suffer should current funding go to capital improvements. As a result, the City has no plans to allocate any money for capital expenditures. The lack of a capital plan leaves City administrators with no formal information on the condition and maintenance of the City’s capital assets, as well as what future funding may be available to cover maintenance and replacement costs as necessary. Since this includes high cost items like vehicles and infrastructure, the City may not be able to fully return operations and infrastructure to its condition prior to the fiscal watch declaration.

The GFOA recommends that organizations effectively plan for capital acquisition, maintenance, replacement, and retirement. An effective capital plan does more than simply identify what capital assets need to be purchased in future years. GFOA states that an organization’s capital plan may address the following:

- The condition of an existing asset;
- Criteria for acceptable condition of an existing asset;
- Criteria for continued maintenance versus replacement or retirement of an existing asset; and
- Identification of funding for adequate maintenance and scheduled replacement of capital assets.

With policies in place to develop and maintain a capital improvement plan, the City should be able to determine the longevity and condition of its capital assets, the cost of acquiring new assets and how the cost can be absorbed in the budgeting process. If a capital improvement plan is not developed, the City may incur large costs in the future to replace or repair capital assets and infrastructure.

Payroll

R2.7 Norwood should require all employees to participate in direct deposit for salary payments. Implementing a mandatory direct deposit system would eliminate the need to store, print and endorse payroll checks, and would also eliminate instances of lost or stolen checks. Further, the potential for fraud and errors would be reduced as the process to issue physical checks would be eliminated. Finally, implementing a direct deposit system would reduce administration costs due to the simplicity and efficiency of the process.

Norwood does not require employees to receive salary payments by direct deposit. Under Norwood's payroll system, employees are paid using physical paychecks that are distributed through the Treasurer's office. All checks are manually endorsed by the Treasurer.

According to the Electronic Payments Association (NACHA) website, implementing direct deposit would provide the following benefits to Norwood:

- Fewer checks to print and store;
- Check endorsements not necessary;
- Lost and stolen checks are eliminated;
- Financial institution service charges are reduced;
- The potential for fraud and errors are reduced;
- Account reconciliation is simplified; and
- Administration costs can be lowered.

The total cost per physical paycheck for a small company in the private sector was determined to be \$2.93, compared to an average estimated cost of \$0.51 for electronic payments, a difference of \$2.42 per check.

Norwood's process of processing and issuing physical paychecks increases the City's administrative costs due to several labor intensive steps such as, printing and physically endorsing each check. This task takes time away from other responsibilities that could be completed by the payroll clerk and administrators. In addition, any lost or stolen checks could potentially cause the Auditor to expend valuable man hours. Finally, Norwood's paycheck process requires physical pick-up by employees which may cause work interruptions many times during the day.

Financial Implication: Using the NACHA estimate of a \$2.42 difference between a physical paycheck and direct deposit, an organization such as Norwood with approximately 200 employees could potentially save as much as \$12,500 per year (26 pay

periods) by implementing direct deposit. However, some employees now receive payment via direct deposit which would potentially diminish this savings.

R2.8 Norwood should record and monitor all leave accumulation and usage through its payroll software. The City’s software allows users to directly access information in the payroll system and create reports in Microsoft Excel to be formatted for the desired or specific use. Accessing information directly from the payroll system would help to reduce errors and increase efficiency by eliminating additional data entry.

In addition, Norwood should use the payroll software to calculate “special pays” that result from annual leave buy back. Using the payroll software capability should allow the special pay disbursements to be made in a more efficient manner.

Norwood tracks sick leave, vacation time, and compensatory time using a spreadsheet that is independent from its payroll software. After recording the bi-weekly leave data in the system, the payroll clerk also records leave time on a spreadsheet. This spreadsheet tracks leave taken by employees on a year-to-date basis and is used to pay out annual leave time buy-backs. Tracking leave time using this method duplicates effort, increases the probability of erroneous data, and reduces the efficiency of the payroll process. Norwood’s payroll software has a function that is designed to easily allow users to extract data previously entered through open database connectivity compatible programs (ODBC). Specifically, the Norwood payroll clerk could electronically extract into a spreadsheet, leave information previously entered in the payroll program, as opposed to manually duplicating information in another spreadsheet.

Norwood processes 13 special pays in addition to the 26 regular salary payrolls. These special pays are made for holiday, sick leave, comp time, longevity, insurance, and training allowance buy-backs. Special pays are paid according to the stipulations outlined in the City’s collective bargaining agreements. Norwood does not use the payroll software to calculate special pay eligibility. Instead, eligibility for special pays is determined from the independent spreadsheet that tracks leave time. From this report, the employees’ year-to-date leave balances are compared to buy back levels stipulated in the respective bargaining agreements. After the difference is determined, the amount of the special pay is calculated. Using this method, each special pay takes approximately 1 to 2 days to process by the payroll clerk.

Internal Controls

R2.9 Norwood should establish an Audit Committee as a standing subcommittee of the City Council. The Audit Committee should be responsible for overseeing internal and external audit functions and should be comprised of Council members who

collectively possess expertise and experience in accounting, auditing, and financial reporting. Council should also include professionals from the community, such as attorneys and bankers, who are knowledgeable of City or financial operations. The Committee should meet regularly to monitor the City's reporting and internal control activities.

The Norwood City Council does not have a formal audit committee. Audit committees typically provide oversight of an organization's financial audit and its results, and help to ensure the adequacy and effectiveness of internal controls within its operations. As previously noted, the City's financial reporting has not been audited for 2003 or 2004.

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

In addition, the GFOA recommends that local governments establish audit committees. Effective audit committees should include the following characteristics:

- Every government should establish an audit committee or its equivalent. Reliable audits are essential to the credibility of financial reporting by state and local governments. The audit committee is a practical tool that a government can use to enhance the independence of the external auditor, and hence the reliability of the financial statement audit.
- The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means.
- The members of the audit committee collectively should possess the expertise and experience in accounting, auditing, financial reporting, and finance needed to understand and resolve issues raised by the independent audit of the financial statements. When necessary or otherwise desirable, members of the audit committee should be selected from outside the government to provide the needed expertise and experience.
- A majority of the members of the audit committee should be selected from outside of management. At the same time, the audit committee should include at least one representative each from the executive and legislative branches of the government.

- An audit committee should be sufficiently large to ensure that its members possess all of the skills needed to realize the committee's objectives. At the same time, the audit committee should be small enough to operate efficiently. Therefore, as a general rule, an audit committee should be composed of no less than five and no more than seven members.
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism.
- The primary responsibility of the audit committee should be to oversee the independent audit of the government's financial statements, from the selection of the independent auditor to the resolution of audit findings.
- The audit committee should have access to the reports of any internal auditors, as well as access to any annual internal audit work plans.
- The audit committee should annually present to the governing board and management a written report of how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public.

The audit committee should be informed about the financial and operational aspects of the City and, should receive sufficient and timely information. Audit committee members must devote sufficient time to obtain an adequate understanding of what the City's financial statements represent. To be vigilant, the audit committee should ask probing questions about the quality of the City's internal controls. This task requires the committee to keep abreast of reporting developments affecting the City.

To be an effective independent overseer, the audit committee must be positioned between senior management and the external auditors. This organizational structure allows the audit committee to question management's judgments about financial reporting matters and to suggest improvements in the internal control system. The committee's charter should define its mission, duties, and responsibilities, and describe the processes for planning its annual agenda and documenting its findings and conclusions. A strong audit committee will help to ensure the integrity of the City's internal controls and the quality of the City financial and operational reporting.

R2.10 Norwood should create department level job descriptions for the Treasurer's Office. Position descriptions should be updated on an annual basis and should include the job title, job summary, specific responsibilities, primary interactions, level of decision making, knowledge and skill requirements, and qualifying education, training, and experience. Up-to-date job descriptions help to lead to a greater understanding of job functions, expectations and responsibilities.

The Treasurer's Office has only one employee who performs a multitude of tasks. There is, however, no formally documented job description for this position. It is particularly important, as there is only one clerk, that all tasks of this position be documented in the event that this individual experiences an absence from work. Without a detailed, formal position description, any future or substitute employees may not be aware of all the responsibilities associated with the job. As a result, any prolonged absence by the clerk may result in inefficiencies and omitted tasks in the Treasurer's Office. In addition, the absence of department specific job descriptions will make it difficult for present and future administrators to assess and communicate job performance.

According to The Ohio State University, comprehensive job descriptions are used in selection, training, performance appraisal, and compensation. Job descriptions should include:

- Job title;
- Pay range;
- Date;
- Fair Labor Standards Act Status;
- Supervisor;
- Job summary;
- Duties and responsibilities;
- Knowledge, skills, and abilities; and
- Credentials and experience.

The ultimate goal of job descriptions should be to provide enough information to differentiate the major functions and activities of the position from similar positions in other city departments. Job descriptions are discussed further in the **human resources** section of this report (see **R3.9**).

Technology

R2.11 All employees within the Auditor's Office should be trained to be proficient with the Office's software. All employees must be capable of accessing basic information and retrieving basic accounting and financial reports. Norwood should consider contracting with SSI for additional training for the three clerk positions. Should it be determined that outside training is not necessary, the Auditor and Deputy Auditor should, at a minimum, train the clerk positions on the capabilities and functions of the system.

Within the Auditor's Office, the Auditor and the Deputy Auditor are the only employees that appear to be fully aware of the functions and application in the City's SSI financial

management software. Having only two employees (only 1 full-time) proficient with the software system leaves the Auditor's Office at a severe disadvantage should one or both of these employees be absent for an extended period.

In its recent study on the Managing of Local Government Computer Systems, the Office of the Minnesota State Legislative Auditor found that for optimal performance, computer systems require properly trained staff to operate and maintain. In addition, computer users need training and support to use the systems efficiently and responsibly. Local governments should ensure that whoever manages the computer system has an adequate plan for training staff expected to use the system. The report further states that training saves time that a user would otherwise spend experimenting with software applications. In the end, it increases productivity by minimizing the need to rework tasks. User training should focus on issues such as how to make effective use of software capabilities. In addition, users need to be educated on the importance of computer system security.

Receiving training, particularly training specialized to the SSI software, would enable the Norwood Auditor's Office to utilize the optimal performance of the financial software. In addition, formalized training would allow users to more efficiently incorporate previously unused functions into the daily processes of the office.

Financial Implication: Norwood should consider contracting with SSI for additional training on the accounting system. Training costs from SSI range from approximately \$1,000 for a one-day on-site training session to \$300 for an on-line class. To ensure that all employees are fully aware of the systems capacity, an onsite training session would be optimal.

R2.12 Norwood should fully use the purchase order requisition system purchased in 2003. This system, which operates in conjunction with the financial management software, would allow multiple departments to enter and authorize purchase requisitions and vouchers at the departmental level. Using this system would help Norwood streamline its purchase order process and more efficiently track and process requisitions, as opposed to the current system that relies on physical requisitions that are created on a departmental level and forwarded to the Auditor's Office.

Norwood's purchase order system is a manual system that relies on hard-copy requisitions and purchase order documents. Norwood's procedure begins when a service or item is needed and a requisition is approved by the respective department head, Safety/Service Director, elected official or governing board.

After approved requisitions are received at the Auditor's Office, purchase orders are created and approved by the Auditor and the Safety/Service Director. Copies of the purchase order are then submitted to the vendor, the Treasurer's Office, and the

requesting department. One copy is also kept in the Auditor's Office and is used to enter purchase information into the system.

Norwood has a purchase order system, which is an additional component of the SSI financial management software. The purchase order system is designed to streamline the purchase process by allowing department heads to electronically create requisitions and submit them in real-time to the proper destination for approval. When properly implemented, this system should eliminate the need for hard-copy documents that delay the process due to creation and delivery time. After installation, Norwood attempted unsuccessfully to utilize the purchase order system.

Using the purchase order system would not require additional expenditures, as the system has already been purchased and installed. Norwood may benefit, however, from additional training to update Auditor's Office personnel and City department heads on successful use of the system.

Financial Implication: Norwood should consider contracting with SSI for additional training on the City's purchase order requisition system. Training costs from SSI range from approximately \$1,000 for a one-day on-site training session to \$300 for an on-line class. In order to ensure that all employees are fully aware of the systems capacity, an onsite training session would be optimal.

B. Utility Billing

Background

The City of Norwood Water Department is under the supervision of the Safety/Service Director. The Water Department is responsible for billing water and sewer fees which are then collected by the Treasurer's Office. Additional duties for Water Department employees include taking all customer calls for service and general questions, opening new accounts, and processing late fees, notices, and shut-offs.

The Water Department is budgeted for 3 full-time equivalents (FTEs), consisting of two account clerks and one meter reader. The Norwood Water Department operates on a manual system, whereby meters are read and recorded manually. After the readings are recorded, they are transferred from hard copy form by manually entering data into the software system. The Safety/Service Director stated the City plans to explore the use of hand-held meter reading computers which would greatly increase the efficiency of the meter reading process.

Norwood owns and operates its own water and sewer infrastructure systems. Water is purchased from Greater Cincinnati Water Works (GCWW) at wholesale cost and then distributed through the system and delivered to residential and commercial customers.

Table 2-11 highlights the revenues, expenditures, and delinquent account information for the Water Department.

Table 2-11: Water Department Revenues and Expenditures

	2002	2003	% Change	2004	% Change
Revenues					
State Grants	\$0	\$0	N/A	\$0	N/A
Water Tap License and Permits	\$2,425	\$0	(100.0%)	\$0	N/A
Sewerage Charges	\$186,130	\$199,913	7.4%	\$211,947	6.0%
Water Insurance/Miscellaneous	\$0	\$5,938	N/A	\$0	(100.0%)
Metered Water Sales	\$2,324,578	\$2,312,696	(0.5%)	\$2,344,008	1.4%
Total Revenues	\$2,513,133	\$2,518,547	0.2%	\$2,555,955	1.5%
Expenditures					
Personnel	\$420,498	\$478,287	13.7%	\$570,786	19.3%
Contractual Services	\$2,148,342	\$2,101,340	(3.0%)	\$2,027,996	(3.5%)
Materials and Supplies	\$61,026	\$76,814	25.9%	\$43,480	(43.4%)
Other	\$0	\$74,630	N/A	\$1,025	(98.6%)
Debt Service	\$40,805	\$40,805	0.0%	\$40,805	0.0%
Total Expenditures	\$2,670,671	\$2,771,876	3.8%	\$2,684,092	(3.2%)
Revenue Over (Under) Expenditures	(\$157,538)	(252,446)	(60.2%)	(\$128,137)	(49.2%)

Source: Norwood Revenue and Expenditure Reports

Significant variances shown in **Table 2-11** are explained below:

- **Revenues:** Norwood has two main sources of utility income - water and sewer charges. Norwood's total revenues increased 1.5 percent in 2004 due to a 3 percent increase in water rates charged by Norwood. Norwood increased its water and sewer rates further in 2005 by 10 percent and 12 percent respectively, in an attempt to eliminate the annual net deficit that the Water Fund has incurred the last several years. The amount of these significant rate increases were somewhat dictated by similar rate increases instituted by GCWW; however Norwood had not increased water rates from 1998 through 2002. Norwood has not determined any further rate increases for 2006.
- **Expenditures:** In 2004, Norwood was able to decrease Water Department expenditures 3.2 percent, compared to a 3.8 percent increase in 2003. Norwood's primary Water Department expenditure is the purchase of water from GCWW. In 2005, GCWW increased the rate it charged Norwood by 5 percent. In 2006, a further increase of 7.5 percent will be instituted by GCWW.

Salaries have fluctuated greatly from 2002 to 2004. In particular, salaries increased 19.3 percent in F2004 due to an extra pay period in that year, as well as step increases and cost of living adjustment increases. In 2004, contracted services decreased as Norwood scaled back maintenance and repair costs in a cost saving measure.

- **Delinquent accounts:** Norwood has recently seen an increase in delinquent account balances. In 2004, delinquent account levels rose 30.5 percent to \$229,487. Accounts more than 60 days past due experienced the biggest spike; increasing 326.4 percent in 2004 (see **R2.15**).

Recommendations

R2.13 Norwood should assess the feasibility of privatizing its water system operations. A public-private partnership between Norwood and GCWW or a private firm might save the City from 10 to 40 percent. These savings could be realized through economies of scale, effective cost controls, innovation, and sound asset management practices. If the City privatizes this function, it should include cost and performance guarantees which allow municipalities to guarantee the feasibility of future operations.

Norwood has 43.5 miles of water mains dedicated to providing water service to commercial and residential customers in the City. Water is purchased at a wholesale price from GCWW and distributed through Norwood's water system. Despite purchasing water from another municipality, Norwood still incurs maintenance and operating costs for its infrastructure.

Many municipal water systems in the United States, including Norwood, face problems associated with capital deterioration, deferred maintenance, unreliable water supply, and under pricing of services. In its report, *Privatizing Infrastructure: Options for Municipal Water- Supply Systems*, the Reason Public Policy Institute found that, compared to other utility services, water supply systems within the United States have the following unique characteristics:

- Primarily municipally or publicly owned;
- Highly fragmented systems that are not interconnected;
- Highly capital intensive;
- Tax-exempt financed; and
- Under priced services.

According to the National Association of Water Companies (NAWC), there are three common options for municipalities that wish to privatize water systems. These options are as follows:

- Single-purpose investment, where a city contracts with a private company which builds, owns and services the plant;
- Public-private partnership, such as municipal financing of a private water system's improvement project; or
- Contracts for operation, maintenance, billing and other services.

According to the NAWC many U.S. cities and suburban areas are served by investor-owned water systems. They include: San Jose, California; Indianapolis, Indiana;

Lexington, Kentucky; Baton Rouge, Louisiana; Chattanooga, Tennessee; Bridgeport, Connecticut; Hackensack, New Jersey; Charleston, West Virginia; St. Louis County, Missouri, and Peoria, Illinois.

An investor-owned water utility system uses a combination of private capital and borrowed funds to build and expand its system. Access to private capital eliminates the need to issue municipal bonds and reliance on limited public capital to maintain a reliable and safe water supply.

Private water systems may be able to reduce operational costs because many private water companies are regionalized. This regionalization enables private systems to benefit from possible economies of scale and a high level of efficiency. In addition, the purchase, or lease, of a municipally-owned water system by a privately owned water utility will likely result in lower costs for materials, employee benefits, insurance and administration costs. Finally, the NAWC points out that nationwide affiliations and mass purchasing power may result in significant savings on the cost of items such as fire hydrants, valves, pipes, and meters.

The NAWC further states that privately held water systems are more likely to benefit from advanced technology and are well positioned to address proposed water quality regulations. Private companies may also have better access to capital required to construct newer, improved facilities.

Norwood could also assess the possibility of contracting with GCWW for all water operations including meter reading, billing, and infrastructure maintenance and operation. In 2000, the City of Mason contracted with GCWW to provide all water service operations. As a result of this contract, Mason has cited the following benefits:

- GCWW reduced rates by 7 percent from Mason's previous rates (as opposed to an estimated 30 percent increase should Mason have maintained control of water operations).
- GCWW agreed to \$30 million in capital improvements to the water system.
- GCWW agreed to include adding water softening capabilities to the treatment plant.
- GCWW agreed to convert Mason to automated meter reading.

Cost savings for outsourcing water operations are contingent upon many issues such as population size, condition of the infrastructure, current technology, and contract length.

Norwood should contact GCWW and private water system companies to determine possible savings from water system outsourcing.

R2.14 To avoid an annual operating deficit in the Water Fund, the City should adopt policies that outline the manner in which water rates are structured and the extent to which rates will offset its maintenance and operational costs, as well as GCWW's rate increases. In 2004, Norwood's ratio of overhead operating costs to total costs was 26.6 percent. Assuming Norwood has a similar ratio in 2005, applying this rate to GCWW's proposed 7.5 percent increase should result in a proposed Norwood increase of 9.5 percent for 2006.

Norwood purchases water from GCWW and operates its own water distribution system to serve both residential and commercial customers. Norwood purchases this water at a wholesale price. As shown in **Table 2-11**, the Water Department revenue did not exceed expenditures any year of those displayed and thus used the fund balance each year to cover the deficit. Although water sales exceeded the contractual obligations each year, the revenue was not sufficient to cover operating and overhead costs. It should be noted that Norwood was able to decrease 2004 expenditures in every category with the exception of personnel costs. However the slight increase in revenues of 1.5 percent along with the decrease in expenditures of 3.2 percent in 2004 still resulted in an operating deficit.

In recent years, the Water Fund has experienced significant declines in its year-end fund balance due to rising water rates imposed by GCWW and not fully incorporated into the rates charged by Norwood. **Table 2-12** displays the water rate increases for GCWW and Norwood for 2002 through 2006.

Table 2-12: Water Rate Increases

	2002	2003	2004	2005	2006	Total
GCWW	3.0%	1.1%	3.0%	5.0%	7.5%	19.6%
Norwood	0.0%	3.0%	3.0%	10.0%	N/A	16.0%
Difference	(3.0%)	1.9%	0.0%	5.0%	N/A	(3.6%)

Source: City of Norwood

As shown in **Table 2-12**, Norwood had to increase water rates at a rate comparable to or in excess of GCWW rate increases in order to recoup losses sustained by charging water rates lower than operating costs in previous years. Despite annual increases in water rates since 2003, the Water Fund balance decreased approximately \$252,000 in 2003 and \$128,000 in 2004.

For 2005, Norwood increased water rates 10 percent in an effort to offset a 5 percent increase in water rates by GCWW. This rate hike caused some controversy with

Norwood residents. This 10 percent increase is projected to offset the GCWW rate increase with a net income in the water fund of approximately \$117,000. This projection was made based on Norwood's water rate increase of 10 percent and a sewer rate increase of 12 percent for revenues of approximately \$2,815,000. For projected expenditures, Norwood's water purchase expenditures were projected to increase 5 percent, while all other expenditures (except those for personnel) were projected to increase 3 percent for expenditures of approximately \$2,698,000. Personnel projections for 12 months were based on the four months of actual personnel costs.

On a cumulative basis, GCWW raised its water rate 12.6 percent from 2002 to 2005. In comparison, Norwood raised the rate it charges customers by 16.0 percent in this same time period. However, prior to the increase in 2003, Norwood did not increase water rates from 1998 through 2002, even though GCWW increased rates over the same period.

Table 2-13 displays the 2004 Water Fund expenditures by classification.

Table 2-13: 2004 Water Fund Expenditures

	Expenditures	% of Total Expenditures
Personal Services	\$570,786	21.2%
Water	\$1,965,887	73.2%
Other Purchased Services	\$62,109	2.1%
Materials and Supplies	\$43,480	1.6%
Debt Service	\$40,805	1.5%
Refund	\$1,025	0.0%
Total	\$2,684,092	100.0%
Overhead Operating Expenditures Ratio		26.6%

Source: City of Norwood Expenditure Reports

As shown in Table 2-13, 26.6 percent of Norwood's 2004 Water Fund expenditures were allocated for overhead operating expenditures as opposed to water purchased from GCWW. For every \$1.00 Norwood charges its customers approximately \$.27 cents is going to overhead operating and maintenance expenditures. Therefore, Norwood can not simply meet GCWW's rate increase. The City should theoretically structure its increases to cover overhead operating costs and any long capital improvements to help offset the drain on the Water Fund balance.

R2.15 Norwood should formally develop and implement policies and procedures by which monthly financial utility reports are provided by the Utility Department to the Safety/Service Director. These monthly reports should include billings, collections, and delinquent accounts on a monthly and year-to-date basis. The Safety/Service Director should use the report to monitor utility financial information in relation to current budgeted levels and previous year and month results to identify any trends or significant increases or decreases. These periodic assessments will allow

Norwood to identify potential problems and formulate changes that may be needed to improve performance over both the short and long term.

The Norwood Safety/Service Director supervises the Water Billing Department. Historically, the Safety/Service Director has not been provided with monthly financial data, such as billing amounts, collections, and delinquencies. As a result, the Safety/Service Director does not have relevant information to effectively manage the daily operations of the Water Billing Department. Without monthly financial data, the Safety/Service Director may not be able to identify operating trends in the Water Department such as decreases in billing and collections or an increase in delinquent accounts.

According to the GFOA's *Recommended Budget Practices - A Framework for Improved State and Local Government Budgeting*, a government should continuously monitor and regularly evaluate its financial condition as well as the performance of the programs and services it provides. The financial condition should be evaluated to identify potential problems and any changes that may be needed to improve performance over both the short and long term periods. Financial indicator measures often are developed to monitor financial condition and achievement of explicitly set goals. Indicators to monitor factors that affect financial performance are also reported. A report on financial condition should be periodically prepared and updated. The report may be a separate document or incorporated into other relevant documents, including the budget document. When reporting on financial condition, the government should highlight the significance of relevant indicators.

As Norwood is not tracking the financial condition or performance of the Water Billing Department on a periodic basis, the Safety/Service Director is not able to assess several indicators such as amount billed, amount collected, and delinquency levels to determine the monthly performance of the Department. Providing the Safety/Service Director with this information would allow him to adjust Departmental operations as needed.

R2.16 Norwood should consider turning over delinquent accounts to a third party collection agency. The City should create formal policies and procedures which provide specific instructions on identifying accounts to be handled by an outside collection agency. Third party collection agencies are often more effective in obtaining payment on delinquent accounts, especially for operations that do not have large staffs, such as the Norwood Water Billing Department. By selling accounts that are deemed uncollectible to a third party collection agency, Norwood may be able to collect a portion of debts that may otherwise have been written off.

Norwood's Utility Billing Department does not have formal methods to identify and collect on delinquent accounts. Likewise, it does not have sufficient staff to aggressively

pursue delinquencies. **Table 2-14** displays the total revenues and delinquencies for Norwood for 2002 through 2004.

Table 2-14: Total Delinquencies and Revenues

	2002	2003	% Change	2004	% Change
Total Revenues	\$2,513,133	\$2,518,547	0.2%	\$2,555,955	1.4%
Delinquencies					
30 – days	\$69,710	\$90,188	29.4%	\$98,679	9.4%
60 – days	\$32,395	\$6,515	(79.9%)	\$27,776	326.4%
90 – days	\$70,629	\$79,169	12.1%	\$103,032	30.1%
Total Delinquencies	\$172,734	\$175,872	1.8%	\$229,487	30.5%

Source: City of Norwood Water Department

As shown in **Table 2-14**, Norwood's delinquent utility accounts increased significantly (30.5 percent) in 2004. Specifically, the largest increase occurred in delinquencies at least 60 days overdue. In 2004, this classification rose 326.4 percent to \$27,776 compared to \$6,515 in 2003. For 2003 and 2004, growth in delinquencies outpaced growth in revenues. In 2003, revenues increased 0.2 percent, compared to a 1.8 percent growth in delinquencies. This same trend occurred in 2004 as revenues increased 1.4 percent while delinquencies increased 30.5 percent.

Table 2-15 displays Norwood's delinquent account balances as a percentage of total utility collections.

Table 2-15: Delinquencies as a Percentage of Total Revenues

Delinquencies/Revenues	2003	2004	2005
30 – days	2.8%	3.6%	3.9%
60 – days	1.3%	0.3%	1.1%
90 - days	2.8%	3.1%	4.0%
Total	6.9%	7.0%	9.0%

Source: City of Norwood Water Department

Table 2-15 shows that Norwood's percentage of delinquencies has risen steadily since 2003. In 2003, delinquencies were 6.9 percent of total revenues, compared to 9.0 percent in 2005. In particular, Norwood has experienced significant increases in the 30-days and 90-days delinquent accounts percentages.

Norwood has recently taken steps to curb delinquent accounts. Prior to 2005, the Water Billing Department was not creating a formal report of water shutoffs for non-payment of services. As a result, some delinquent accounts may have been receiving water services despite receiving a shutoff notification. Beginning in 2005, the Water Department began creating a monthly list detailing all shutoff accounts and forwarding this report to the Safety/Service Director. This list allows the Safety/Service Director, as well as, all Water

Department employees to have a formal list identifying all accounts that should have had services shut off.

In *Utility Collections Best Practice* (Bass & Company, May 2005), utility bad debt is increasing yearly and the implementation of more effective collection strategies is a necessity. One strategy put forth in the study involves selling delinquent accounts to an outside collection agency. Bass & Company states that as delinquent accounts age, the probability of recovery decreases, as does the value of the receivable. As the delinquent debt of a customer ages, a utility department may look to either sell the receivable to an outside agency or completely write the debt off. Furthermore, the report recommends that utility departments should also forward customers to collection agencies based on a range of parameters such as customer type.

Recently, several governmental entities have contracted with collection agencies to collect on delinquent accounts including the Internal Revenue Service, the U.S. Department of Treasury, and the U.S. Department of Education. For governmental agencies in Ohio, ORC §1319.12 allows collection agencies to take assignment of accounts, bills, or other evidence of indebtedness in its own name for the purpose of billing, collecting, or filing suit in its own name as the real party of interest.

Delinquent account collection amounts are contingent upon many issues, including methods used by individual collection agencies. Prior to FY 2003, Norwood used a collection agency to assist in the collection of delinquent accounts. Norwood should consider once again contracting with a third party collection agency to determine the level of collections that could be achieved.

C. Earnings Tax Department

Background

The City of Norwood Earnings Tax Department (ETD), which is part of the City of Norwood Treasurer's Office, handles the collection of a 2 percent earnings tax. The Treasurer is an elected position and is responsible for the daily operations of the ETD. The ETD's main function is collecting and auditing submitted returns. The ETD is granted this authority by Section 8 of the Norwood City Earnings Tax Ordinance (the Ordinance), Number 93-2000, that amended the original ordinance enacted in 1954 and amended in January 1984. Norwood does not require mandatory filing and provides a 100 percent credit for the amount of income taxes paid to another city (not to exceed 2 percent).

Staffing

The ETD consists of the Earnings Tax Commissioner, and two account clerks (clerks). In total, the three positions represent 2.1 full-time equivalents (FTE). The Commissioner is an appointed position that became part-time following the Commissioner's retirement in 2004 and his reappointment on a contractual basis. Following the 2005 tax season, the Commissioner reduced his employment obligation to 4 hours per week, but will work additional hours as the FY 2006 tax season approaches. The clerk positions are employed on a full-time basis; however, the most experienced clerk retired in May 2005 and a new clerk was hired in September 2005. These positions are covered under the clerical and miscellaneous employees' collective bargaining agreement.

Summary of Operations

The ETD is charged with the collection and enforcement of the City's earnings tax and is responsible for the following items:

- Collecting earnings tax revenue from residents and businesses conducting business residing in the city of Norwood (the City);
- Collecting earnings tax revenue from non-residents employed within the taxing jurisdiction of the City;
- Preparing receipts for daily deposits;
- Reviewing submitted returns for accuracy;
- Assessing penalties and interest for delinquent accounts;
- Processing and issuing tax refunds;
- Providing City tax return preparation assistance to the public;

- Recording and maintaining information on earnings tax accounts; and
- Insuring compliance with all other aspects of the Ordinance and its rules and regulations.

The Ordinance was enacted for the purpose of providing funds for general municipal operations, retirement of certain debt, and for capital improvements. Section 3 of the Ordinance imposes a 2 percent tax on the following earnings sources:

- Salaries, wages, sick pay, vacation pay, severance pay and supplemental unemployment pay, commissions and other compensation earned during the effective period of this ordinance by residents of the City and non-residents of the city for work done or services rendered in the City.
- Portions of net profits attributable to Norwood (generated within the City), earned during the effective period of this ordinance of all resident unincorporated businesses, associations, professions or other entities derived from sales made, work done, services performed or rendered and business or other activities conducted in the City.
- Portions of distributed shares of net profits (dividends) earned during the effective period of this ordinance of a resident partner or owner of a resident association or other unincorporated business entity not attributable to Norwood and not levied against such unincorporated business entity or association by the City.
- Portions of net profits attributable to Norwood, earned during the effective period of the Ordinance, of all non-resident unincorporated business associations, professions or other entities, derived from sales made, work done, or services rendered and business or other activities conducted in the City, whether or not such unincorporated association or business entity has an office or place of business in the City.
- Portions of distributed shares of net profits earned during the effective period of the Ordinance, of a resident partner or owner of a resident association or other unincorporated business entity not attributable to Norwood and not levied against such unincorporated business entity or association by the City.
- Portions of the net profits attributable to Norwood earned during the effective period of the Ordinance of all resident and non-resident corporations derived from sales made, work done, services 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.

Financial Data

Municipal earnings tax collections are essential to Norwood's ability to operate. **Table 2-16** illustrates the significance of earnings tax collections as percentage of total General Fund revenues.

Table 2-16: Earnings Tax Compared to General and Governmental Funds Revenue

Collection Year	Total Municipal Earnings Tax Collections	% Change in Collections from Previous Year	General Fund Revenue	Earnings Tax as a % of General Fund Revenues	Earnings Tax as a % of Governmental Funds Revenues
1997	\$8,544,263	N/A	N/A	N/A	N/A
1998	\$8,940,702	4.6%	N/A	N/A	N/A
1999	\$9,333,982	4.4%	\$15,165,284	61.5%	54.1%
2000	\$9,908,608	6.2%	\$15,391,780	64.3%	55.8%
2001	\$10,674,957	7.7%	\$16,685,688	64.0%	55.6%
2002	\$10,124,144	(5.2%)	\$15,683,995	64.6%	56.5%
2003	\$10,408,106	2.8%	\$15,846,663	65.7%	N/A
2004	\$11,215,645	7.6%	\$16,627,000	67.5%	N/A

Source: Ohio Department of Taxation, Norwood Earnings Tax Department and Norwood CAFRs

As shown in **Table 2-16**, the percentage of earnings tax collections in relation to General and Governmental Fund revenues has been stable, but generally increasing as percentage of total funding. With the exception of 2001, each successive year has indicated that earnings tax collections were a larger portion of total General Fund receipts than the prior year. The past three years have exhibited an increasing reliance on earnings tax collections, which ranged from 64.6 percent of General Fund revenues in 2002 to 67.5 percent of General Fund revenues in 2004. Also, from 1998 to 2001 Norwood's earnings tax collections increased every year until experiencing a 5.2 percent decrease in 2002 due to a poor local and national economy.

The ETD's budget is appropriated from the City's General Fund. **Table 2-17** represents the ETD's actual expenditures for 2003 and 2004, as well as, the budgeted expenditures for 2005.

Table 2-17: City of Norwood's ETD Expenditures

Appropriation Account	Actual 2003	Actual 2004	Percent Change	Budgeted 2005	Percent Change
Salaries	\$113,697	\$100,460	(11.6%)	\$82,038	(18.3%)
Fringe Benefits	\$42,464	\$36,694	(13.6%)	\$35,144	(4.2%)
Contracted Services	\$9,147	\$8,248	(9.8%)	\$3,555	(56.9%)
Supplies	\$6,831	\$1,700	(75.1%)	\$8,970	427.6%
Other	\$893	\$990	10.9%	\$0	(100.0%)
Total	\$173,032	\$148,092	(14.4%)	\$129,707	(12.4%)

Source: City of Norwood 2003, 2004, and 2005 Expense Reports

The following are explanations for significant variances in **Table 2-17**:

- Salaries decreased 11.6 percent in 2004 due to the vacancy in the tax commissioner position for a portion of the year.
- Fringe benefits decreased 13.6 percent in 2004 due to a decrease in longevity pay, vacation and PERS expenditures partially attributable to lower salary costs.
- Supplies expenditures decreased 75.1 percent in 2004 due to the elimination of the printing of forms and decreases in contractual services and other materials.

Table 2-17 shows that the City has reduced funding to the department responsible for generating approximately 67 percent of the General Fund's revenue through staffing level reductions and other cost saving measures.

Operational Statistics and Ratios

Key statistics and information relating to the operations of the ETD and the peer cities are shown in **Tables 2-18** through **2-19**. Comparative analyses and assessments performed throughout this section include information from these tables.

Table 2-18: General Operational Statistics and Ratios for 2004

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Population¹	20,781	22,892	27,070	18,611	22,858
Business Accounts	1,842	1,195	1,291	969	1,152
Individual Accounts	4,099	8,105	15,710	6,091	9,969
Total Tax Accounts	5,941	9,300	17,001	7,060	11,120
% of Population with Account	28.6%	40.6%	62.8%	37.9%	47.1%
Total Department FTEs	2.5	3.0	3.0	4.5	3.5
Total Personnel Costs	\$137,154	\$143,339	\$139,631	\$165,856	\$149,609
Personnel Cost per FTE	\$54,862	\$47,780	\$46,544	\$36,856	\$43,727
Accounts Processed per Staff Member	2,376	3,100	5,667	3,530	4,099
Personnel Cost per Account	\$23.08	\$15.41	\$8.21	\$23.49	\$15.70

Source: City of Norwood and peer earnings tax departments

¹U.S. Census Bureau, 2003 Population Estimates

Table 2-18 indicates Norwood has fewer accounts than the peers and 58 percent fewer individual accounts than the peer average, even though the populations are similar. In addition, in 2004, only 28.6 percent of Norwood's population had an active account compared to the peer average of 47.1 percent. This can be attributed to the peers requiring mandatory filing, whereas Norwood does not. It should also be noted that Norwood's total FTE and personnel costs were lower than the respective peer averages, but Norwood processed fewer accounts per FTE than the peers. The ETD processed 42 percent fewer accounts per FTE than the peer average ratio. As a result of the ETD's lower work load efficiency, Norwood's personnel costs per account are higher than two out of three peers and 47 percent higher than the peer average, despite having lower total personnel costs. These ratios indicate that while in absolute terms Norwood has controlled the

ETD's operating costs, the Department's efficiency and effectiveness appear to be lower than the peers (see R2.16).

Table 2-19 displays earnings tax collections by source for Norwood and the peer cities.

Table 2-19: 2004 Earnings Tax Collections by Source

	Norwood		Alliance		Trotwood		Whitehall		Peer Average	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Tax Rate	2.00%		1.75%		2.25%		2.00%		2.00%	
Withholdings	\$9,105,294	81.2%	\$5,707,689	79.3%	\$4,243,729	82.2%	\$12,044,486	90.2%	\$7,331,968	85.6%
Business Accounts	\$1,201,022	10.7%	\$474,838	6.6%	\$239,691	4.6%	\$825,055	6.2%	\$513,195	6.0%
Individual Accounts	\$909,329	8.1%	\$1,019,523	14.2%	\$676,883	13.3%	\$477,577	3.6%	\$724,661	8.5%
Total Collections	\$11,215,645	100.0%	\$7,202,050	100.0%	\$5,160,303	100.0%	\$13,347,118	100.0%	\$8,569,824	100.0%
2002 City School District Aggregate Federal Adjusted Income (in \$millions)	\$304,262	N/A	\$336,666	N/A	\$332,816	N/A	\$249,715	N/A	\$407,820	N/A
Withholding and Individual Collections as % of Aggregate Individual Income	3.29%	N/A	2.28% ¹	N/A	1.31% ¹	N/A	5.01%	N/A	1.98%	N/A
Difference between the Tax Rate and the Estimated Collection Rate	1.29%	N/A	0.28%	N/A	(0.94%)	N/A	3.01%	N/A	(0.02%)	N/A

Source: City of Norwood and peer earnings tax departments

¹ Collection rate used collections proportionately adjusted to reflect a 2.0 percent earnings tax rate for comparison purposes.

Table 2-19 shows that Norwood's total collections were higher than that of two peers and 31 percent more than the peer average. In addition, business accounts exceeded all the peers and the peer average. Norwood's withholding collections were higher than two of the peers even though as a percentage of total collections, its 81.2 percent was lower than the peer average of 85.6 percent. This is significant due to the fact that withholding collections are the most reliable earnings tax source. This is reflected by the fact that Norwood's individual collection rate as a percentage of the 1999 U.S. Census aggregated individual income exceeded that of all peers except the City of Whitehall. However, this could be impacted by numerous factors including recent economic growth, tax credit and deduction policies, and demographic differences such as income levels and home ownership, as well as various factors relating to effective collection practices.

Recommendations

R2.17 The ETD should either outsource earnings tax collection operations or adopt policies and practices for better identifying taxpayers and ensuring effective collections. Due to numerous and fundamental operating limitations, a third party earnings tax management service should be considered for resolution of these issues. With appropriate contract management, a third party administrator could increase collections, actively pursue delinquencies and provide professional management and technical assistance. Alternatively, Norwood ETD should seek to implement recommendations R2.17 through R2.18.

Norwood ETD maintains fewer earnings tax accounts per capita than peer earnings tax departments. This could represent shortcomings in its taxpayer identification efforts and can also be attributed to the lack of mandatory filing requirements by the City. **Table 2-20** illustrates various 2000 census demographic characteristics of each city's population which may impact taxable earnings and collections of earnings taxes.

Table 2-20: Demographic Statistics and Ratios

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
2000 Population	21,675	23,253	27,420	19,201	23,291
% of Population with an Active Individual Tax Account ¹	18.9%	34.9%	57.3%	31.7%	41.3%
% of Population 65 Years & Over	12.6%	16.2%	15.9%	12.0%	14.7%
% of Population under 18 Years	23.4%	23.5%	26.2%	25.3%	25.0%
% of Population 18-64	64.0%	60.3%	57.9%	62.7%	60.3%
Median Household Income	\$32,223	\$30,078	\$34,931	\$32,794	\$32,421
Unemployment Rate	3.4%	3.9%	3.7%	3.1%	3.6%
<u>Industry % of Workforce</u>					
Manufacturing	17.3%	25.1%	20.8%	9.6%	18.5%
Retail/Wholesale Trade	16.3%	17.4%	13.2%	20.0%	16.9%
Education/Health/Social Services	13.8%	21.5%	21.9%	13.1%	18.8%
Families Below Poverty Status	8.6%	12.7%	13.6%	11.1%	12.5%
<u>Housing Status</u>					
% Owner	51.5%	60.4%	62.6%	45.4%	56.1%
% Renter	48.5%	39.6%	37.4%	54.6%	43.7%
Housing Occupancy Status	92.3%	91.6%	92.4%	92.7%	92.2%

Source: U.S. Census Bureau, 2000

¹ Individual tax accounts from **Table 2-18** divided by population

As shown in **Table 2-20** only 18.9 percent of the population in Norwood had active individual tax accounts in 2004, lower than any of the peers, and significantly lower than the peer average of 41.3 percent. Although this is attributed to the lack of mandatory filing, another factor is the percentage of the population between 18 and 64 years of age. In Norwood, 64.0 percent of the population is between the ages 18 and 64, which is higher

than the peer average of 60.3 percent and higher than all the peers. This would indicate a larger portion of the population with potential taxable earnings.

The difference in these figures is partially explained by less effective taxpayer identification efforts. In an attempt to identify additional potential tax payers, the ETD manually compares its tax account lists to the City's water billing records, Building Department records, and tenant lists and the Ohio Department of Taxation list. **Table 2-21** presents taxpayer identification methods currently used by Norwood and compares these methods to the peers.

Table 2-21: Comparison of Taxpayer Identification Methods

Method	Norwood	Alliance	Trotwood	Whitehall
State tax file	X	X	X	X
Building/zoning permits	X	X		X
Utility billing	X	X	X	
Newspaper		X	X	X
Field investigation for contractors		X	X	X
High school graduation records				
Landlord lists	X		X	X
Beauty shop lists				
Lottery lists		X		X
1099 Miscellaneous forms		X	X	X
Directory software				
Telephone book		X	X	X
Election list		X	X	
W-2's from employer reconciliation	X	X	X	X
Contractor letters		X	X	X

Source: Norwood and peer cities' tax departments

As shown in **Table 2-21**, the Norwood Tax Commissioner identified significantly fewer taxpayer identification methods than the peer cities. However, the Norwood Treasurer stated that ETD has used field investigations of contractors and contractor letters, as well as lottery lists, 1099 miscellaneous forms, telephone directories, liquor licenses, phone company lists, and Hamilton County Auditor property records in the past. Although the Norwood ETD has building permit, utility billing, and landlord reports to help identify additional potential taxpayers, the lack of staffing (see **R2.19**) and poor information technology functionality (see **R2.18**) has prevented the ETD from performing these comparisons on a frequent basis. According to Norwood's Tax Commissioner, the utility billing and building permits were reviewed in October 2004. It should also be noted that Norwood had a higher percentage of renters in the City. These accounts may be more difficult to identify than property owners, making frequent taxpayer identification a higher priority. The inability to consistently perform these procedures could result in potential taxpayers and associated revenues going unidentified.

Table 2-22 estimates additional earnings tax revenues based on increases in the percentage of active individual accounts.

Table 2-22: Potential Tax Revenue for Increases of Active Individual Accounts

Percentage of Population with Active Individual Accounts	Additional Individual Accounts	2004 Average Collections per Individual Accounts	Additional Potential Revenue
Currently at 18.9 %	0	\$222	\$0
25.0%	1,320	\$222	\$293,040
30.0%	2,404	\$222	\$533,688
31.7% ¹	2,771	\$222	\$615,162
41.3% ²	4,853	\$222	\$1,077,316

Source: Norwood tax data

¹ Percentage of next closest peer as displayed in **Table 2-18**.

² Peer average as displayed in **Table 2-18**.

As shown in **Table 2-22**, Norwood could potentially earn \$293,040 if its percentage of active tax accounts increased to 25 percent of the total population based on an estimate of \$222 per individual account. Additionally, should Norwood increase its active tax account percentage to 31.7 percent (the ratio of the next closest peer), it could potentially generate \$615,162 in additional tax revenues. Should Norwood increase its percentage of individual accounts to the peer average of 41.3 percent, it could potentially earn an estimated \$1,077,316 in additional revenues. However, due to staffing limitations and software constraints, Norwood's ETD, in its current mode of operation, would have difficulty reaching the levels cited in **Table 2-22**.

Discussed throughout the recommendations in this report are a number of deficiencies in operating policies, practices, processes and organization of the ETD. Factors contributing to ETD's operating issues include the following:

- Insufficient resource allocation to an activity responsible for almost 68 percent of General Fund resources illustrated by lower staffing levels and minimal expenditures on materials and supplies;
- Inadequate department information technology infrastructure requiring many processes to be completed manually without up to date information (**R2.18**)
- Deficient delinquent account collection processes (**R2.23**)

These factors represent fundamental challenges to effective and efficient earnings tax collection operations. Capital investments involved in information technology upgrades, training costs associated with using new computer applications and best practice collections policies would not likely be resolved in a timely manner. Therefore, this analysis must conclude that the city of Norwood would be a good candidate for

contracting with a third party tax collections administrator, rather than seeking to improve its current operations. There are many important considerations in assessing opportunities for external contracting of earnings tax management services. **Table 2-23** lists some of the issues to be evaluated when determining the feasibility of contracting out earnings tax functions. The results of applying the assessment factors to Norwood's earnings tax operations are noted in italics.

Table 2-23: 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 sources?	<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>No</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>
Potential Privatization Opportunity	High

Source: Interviews with Norwood personnel, RITA, and Norwood expenditure reports

Table 2-23 suggests that Norwood's earning tax operations have a high potential to benefit from contracting to an external provider of earnings tax management services. One such organization that provides earnings tax management services is the Regional Income Tax Agency (RITA). RITA is an agency created by the Regional Council of Governments, a not-for-profit organization established under ORC Chapter 167 to handle the mutual tax problems and concerns of its participants. RITA offers services including:

- Tax payer registration (mandatory filing required);
- Quarterly and monthly billing;
- Lockbox services;
- Delinquent tax collections;
- Subpoena programs;
- Civil suits for the payment of delinquent taxes, penalties and interest;
- Complete record control/information retention;
- Printing and mailing; and
- Computer services.

RITA allocates costs to the participants according to a formula which takes into account the agency's total costs, total transactions, and total collections. In order to contract with a vendor such as RITA, Norwood would need to implement mandatory filing requirements (see **R2.20**). In addition, certain functions would need to be performed by

at least one FTE employed by Norwood, and possibly more, depending on the level of service for which it contracts.

Table 2-24 shows the potential increase in revenue collections by contracting with an external provider.

Table 2-24: Current Earnings Tax Operations vs. External Provider

	Current Operations	External Tax Service for Earnings Tax Operations
2004 Collections	\$11,215,645	\$11,215,645
Expected Additional Revenue	N/A	\$1,121,565
Total Revenue	\$11,215,645	\$12,337,210
Cost of Services	\$148,092	\$370,116
Cost to Retain 1 FTE	\$0	\$45,718
Cost of Software/Hardware	\$0	\$0
Annual Tax Software Service Contract	\$0	\$0
Total Costs	\$148,092	\$415,834
Net Revenue Available¹	\$11,067,553	\$11,921,346

Source: RITA

¹ Total Savings may not be realized in the first year.

Table 2-24 estimates additional earnings tax revenues for Norwood should it elect to contract its earnings tax operations to a third party. Determining net revenue from externalizing all earnings tax operations was based on the projection of a 10 percent increase in revenue, which is the average for new RITA clients, and a total expense fee of 3 percent. Norwood should consider that generating increases in collections by improving 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, processes and procedures in place to immediately begin enforcing collections and taking measures to increase revenue for Norwood.

When deciding whether to contract with an external provider, Norwood should consider that estimates detailing additional revenues and costs associated with the contract could be higher or lower than those displayed in **Table 2-24**. An alternative to contracting for the earnings tax collection function is to significantly improve the ETD's operating practices by implementing recommendations **R2.18** through **R2.19**.

Financial Implication: Norwood could potentially generate additional revenue of \$854,000 annually through outsourcing earnings tax operations. This additional revenue includes annual costs of approximately \$416,000.

R2.18 Should Norwood elect not to contract ETD operations to a third party, it should, at a minimum, upgrade its outdated software with more current applications that have

features such as online filing/payment capability, data mining for the identification of non-filing taxpayers, and compatibility with other applications used in daily operations. The staff of the ETD should receive training from the vendor to allow full use of all available functions to generate the reports necessary for measuring critical aspects of earnings tax collections. In addition, for consistency these reports should be incorporated into ETD operating policies and practices to improve the overall management of earnings tax operations.

The current ETD software does not meet the Department's needs. The current software, in use since 1988 and updated in the late 1990's, does not have many features that the peers' software packages include. In addition, many basic functions, such as account database searches or the printing of tax returns, are not possible. **Table 2-25** compares the functions available with Norwood and peer software systems.

Table 2-25: Tax Software Functions

Task	Function available - Norwood	Function available - Alliance	Function available - Trotwood	Function available - Whitehall	Function available - other software
Accept On-line Returns	No	No	No	No	Yes
Track Property Owners and Tenants	Yes	No	No	No	Yes
Track by Street Address ¹	Yes	Yes	Yes	No	Yes
Document Imaging	No	No	No	No	Yes
Compare Residents with State Tax File	Yes	No	Yes	Yes	Yes
Calculate Penalties and Interest	Yes	Yes	Yes	Yes	Yes
Export into Spreadsheet and Word Processing Easily by Users	No	No	Yes	Yes	Yes
Magnetic Media Importing for W-2 Reconciliation	No	No	No	Yes	Yes
Joint Account Tracking	Yes	Yes	Yes	No	Yes
Statistical Management Reporting	Yes	No	Yes	Yes	Yes
Process and Track Refunds	Yes	Yes	Yes	Yes	Yes
Automatically Calculates Returns	Yes	Yes	Yes	No	Yes
Print 1099 G's	Yes	Yes	Yes	Yes	Yes
Reconciliation of W-2's with Withholding Accounts	No	Yes	No	Yes	Yes
Payment Plan Tracking	No	No	Yes	Yes	Yes
Monthly Penalty and Interest Posting	No	Yes	Yes	Yes	Yes
User Defined Fields	No	No	Yes	Yes	Yes

Source: Norwood and peer earnings tax department interviews and AOS observation

¹ Limitations to tracking tax payers by street were observed.

Table 2-25 indicates that other earnings tax software has functions not available with Norwood's current software. These comparisons illustrate information technology deficiencies in features that would support taxpayer identification, collections enforcement, automation of collections, and compatibility with other software packages used to further analyze returns. For instance, other software packages such as SSI

Software would allow Norwood to use the State's tax file to reconcile and identify potential tax payers. In addition, accepting on-line returns, posting monthly penalty and interest amounts, and payment plan tracking are also valuable functions that are not currently available with Norwood's software system.

Purchasing new earnings tax software and fully using its functionality would allow the Norwood ETD to assess, track and monitor information to more effectively manage operations. Management information is essential to Norwood's ability to effectively collect earnings tax revenue. New software should support and facilitate the following:

- **Taxpayer identification activities** by comparing taxpayer accounts to other lists of probable taxpayers;
- **Collections enforcement** by identifying underpayment by filers and monitoring the payment of outstanding tax obligations and penalties or interest; and
- **Ancillary collections analysis** using other software applications.

The primary benefit of updated software would be an increase in employee productivity by facilitating more efficient and effective collection of tax obligations. This would mitigate the staffing deficiencies noted in **R2.19** as well as potentially improve tax payer identification and collections enforcement outcomes (see **R2.23**).

Financial Implication: Costs vary for different software packages. However, the Auditor's Office currently uses a software package provided by Software Solutions Incorporated (SSI). SSI also produces a tax software package with an estimated cost of \$10,000, should Norwood run this software through the auditor's office server. Included in this estimated cost is the initial training for the ETD employees and the provision of two workstations. Annual support services would cost Norwood an additional \$1,250 due to the City's existing contract with SSI for other software services.

R2.19 If Norwood continues to process and collect earnings tax in-house, it should employ a tax commissioner on at least a 0.5 FTE basis. Further, the City should consider hiring an additional account clerk for its ETD operations. However, Norwood should strongly consider implementing new software and providing training for all affected employees prior to hiring any additional staff.

The Norwood ETD has experienced a steady decline in staffing levels. The ETD has gone from a high of 7 employees to its current staffing level of 2.1 FTEs. In addition, the Department's most experienced clerk retired in May 2005, leaving one less experienced clerk and a new clerk. In 2004, the current Tax Commissioner retired and was rehired on a part time basis. After the 2004 tax year returns were collected, the ETD became a two-person operation as the Tax Commissioner went to a 4 hour per week schedule (0.1 FTE) **Table 2-26** displays Norwood ETD's staffing levels in comparison to the peer cities.

Table 2-26: 2004 FTE Comparison

Position Description	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Earnings (or Income) Tax Commissioner/Deputy Commissioner	0.1	1.0	1.0	1.0	1.0
Clerk	2.0	2.0	1.0	2.0	1.7
Administrative Assistant	0.0	N/A	N/A	0.5	0.5
Analyst	0.0	N/A	1.0	N/A	1.0
Tax Specialist	0.0	N/A	N/A	1.0	1.0
Total FTEs	2.1	3.0	3.0	4.5	3.5
Population Per Total FTEs	9,896	7,631	9,023	4,136	6,531

Source: Norwood and peer cities tax departments

As shown in **Table 2-26**, Norwood has 1.4 FTEs less than the peer average and has 51.5 percent more residents per FTE than the peer average. However, its 3 positions are similar to staffing in Alliance and Trotwood. With Norwood's current staffing levels, verification of new accounts and other necessary duties has been limited according to ETD personnel.

Table 2-27 indicates the number of accounts processed per FTE, personnel costs per account and total earnings tax collection costs per account for Norwood and the peers.

Table 2-27: 2004 Operating Ratios per FTE

Position Description	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Total Earnings Tax FTEs	2.5	3.0	3.0	4.5	3.5
Active Tax Accounts	5,941	9,300	17,001	7,060	11,120
Accounts Processed per FTE ¹	2,376	3,100	5,667	1,568	3,177
Personnel Costs	\$137,154	\$143,339	\$139,631	\$165,856	\$149,609
Personnel Costs per FTE	\$54,862	\$47,780	\$46,510	\$36,857	\$43,716
Collections	\$11,215,645	\$7,202,050	N/A	\$13,347,118	\$10,281,397
Collections/FTE	\$4,486,258	\$2,400,683	N/A	\$2,966,026	\$2,683,355
Total Earnings Tax Department Costs	\$148,090	\$353,438	\$284,639	\$385,171	\$410,833
Personnel Cost per Account	\$23.09	\$15.41	\$8.21	\$23.49	\$13.45
Total Earnings Tax Department Costs per Account	\$24.93	\$38.00	\$16.74	\$54.56	\$30.67
Personnel Costs/Total Costs	92.6%	40.6%	49.1%	43.1%	43.9%

Source: Norwood and peer financial reports and tax department interviews

¹ Norwood had 2.5 FTEs until June 2005.

As shown in **Table 2-27**, Norwood has a significantly lower number of active accounts than the peers, although the populations are similar. In 2004, Norwood's 5,941 active accounts were approximately 47 percent lower than the peer average, and the lowest of all the peer cities. This difference was due, in part, to the lack of mandatory filing. As a result, Norwood's accounts processed per FTE were 25 percent lower than the peer average. As discussed in **R2.17** and **R2.18**, Norwood's inefficient productivity ratios are

primarily the result of antiquated collection process brought about by ETD's current software system and lack of mandatory filing.

Norwood currently has 2.1 FTEs employed in the Earnings Tax Department, which is 0.9 FTEs less than Alliance and Trotwood. However, when assessing department operations by accounts processed per FTE, Norwood's 2,376 accounts per FTE was 25.2 percent lower than the peer average, signifying that Norwood's operations are not as efficient as the peer cities. Total personnel costs were 2.4 percent lower than the peer average, but significantly higher (58.6 percent) when comparing personnel costs per account, due to the low number of accounts. This is also partially explained by higher personnel costs per FTE (see **human resources section**).

As a result of lower staffing levels, ETD has placed a lower priority on taxpayer identification and collection enforcement activities for individual accounts on a consistent basis (see **R2.23**). The Tax Commissioner's part-time status is a primary concern. Given the relative inexperience of current tax staff, span of control ratios indicate insufficient supervision of activities. Inexperienced staff are likely to require additional supervision to ensure that operating policies are appropriately implemented. Core functions such as identification of taxpayers, collections enforcement, and review of appropriate payment of tax obligations might be adversely impacted by less experienced staff with insufficient supervision.

Table 2-27 also illustrates that Norwood's total Department costs of \$148,090 were very low in comparison to the peer average, and the lowest of all the peers. According to the 2004 expense report, ETD had only \$10,936 in non-personnel expenditures, representing only 8 percent of the ETD's total expenditures, which was significantly lower than the peer average of 51.7 percent. As a result, Norwood's total Department cost per account of \$29.13 was 14 percent lower than the peer average of \$33.87 per account. This is indicative of a low investment in Department activities.

Financial Implication: Hiring a part time tax commissioner and one additional clerk would cost Norwood approximately \$72,591 in salaries and benefits on an annual basis.

R2.20 The City of Norwood should consider amending the Earnings Tax Ordinance to require mandatory filing for all residents 18 years of age and older. Requiring mandatory filing would enable the ETD to effectively monitor changes in taxpayers' earning status and thus, better enforce and possibly increase collections. This could be communicated to residents in a mass mailing.

Table 2-28 compares the Norwood ordinance governing earnings taxes to those of the peer cities.

Table 2-28: Tax Ordinance Information

Tax Year 2003	Norwood	Alliance	Trotwood	Whitehall
Tax Rate	2.00%	1.75%	2.25%	2.00%
Credit allowed for taxes paid to another municipality	Full Credit: 100% up to 2.00% paid to others	Full Credit: 100% up to 1.75% paid to others	Full Credit: 100% up to 2.25% paid to others	Full Credit: 100% up to 2.00% paid to others
Mandatory filing	No	Yes	Yes	Yes
Allow individual and joint Returns	Yes	Yes	Yes	Yes
Monthly withholding remittance requirements	\$300 per month up to \$360 per year	Minimum \$500	\$150 per year	Minimum \$100 per month
Minimum filing age	16	None	18	None
Late filing penalty	\$20-\$25 or 1-3%	12%	None	None

Source: City of Norwood and peer earnings tax departments

One major difference between the ordinances of Norwood and the peers is the absence of a mandatory filing requirement in Norwood. All three peer municipalities have mandatory filing requirements.

Some residents of Norwood may have other sources of income that are taxable, but may go unreported if the tax payer does not file a return under the current provision. Mandatory filing will allow the ETD to identify, track and confirm the taxable status and income of residents. Given Norwood's larger population of renters, some taxpayers may be unaware of the City's earnings tax requirements and may fail to file correctly. Because ETD did not contact them previously, or they moved from an area without municipal earnings tax, a mass mailing explaining the proposed mandatory filing requirement could help identify additional taxpayers who previously did not file.

Financial Implication: As shown in **Table 2-22**, the peer cities (which all have mandatory filing) identified, on average, active individual accounts for approximately 31 percent of the population. If Norwood could attain a similar percentage, it would gain an estimated \$615,000 in tax revenue, based on 2004 average collections of \$222 per individual account.

R2.21 Norwood should consider lowering the earnings tax credit for individuals paying earnings taxes to other entities. By lowering this tax credit, Norwood could increase its earnings tax revenues.

Norwood currently offers a 100 percent earnings tax credit for taxes paid to other entities. This often occurs when residents are employed outside the city limits and pay taxes to the taxing authority where income is earned. As a result of this practice, an individual paying at least a 2 percent earnings tax to another entity would owe no earnings tax to Norwood. Norwood is completely surrounded by the City of Cincinnati, Ohio's third largest city,

which has a much larger job market. As of February 4, 2005, the State of Ohio had 196 townships, villages and cities out of 528, that did not offer a full credit to individual tax payers paying earnings taxes to other entities. The credits in these entities ranged from a high of an 87.5 percent credit to no credit towards earnings tax paid to other entities.

Table 2-29 displays potential revenues according to tax credit revision. A sample of 100 W-2 forms of Norwood residents was selected, and revealed that 60 percent of the W-2s showed earned income from another municipal taxing authority. Applying the results of this sample to the total number of individual accounts (4,099) would translate into 2,460 accounts with earnings from sources outside the City. Using the average tax liability per account of \$222, this analysis estimates additional receipts as follows:

Table 2-29: Additional Potential Revenues

Amended Tax Credit	Additional Tax	Additional Revenue
87.5%	Will provide Norwood 12.5% in additional earnings tax on qualifying tax payers	\$68,265
80.0%	Will provide Norwood 20.0% in additional earnings tax on qualifying tax payers	\$109,224
75.0%	Will provide Norwood 12.5% in additional earnings tax on qualifying tax payers	\$136,530
66.7%	Will provide Norwood 33.3% in additional earnings tax on qualifying tax payers	\$182,022
50.0%	Will provide Norwood 50.0% in additional earnings tax on qualifying tax payers	\$273,060
38.0%	Will provide Norwood 62.0% in additional earnings tax on qualifying tax payers	\$338,594
25.0%	Will provide Norwood 75.0% in additional earnings tax on qualifying tax payers	\$409,590
0.0%	Will provide Norwood 100.0% in additional earnings tax on qualifying tax payers	\$546,120

Source: AOS

¹ 2,460 projected accounts multiplied by \$222 per count

Financial Implication: If Norwood decreased the tax credit to 50 percent, it could increase revenues by \$273,000 based on the current tax returns filed and taxes collected.

R2.22 Norwood should include the lottery winnings amendment (Ordinance Number 64, 2003) in the version of its tax ordinance that is available to the public on the City's website. In addition, Norwood should obtain information from the Ohio Lottery that identifies winners that reside in the City. This information is free of charge for municipalities and is available by contacting the Ohio Lottery Finance Division.

In August 2003, Norwood amended the Ordinance to include lottery winnings as taxable income. However, the Ordinance available to Norwood residents via the City's website

does not include this amendment. The absence of this amendment on the City's website may result in some instances of non-reporting of eligible prize money to the ETD. In addition, as noted in **Table 2-21**, receiving a list of winners from the Ohio Lottery to identify lottery winners residing in the City was not a current practice identified by the Tax Commissioner. In response, the ETD provided a lottery winnings report, however, this report was from FY 2002. Unless this list is consistently obtained, ETD may not be able to identify all lottery winnings claimed by City residents.

R2.23 Norwood ETD should establish formal policies and procedures to identify delinquent accounts in order to more effectively monitor and update delinquent account information. Delinquent account information should be recorded and retrievable by tax year and length of time outstanding, with enough detail to monitor individual accounts. In addition, Norwood should continuously update this report to reflect delinquent accounts collected and assess the department's performance in collecting these accounts.

As Norwood identifies delinquent accounts it should also strive to follow its established policies for delinquency collections and consider alternative practices to collect delinquencies more efficiently and effectively. For instance, Norwood should strictly adhere to the penalty and interest provisions outlined in its tax ordinance for all delinquent accounts. An example of alternative collections practices might include implementing a one-time amnesty program to waive the fines on delinquencies.

Norwood ETD was unable to identify total delinquent account levels or delinquent collection performance. For those accounts Norwood ETD has identified, the delinquent account report is displayed on a yearly basis as a lump sum without sufficient detail to track payments. For instance, Norwood was unable to determine delinquent account totals from any given year, just the known balance per account for 2004. The absence of a more detailed delinquent account report prohibits Norwood from identifying specific accounts that are in arrears for the current or prior years.

Norwood does not track delinquencies in an accurate manner or with sufficient detail to track and monitor collections. This is caused by the absence of adequate formal policies and processes that specify proper methods for:

- Identifying all taxpayers (see **R2.20**);
- Determining if they have tax obligations outstanding; and
- Tracking and encouraging payment of delinquencies.

In addition, Norwood ETD's lower staffing levels and lower level of supervisory guidance makes the implementation of any informal processes improbable (see **R2.19**).

Norwood's most recent delinquent account report identifies \$36,209 in delinquent account balances from 2004. This data, however, is only for those accounts identified as delinquent in 2004 and does not include delinquent balances from years prior to 2004. In addition, the delinquent account report listed 1,470 accounts that were previously identified but did not file a return. For these 1,470 accounts, it is impossible to determine is the amount owed by each without further investigation. It appears that Norwood's delinquency figures may be entirely comprised of those accounts that taxpayers voluntarily file but do not pay or those that paid in prior years but not in the current year. Therefore, it is reasonable to assume that, in addition to the \$36,209 identified, Norwood has a significantly higher delinquent account balance than has been previously identified.

As stated above, Norwood currently has 1,470 accounts that are active but have no return filed for 2004. The inconsistent application of identification processes has contributed to Norwood's inability to accurately report or act on delinquencies. **Table 2-21** displays account identification processes of the Norwood and the peers.

Since earnings tax collections share similar characteristics with other collections operations, such as accounts receivable, Norwood's collection practices are evaluated from this perspective. The Government Finance Officers Association (GFOA) recommends the following practices for accounts receivable management:

- Billing practices should include establish terms (e.g., 30 days from billing date);
- All accounts receivable should be recorded in a manner to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.);
- For those accounts that become past due, the initiating department should have specified practices that ensure proper delinquent notice is provided. Such practices should specify the threshold and materiality of a delinquency for which further collection efforts would be pursued (e.g., >180 days and over \$25). Collection agencies should be utilized in accordance with all federal and state notice requirements and in a manner which ensures receipt of all amounts owed;
- The determination of the need for an allowance for doubtful accounts should be based upon an established method (e.g., the percentage of receivable method). The computation of an allowance for doubtful accounts should be performed at least annually based upon the aging of such receivables and recent history of write-offs at fiscal year-end, with any material changes reported to appropriate officials;
 - For write-offs of delinquent balances, thresholds should be established to permit the timely write-off of immaterial balances (e.g., balances <\$25 and >180 days delinquent) upon appropriate authorization; and

- For balances greater than the established threshold (e.g., >\$25), collection efforts should be performed for a period equivalent to the statute of limitations or sooner if bankruptcy has discharged the account or the individual is deceased, at which point such amounts will be written-off upon appropriate authorization.

Norwood's collection practices are likely the result of the obsolescence of its current earnings tax software package and a lack of available man power. By utilizing more up to date tax software, and/or increasing man power, Norwood should be able to increase its collection of delinquent earnings taxes.

Many municipalities that actively prosecute and pursue delinquent accounts strive for a delinquent account percentage of 2 percent of collections. The City of Alliance, a municipality that actively prosecutes delinquent accounts, has experienced historical total delinquent account balances below 2 percent. Of the accumulated delinquencies, Alliance has achieved an average collection rate of 22 percent since 2000.

Using this conservative estimate of 2 percent of total collections (including penalties and interest), coupled with Norwood's lack of delinquent account identification and prosecution, it is reasonable to assume that Norwood has a minimum of \$224,000 in delinquent account balances outstanding from 2004.

The ETD's delinquency collection practices do not mirror policies or the earnings tax ordinance. For instance, Norwood currently assesses no penalty or interest on delinquent accounts collected after a first notice is sent. Accounts not paid on the prescribed due date should be assessed a one percent per month interest fee as well as the \$20 or one percent monthly penalty contained in Section 11 of the Ordinance. By ignoring its own tax ordinance, Norwood is foregoing potentially significant interest and penalty amounts that were implemented to cover delinquent account processing costs.

The inconsistency between delinquency collection policies and practices can largely be explained by low staffing levels and inadequate supervision of relatively inexperienced tax staff. Due to staff reductions, Norwood does not have an employee dedicated solely to delinquency collections. The collection of delinquent accounts is left as a task to be performed after collection and audit of all tax returns is complete. As a result, Norwood's delinquent account identification, collection, and prosecution significantly lags the peer cities, as evidenced by the number of tax cases pursued in court in 2004. In this year, Norwood prosecuted 13 cases compared to 90 for Alliance and 201 for Whitehall. As with all other elements of the delinquent account collection process, low levels of prosecution by Norwood could lead a significantly higher level of uncollected revenue and future increases in delinquent accounts due to a perceived absence of enforcement.

In addition to enforcing the penalty aspects of the earnings tax ordinance, alternative programs could be evaluated to encourage payment of delinquent accounts. One such program might include a one-time amnesty program. Norwood has never implemented an amnesty program. An amnesty program could eliminate the penalty and interest portion of earnings taxes owed by taxpayers if delinquent amounts are paid within the required time frame. While penalties and interest would be waived, an amnesty program could identify additional taxpayers, thus generating additional earnings tax revenue in the future. Norwood should consider an amnesty program and should define the time frame for waiving penalties and interest. Norwood may choose to communicate this program through a mass mailing using the available master address lists to identify individual residents and businesses.

Financial Implication: ETD was unable to provide sufficient accumulated delinquent amount information. Therefore, applying a conservative delinquency rate of 2 percent to Norwood's total collections, it is reasonable to assume that Norwood has at least \$224,000 in accumulated delinquent accounts. Applying a 22 percent collection rate to these delinquencies (the collection rate similar to that of Alliance), Norwood could potentially collect \$49,280 in penalties and interest. In 2004, Norwood reported penalty and interest collections of \$31,185. Therefore, the use of more aggressive methods of identification, collection, and prosecution of delinquent accounts could generate additional estimated revenue of \$18,000.

R2.24 Norwood ETD should develop a procedures manual to document all processes, from taxpayer identification and collection procedures to control functions and checklists used to process tax information. All taxpayer identification methods should specify when requests should be sent and the time limits for responses.

Norwood ETD does not have a manual that outlines internal controls, or that lists the procedures used to identify taxpayers and collect revenues. Instead, ETD relies on the Ordinance and past experience. While Norwood requires contractor building permits from the Building Department and landlord/tenant information, other procedures such as how to compare water billing lists and Ohio taxpayer lists are not documented. Furthermore, procedures outlining the critical aspects of the delinquent collections process are lacking. The absence of a procedures manual may affect the efficiency and effectiveness of ETD operations. When employees are absent, others could reference the manual to help ensure continued and consistent operation. Norwood should consider assessing internal controls and developing an internal control process and procedures manual based on the Internal Control Management and Evaluation Tool created by the Governmental Accounting Office.

R2.25 Norwood, in conjunction with the respective bargaining units, should create position specific job descriptions for the ETD. Position descriptions should be updated on an

annual basis and should include the job title, job summary, specific responsibilities, primary interactions, level of decision making, knowledge and skills requirements, and qualifying education, training, and experience. The job description should also include a brief narrative of the position that highlights its general characteristics. The ultimate goal of the job description should be to provide enough information to differentiate the major functions and activities of the position from similar positions in other city departments. For example, the present job description for the Account Clerk II could be updated as ETD Account Clerk II and reflect job duties specific to the ETD.

The Norwood ETD currently does not have job descriptions that outline specific position duties and responsibilities. Instead, the City uses generic descriptions that outline job duties for similar positions in all city departments. For example, the job description for an Account Clerk II within the ETD is the same for a clerk position in other departments. This generic job description does not include specific requirements that relate to the collection of taxes or any other earnings tax related functions. Without a detailed, formal position description, future ETD employees may not be aware of all responsibilities. In addition, the lack of department specific job description will make it difficult for ETD administrators to assess and communicate job performance.

Financial Implication Summary

The following tables summarize the estimated one-time costs, annual costs, and revenue enhancements for the recommendations in this section of the report. Presented below are two scenarios. Scenario One presents projected Norwood financial operations with ETD operations outsourced. Scenario Two presents Norwood financial operations with ETD operations retained in-house and other AOS recommendations applied. Only recommendations with quantifiable financial impacts are listed.

Scenario One: Outsourcing ETD Operations

	Estimated Implementation Costs (One-Time)	Estimated Annual Costs	Estimated Annual Revenue Enhancements
Auditor and Treasurer's Offices and Financial Management			
R2.7 Implement direct deposit			\$12,500
R2.11 & R2.12 Provide software training	\$2,000		
Subtotal	\$2,000		\$12,500
Earnings Tax			
R2.17 Outsourcing ETD operations		\$268,000	\$1,122,000
R2.21 Reduce tax credit to 50%			\$273,000
Subtotal		\$268,000	\$1,407,500
Total			\$1,137,500

Scenario Two: Retaining ETD Operations with Other Recommendations

	Estimated Implementation Costs (One-Time)	Estimated Annual Costs	Estimated Annual Revenue Enhancements
Auditor and Treasurer's Offices and Financial Management			
R2.7 Implement direct deposit			\$12,500
R2.11 & R2.12 Provide software training	\$2,000		
Subtotal	\$2,000		\$12,500
Earnings Tax			
R2.20 Increase the number of active accounts to the lowest peer through mandatory filing			\$615,000
R2.18 Purchase software	\$10,000	\$1,000	
R2.19 Hire an additional 1.5 FTEs		\$73,000	
R2.21 Reduce tax credit to 50%			\$273,000
R2.23 Actively prosecute delinquent accounts			\$18,000
Subtotal	\$10,000	\$74,000	\$918,500
Total			\$832,500

Human Resources

Background

This section of the report focuses on various human resources operations within the City of Norwood. Administrative practices, including planning and employee relations efforts, were also evaluated. Best practice data from the State Employee Relations Board (SERB), peer cities, and other organizations was used for the comparisons throughout the **human resources** section of the report.

Organizational Structure

Within the current organizational structure, human resources (HR) operations are largely decentralized. Various aspects and duties concerning the administration and management of human resource related matters occur in several departments rather than in one centralized area dedicated to human resources operations. In general, management of human resource capital includes the following:

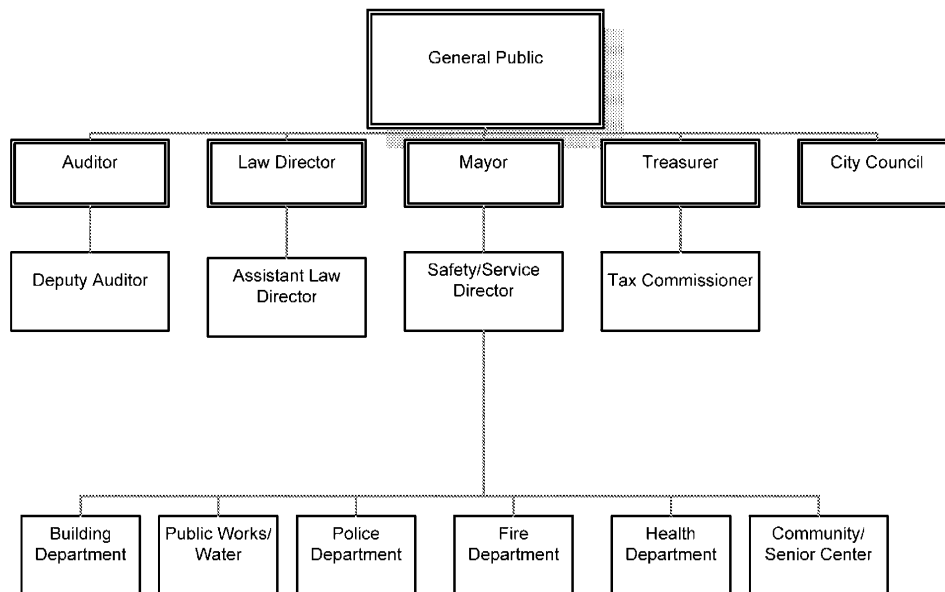
- Coordinating activities for the recruitment and selection of employees,
- Facilitating employee performance evaluations,
- Administering and monitoring employee fringe benefit packages,
- Administering and monitoring grievance policies and procedures,
- Administering and monitoring employee time and attendance,
- Negotiating and administering collective bargaining agreements, and
- Conducting or coordinating dispute resolution activities,
- Maintaining personnel files.

Personnel files for Norwood employees are maintained by department heads within each department. Additional personnel files containing current employee addresses, I-9 and W-4 forms, dental/vision insurance enrollment, and payroll and attendance records are maintained in the City Auditor's Office. Health insurance enrollment files are maintained in the Treasurer's Office. Civil service recruitment records and files including test scores and selection requirements are maintained in the Council Clerk's Office and/or the Health Department on behalf of the Merit System Administrator and the Civil Service Commission. The local Civil Service Commission is also responsible for scheduling and conducting hearings to resolve disputes between the City and classified employees.

Norwood has an elected Mayor and an appointed Safety/Service Director who oversees three large operational departments: Police, Fire, and Public Works; and several smaller operational

areas: Community Development, Mayor’s Court, Building and Health Departments, Utility Billing, and the Community/Senior Center (a review of Community Development and Planning, Senior Center and the Water Department were not included in the performance assessment). A review of the Recreation Department was conducted. However, the Recreation Department does not appear on the organization chart submitted by the City since it operates under the direction of a separate Board. Other elected officials including the Auditor, Treasurer, and Law Director oversee the operations of their respective offices. To aid in understanding the decentralized nature of human resource operations and management, the City of Norwood’s organizational structure is illustrated in **Figure 3-1:**

Figure 3-1: Organizational Structure of the City of Norwood



Source: City of Norwood

Summary of Operations

Norwood does not use an HR software program to assist in managing human resource operations. Department heads are responsible for approving time and attendance sheets for their direct reports and for signing off on leave requests. The Mayor or Safety/Service Director approves payroll for the department heads. The Auditor approves final payroll amounts. The City uses a financial software system that includes payroll capabilities. This system houses data such as employee start date, pay rate and step schedule, accrued sick and vacation leave, and accrual rates.

The Assistant Deputy Auditor distributes employee information packets to new hires and processes all required forms including I-9 forms, W-4 forms, and wage records. The secretary for Police and Fire assists new hires within those departments. The information is maintained in confidential personnel files within the Auditor's Office. The Assistant Deputy Auditor is also responsible for payroll processing and for conducting payroll edits. Payroll processing encompasses calculations of overtime and leave usage payments as well as other payments as required by each collective bargaining agreement for such items as minimum manpower, clothing allowance, and leave buyback.

HR related operations include administration of employee fringe benefits and provision of group medical insurance coverage. Health insurance plan enrollment is processed and facilitated by the Senior Account Clerk in the Treasurer's Office. Required insurance contribution calculations are performed for only two employees based on their date of hire and the upgraded benefit plan they selected (the plan chosen requires a monthly contribution for more recent hires). The City pays the full premium for all other employees for either plan choice (basic or upgraded benefits). Ancillary insurance plans for dental and vision coverage, also fully funded by the City, are handled by clerical support staff within the Auditor's Office. Worker's Compensation issues are handled in the Auditor's Office by the Assistant Deputy with input from the respective department heads. The City is self-insured for unemployment benefits.

Recruitment and hiring for classified job openings are conducted by the Merit System Administrator and the local Civil Service Commission in accordance with civil service guidelines in Ohio Revised Code (ORC) Chapter 124. The Merit System Administrator is responsible for posting job vacancy announcements and administering civil service tests as required. Supervisors or department heads are responsible for acclimating new employees, ensuring an understanding of job requirements, and overseeing on-the-job training, since the City does not have a formalized employee orientation and training program. This is an important part of human capital management, particularly in light of the fact that job descriptions were last updated approximately eight years ago and some core elements of the jobs have changed. The job description update, or "classification study" as referred to by the Merit System Administrator, was performed by an agency contracted expressly for the purpose of reviewing classified positions at a cost of approximately \$28,000. There remains no formal written policy requiring regular reviews or updates of job descriptions.

Staffing

Table 3-1 illustrates the actual full-time equivalent (FTE) staffing levels, by department, for the City of Norwood and the peer cities for 2005. To accommodate varied types of administration (either mayor or city manager form of government), all elected officials' offices (mayor, law director, auditor, and treasurer) and their support staffs are presented in aggregate under the first category of Elected Officials/City Administration.

Table 3-1: Actual FTE Staffing Levels for 2005

Category	Norwood	Alliance	Trotwood	Whitehall	Peer Average ¹
Elected Officials/City Administration	11.10	17.50	16.00	20.00	17.83
Fire	60.50	33.00	28.00	40.00	33.67
Police - Sworn	50.00	39.00	52.00	45.00	45.33
Police – Civilian	5.43	7.40	5.00	4.00	5.47
Mayor’s Court²	1.80	7.00	0.00	2.00	4.50
Dispatch	8.40	9.50	0.00	9.50	9.50
Public Works	14.00	25.00	19.00	18.00	20.67
Utility Billing	3.00	2.00	2.00	0.00	2.00
Income Tax	2.50	3.00	3.00	4.50	3.50
Health	6.00	10.00	0.00	0.00	n/a
Building³	4.50	2.00	0.00	4.00	3.00
Recreation/Miscellaneous	4.50	6.00	7.00	4.00	5.67
Total FTEs⁴	171.73	161.40	132.00	151.00	148.13

Source: City of Norwood and peers

¹ In cases where one peer has zero staff, peer average is calculated based on two rather than three peers; if only one peer has staff, no peer average was calculated.

² An additional 0.8 FTE records clerk works in this area but is classified as auxiliary police staff within the category of Police-civilian.

³ Norwood contracts out the 0.5 FTE building official; Trotwood was not included since the entire building department function is contracted to an outside vendor. See the **building department** section for further discussion on Building Department staffing.

⁴ Columns may not sum due to rounding.

In addition to comparing actual FTE figures by department, staffing levels are analyzed on a per-1,000 resident basis since staffing levels for municipalities vary depending upon population. **Table 3-2** illustrates the staffing levels per 1,000 residents compared to the peer cities for 2005.

Table 3-2: City Staffing per 1,000 Residents

Category	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Population¹	20,781	22,892	27,070	18,611	22,858
Elected Officials/City Administration	0.50	0.72	0.59	1.02	0.78
Fire	2.91	1.44	1.03	2.15	1.54
Police - sworn	2.41	1.70	1.92	2.42	2.01
Police – civilian	0.26	0.32	0.18	0.21	0.24
Mayor’s Court²	0.09	0.31	0.00	0.11	0.21
Dispatch	0.40	0.41	0.00	0.51	0.31
Public Works	0.67	1.09	0.70	0.97	0.92
Utility Billing	0.14	0.09	0.07	0.00	0.08
Income Tax	0.12	0.13	0.11	0.24	0.16
Health	0.05	0.44	0.00	0.00	n/a
Building	0.22	0.09	0.00	0.21	0.10
Recreation/Miscellaneous	0.22	0.22	0.18	0.48	0.30
Total FTEs³	7.90	6.66	4.80	8.22	6.56

Source: City of Norwood and the peers.

¹ Based on 2003 population estimates.

² An additional 0.8 FTE records clerk counted within the Police-civilian category works in this area.

³ Figures may be affected by rounding. The peer average total was calculated horizontally.

As illustrated in **Table 3-2**, the City of Norwood has a slightly higher number of total FTEs per 1,000 residents than the peers (1.34 FTEs per-1,000 residents above the peer average). The most notable differences in staffing levels on a per-1,000 resident basis appearing within the safety service departments.

Based on the staffing level assessments, Norwood has FTE staffing allocations that exceed the peer average by a total of 23.60 FTEs (see **Table 2-1**). Norwood has disproportionately higher staffing levels in the Fire Department with 26.83 more FTEs than the peer average. In addition, Norwood staffing levels are higher than the peers in the Police Department by approximately 5.0 FTEs. Additional details regarding staffing and service level demands of Fire and Police department employees can be found in those respective sections of the performance audit.

Norwood has lower staffing levels than the peers in the area of administration which includes all offices of elected officials, city administrators and clerical support staff. Within these classifications, Norwood has 11.10 FTEs compared to the peer average of 17.83 FTEs or 0.50 and 0.78 FTEs per 1,000 residents respectively. Other areas with lower staffing levels compared to the peers include the following:

- **Public Works** - comprises employees of the Streets and Paint Division, Water Division, Parks and Playground Maintenance, and City Garage Division. Norwood has 14.0 FTEs compared to the peer average of 20.67. (Water Division staffs were not included in this

analysis since Norwood contracts with Greater Cincinnati Water Works for water utilities. For additional information, see the **financial management** and **public works** sections.)

- **Income Tax** – comprises one tax clerk and one senior account clerk and a part-time tax commissioner (2.5 FTEs) compared to the peer average of 3.5 FTEs. (Additional details regarding income tax operations and varied use of staff can be found in the **financial management** section.)
- **Recreation Department** – comprises one program director, one clerical employee, and a number of part-time seasonal workers (4.5 FTEs compared to the peer average of 5.67 FTEs) who provide activities and services to children and youth in the community. Variances in recreation department staffing levels are primarily a result of programs and initiatives of the Department. (For additional information, see the **public works** section.)

Collective Bargaining Agreements

The Safety/Service Director oversees bargaining unit negotiations pursuant to ORC Chapter 4117, Ohio's collective bargaining law, which states that public employees may join unions and public employers must negotiate with the employee-selected bargaining units. However, State law does not designate which local officials are responsible for negotiations. The current administration has contracted with outside collective bargaining legal experts to assist in the negotiating process. All collective bargaining agreements (except for the agreement with Local #445, International Association of Firefighters for the City of Norwood) were scheduled to expire as of December 31, 2005. The current bargaining agreement between the City and firefighters went into effect in January 2005 following a dispute over the agreement. The time frames in which Council received the contract for review and action is an area of contention. According to council members, the majority of Council opposed the contract but it automatically went into effect when the required time for action by Council had lapsed without a vote. The resulting lengthy dispute ended following arbitration and a ruling by SERB in favor of adoption of the agreement. The current administration declined to exercise the option to appeal the ruling in municipal court. Therefore, the arbiter's ruling legally placed the 2004 – 2006 firefighters agreement in full effect and required the City to pay all retroactive payments from 2004 which had been temporarily suspended pending litigation. Each of the collective bargaining agreements, and additional employment contracts with the Police and Fire chiefs, contain language stating that if neither the bargaining unit nor the City initiates negotiations within 90 days of expiration, the current contracts are automatically extended for another year.

The following four bargaining units have contracts with the City:

Local Union No. 914, AFSCME Ohio Council 8. (Effective January 1, 2003 – December 31, 2004 and extended through 2005.) This agreement is for 19 full-time employees in classifications

of mechanic, heavy equipment operator, laborer, meter installer/reader, and crew leader within the Public Works Department.

The Fraternal Order of Police, Ohio Labor Council, Inc. (Effective January 1, 2003 – December 31, 2005.) This contract represents all full-time patrol officers, sergeants, and lieutenants that comprise the sworn component of the Norwood Police Division.

Local Union No. 3278, AFSCME Ohio Council 8. (Effective January 1, 2003 – December 31, 2005.) This agreement governs 26 full-time clerical employees within various City departments. A sister contract extends to the E-911 Bargaining Unit (effective January 2003 – December 2005) and covers all employees in the classification of dispatcher.

Local No. 445 International Association of Fire Fighters. (Effective January 1, 2004 – December 31, 2006.) This contract covers 58 full-time employees in the classifications of firefighter/EMT and lieutenant and recently went into effect following arbitration.

In addition to the agreements listed above, the City of Norwood has entered into two separate contractual agreements with the Police and Fire chiefs which are structured identically to a collective bargaining agreement. The most recent written contracts were in effect January 1, 2001 through December 31, 2003. Since, neither the City nor the chiefs initiated renegotiation 90 days prior to expiration, the contracts have automatically extended each subsequent year. During the course of the performance audit, the City notified labor unit representatives and the current chiefs of the Police and Fire Departments of contract expirations which will occur at the end of the year.

Table 3-3 highlights a list of key collective bargaining terms analyzed. The Fire Department employee contract was selected for illustration since the analysis of this area represented the largest degree of variance with the peers which resulted in recommendations (see **R3.9, R3.10** and **Appendix A**, as well as respective report sections).

Table 3-3: 2005 Fire Department Contract Analysis

Bargaining Unit	IAFF Local No. 445
Number of Employees	58
Length of Workday	24 hours on/48 hours off (120 hours per pay period)
Minimum Staffing Level Requirement	13 per shift
Method for Calculating Sick Leave Use	19.5 hours charged for each 24 hours (1 tour) used
Sick Leave Abuse Policy	No
Sick Leave Accrual	10.75 hours per month
Max # of Days Paid Out At Retirement	No limit
Vacation Accrual Schedule	After 1 year of service – 2 tours; 8 years – 4 tours; after 15 years – 7 tours; after 20 years – 9 tours
Maximum Vacation Carry-over Allowed	50 tours (975 hours)
Holiday Pay	8 tours (156 hours) for 12 recognized holidays (equivalent of 19.5 days based on 8-hour days)
Compensation for Off-duty Training	Compensatory time earned at one and one-half regular rate
Annual Clothing Allowance	\$750
Longevity Annual Payment Schedule	\$400 after 5 years; an additional \$25 for each year up to 12 years, \$30 additional up to 20 years, then \$40 additional
Cost of Living Adjustment (COLA) Increase	6%
Minimum Hours Compensated for Call-in	4
PERS Pick-Up	10% employee share; 24% employer share
Health Care Contribution Requirement	No

Source: City of Norwood

Each of the contractual issues listed in **Table 3-3** represents a potentially costly item to the City. These, as well as a number of additional contract terms, were reviewed and compared to the peers. A complete list of contractual items for each bargaining unit, shown in comparison to the terms agreed to by the peers, can be viewed in **Appendix A**.

Employee Opinion Survey

As part of the human resources assessment, an employee opinion survey was administered to 214 full- and part-time City employees, excluding members of Council. The purpose of the survey was to provide an opportunity for all internal stakeholders to express their opinions and concerns regarding the work environment. Survey data may be used by City administrators to help in the development of goals and future planning initiatives (see **R3.1**) The survey comprised two parts; part one represented a measure of competing values in the work place across four categories, including human relations, open systems, rational goals and internal processes; part two measured various workplace characteristics including perceived capabilities of leadership, employee motivation, satisfaction, goal achievement, and worker autonomy. The survey response rate was approximately 45 percent. The results were analyzed and used to develop various recommendations found within this report section.

Table 3-4 shows a summary of organizational characteristics based on survey results.

Table 3-4: Organizational Characteristics

Characteristic	Summary of Employee Responses
Leadership:	8% of respondents believe the leadership is very good; 30% say very poor
Motivation:	27% of respondents feel highly motivated; 10% are unmotivated or do not enjoy their jobs.
Communication:	3% believe communications are very good; 22% opine that communication is very poor
Decisions:	12% of respondents feel highly valued and have input on decisions; 27% do not feel valued
Goals:	2% assisted with setting and achieving goals; 34% say goals are non-existent
Autonomy:	19% feel they have some measure of autonomy or control over their work; 19% report having no control

Source: Employee Survey (part II) Results (see **Appendix B**)

A comprehensive assessment of human resource management involves a number of different activities. The employee survey was one activity conducted in order to assess organizational level issues. The survey also served as an effective instrument for granting voice to employees on matters which affect their day to day work lives and as an invaluable tool to City leaders to help shape the development of future organizational goals, policies, and practices. Survey results were compiled and presented to City management as part of the performance audit assessment. To preserve confidentiality of respondents, individual comments were omitted. Aggregate survey results are shown in **Appendix B**.

Noteworthy Accomplishments

Norwood has taken steps to help achieve fiscal stability with regard to human resources administration and management. The following represent key noteworthy accomplishments in the City:

- The City reestablished its Safety Committee in 2004 after a previous attempt to establish a committee dedicated to overseeing safety-related activities proved unsuccessful. Following a number of costly lawsuits and worker's compensation premiums that nearly tripled, the City instituted a new Safety Committee to support safety programs and initiatives to help bring Worker's Compensation costs under control. The Committee has begun work toward the establishment of a personnel policies and procedures manual. The manual will include various policies and procedures to give guidance on issues that are not otherwise specifically addressed in collective bargaining agreements and will include a transition-to-work policy in compliance with the Ohio Bureau of Worker's Compensation (BWC) standards. While the current manual is still in draft form, the establishment and implementation of a formalized and comprehensive personnel policy manual will enable the City to qualify for reduced Worker's Compensation premiums. See **R3.8** for specific details and recommendations regarding personnel policy manuals.

- In 2004, the City ceased the practice of granting sick leave, vacation and paid holiday benefits to part-time employees.
- Effective January 1, 2004, the City passed an ordinance to reduce compensation (by 10 percent) and benefit levels for elected officials.
- In 2004, the Safety/Service Director began requesting itemized telecommunications bills to help track usage and evaluate telecommunications needs. The review resulted in a switch in service plans and a 60 percent reduction in the number of City-issued cell phones leading to reduced annual telecommunications costs. For example, the number of phones issued by the Fire Department was reduced from 51 to 6. The City has not yet instituted a written policy and procedure for monitoring cell phone usage and ensuring that any personal call charges are reimbursed to the City (see **R3.6**).
- The City has a policy which offers a \$2,500 cash incentive to employees who opt-out of the group health insurance plan. In 2004, 13 employees took advantage of the cash option.
- In 2004 and 2005, salaries for appointed employees were not increased.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted in the following area which did not warrant changes and did not yield any recommendations:

- **Time and Attendance:** Employee time and attendance monitoring processes were assessed and determined to be adequate. No recommendations were made.

Issue for Future Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditor does not review within the scope of the audit. AOS has identified the following issue to be classified as requiring further study:

- **Governmental Structure:** Norwood operates as a statutory municipality under the guidelines of Ohio Revised Code Chapter 7. Statutory municipalities follow state laws concerning procedural matters, including state statutes governing the form or structure, and processes of government. For charter municipalities, the charter provisions prevail over state statutes with respect to procedural matters. As a statutory city, Norwood has endured ongoing financial hardship for at least the past decade and has been declared in

fiscal oversight status on more than one occasion. Under the current financial conditions, Norwood has a high likelihood of being declared in fiscal emergency before the 2005 year end. Correspondence received by AOS indicated the City was seeking a fiscal emergency status declaration with the expectation that such action would help the City sustain fiscal stability through the avoidance of contractually mandated obligations. No provision under the Ohio Revised Code relieves the City or its elected officials from meeting contractual obligations, making vigilant and painstakingly cautious approaches to contract negotiation even more critical to long-term fiscal stability.

City leaders, with advice and assistance from legal counsel, may wish to consider the benefits of drafting a charter in order to both enhance and increase regulatory control over government operations. Although Norwood's Council and elected officials are ultimately responsible for good stewardship of City monies, historical and ongoing financial problems may be due in part to constraints and limitations imposed under both State statute and the current organizational structure. Under a charter form of government, similar to the City of Trotwood, Norwood might be able to exercise more control over matters of local self-governance as it attempts to meet the needs of the City and its residents. City legal counsel should ensure that charter provisions do not violate constitutional provisions or infringe upon the general laws of the State.

Recommendations

R3.1 The City of Norwood should develop and implement a three to five-year strategic plan which formally defines, prioritizes, and reports the administration's goals, objectives, and strategies as they pertain to statutory guidelines and City operations. The strategic planning process should be representative and be based upon input from internal and external stakeholders including employees, members of Council and the public. The City should incorporate survey results into its long-term strategic planning process (see Appendix B) while, in the short-term, identify and communicate strategies to resolve employee concerns in a collaborative manner.

The strategic plan should also provide a formal link to the mission, vision, and values of the City, as well as to the budgeting process (see R2.4). This will help to ensure that City resources are allocated in a manner that is consistent with jointly-shared expectations and goals. Planning initiatives should contain action steps and specific performance measures to help monitor the achievement of goals and objectives. Strategic planning efforts, although time-consuming and often difficult, will help improve the City's ability to meet the future needs and expectations of its constituents.

The City of Norwood has not formalized its strategic planning initiatives or incorporated both short- and long-range goals for its operations. This can be attributed, in part, to a general absence of strategic planning/budgeting processes within the City government and a lack of technology and resources devoted to facilitating internal communications. Specifically, as indicated by the employee survey, Norwood elected officials and their respective offices do not currently maintain a collaborative relationship with each other, which is critical for prioritizing and formalizing mutually agreed-upon goals and objectives. On a scale of 1 to 3, with three being the highest level of agreement and 1 the lowest, planning and the communication of goals was rated 1.5 by survey respondents (see **Appendix B**).

According to the Government Finance Officers Association (GFOA), strategic planning efforts provide a comprehensive and systematic means for management to help assess the organization's current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, encourage commitment to the organization's mission, and achieve stakeholder consensus on strategies and objectives for achieving that mission. The International City Managers Association (ICMA) suggests that a strategic plan should be a practical, action-oriented. A key responsibility within the strategic planning process is to efficiently and effectively manage services, programs, and resources, and to clearly communicate results. In addition, strategic plans should identify various action steps required to manage specific

goals and objectives, and include performance measures to gauge progress in attaining goals and objectives.

Through the development of formal goals and objectives and increased efforts to communicate and disseminate information, City leaders can more effectively convey the current direction and overall mission to employees, members of Council, and the general public. The use of survey instruments on a periodic basis will help facilitate implementation of this recommendation. A strategic plan could be developed by the City using current resources at little or no additional costs.

R3.2 The City of Norwood should revise its organizational chart to accurately reflect the current structure and reporting relationships based on day to day operations. A revised organizational chart that shows a comprehensive picture of the City's organizational structure can serve as a useful tool to both internal and external stakeholders, including City and State level administrators or regulatory bodies, employees and citizens.

The organizational chart submitted for review during the performance audit was last revised in December 2002 (see **Figure 3-1**). It does not show the existence of boards and/or committees, or indicate primary functional areas including payroll, purchasing, or utility billing.

An accurate organizational chart provides a valuable visual tool to Council, department heads, and the electorate to illustrate the structure behind all City operations. This can help leaders prioritize filling of vacant positions, and perhaps more importantly, identify where breakdowns could occur due to vacancies in key leadership positions, or where spans of control may not be appropriate. *Managing a Non-profit Organization in the 21st Century* (Wolf, 1999) stresses the importance of an accurate organization chart with appropriate spans of control since direct supervision of each and every employee (particularly external employees reporting to various off-site locations) is impossible. An organizational chart that accurately depicts reporting relationships and levels of responsibility communicates who within the organization carries certain levels of responsibility and whom to approach if operations go awry. Reporting and authority lines must be set up carefully to ensure that they are respected and followed. Employees should not be required to report to more than one supervisor and supervisory personnel should be competent and capable, inspiring confidence in their employees. By adhering to this type of structure, the leadership skills of management can be developed and conflicts that could arise out of poorly defined lines of authority can be avoided.

Based on past issues of leadership and accountability, the importance of a clear and accurate depiction of its organizational structure should not be underestimated. The City of Trotwood's Table of Organization represents a best practice model which could be

emulated. The chart is comprehensive in detail and includes the date of the last revision in 2004.

R3.3 The Safety/Service Director, through the City Solicitor, should approach each collective bargaining unit, starting with the Fire Department, to formally request concessions in staffing levels currently mandated through collective bargaining agreements. Since, under ORC § 118 (regarding municipalities in fiscal distress) there is no provision allowing the City to break the contracts to which they have agreed, some difficult choices must be made regarding how the City should deal with inflated staffing levels. Compared to peers, Norwood has higher overall staffing levels by approximately 24.0 FTEs. Within the Fire Department, staffing levels exceed the peer average by nearly 27.0 FTEs (see R4.1). In order to bring staffing levels in line with the peer average, and in light of a likely fiscal emergency declaration, the City should consult its legal counsel and take immediate steps to reduce forces where appropriate. The City Solicitor should draft a Memorandum of Understanding (MOU), signed by both parties (City and bargaining unit), when agreement is reached on reduced staffing levels.

Lastly, the City should implement collective bargaining procedures for the administration. Past history suggests that the administration has been less successful in attaining its desires and goals during collective bargaining. A cohesive procedure, based on best-practices, would help management obtain more equitable agreements in the future.

Many of the City's departmental staffing level requirements are mandated through collective bargaining agreements to which City Council previously agreed. However, the City does not have the financial ability to sustain current staffing levels or fill current vacancies. Based on a comparative analysis, Norwood is most notably overstaffed within its Fire Department by nearly 27.0 FTEs (see **Table 3-1**). The inflated staffing levels (coupled with high salary levels) in the Department are absorbing a disproportionate amount of the City's resources at the expense of additional human capital needed in other functional areas to maintain or increase effectiveness. (See **R3.5** and **R3.9** regarding salaries and pay rate increases.) Norwood also has higher actual staffing levels within its Police Department by approximately 5.0 FTEs. However, recommendations for staffing level reductions are based on a comparative analysis of workload ratios, number of crimes, and per capita geographic area. (See **R5.1** and **R5.2** of the **police** section.)

Staffing levels are below the peer average in the following areas: Municipal Court, Public Works, Income Tax and Recreation Department. Among these functional areas, the Public Works Department had the largest staffing discrepancy with 6.7 fewer FTEs than the peers. These staffing level discrepancies must be addressed through a series of direct action steps on the part of City leaders. The alternative to such action would involve

temporary or permanent contracting with the City of Cincinnati for fire safety and police protection services. (For additional details see the **fire** and **police** sections.)

Based on the analyses performed during the performance audit, a number of staffing changes are presented for the City's consideration. While the overall staffing changes primarily focus on areas in which reductions in force may be necessary in order to achieve fiscal stability, some assessments support the need for additional staff when financial conditions allow. Staffing level changes and the associated financial impacts are summarized as follows:

Proposed Staffing Level Reductions

- 22.0 FTE fire fighters for an estimated annual cost savings of \$1.9 million in salaries and benefits; **(R4.1)**
- 9.0 FTE police officers and 6.0 FTE vacant positions for an estimated annual cost savings of \$1.2 million in wage and benefit costs; **(R5.1, R5.2)**
- 1.0 FTE housing inspector for an estimated annual cost savings in salaries and benefits of \$43,655, and **(R7.2)**
- 2.0 FTE (net) seasonal Recreation Department employees for an estimated annual savings of \$43,600 (part-time seasonal employees do not receive benefits). **(R6.1)**

Proposed Staffing Additions

- 1.5 FTE in the Income Tax Department (one part-time tax commissioner and one full-time analyst) for an annual cost of approximately \$73,000 in salaries and benefits; **(R2.18)**
- 2.0 FTE operator/laborers in the Streets Division (by allocating 1.0 FTE from Park Maintenance and hiring 1.0 entry level employee) for an annual cost of approximately \$35,100 including benefits. **(R6.1)**

By implementing the proposed staffing changes, the City will enhance its ability to maintain service levels to the public and yet bring departmental staffing levels more in line with the peers. (See **Tables 3-1** and **3-2** to view staffing data by department.) In particular, by reducing staffing levels significantly in the Fire Department, and to a lesser extent in the Police Department, the City has a greater chance of maintaining its fire and law enforcement programs through the current fiscal crisis. See the **police** and **fire** sections for additional key statistical data.

Ultimately, the City should prioritize staffing needs in accordance with a formalized long-term strategic plan which includes mission and vision statements. In the short-term, in order to achieve financial stability, Norwood should seek to reduce forces either

through layoff where permissible, or through mutual agreement with collective bargaining units where current staffing levels have been mandated by a previous contract. The City should enlist assistance from the Solicitor's Office (or outside legal counsel) to approach the bargaining units with proposed staffing reductions, clearly citing the City's declining financial condition as the basis for its request.

In addition, the City should engage in discussion regarding the potential costs and benefits associated with contracting safety services to City of Cincinnati. Both short- and long-term staffing level goals should be determined through a needs-based, systematic prioritization in order to help Council and City administrators make informed decisions regarding where limited resources should be focused. This approach will also increase the likelihood of eventually achieving desired service level goals.

Most of the staffing changes recommended concern bargaining unit positions. The City has agreed to staffing minimums in its contracts with bargaining units and, therefore, faces class action grievances when those minimum levels are not maintained. A grievance was recently filed against the City by public works Local #914 unit for not maintaining contractual staffing requirements. According to Ohio Revised Code, the City is charged with the responsibility of negotiating with labor units. The current administration recently contracted with external legal counsel to assist with its first collective bargaining negotiations since taking office in January 2004. The police, public works, and clerical contracts expired on December 31, 2005. In addition, both the fire and police chief contracts are up for renewal. The Office of Program Policy Analysis and Government Accountability (OPPAGA) in its article *Best Financial Management Practices with their Associated Indicators* (June 2002), outlines the following preparations for successful negotiating of personnel matters:

- Clearly designate which staff member(s) is (are) responsible for labor relations and contract negotiations, and allow the staff member(s) to receive training to enhance knowledge of the negotiations process, issues, and legislative mandates;
- Clearly define the roles and responsibilities of the negotiator during the negotiation process. The process includes steps to establish the City's priorities for the negotiation process while maintaining confidentiality;
- Identify potential issues of concern that could be raised in the collective bargaining process and determine the costs or potential cost savings associated with these issues, and then meet with district level administrators to determine the feasibility of addressing the concerns raised and whether the district wishes to include these issues in the district's proposal(s) to the union(s);

- Determine the estimated costs, and the advantages and disadvantages of each proposal;
- Access legal counsel trained in collective bargaining law and procedure; and
- Maintain records of negotiations for at least five years or some other time prescribed by Council.

Because of the impact on its ability to maintain operations, the City must exercise due diligence in addressing staffing level issues and Council should not approve or allow agreements to go into force with contractually mandated staffing minimums. A Memorandum of Understanding (MOU) should be requested to change the staffing requirements outlined in the current Fire Department agreement.

Mindful of the financial impact to the City as a result of lost arbitration cases, City officials should accept the collective responsibility for negotiating and ratifying financially responsible bargaining unit agreements and should become sufficiently involved in the process to avoid a repetition of past experiences. Additional details regarding specific departmental staffing and the financial implications associated with these reductions and increases are shown in the respective sections.

R3.4 Prior to the next election term, the City should seek to reduce the salaries for Council members and the vice-mayor in order to bring salary levels for these duties in line with the peers. The City should ensure that changes in salary levels for elected officials are made in accordance with State laws.

Norwood has an eight-member Council, one of which serves as president; three who serve as Council-at-large; and four who serve as ward representatives. Norwood residents voted to redistrict due to the City's declining population and reduced the number of ward positions to four (formerly six) as of January 1, 2006. Norwood pays its vice-mayor (president) and each Council member annual salaries of \$9,450 and \$7,650 respectively for a total annual cost to the City of \$63,000 (based on the reduced number of Council members following redistricting).

Although these costs reflect a 10 percent reduction in the salaries approved by Council in 2003 and effective January 1, 2004, a comparative analysis showed that annual compensation to all Council members remains significantly higher than the peer average of \$3,785. For example, Alliance and Trotwood compensate regular Council members \$3,754 and \$3,600, respectively. Whitehall compensates the Council President \$4,700 and regular Council members \$4,000 annually. This represents a difference of \$4,750 per year for the vice-mayor (Council President) position and \$3,650 per year for each Council member. Therefore, an agreement by Council members to an additional

reduction in pay will help the City, at least on a temporary basis, toward achievement of financial recovery. Based on ORC § 731.07, the City is not permitted to increase or decrease the salary of an elected official during the official's term in office. Norwood elected new Council members to take office in January 2006. Therefore, any changes in salary levels should be made prior to taking office or at the end of the next two-year term.

Financial Implication: By reducing the annual compensation for the Council president to \$4,700 and compensation for each of seven Council members to \$4,000 a level commensurate with the peers, the City could reduce costs from \$63,000 to \$32,700 save an estimated \$30,300 annually.

R3.5 The City of Norwood should increase implementation of cost containment strategies to help manage rising health insurance costs. Most importantly, the City should negotiate and implement at least a 10 percent employee contribution requirement toward monthly health insurance premiums for any employee enrolled in single or family medical coverage. As part of its cost containment strategy, Norwood should conduct comprehensive annual reviews of claims data, premium increases and key benefit levels, to determine what type of changes may be needed to control costs yet remain in line with peers and/or market standards.

Norwood has 107 employees enrolled in the HMO (Anthem Blue Priority) family plan and 29 employees enrolled in single coverage. An additional 17 employees are enrolled in the PPO family plan (Anthem Blue Access). Two employees enrolled in the basic PPO plan (due to their hire dates) contribute 20 percent toward the monthly premium cost. The monthly premium cost is \$116,000 for HMO coverage and \$22,000 for PPO coverage for a total monthly cost of approximately \$138,000. Norwood does not require employee premium sharing for its basic group health plan even though the cost to the City to provide health insurance continues to increase significantly from year to year. According to the Safety/Service Director, premiums increased by more than 26 percent in 2005 due to high claims usage by a small percentage of employees. Norwood's group health plan administrator supplied the City with a number of recommendations to help control rising costs, including establishing a minimum cost sharing requirement, and requiring office visit and prescription co-payments. The City has not implemented any of the recommendations since many changes in health care benefits such as premium sharing requirements will require negotiations for those employees covered under a collective bargaining agreement. However, the Finance Committee of Council did seek concessions from bargaining units on health insurance coverage including a \$15 co-payment for office visits, but were unsuccessful in gaining cooperation from bargaining unit representatives.

During the performance audit, the City noted management of health insurance costs as a primary issue as they prepare for contract renegotiations. Since all labor contracts except

the Fire Department contract are set to expire at the end of 2005, the City needs to be fully prepared to seek concessions with regard to more cost effective management of health insurance benefits. In addition, the City should diligently seek ways to control costs by taking steps to implement recommendations already provided by its plan administrator. Finally, the City should explore whether joining a consortium to obtain health care benefits would be more cost effective.

According to the 13th Annual Report on the Cost of Health Insurance in Ohio's Public Sector, a report on the 2004 survey results by the State Employment Relations Board (SERB) research and training section, employee premium contributions average 11.8 percent of the cost of a single plan and 12.3 percent of the monthly family premium. For the Cincinnati region, contribution requirements are slightly lower at 8.8 and 9.9 percent respectively.

Table 3-5a illustrates monthly premium costs for Norwood and the peers.

Table 3-5a: Health Insurance Premium Comparisons

City	Provider	Single Plan Monthly Premium	Single FTE Share	Employer Share	Family Plan Monthly Premium	Family FTE Share	Employer Share
Norwood	Anthem Blue Priority	\$313.72	0%	100%	\$998.44	0%	100%
	Anthem Blue Access	\$700.24	0%	100%	\$1,600.49	0.0%	100%
Alliance	Anthem Access	\$664.92	0%	100%	\$1,170.72	0%	100%
Trotwood	United Healthcare	\$291.62	10%/14% ¹	90%/86%	\$874.87	10%/14% ¹	90%/86%
Whitehall	Self-funded	n/a	0%	100%	n/a	0%	100%
Peer Average		\$478.27	8%	92%	\$1,022.80	8%	92%
SERB Average ²		\$319.73	(9%)	(91%)	\$862.27	(10%)	(90%)

Source: City of Norwood and peers; 2004 SERB Report.

¹ Police, fire and public works employees contribute 10 percent; non-union and sergeants contribute 14 percent.

² Based on Table 1: Monthly Insurance Premiums – Medical Coverage for the Cincinnati region (pg. 6) of the 2004 SERB Report.

As illustrated in Table 3-5a, Norwood's health insurance premiums are commensurate with the SERB average for single plan coverage, but higher than the SERB average for family plan coverage. The SERB averages are based on the 2004 SERB Survey results for the Cincinnati region. Two employees enrolled in the PPO family plan contribute 20 percent toward the premium (due to their hire dates). All other City employees are not

required to contribute to the monthly premiums regardless of which plan option they choose. Trotwood is the only peer that requires a monthly premium contribution from its employees, with safety service employees contributing 10 percent, and all others contributing 14 percent. Effective 2005, Trotwood also reduced from three plan options to one as a means of better managing costs.

Table 3-5b illustrates a comparison of dental insurance premiums.

Table 3-5b: Dental Insurance Premium Comparisons

Benefit	Norwood	Alliance	Trotwood	Whitehall	SERB
Premium cost – single/family	\$55.75 ¹	\$26.77/\$81.98	n/a	\$18.33/ \$52.35	\$34.87/\$66.11
Employee share- single/family	\$0/\$0	\$0/\$0	\$7.50/\$15.00	n/a	\$4.11/\$8.10 ²
Minimum number of work hours per week to meet benefit eligibility requirements	40	40	40	40	n/a
Deductible single/family	\$0	\$0	n/a	\$100/\$200	n/a
Annual Maximum	\$1,500 (\$1,000 lifetime maximum for Type IV services)	\$1,000 (\$1,000 lifetime maximum for Type IV services)	n/a	\$1,000 (\$1,000 lifetime maximum for Type IV services)	n/a

Source: Client and peer negotiated agreements; 2004 SERB Report

¹ Self-insured for police, fire, and appointed employees; benefit levels are not predetermined. Same amount paid into self-insurance fund as to AFSCME dental plan for Local 3278 members; cost of coverage is the same regardless of one or more covered on the plan which also covers optical expenses. (C6.2b.2, C2.2)

² Based on statewide contribution rates of 11.8 and 12.3 percent for single and family medical premium share reported in 2004 SERB report.

As shown in **Table 3-5b**, the monthly premium cost for dental coverage appears to be in line with the peers and the SERB average. Norwood employees are not required to make a monthly contribution toward dental insurance premiums. Effective January 2006, elected officials and part-time employees are excluded from dental coverage. However, based on the statewide average employee contribution rate reported in the 2004 SERB survey, the employee share of the premium cost for single and family dental coverage is \$4.11 and \$8.10 respectively.

A report submitted to the City from its group health plan broker indicates that the current plan structure is a major driving factor in costs which caused Anthem to increase premiums to the City by 26 percent for 2005. The current HMO does not require an office visit co-payment and the PPO co-payment is below industry norms. The broker’s report stated that by increasing the co-pay amounts, a decrease in utilization could be expected. The report further suggests that by streamlining choices to a single plan option or by enacting plan changes to include cost sharing at the time of service by the member (especially for the HMO plan), the City could impact utilization in the future (leading to decreased costs). The City of Trotwood made similar changes to its group plan structure

as part of a cost containment strategy. To help manage health insurance costs and to ensure equity among all City employees, Norwood should implement a single basic HMO plan option and require employee premium contributions of at least 10 percent for all employees. In addition, the City should require a minimal monthly premium contribution toward dental insurance coverage. Implementation of this recommendation would require the agreement of the City's collective bargaining units. According to the Safety/Service Director, a recent proposal to all bargaining units proposing this change was unsuccessful. The City plans to seek similar concessions once negotiations are underway to renew the police, clerical, and public works contracts that expire in December 2005.

Financial Implication: Elimination of the PPO plan option (with 17 employees enrolled at a monthly cost of \$22,000), and adding these 17 employees to the HMO family option (at an additional monthly cost of \$17,000), would net an annual savings of approximately \$60,000. If all employees contributed 10 percent toward the monthly health insurance premiums, the City could save an additional \$18,291 per month, or \$219,492 per year, in health insurance premium costs.

R3.6 The City should expand deployment of cost containment strategies geared to more effective and efficient management of rising health care insurance costs by focusing on reducing costs associated with benefit plans covering health care expenses for future retirees. The City Solicitor should advise the City regarding the legality and limitations of making changes to retiree benefit plans already in effect.

Employees hired prior to January 1, 1975 are eligible for the Retirees Health Care Plan that pays 80 percent of health care costs not covered by PERS or Medicare (known as the Millennium Fund). The City pays 100 percent of the premium with an annual cost of approximately \$484,400 in 2005. .

In addition, 300 retirees and their beneficiaries are eligible for the Voluntary Employee Benefit Association, a C-9 Trust listed as Fund 08 in the budget, which covers remaining balances for health care costs not paid by the Millennium Fund. Benefits are funded wholly by the city on a pay-as-you-go basis with a maximum of \$2,250 per year per person. The City pays \$25,000 per month into the C-9 trust fund for a total cost of \$300,000 per year. Further, this level of benefit is not offered by the peers. A closer look at both of these plans should become part of a comprehensive review of fringe benefit plan structures offered to former and current employees. Changes should be proposed in an effort to reduce costs associated with both of these plans in light of the City's fiscal conditions.

According to the City Solicitor, the matter of legality regarding a C-9 Trust is being considered in federal courts based on a lawsuit filed against the City of St. Bernard.

Resolution of this case may serve to guide future changes by Norwood officials on the C-9 Trust fund.

Based on best practice strategies identified by Florida's Office of Program Policy Analysis and Government Accountability (OPPAGGA), the City should deploy the following cost containment practices to help manage the benefit programs extended to both current employees and retirees:

- Review its employee benefits prior to each new contract with employee unions to ensure that the City is attaining appropriate value for its benefit costs;
- Work cooperatively with employee unions to evaluate alternative delivery options or key benefit levels, including premium sharing or co-pay requirements;
- Calculate the anticipated short-term and long-term fiscal impact of changes to its benefit packages prior to agreeing to those changes in negotiations with the employee unions;
- Be informed as to the short-term and long-term fiscal impact of changes to its benefit packages prior to approval of employee contracts;
- When considering early retirement offerings, calculate both the short-term and long-term fiscal impact of such proposals, including the effect on employee benefits and the effect on employee recruitment, before offering the option.

Financial Implication: The City should seek to reduce the costs associated with both of these benefits to retirees by adjusting key benefit levels and/or establishing premium sharing for participants. While various cost containment strategies should be explored, the option of eliminating, at minimum, the C-9 trust fund would save the City \$25,000 per month or \$300,000 per year.

R3.7 The City should continue working toward finalization and adoption of its draft personnel policies and procedures manual. Upon completion and approval by Council, the City should ensure that the manual is distributed in a timely manner to all employees and should require employees to sign a disclosure form acknowledging that the personnel manual was received, read and understood. The City should consult manuals from peer cities and HR management resources to assist in finalizing a comprehensive document that contains clearly defined policies and procedures which leave little room for misinterpretation on the part of staff and management. This process is important in order to avoid potential litigation or

issues that could arise out of ambiguity and/or inconsistency in the administration of personnel policies. In finalizing its policies and procedures manual, the City should address areas that have been, or could potentially be, a problem such as travel, nepotism, and cell phone usage.

The City of Norwood recently drafted a personnel policies and procedures manual to help guide management decision-making and employee behavior. The manual is not intended as a contract of employment. However, the manual defines issues regarding general policies, employment policies, compensation, benefits, standards of behavior and ethics, and motor vehicle records guidelines. The establishment of the manual was in direct response to a recommendation of the Bureau of Worker's Compensation (BWC) to the City – an activity which would result in a decrease in annual Worker's Compensation premiums. While the Administration is credited for developing a formal policies and procedures manual, they should recognize the limitations in its current form.

During the performance audit, many of the policies remained in draft form while the Administration sought to consult various peers and other management sources for samples of effective policies which would best fit the needs of the City. Some of the draft policies grant the authority to interpret the policy to the Safety/Service Director. To reduce issues which could potentially arise out of misinterpretation and to avoid potential inconsistent application to employees, the City should carefully craft personnel policies which are comprehensive and detailed, similar to those of peers such as Trotwood.

Norwood should consider adding a policy to its personnel manual that addresses the issue of nepotism. During the performance audit, several examples of immediate family member relationships among employees were noted. In municipalities such as Norwood, which have related employees working in various classified and unclassified positions, the potential for conflict of interest, or the appearance of such, is increased. The City of Trotwood has adopted a written policy to address this situation. Trotwood's policy on nepotism states:

“Members of immediate family of City employees are prohibited from employment in unclassified positions. This provision does not apply to present employees and those positioned on a pending eligibility list. Immediate family is defined as: child, step-child, sons or daughters-in-law, grandchildren, spouse, or parent.”

Such a policy would help avoid situations which could be perceived as problematic or not in the best interest of the City. In no case should any party participate in informal or formal discussions or collective bargaining negotiations with any group in which an immediate relative is a member and could benefit from the outcome of those activities.

In addition, while expenditures associated with the use of City cell phones were reduced in 2004, there is no written policy prohibiting the use of City cell phones for personal

calls. This represents an internal control weakness and a potential area for employee abuse. Sound procedures for monitoring use and a requirement of prompt reimbursement for any personal calls should be in place. The City should extend the use policies to address the use of all City equipment.

Finally, the City should establish a schedule, preferably on an annual basis, for reviewing, modifying, and updating the personnel policy manual. The City's Safety and HR Committees should be responsible for ensuring the review and overseeing the required revisions using current resources. The City should not incur additional cost for this activity.

R3.8 Norwood should formalize standard operating procedures for all operations. This responsibility would fall under several elected or appointed officials, i.e. formalization of fiscal procedures should be overseen by the Auditor; public works by the Safety/Service Director, and so forth. In addition, City Council and the Mayor should review monthly reports, including financial statements, prior to Council meetings in order to remain apprised of the fiscal and operational condition of the City, with briefings on each department during to the regular Council meeting agenda.

While formalization of procedures should focus on fiscal operations, the City should also formalize the standard operating procedures for public works operations and all other functional areas. The City Auditor has standardized procedures for conducting financial operations which were primarily developed to facilitate financial audits. To date, not all are formalized (written) and consolidated within a single manual. Although the Deputy Auditor maintains and distributes monthly financial statements, management personnel, have not consistently been provided the information to help in decision-making (see **R2.2, R2.4, and R2.5** in the **financial systems** section). The Public Works Department has very informal operating procedures (see the **public works** section). Department heads are not required to submit monthly Council meeting briefings regarding their operations.

According to best practices cited by *Workforce Management* (2005), standard operating procedures should include following details:

- **Personnel Information** including skill requirements, competencies, lines of authority and responsibilities;
- **Authorization Procedures** including a review of supporting information to confirm the validity of transactions;
- **Segregation of Duties** because an individual should not have responsibility for more than one of the three transaction components (authorization, custody and recordkeeping) to reduce the likelihood or errors and irregularities;

- **Physical Restrictions** which are the first line of protective measures and include safe combinations, critical forms and documents, and alarm systems;
- **Documentation and Record Retention** which is used to provide reasonable assurance that assets are controlled and transactions are correctly recorded, and
- **Monitoring of Operations** which is essential to verify that controls are operating properly.

Norwood should formalize its standard operating procedures to ensure uniform decision-making and document routine daily operations so that staff members (including back-up staff) have a reference tool for performing job tasks. Furthermore, access to written operating procedures in a consolidated location provides a point of reference which helps ensure continuity and consistency in the application of all laws and regulations.

In 2004, Council requested the Auditor, Law Director, and Treasurer to attend Council meetings. While Council should seek to conduct business in a manner similar to other City Councils with regard to discussion items, it should consider providing department heads and other elected officials follow-up questions of a specific nature in writing prior to the meeting to ensure that the individuals are able to collect and present accurate and complete information during Council meetings.

R3.9 Norwood should explore creative ways to increase emphasis on training which would benefit all City employees and Council members. In light of the current financial constraints and limited resources available for training, Norwood should continue to take advantage of seminars and/or training materials available through State and local agencies. In addition, the City should consider establishing a training and employee development committee to research and coordinate training resources and help prioritize the allocation of training funds as financial resources become available. The committee should use employee survey results as a benchmark to measure improvement in the provision of adequate training.

Due to current fiscal constraints, Norwood is not able to sustain a formal training budget. According to the Safety/Service Director, the City provides required training for Police Department employees. Members of the Safety Committee take advantage of training offered through the Ohio Bureau of Worker's Compensation at no cost to the City, and members of the Building and Health departments attend occasional seminars – usually at their own expense. According to the Deputy Auditor, personnel within the Auditor's Office receive training on a bi-annual basis (with the exception of 2005 due to lack of funds). Formal training is also offered through their software provider (see **R2.11** and **R2.12** in the **financial systems** section for further discussion.)

The results of the employee survey reveal that 41 percent of employees feel inadequately trained for their jobs. Based on a scale of 1 to 3, with 3 being adequately trained and 1

being poorly trained, employees reported an average score of 1.78, indicating a shortage of resources focused on developing a skilled work force (see **Appendix B, Exhibit 3-1**). Employee perception that the workforce is poorly trained can be a driver for low morale and can potentially increase the liability risk to the City. At this time, it is not feasible to increase training expenditures to the peer level of \$25,000 per year. However, the City could establish a policy which supports the value and importance of training for all employees and elected officials.

Training for Council members is also important because of their high impact on all City operations as a result of Council's decision-making role and the importance of the quality and timeliness of their decisions. According to City administrators, five Council members are up for re-election in November. It is critical that newly elected Council members be prepared to face the challenges of their elected office.

Among the officials serving on the 39,000 city councils across the country today, a significant number is unprepared to fulfill their duties. The task of educating city councils in matters related to governance requires a coordinated effort that takes advantage of resources from universities, the philanthropic community, and other government organizations. The Ohio Municipal League (OML) is a non-profit corporation developed to serve the interests of Ohio municipal government that provides training and a variety of special programs and services to cities. In light of past problems that resulted in the current fiscal crisis, Norwood should take advantage of the training and resources offered by the OML to enhance knowledge and skills and increase credibility within the public. A lack of understanding of such issues could potentially leave the City in a more vulnerable position that could lead to poor decisions or activities that have a negative impact on constituents. By emphasizing training and education for their members, councils can learn to govern in a manner consistent with citizens' expectations for competent decision making. City Council members should avail themselves of training available through the OML to help enhance their understanding of matters pertaining to municipal government and finances.

A policy should charge the Council Clerk with responsibility for maintaining a list of training resources available to council members. The value added benefits of such activities would include increased knowledge and skills to better serve citizens of the community. Through the periodic administration of employee opinion surveys, the City can objectively measure performance improvement in this area.

R3.10 City officials, with assistance from the Merit System Administrator, should update all City job descriptions. Job descriptions should be updated to reflect changes in the duties and should reflect relevant knowledge, skills, and abilities required to perform the job functions. Accurate and current job descriptions should then serve as criteria for evaluating employee performance.

City of Norwood job descriptions were last updated approximately eight years ago and some core elements of the jobs have changed. According to Business and Legal Reports, Inc., organizations should have a formal schedule for reviewing all job descriptions, preferably at least once a year. Maintaining up-to-date job descriptions is important because they facilitate effective human resources management in the following ways:

- Clarify duties and define relationships between individuals and departments.
- Help the jobholder understand relative importance of tasks and level of accountability.
- Provide information about the knowledge, training, education, and skills needed for a job.
- Help minimize conflicts and improve communications by telling employees what they need to know about the job.
- Help management analyze and improve the organizational structure and resource allocation.
- Provide this information in a completely objective manner.

Accurate job descriptions also provide a basis for job evaluation, wage and salary surveys, and an equitable wage and salary structure. The content of the written job descriptions should include the following:

- List of tasks;
- List of decisions made;
- Amount of supervision received;
- Supervision exercised;
- Interactions with other staff;
- Physical conditions;
- Physical requirements; and
- Software or other equipment used.

The City should use the criteria listed above to revise and update all employee job descriptions. The job descriptions should then be reviewed annually. New job descriptions should be maintained in an electronic format so that they can be updated easily. In light of the City's current financial condition, this recommendation should be implemented by using human resources management tools available online (such as Business and Legal Reports) or by seeking assistance from internal employees who may have completed college level coursework specific to human. This recommendation could be implemented by the City at no additional cost.

Contractual Issues

R3.11 Norwood should seek to control and limit salary step increases in future contract negotiations, particularly since the potential cost savings resulting from performance audit recommendations may not fully offset future projected deficits. The City should hold step increases flat in FY 2005-06 for both bargaining and non-bargaining unit employees and equitably administer any cost of living adjustments (COLA) determined to be feasible based on an annual review of financial conditions. The City should negotiate a provision regarding wages that states all increases during the term of the collective bargaining agreements will be based on fiscal stability. Furthermore, Council should only approve COLA increases based on the impact of equitable administration to all City employees.

Historically, Norwood has granted cost-of-living wage adjustments in a less than equitable manner with some employees receiving up to 7 percent while others (generally appointed employees) receive 0 percent. COLA increases are granted separately and in addition to any qualified step increases. Based on FY 2004 personal services expenditures (excluding benefits), this represents an annual cost of approximately \$340,800.

Members of the Police Department received a 6.0 percent increase effective January 2005. Members of the Fire Department received 7.0 percent. Last year, members of the clerical unit and E-911 dispatch unit received 4.0 percent and 6.0 percent increases, respectively, while all other City employees received a zero percent COLA. Based on employee survey comments, inequity in the granting of pay increases feeds low morale among non-safety groups which reduces motivation and collaborative efforts organization-wide. In the future, the City should strive to make decisions in an equitable manner which benefits all employee groups rather than devoting scarce resources to a select few. Based on the peer analysis, Norwood should reduce COLA increases to not more than 1 percent for the forecast period in order to help achieve fiscal stability. See the **police, fire and financial management** sections for additional discussion.

Financial Implication: The City should grant not more than a 1 percent COLA increase annually until fiscal stability is achieved. By limiting the percentage increase in the cost-of-living adjustment to 1 percent, the City could avoid approximately \$255,600 in personal services costs. Council should carefully consider input from the City Auditor's Office in determining whether any COLA increase to employees is feasible.

R3.12 Norwood should renegotiate the manner in which sick leave usage is charged to the leave banks and the manner in which buy-back payments are calculated to be commensurate with the peers. Payment to employees for sick leave time should match the exact amount of sick leave used and leave banks should be charged

accordingly. If the City opts to purchase a portion of earned but unused leave time from the employee, the fraction of unused leave purchased back annually should be not more than two-thirds the amount earned that year and should be calculated in a consistent manner for all employees receiving this benefit. Furthermore, the City should closely monitor patterns of sick leave use and negotiate disciplinary procedures as a means of dealing with known instances of sick leave abuse. Implementation of this recommendation is subject to negotiations and should be considered in conjunction with renegotiation of minimum manning requirements (see the police and fire sections) since the minimum manning levels require personnel call-in at overtime rates; a situation that potentially increases the risk of abuse.

Members of the Police and Fire Department labor units accrue sick leave at a rate of 10.75 hours per month in accordance with guidelines in ORC. § 124.38. However, sick leave usage is calculated based on an 80 hour pay period rather than 120 hours (the number of hours that 24 hour employees work per pay period.) Therefore, for employees working 24 hour tours, sick leave banks are charged only 19.5 hours although employees receive pay for their full 24-hour tour of duty. Within the labor contract, this is referred to as the “sick leave adjustment.” In addition, the City has contractually agreed to “buy back” two-thirds of accrued but unused leave at the regular rate of pay. This means the City actually pays the employee twice for a portion of sick leave hours – 4.5 are paid at the time of occurrence and, since the leave bank is only charged 19.5 rather than 24 hours, those hours remain in the unused bank that the City buys back at the beginning of each year. For fire unit members using less than 2 sick leave days per year, the buy-back rate is 100 percent. In 2005, the cost associated with the sick leave buy back was \$52,945 (1,661 hours) for fire employees and \$44,166 (1,425 hours) for police employees, for a total of approximately \$97,000 for these employee groups. Based on the peers’, sick leave payment calculations should be based on the actual number of hours used and sick leave banks charged accordingly (see **Appendix A** for peer contract comparison tables). The City should review the cost and level of incentive for non-use of sick leave and should seek to negotiate a consistent buy-back rate for all employees. This will help eliminate competition for scarce resources among various employee groups and help promote a culture of equity and unity.

This issue is even more problematic for Norwood due to the systematic potential for abuse arising from other contract terms. For example, contractual minimum manning requirements mandate call-in and overtime payments to employees required to cover absences. Abuses are rewarded since employees stand to gain financially, not only from the sick leave adjustment benefit, but also from the payments received as a result of overtime. During the performance audit, Fire Department bargaining unit representatives admitted problems with known abuse of sick leave within the Department. Department heads and City officials should monitor and aggressively deal with any known instances

of sick leave abuse. The implementation of this recommendation will be impacted by the potential renegotiation of minimum manning requirements. (See the **police** and **fire** section.) Department heads should also be held accountable for reporting instances of suspected abuse and for recognizing and rewarding employees who exhibit exemplary behavior in accordance with expectations related to sick leave benefits. Two of the peers, Trotwood and Whitehall, have negotiated policies specific to sick leave which are designed to minimize abuse and reinforce desirable behaviors (either through cash incentives or earned time off) (see **Appendix A**).

R3.13 The City should seek to negotiate labor agreements which help achieve a greater degree of efficiency, as well as a higher level of equity among all employee groups. In several areas, negotiated agreements are more generous than peer and industry standards. Also, the degree of disparity on negotiated items among various bargaining units and between union and non-union employees encourages a culture of competition rather than cooperation. The City should strive to build unity with and among employees by continually communicating the value and importance of all employees in achieving future goals for growth and stability.

Based on employee survey results, 27 percent of employees reported feeling they are not valued at all in their jobs; 34 percent state that goals are non-existent, and only about a 25 percent of all City employees report feeling highly motivated to come to work. Individual reports also indicate a growing resentment among employees as a result of perceived disparity in sharing of scarce resources, particularly with regard to compensation increases. A comparison of contractual provisions to peers (see **Appendix A**) indicates a number of areas found in at least one or more current labor agreements that exceeds recommended practices. Therefore, as current contracts expire, the Safety/Service Director should seek to negotiate new provisions that are more in line with the peers and/or recommended standards. In addition to the recommendation to reduce staffing level minimums (see **R3.2**), the following contractual areas should be reviewed and renegotiated in an effort to improve labor and management relations and employee opinion reflected in the questionnaire results and to become more in line with the peers:

- Calculation of overtime payments;
- Minimum manning;
- Minimum number of hours paid for call-in;
- Vacation carry-over;
- Number of days to file a grievance;
- Educational assistance provisions;
- Additional compensation allowance;
- Cost-of-living allowance, and
- Early retirement incentive.

By negotiating comparable work terms (or as similar as possible) for all bargaining and non-bargaining employees, the City can demonstrate a core commitment to fairness, value and equity among diverse employee groups. This will help improve future survey ratings in the area of human relations and concerning perceptions of organizational characteristics. Furthermore, renegotiation of these provisions will help establish a higher degree of equity among all employees, build employee confidence in leadership, and communicate an organizational culture of value, unity and shared resources, and help achieve financial stability.

R3.14 The City should eliminate contractual employment agreements for the Police and Fire chiefs positions. Employment contracts for supervisory personnel, which contain costly benefit levels above the peers, represent significant financial and conflict of interest risks to the City. Since the Chief of Police and Chief of Fire department positions are civil service jobs, employment terms should be outlined within the civil service job description and should include annual wage and insurance benefits. These should be reviewed by Council and passed by ordinance, similar to the practice of peers. Finally, the job descriptions for both positions should be reviewed and updated as part of a comprehensive job analysis (see R3.9).

Both the Police and Fire chief positions are civil service positions within the City of Norwood. However, Norwood has entered into a contractual agreement with the Police and Fire chiefs which mirror bargaining unit agreements. The last contract for both positions was signed in 2001 and has been extended each subsequent year because neither party has given notice of expiration. In August 2005, the Mayor's Office sent written notification to the Chief of Police and Chief of Fire that their employment contracts would expire as of December 31, 2005. Based on an interview with the Safety/Service Director, both employees believe their contracts remain ongoing unless the City seeks arbitration. Under civil service rules, issues and disputes must be heard and resolved by the Civil Service Board.

The annual wage and benefit package extended to the chief positions of safety service departments are, according to peer standards, established through the passing of ordinance by City Council. For example, Alliance passed an ordinance in December of 2004 outlining the wage and benefit terms for the police and fire chief positions which would go into effect as of January 2005. The current employment contracts for each position contain language which affords a much higher level of benefits than the peers. For example, the contracts stipulate that the City shall provide the Chiefs with a new vehicle every five years, that the Chief alone shall monitor the use of the vehicle, and that an on-duty employee shall service and maintain the vehicle. The contracts do not exempt the Chief's ability to earn overtime payments and allow additional compensation for attendance at events including regular Council meetings. Such terms are over and above those offered by the peers.

By eliminating the current contractual agreements, and instead, establishing wages and benefits through annual ordinance, the City can reduce its financial risk while ensuring that its compensation practices are in line with peer standards.

R3.15 The City should seek to negotiate the removal of early retirement incentives (ERIs) from contractual agreements. Inclusion of ERI clauses in any bargaining unit agreement represents significant financial risk to the City. Therefore, Council and administrators should carefully evaluate the use of ERI and exercise caution when considering future ERI offers.

Norwood offers an early retirement incentive to employees through its AFSCME contracts (extends to members of Local 3278, E-911 Dispatch, and Local 914). The contractual terms mandate that the City purchase up to three years of Public Employee Retirement System (PERS) service credit. As of August 2005, the City had purchased three years of PERS time for three retiring employees at a total cost to the City of approximately \$180,000.

According to the Government Finance Officers Association (GFOA) recommended practices, governments should exercise extreme caution if considering ERIs and should take several actions prior to the decision to offer an ERI, including (1) goal-setting, (2) cost/benefit analysis, and (3) budgetary analysis. Governments should also develop an implementation plan. An explicit statement of goals is needed to judge the ultimate success of an ERI initiative and to develop performance measures. Having a statement of goals also promotes transparency. Inappropriate goals such as rewarding a select group of staff should be explicitly rejected. Potential conflicts of interest among decision-makers who design ERIs should be monitored closely, since any self-dealing is costly and could harm the long-term credibility of the government entity.

If ERIs are offered, they should be offered very infrequently and without a predictable schedule to avoid the expectation that another ERI will be offered soon. Such an expectation would distort normal employee retirement patterns. In addition, governments should retain an actuary to assist in conducting a comprehensive cost/benefit and budgetary analysis which takes into account direct and indirect impacts, such as the cost of providing retiree health care costs. If implementing an ERI, at a minimum, governments should take into account the following points:

- A communication plan is desirable to help employees understand the ERI in the context of overall retirement planning;
- Input from collective bargaining units may be necessary;

- The impact upon service delivery after employees retire (with identification of critical personnel whose services must be maintained);
- The duration of the window in which an ERI is in effect should take into account the ability of retirement staff to manage retirement application workloads, among other factors; and
- Performance measures should be used to ensure ERI goals are met. For financially-driven ERIs, governments should track and report direct and indirect costs and benefits to determine if goals are met, such as for vacancies and contract costs.

None of the peer contractual agreements contain ERI provisions. This analysis included a review of each of the peer bargaining unit agreements for ERI offers similar to that which is offered by Norwood. In order to achieve peer standards, and in light of the City's financial condition and budgetary constraints, ERI clauses should not be included in future collective bargaining agreements. However, if ERIs are offered, they should be accompanied by a detailed financial analysis demonstrating the cost/benefit of the ERI.

Financial Implications Summary

The following table is a summary of estimated annual savings. The financial implications are divided into two sections: those that are, and those that are not subject to bargaining unit negotiations. Implementation of those recommendations subject to negotiations may require agreement from the affected collective bargaining units.

Summary of Financial Implications

	Estimated Net Annual Savings	Estimated Cost Avoidance
Recommendations Subject to Negotiations		
R3.3 Net staffing level adjustments (see R2.1, R4.1, R5.1, R7.1) ¹	N/A	
R3.5 Eliminate the PPO plan option and establish a 10.0 percent monthly premium contribution requirement.	\$279,500	
R3.6 Eliminate C-9 trust fund	\$300,000	
R3.11 Limit COLA increase to 1 percent City wide		\$255,600
Subtotal	\$579,500	\$255,600
Recommendations not Subject to Negotiations		
R3.4 Reduce salaries of Council members	\$30,300	
Subtotal	\$30,300	
Total	\$609,800	\$255,600

¹ Savings are detailed in other report sections.

Appendix A: Detailed Contractual Comparisons

All tables are based on provisions that exceed the peer averages or recommended standards. Contractual provisions that were considered in-line with norms were not included in the tables.

Table 3-5: Fire Department Bargaining Unit Contract Provisions

	Norwood	Alliance	Trotwood	Whitehall
Minimum Staffing Requirement per Shift	13	7	Not specified	Not specified
Method for Calculating Sick Leave Use	Leave banks are charged 19.5 hours for every 24 hour tour used	Hour for hour	Hour for hour	Hour for hour
Sick Leave Abuse Policy	No	Yes	Yes	Yes
Maximum Vacation Carry-over Allowed	Employees may bank up to 1200 hours	Not specified	The maximum carry over shall be equal to one year's vacation allowance	Employees may bank a maximum of 360 hours
Holidays Paid	12	12	8	8
Compensation for Off-duty Training/Education	Compensatory time shall be earned for time in school or class attendance at the rate of time and one-half the regular rate	Not specified	Training/meetings during non-scheduled work hours shall be credited with a minimum of 2 hours pay at applicable rates	Not specified
Annual Clothing Allowance	\$750	\$1,000	Uniforms shall be repaired or replaced as needed	\$600 per person per year as needed
Hourly Reduction Days ("Kelly Days")	48 hour employees shall receive one 24-hour tour (Kelly Day) every 21 days cycle; each fire fighter working a 40-hour week shall be compensated with 1 day off every eight weeks	No	No	No
Cost of Living Adjustment (COLA) Increase	6%	1.5%	Not specified	Not specified
Minimum Hours Paid for Call-in	4 hours	3 hours	2 hours	Not specified
Premium Sharing Requirement	No	No	No	No

Source: SERB

Table 3-6: Police Department Bargaining Unit Contract Provisions

	Norwood	Alliance	Trotwood	Whitehall
Minimum Staffing Level Requirement	6 per day shift 7 per night shift	4 per shift	Not specified	Not specified
Method for Calculating Overtime	A minimum of 1 hour starting 1 minute worked in excess of 8 hour day	Pay based on completed 15 minute intervals in excess of 8 hour day	Pay based on completed 15 minute intervals in excess of employee's regular work week	Not specified
Sick Leave Abuse Policy	No	No	Yes	Yes
Sick Leave Accrual per Month	10.75 hours	9.2 hours	10.0 hours	10.0 hours
Max Sick Leave Paid Out At Retirement	Each year the City shall buy back 2/3 of unused sick leave so long as the leave bank has 960 hours. Leave banks shall be paid at separation in a lump sum equal to 2/3 of unused leave at the current rate.	Lump sum payment for unused sick leave up to 960 hours + 25% of all remaining sick leave up to 150 hours at current rate	With 10 years of service, conversion of 1 to 4 for all unused sick leave; conversion of 2 to 1 if 20+ years of service	Conversion of 1 to 4 not to exceed 1,920 hours + 1 to 3 conversion for leave time in excess of 1,920 hours
Vacation Accrual Schedule	After 1 yr = 10 days; 8 yrs = 15 days; 15 yrs = 20 days; after 20 yrs = 25 days	After 1 yr = 10 days; 5 yrs = 15 days; 10 yrs = 20 days; 15 yrs = 25 days; 20 yrs = 30 days	After 1 yr = 5 days; 2 yrs = 10 days; 5 yrs = 12 days; 8 yrs = 13 days; 10 yrs = 15 days; 13 yrs = 17 days; 15 yrs = 20 days; 20+ yrs = 25 days	After 1 yrs = 11 days; 5 yrs = 14 days; 9 yrs = 18 days; 13 yrs = 20 days; 17 yrs = 23 days; 20+ yrs = 26 days
Paid Holidays per Year	12	12	8	7
Compensation for Off-duty Training/Education	Time spent will be paid at 1 and 1/2 times regular rate + travel time	A minimum of 2 hours of overtime will be paid for each mandatory off-duty training session	Training and departmental meetings during non-scheduled work hours shall be credited with 2 hour minimum	Not specified
Cost of Living Adjustment (COLA)	7%	3%	2%	N/A
Minimum Hours for Call-in	3	4	2	3
Premium Sharing Requirement	No	No	Yes	No

Source: SERB

Table 3-7: Public Works Department Bargaining Unit Contract Provisions

	Norwood	Alliance	Trotwood	Whitehall
Probationary Period	120 days	90 days	1 year	Not specified
Minimum Staffing Level Requirement	Yes	No	No	No
Compensation Rate for Overtime	Time worked in excess of the regular 40-hour work week shall be paid at 1 ½ times the regular rate; work on Sunday is paid at double the rate	All time worked in excess of 40 hours per week shall be compensated at the rate of 1 ½ times the regular rate of pay	All time worked in excess of 40 hours per week shall be compensated at the rate of 1 ½ times the regular rate of pay	All time worked in excess of 40 hours per week shall be compensated at the rate of 1 ½ times the regular rate of pay
Sick Leave Abuse Policy	No	No	No	Yes
Insurance Benefit After Retirement	Yes	No	No	No
Holidays Paid	13	11	8	9
Additional Compensation	\$0.25 additional pay per hour for snow and ice control; \$0.20 more per hour for blacktopping or use of bucket truck	Not specified	Not specified	Not Specified
Annual Tool Allowance	\$400 per employee	None	None	None
Union Business Leave	20 days per year	5 days per year	None specified	Representatives may transact Union business provided such activity does not interfere with normal operations
Minimum Hours Paid for Call-in	3 hours	2 hours	2 hours	2 hours
Early Retirement Incentive	Yes	No	No	No
Health Care Contribution Requirement	0%	0%	10%	0%
Performance Bonus	1% of salary	None	None	None

Source: SERB

Table 3-8: AFSCME Local 3278 Bargaining Unit Contract Provisions

	Norwood	Alliance	Whitehall
Maximum Accrual of Compensatory Time	240 hours	240 hours	80 hours
Minimum Hours Paid for Call-in	3 hours	4 hours	3 hours
Max # of Days Paid Out At Retirement	Paid for ½ the value of unused sick leave up to the value of 60 days or 480 hours	Paid for ¼ the value of unused sick leave up to a maximum of 600 hours	Paid lump sum of 1 hour for every 6 hours accrued up to 480 hours plus 1 hour for every 4 accrued in excess of 480
Pay Range – all classifications	\$15.61-\$25.02	Not specified	\$14.72-\$22.54
Holidays Paid	12	10	10
Early Retirement Incentive	Yes	No	No
Performance Bonus	1% of salary	None	None
Premium Sharing Requirement	No	No	No

Source: SERB

¹ Trotwood does not have a bargaining unit for similar classifications.

Appendix B: Summary Employee Opinion Survey Results

An Employee Opinion Survey was distributed to all full-time City of Norwood employees during the Performance Audit. The survey was intended to provide an avenue for employees to express opinions regarding their employment within the City. The survey was distributed to 214 full- and part-time regular employees (excluding Council members). Ninety-seven surveys were completed and returned for an overall response rate of 45 percent. The survey results support recommendations to increase planning at the organizational level and to increase internal communications.

A total of eight core values (two within each of four quadrants) were measured in Part I including the following:

- **Open systems** – ability to adjust to changing demands; ability to acquire additional resources;
- **Rational goals** – high productivity and efficiency; well-defined planning initiatives;
- **Internal processes** – stability in operations and levels of functioning; internal communications; and
- **Human relations** – employee trust and cohesiveness; well-trained work force.

The following Part I survey items were used to measure each value. Employees were asked to indicate their level of agreement on a scale of 1 to 3 (1 = disagree; 2 = neither agree nor disagree; 3 = agree):

1. The City responds well to changing demands.
2. We have sufficient resources to fulfill our responsibilities.
3. Employees have a clear understanding of departmental and City goals.
4. Departmental operations are efficient and produce maximum output.
5. City employees are well informed about those things that affect their work.
6. Operations function smoothly and in an orderly way.
7. Employees work well with each other.
8. Employees are adequately trained for their jobs.

Exhibit 3-1 illustrates the frequency of responses for each survey item and the corresponding percentage of respondents:

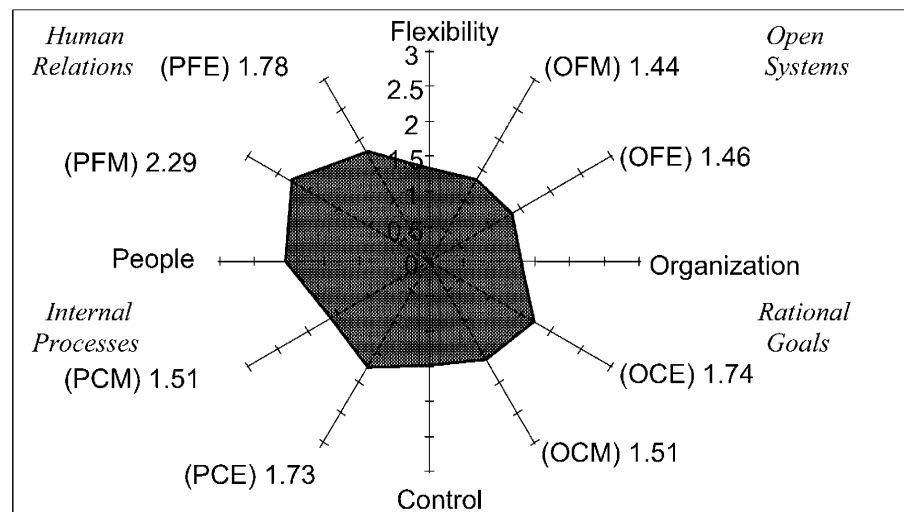
Exhibit 3-1: Recapitulation of Survey Results – Part I

Item No.	1=Disagree		2=Neither Agree nor Disagree		3=Agree	
	Freq.	%	Freq.	%	Freq.	%
2	63	65%	25	26%	9	9%
3	66	69%	11	12%	18	19%
4	53	56%	30	32%	11	12%
5	45	48%	23	24%	26	28%
6	55	59%	23	25%	15	16%
7	39	42%	30	33%	23	25%
8	12	13%	21	24%	56	63%

Source: AOS from City of Norwood Employee Survey Results

Exhibit 3-2 illustrates employee opinion for each quadrant based on the results of the survey. These indicate the areas (at this point in time) in which the City places the most value. On a scale of 1 to 3, the lower scoring areas are those which are currently seen as less effective.

Exhibit 3-1: Competing Values of Effectiveness



Source: Daft, p.71. AOS Based on City of Norwood Employee Survey Results

- (OFM) Organization, Flexible, Means: Ability to adjust to demands; shifts in external conditions (Q.1)
- (OFE) Organization, Flexible, Ends: Acquisition of resources; able to expand work force or gain external support (Q.2)
- (OCE) Organization, Control, Ends: Productivity and efficiency; volume of output is high (Q.3)
- (OCM) Organization, Control, Means: Planning (goals are clear and understood) (Q.4)
- (PCE) People, Control, Ends: Stability and smooth functioning (Q.5)
- (PCM) People, Control, Means: Availability of information; people are informed about things that affect work (Q.6)
- (PFM) People, Flexible, Means: Cohesive work force; employees trust, respect and work well together (Q.7)
- (PFE) People, Flexible, Ends: Skilled work force (Q.8)

Leaders should look at the “means” and “ends” value scores to gain insight into the areas where they are least and most effective.

The elements of the means include knowledge and skills, traits, and behavior which are more subjective. These values can improve with training and coaching.

The elements of the ends include outcomes and goal achievement, which are more objective.

General conclusions:

- Values are more focused on people and less focused on the organization as a whole.
- The two lowest scores were in the organizational/flexibility quadrant measuring open systems. Based on survey responses, the City lacks a strong ability to adjust to changes in conditions and lacks the ability to acquire resources.
- The score for Organization/Control/Means (OCM) was 1.51. This is a measure of employee opinion concerning the extent to which goals are clear and understood (within the quadrant measuring Rational Goals).
- Survey results reflect a high value placed on a cohesive work force. Employees appear to respect and work well with each other. This measure of human relations was rated highest by employees in terms of effectiveness.

The following survey items comprised Part II of the survey which was used to assess employee opinion on six organizational characteristics. (Employees rated their opinions according to the following scale: 1= Strongly Disagree; 2= Disagree; 3= Slightly Disagree; 4= Neither Agree nor Disagree; 5= Slightly Agree; 6= Agree; 7= Strongly Agree.)

1. The features (qualities and characteristics) of our current leadership are very good.
2. I enjoy my job. I'm happy to come to work most of the time.
3. There is good communication between departments and individuals; necessary information is shared in a timely and respectful manner.
4. My opinion is valued and my input is given consideration when it comes to making decisions that concern me.
5. Management helps me set goals and then works with me to achieve them.
6. I have some say in planning my activities, or some measure of control over my work.

Exhibits 3-3 and 3-4 summarize and illustrate the survey results of items 1-6 on Part II of the Employee Opinion Survey and represents a measure of organizational features including leadership, motivation, interpersonal communications, employee trust and value, member development and autonomy.

Responses to additional items or employee comments were taken into consideration but are not included in the summary of results. The summary of responses includes the percentage of responses found on the good and poor extremes of a continuum for the sake of illustration.

Exhibit 3-3: Recapitulation of Survey Results – Part II

Item	1=Strongly Disagree		2=Disagree		3=Slightly Disagree		4=Neither Agree nor Disagree		5=Slightly Agree		6=Agree		7=Strongly Agree	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1	27	30%	13	15%	7	8%	11	12%	11	12%	13	15%	7	8%
2	9	10%	5	6%	4	5%	1	1%	13	15%	32	36%	24	27%
3	19	22%	13	15%	16	19%	11	13%	12	14%	12	14%	3	3%
4	23	27%	8	9%	8	9%	11	13%	8	9%	17	20%	10	12%
5	29	34%	13	15%	4	5%	16	19%	9	11%	12	14%	2	2%
6	16	19%	5	6%	8	10%	9	11%	12	14%	18	21%	16	19%

Source: AOS Based on City of Norwood Employee Survey Results

Exhibit 3-4: Summary of Opinion on Organizational Characteristics

Characteristic	Summary of Employee Responses
Leadership:	8% of respondents believe the leadership is very good; 30% very poor
Motivation:	27% of respondents feel highly motivated; 10% are unmotivated or do not enjoy their jobs.
Communication:	3% believe communications are very good; 22% think communication is very poor
Decisions:	12% of respondents feel highly valued and have input on decisions; 27% do not feel valued
Goals:	2% are assisted with setting and achieving goals; 34% say goals are non-existent
Autonomy:	19% have a strong sense of autonomy and control over their work; 62% have some control; 19% do not believe they have any control

Source: AOS Based on City of Norwood Employee Survey Results

Fire & EMS Department

Background

The Norwood Fire Department (NFD) is responsible for safeguarding and preserving life and property through fire suppression and prevention activities. NFD is made up of three divisions: Emergency Medical Service (EMS), Fire Suppression, and the Bureau of Fire Safety. The following statistics illustrate Norwood's major operational functions; Emergency Medical Services made 2,982 calls last year, with an average response time of 2.9 minutes per call. Fire Suppression responded to 128 structure and non-structure fires, while the Prevention Division made over 2,000 inspections in 2004. Most members of the Department are cross-trained as emergency medical technicians (EMT) or emergency medical technician paramedics (EMTP) to offer better services to the citizens.

NFD's mission statement states the values and goals of the Department. It also outlines the functional activities that the Department offers to the citizens of Norwood in order to safeguard the community. The City has defined the mission of NFD as follows:

“The Norwood Fire Division, through its Fire Suppression Forces, Emergency Medical Services, Bureau of Fire Safety, Arson Investigations, Training Division, and Public Education Programs are dedicated to preservation of Life, Property, and the reduction of injuries. Also, the protection of the environment, through Disaster Preparedness and mitigation and the enforcement of the laws of Federal, State, and Local jurisdiction in a fair and just manner”.

Norwood has a mutual aid agreement with the Hamilton County Fire Chiefs' Association. This association consists of several surrounding communities within minutes of Norwood. This group has agreed to provide service to one another as the need arises. Services include manpower, equipment and lifesaving assistance. For those departments in the association, the services of one department to another come at no cost. The member cities have agreed not to charge the affected department for reimbursement of resources used. They have also agreed not to seek reimbursement for any losses or damaged equipment.

Summary of Operations

Norwood's Fire Department provides fire suppression, emergency medical services (EMS), and fire prevention services for the City of Norwood. Currently NFD operates one fire station which is centrally located in the downtown district. NFD's operations consisted of 60.5 full-time equivalent (FTE) personnel in FY 2004. However, in FY 2005 the Department did not fill two vacancies that had occurred. Yet, these positions have not been eliminated from the organization

structure, and could be filled at some point in the future. The Department is organized in a three shift system, with each shift working a shift of 24 hours on-duty followed by 48 hours off-duty.

NFD has a straightforward organizational structure; each of the three shifts has 13 to 14 firefighters who report directly to the shift lieutenant. The shift lieutenant reports to the shift captain. Shift lieutenants are responsible for the day-to-day operating activities primarily the onsite response to fire and EMS calls. In addition shift lieutenant's are also responsible for the compilation of post incident reports which are then subject to the review and approval of the shift captain. Reports are then passed on to the Assistant Chief and then to the Chief. Any administrative decisions are passed on through the same chain of command.

Staffing

Table 4-1 illustrates the 2004 staffing levels by full time equivalents (FTE) and function for NFD and the peer cities. Comparative analyses and assessments from **Table 4-1** are used throughout this section.

Table 4-1: Fire Department FTE Staffing Levels by Function

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Square Miles of City	3.1	8.6	30.5	5.2	14.8
Population Density (per Square Mile)	6,704	2,662	888	3,579	2,376
Administration:					
Chief	1	1	1	1	1
Clerical	1.5	1	1	2	1.3
Training Officer	1	0	0.5	0	0.2
Fire suppression:					
Assistant Fire Chief	1	1	3	1	1.7
Captains	3	2	3	4	3
Firefighter	45.0	18	18	27	21
Lieutenants	6	9	0	3	4
Fire Prevention	1	1	1	1	1
Fire Investigation/Arson	1	0	0.5	1	0.5
Total Department FTE's	60.5	33	28	40	34
Total FTEs per Square Mile	19.5	3.8	0.9	7.7	2.3
Staffing per 1,000 Residents					
Population	20,781	22,892	27,070	18,611	22,857
Administration	0.17	0.09	0.09	0.16	0.11
Fire Suppression	2.65	1.35	1.03	1.99	1.46
Fire Prevention	0.05	0.04	0.04	0.05	0.04
Fire Investigation/Arson	0.05	0.00	0.02	0.05	0.02
FTE per 1,000 Residents	2.91	1.49	1.18	2.26	1.64
Fire Suppression: Number of FTEs by Rank per 1,000 Residents					
Chief and Assistant Chiefs	0.10	0.09	0.07	0.11	0.09
Captains	0.14	0.09	0.11	0.21	0.14
Lieutenants	0.29	0.39	0.00	0.16	0.18
Firefighters	2.17	0.79	0.66	1.45	0.97

Source: City of Norwood and peers; U.S. Census 2003 estimated

Note: Numbers may vary due to rounding

Table 4-1 shows that NFD staffing is currently 26.5 FTE's over the peer average. The high staffing levels are most apparent in the firefighter category as NFD has 45 firefighters versus the peer average of 21. NFD has a population density almost 3 times greater than the peer average, and it employees 19.5 FTEs per square mile compared to the peer average of 2.3 FTEs per square mile. The following bullet points compare the variances in staffing numbers between the positions of NFD and the peer average.

- Clerical – NFD is 0.2 FTEs higher in the clerical category than the peer average.
- Training Officer – NFD is the only department with a full time training officer resulting in NFD being 0.8 FTEs over the peer average.
- Firefighter – NFD exceeds the peer average in this category by 24 FTEs. High staffing in this area is related to contractual obligations to increase firefighters when City revenues increase and minimum manpower requirements contained within the collective bargaining agreement (see **R4.1**).
- Lieutenants – NFD exceeds the peer average in this category by 2 FTEs

A comparison of staffing per 1,000 residents was also conducted to determine the appropriateness of staffing. NFD is staffed at 2.91 FTEs per 1,000 residents, or 69 percent greater than the peer average of 1.64 FTEs per 1,000 residents. Again, as illustrated in **Table 4-1**, NFD is above or equal to the peer average in every rank when compared to the peer average per 1,000 residents.

Financial and Operational Data

Table 4-2 presents a comparison of actual expenditures for 2002, 2003, 2004 and budgeted amounts for 2005.

Table 4-2: General Fund Fire Department Expenditures

	Actual FY 2002	Actual FY 2003	% Change FY 2002- 2003	Actual FY 2004	% Change FY 2003- 2004	Budgeted FY 2005	% Change FY 2004- 2005
Salaries And Wages	\$3,222,822	\$3,436,753	7%	\$3,566,998	4%	N/A	N/A
Overtime	\$301,493	\$149,388	(50%)	\$185,811	24%	N/A ¹	N/A
Fringe Benefits	\$1,361,207	\$1,228,307	(10%)	\$990,769	(19%)	N/A ¹	N/A
Total Personnel Costs	\$ 4,885,522	\$4,814,448	(1%)	\$4,743,578	(1%)	\$5,007,576	5%
Contracted Services	\$63,583	\$50,463	(21%)	\$31,467	(38%)	\$42,000	33%
Materials & Supplies	\$202,145	\$48,197	(76%)	\$13,903	(71%)	\$43,000	209%
Utilities	\$22,034	\$21,120	(4%)	\$20,160	(5%)	\$35,000	74%
Total Operating Cost	\$5,173,284	\$4,934,227	(5%)	\$4,809,107	(3%)	\$5,127,576	7%

Source: Norwood Auditor's Office

Note: Numbers shown may differ from source document due to rounding.

¹ City no longer budgets components of personnel costs– For “% Change 2004-2005”, the appropriate numbers were combined in 2004 to show comparison to 2005.

Table 4-2 shows the increases and decreases in NFD's actual and planned expenditures for the years 2002 through 2005. NFD decreased its fringe benefits, contracted services, utilities, and material & supplies in 2002, 2003, and 2004. This is largely due to City efforts to control expenditures in areas not related to personnel costs or the collective bargaining agreements.

Even though decreases have taken place, they have occurred in line items that represent only 22 percent of the cost to operate the Department. Overtime, and salaries and wages are the most costly to the Department, and collectively have increased 28 percent from 2003 to 2004. In 2004, overtime, salaries and wages represented 78 percent of total expenditures. **Table 4-2** also indicates that NFD spent 3.9 percent of its total appropriations on equipment and supplies in 2002, compared to .03 percent in 2004 as a percentage of overall expenditures. More significantly, Norwood plans to increase its 2005 Fire Department expenditures by 7 percent in a time of financial uncertainty.

Table 4-3 shows a comparison of actual expenditures for Norwood and the peers.

Table 4-3: FY 2004 Fire Department Operational Costs

	Norwood	Alliance	Trotwood	Whitehall	Peer Average	Deviation From Peers
Personnel Cost	\$4,743,578	\$2,053,975	\$2,480,428	\$3,049,454	\$2,527,952	87.6%
Operational Cost	\$65,530	\$103,843	\$8,962	\$338,783	\$150,529	(56.5%)
Total Operating Cost	\$4,809,107	\$2,157,819	\$2,489,390	\$3,388,237	2,678,482	79.5%
Total Sq. Miles	3.1	8.6	30.5	5.2	14.8	(79.1%)
Total Cost per Sq. Miles	\$1,551,324	\$250,909	\$81,619	\$651,584	\$328,037	372.9%
Total Population	20,781	22,892	27,070	18,611	22,857	(9.1%)
Total Cost Per Citizen	\$231	\$92	\$90	\$164	\$115	100.9%
Number of Fire & EMS Runs	3,110	661	3,675	5,523	3,286	(5.4%)
Total Operational Cost per Total Runs	\$1,546	\$3,264	\$677	\$613	\$1,518	1.8%
Total Personnel Cost per Total Runs	\$1,525	\$3,107	\$674	\$552	\$1,444	5.6%

Source: City of Norwood and peers.

According to **Table-4-3**, Norwood has higher overall operational costs when compared to the peers. Norwood's operating costs are 79.5 percent above the peer average. Its total personnel costs are 87.6 percent higher than the peer average. Compared to the peer departments, Norwood spends \$2,689,603 (or 130 percent) more than Alliance, \$2,263,150 (or 91 percent) more than Trotwood, and \$1,694,124 (or 55 percent) more than Whitehall in personnel costs. In addition, Norwood has a smaller population than two of the three peers and 11.7 fewer square miles than the peer average. NFD's cost per citizen is twice as high as the peer average at \$231 compared to \$115, and exceeds the highest peer by \$164, or 40 percent. The overall cost per run is higher as well. Overall, NFD services are twice the cost per citizen when compared to similar jurisdictions.

Table 4-4 presents key operational data for the NFD and the peers.

Table 4-4: FY 2004 Fire Department Operating Data

	Norwood	Alliance	Trotwood	Whitehall	Peer Average	Deviation From Peer Average
Square Miles of City	3.12	8.61	30.54	5.22	14.79	(78.9%)
Population	20,781	22,892	27,070	18,611	22,857	(9.1%)
Number of Fire Stations	1	2	2	1	1.6	(37.5%)
Minimum Staffing – Per Shift	13	7	17 ⁴	9 ¹	11	15.0%
Medic Units	3 ³	0	4	1	1.7	76.5%
Engine Companies	3	2	2	N/A ²	2	50.0%
Truck Companies	1	2	2	N/A ²	2	(50.0%)
Insurance Services Office (ISO) Rating	3	4	4	N/A ²	4	(25.0%)
Number of Fire Emergency & EMS Calls	3,110	662	3,675	5,523	3,287	(5.4%)
Average Response Time to Fire Emergency Calls	3.05	4	4.5	3	3.8	(19.7%)
Average Response Time to EMS Emergency Calls	2.9	0	4.5	3	2.5	16.0%
Number of Fires	128	99	189	1,025	438	(70.8%)
Number of Inspections	3,176	970	212	1,170	784	305.1%
Number of Fires Investigated	12	39	25	1,025	1,862	(99.4%)
Fire Related Deaths	1	0	0	0	0	N/A
Fire Related Injuries	9	7	12	0	6.3	42.9%

Source: Norwood and peers.

¹ Whitehall does not have a minimum man power (MMP) in their contract but the contract does refer to a MMP in the standard operating procedures (SOP). Since the SOP is subject to change, this number is not bound by contract.

² Whitehall was not included in the average since information was not provided for this item.

³ In FY 2005, per the Fire Chief Norwood had to retire a Medic Unit due to its poor mechanical condition.

⁴ Trotwood does not have MMP within their contract or in written operating procedures. Of the 17 on staff, usually only 7 of the 17 are full time and the remaining 10 are part-time.

Table 4-4 shows that Norwood has a smaller population and geographic area than the peer average, but higher minimum staffing levels and more medic units and engine companies. NFD's output appears lower and less efficient when comparing total numbers of calls, fires, and investigations. Norwood responded to 177 fewer calls, and 309.7 fewer fires than the peer average. In addition NFD investigated 9 percent of its fires, while Alliance investigated 39 percent, and Trotwood investigated 13 percent. NFD conducted more fire inspections because the City mandates residence and business inspections and these are conducted throughout the year. Norwood's Fire Chief stated that the lower fire rate can be attributed to the aggressive efforts in the City's fire prevention programs. While these programs are good for the community, the direct correlation between fire programs and actual fires is not easily measured. The Fire Chief also indicated that the lower number of investigations is due to the on scene investigation conducted by the officer in charge. If the cause can be determined while on scene, further investigation is not needed.

Assessments Not Yielding Recommendation

During the course of the audit, several areas were reviewed that yielded no recommendations. These are highlighted below:

- **Monitoring and Controlling Discretionary Expenditures:** The Department has higher expenditures than the peers, but controls costs in discretionary areas that do not pertain to bargaining contractual issues.
- **Mutual Aid:** The City participates in mutual aid, which comes at no cost to the City. Mutual aid should be considered in conjunction with **R4.1** as Norwood may use mutual aid to enhance manpower during a fire suppression activity if the need arises.
- **Insurance Services Office, (ISO) Rating:** NFD's ISO rating of 3 surpasses the peer average of 4. ISO is the rating process for underwriting personal and commercial fire insurance policies. ISO's Public Protection Classification (PPCTM) service is an elaboration on earlier grading systems. The PPC program gives insurers credible data to help them develop premiums that fairly reflect the risk of loss in a particular location.
- **Staffing Per Vehicle / Fleet Management:** Vehicle maintenance is performed by the City's central garage, and is comparable to the peers. NFD is comparable when reviewing the number of vehicles per run.
- **Hazmat and EMS Cost Recovery Efforts:** The hazmat incident occurrence rate is very low, and policies do exist to recover the cost of cleanup. EMS service charges are the highest rate allowed, and billing and collections are outsourced to a third party.

Issues Requiring Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditor does not review within the scope of the audit. AOS has identified the following issue as one requiring further study.

- **Clerical Staffing:** This issue pertains to both the Police and Fire departments. Over two years ago, the City's Police Department secretary position became vacant and has not been filled. Due to budgeting constraints, the Fire Department secretary became responsible for both positions, working half days in each Department. In addition, several job functions of the secretarial position have been distributed among personnel within the two departments. The City should study the workload ratio of the clerical position in relation to the possible decrease in functional activities caused by **R4.1**. If the workload remains constant, the City should consider filling the vacant clerical position to ensure that other department staff performs their own functional duties and not administrative tasks.

Recommendations

R4.1 The City should consider reducing Fire Department staffing and costs to levels more comparable to the peers. The Department should consider reducing current staffing by up to 22 full-time equivalent (FTE) employees, thereby achieving staffing levels and costs comparable to peers and national benchmarks. NDF should follow procedures used in other jurisdictions and use its mutual aid agreements to achieve minimum manpower standards.

Staffing levels at NDF are determined by several factors. The Department's Local Union 445 bargaining agreement includes a minimum manpower (MMP) clause. It requires a minimum manpower level of 13 full time firefighters or EMS personnel on duty per shift. This requirement was also formed to meet National Fire Protection Association (NFPA) guideline 1710. Norwood's MMP of 11 became effective January 1, 1999 and went to 12 as of July 1, 2000 and to 13 as of April 1, 2001

According to **Table 4-1**, NFD has a higher staffing level than all the peers. Norwood has 60.5 FTEs compared to the peer average of 34. Likewise, NFD is 26.5 FTEs over the peer average, primarily due to MMP requirements outlined in the collective bargaining agreement. In addition, NFD has 2.91 FTEs per 1,000 residents compared to the peer average of 1.27 FTEs per 1,000 residents. In FY 2005 the Department did not fill two vacancies.

NFPA staffing guidelines recommend a MMP of 14, but none of the peer departments function at the levels suggestions by NFPA. Alliance has minimum staffing of 7 and Whitehall 9 and Trotwood does not have an MMP requirement. Trotwood seeks to operate with 7 full-time and 10 part-time employees per shift. The NFD Chief stated that this guideline must be met in order to maintain public safety. When considering the restriction of the MMP, vacation days, holidays and "Kelly days" (extra days off) also must be considered. In order to meet all of the MMP requirements, NFD maintains an 18 member staff for two shifts, and a 17 member staff for the third shift with an average of 13-14 personnel scheduled per shift. When one or two of those people call in for a sick or personal day, an additional employee is called in to cover that shift and NFD must then pay overtime.

MMP requirements increase costs in several aspects of operations. Not only are total salaries and wage costs significantly higher because of the large number of additional personnel, but overtime costs are significantly higher because of the requirement to maintain the MMP when employees are absent and the levels drop below the requirement. (see **R4.2**). Likewise, there are increased costs for benefits and contractual items like the clothing allowance, as well as leave time. Finally, NFD incurs increased equipment needs for the large staff it maintains. With the reduction of 22 FTE's, NFPA

guideline 1710 will not be met with the reminding staff members on a per shift ratio. However, in order to function at the safety levels of NFPA 1710, NFD could use the Hamilton County Fire Chief’s Association for mutual aid. NFD could also have on-call staff, which would be required to report to duty if the need arises. Both of these methods could be use to meet the requirement and the desired safety levels of NFPA 1710.

Table 4-6 compares Norwood Fire Department staffing to national averages for cities of similar size as presented in the 2000 Phoenix Fire Department National Survey (PFNS). The Phoenix Fire Department National Survey is a statistical complication of 257 fire stations from around the United States and Canada. The information was compiled in similar groupings based upon the population size of the given city. Based on the survey, 110 cities fell in the same population range as Norwood.

Table 4-6: National Average Staffing for Populations less than 99,999

		Phoenix National Fire Department Survey		
	Norwood	Mean	Median	Standard Deviation
FTE’s per 1,000 population	2.88 ¹	1.78	1.66	0.63
On-Duty Personnel per 1,000	0.76	0.45	0.44	0.16

Source: Norwood, Phoenix Fire Survey

¹ Does not include administrative assistant.

As shown in **Table 4-6**, NFD exceeds both the national average FTE’s per 1,000 population, and the peer average of on-duty personnel per 1,000. The difference in FTE’s per 1,000 is .71, which indicates that NFD is over-staffed when compared to similar-sized cities in the Phoenix Fire Department Survey. The difference between on-duty personnel per 1,000 is significant enough to warrant recommended staffing reductions. Norwood is .31 above the mean. **Table 4-7** shows the effect of the recommended staffing reductions.

Table 4-7: National Average Staffing for Populations less than 99,999 Adjusted for Staffing Reductions

		Phoenix National Fire Department Survey		
	Norwood	Mean	Median	Standard Deviation
FTE’s per 1,000 population	1.82	1.78	1.66	0.63
On-Duty Personnel per 1,000	0.54	0.45	0.44	0.16

Source: Norwood and Phoenix Fire Survey

¹ Does not include administrative assistant.

Table 4-7 indicates that Norwood would still be in line with the national average if the City implemented **R4.1** by reducing or eliminating MMP. FTE's per 1,000 would be 0.04 above the mean but well within the standard deviation. On-duty personnel would be above the mean by .09. **Table 4-8** shows the relationship of cumulative cost and cumulative cost saving associated with personnel numbers.

Table 4-8: Potential Cost Savings from Staffing Reductions by Seniority

Cumulative Reductions	Cumulative Savings			
	Wages	Benefit s	Clothing Allowance	Total Cost Savings
One Position	\$55,559.14	\$18,890.11	\$750.00	\$75,199.25
Two Positions	\$114,448.27	\$38,912.41	\$1,500.00	\$154,860.68
Three Positions	\$173,337.40	\$58,934.71	\$2,250.00	\$234,522.11
Four Positions	\$232,226.53	\$78,957.01	\$3,000.00	\$314,183.54
Five Positions	\$291,115.66	\$98,979.31	\$3,750.00	\$393,844.97
Six Positions	\$353,276.53	\$120,114.01	\$4,500.00	\$477,890.54
Seven Positions	\$415,437.40	\$141,248.71	\$5,250.00	\$561,936.11
Eight Positions	\$477,598.27	\$162,383.41	\$6,000.00	\$645,981.68
Nine Positions	\$539,759.14	\$183,518.11	\$6,750.00	\$730,027.25
Ten Positions	\$601,920.01	\$204,652.81	\$7,500.00	\$814,072.82
Eleven Positions	\$664,080.88	\$225,787.51	\$8,250.00	\$898,118.39
Twelve Positions	\$729,943.32	\$248,180.74	\$9,000.00	\$987,124.06
Thirteen Positions	\$795,805.76	\$270,573.97	\$9,750.00	\$1,076,129.73
Fourteen Positions	\$861,668.20	\$292,967.20	\$10,500.00	\$1,165,135.40
Fifteen Positions	\$923,984.53	\$314,154.75	\$11,250.00	\$1,249,389.28
Sixteen Positions	\$989,846.97	\$336,547.98	\$12,000.00	\$1,338,394.95
Seventeen Positions	\$1,052,163.30	\$357,735.53	\$12,750.00	\$1,422,648.83
Eighteen Positions	\$1,114,479.63	\$378,923.08	\$13,500.00	\$1,506,902.71
Nineteen Positions	\$1,180,342.07	\$401,316.31	\$14,250.00	\$1,595,908.38
Twenty Positions	\$1,246,204.51	\$423,709.54	\$15,000.00	\$1,684,914.05
Twenty-One Positions	\$1,312,066.95	\$446,102.77	\$15,750.00	\$1,773,919.72
Twenty-Two Positions	\$1,377,929.39	\$468,496.00	\$16,500.00	\$1,862,925.39

Source: City of Norwood

Note: Number of positions based upon seniority from the bottom up. Cost savings based from January 1st 2006 until end of 2006 and does not include cost of separation pay for unused leave.

It should also be noted that the majority of the staff holding the State of Ohio Paramedics certificate are junior staff members, who would be affected by the cut backs. While EMS service is a critical function of the Department, and generated over \$400,000 in FY 2004, NFD should mandate senior staff members to become State of Ohio Paramedic certified if reductions deplete the ranks of paramedics.

Norwood's Fire Chief has expressed concern with the use of mutual aid to fulfill NFPA standards. Mutual aid should be used as a back up and temporary aid in the event of a major fire situation. Since NFPA is a suggested practice, in the event of a major fire, mutual aid and call-ins should occur. **Table 4-8a** shows the relationship of surrounding fire departments that are active in the Hamilton County Fire Chief's mutual aid program

or adjacent to Norwood. This table is not all inclusive and only shows a portion of fire departments that are in the area.

Table 4-8a – Hamilton County Fire Departments in Close Proximity to Norwood

Hamilton County Fire Departments	Distance to Central Downtown Norwood	Estimated Arrival Time (Driving Speed Limit)
Amberly Village Fire Department	3.2 miles	10 minutes
Anderson Township Fire Department	8.33 miles	21 minutes
Arlington Heights Fire Department	5.58 miles	9 minutes
Blue Ash Fire Department	9.84 miles	14 minutes
Deer Park-Silverton Fire Department	5.82 miles	10 minutes
Elmwood Place Fire Department	3.18 miles	6 minutes
Evansdale Fire Department	9.76 miles	13 minutes
Golf Manor Fire Department	2.11 miles	6 minutes
Wyoming Fire Department	7.43 miles	13 minutes
Cincinnati Engine Company 8	1.7 miles	5 Minutes
Cincinnati Engine Company 31 L 31	2.88 miles	6 minutes

Source: Hamilton County Fire Chief Mutual Aid Program and AOS

Financial Implication: The elimination of 22 NFD positions would result in a cost avoidance of \$1,900,000 from January 1st – December 31st, 2006. This amount includes wages, benefits, and clothing allowance for 22 positions based on those with the least seniority. Additional savings should be generated by reducing the overtime costs associated with MMP (see **R4.2**). These cost savings are based on wage reductions only, and do not take into account the separation pay of that particular individual. However the cost of separation pay is a one time occurrence to the City, while the cost savings from reductions is an ongoing factor.

R4.2 In conjunction with R4.1, the City should seek to significantly reduce NFD overtime costs. In order to reduce overtime costs, the City should negotiate to reduce the current MMP requirements.

The Contract between the City of Norwood and Local 445 of the International Association of Firefighters, article XVII outlines the MMP requirement for NFD. This article states that during the normal course of operation, there must be a minimum of 13 full-time firefighters/EMS personnel on duty at all times. As NFPA staffing guidelines suggest a MMP of 14, past City administrators decided to increase the compliment of the NFD to “negate the protective increase in MMP overtime”. However, none of the peer departments function at NFPA-MMP levels.

169 of 365 shifts required personnel to be called in and paid overtime to meet the MMP requirement in 2004 to accommodate leave usage, Kelly days and other absences. This indicates that, of the 18 members for two shifts and the 17 members of a third shift; an

average of 5.66 employees used some type of leave that required MMP related overtime to occur during each occurrence in **Table 4-9**. Total overtime costs associated with MMP for 2004 were \$150,740. **Table 4-9** summarizes total overtime reported due to MMP in 2004.

Table 4-9: Overtime Incurred as a Result of MMP

2004	# of Occurrences	Hours	Cost
January	1	24.0	\$975
February	7	168.0	\$6,231
March	8	144.0	\$7,080
April	13	279.0	\$11,322
May	17	401.0	\$16,031
June	24	633.7	\$18,598
July	26	624.0	\$23,911
August	29	654.5	\$25,861
September	12	288.0	\$11,038
October	10	240.0	\$9,100
November	9	216.0	\$8,308
December	13	300.5	\$12,285
Total	169	3,972	\$150,740

Source: Norwood Fire Department

Table 4-9 shows that during 2004, 169 shifts required additional personnel to meet the MMP requirement, or additional personnel were required about 46 percent of the time. On average, the total cost per hour associated with MMP overtime was \$37.94 an hour. The costs associated with regular overtime can vary from year to year due to unpredictable and uncontrollable factors in day to day operations.

With a negotiated reduction of MMP to 8, and the reduction in personnel (**R4.1**), Norwood would have 11 FTE's for one shift and 12 FTE's for two shifts. After all personal leave time is considered, this would give the Department the leeway of having 3.0 FTEs off on one shift and 4.0 FTEs off on two shifts. It should also be noted that if an MMP of 8 was negotiated, Norwood would be in line with the peer average. In addition, Norwood could also consider eliminating the MMP from the contract and issue it as a standard operating procedure as is done in Whitehall. Although a MMP of 8 would not satisfy NFPA with Department personnel, the Department can rely on mutual aid for major fires, and call-ins to conform to the safety standards and recommended practices as is the practice in other departments in the region.

Financial Implication: As shown in **Table 4-9**, Norwood could save over \$150,000 annually if MMP related overtime is eliminated.

R4.3 During the next round of collective bargaining, the City should seek to restructure the financial incentives for EMS certifications for all new hires. In addition, the City should require EMS certification as a condition of employment. Similar to the peers, the City should provide financial incentives only in the form of an annual re-certification bonus which is not built into the employee's base salary. Currently, the City provides a bonus in addition to an increase in the employee's annual salary.

NFD's collective bargaining agreement allows employees to advance their wages by a larger amount and at a quicker pace than the peers by obtaining EMS certification. NFD personnel are rewarded for a certification by a bonus as well as an increase in base pay. The peers offer only a bonus for recertification. Peer contracts also have fewer classifications because certifications do not effect an employee's classification. NFD has 19 different classifications, while the peers have an average of 12. The peers' compensation is based upon the level of firefighter, rather than the level of firefighter with certifications. NFD also increases the employee's pay for each certification completed.

Table 4-10 shows the differences in pay between Norwood firefighters with and without EMT certifications.

Table 4-10: 2005 Peer Comparison of Wages

	Norwood W/out EMT-P	Norwood W/EMT-P	Norwood Difference
Fire 4	\$54,374	\$57,468	\$3,094
Fire 3	\$51,655	\$54,238	\$3,094
Fire 2	\$48,964	\$51,383	\$2,583
Fire 1	\$46,169	\$48,478	\$2,419
Fire Certified	\$43,499	\$45,674	\$2,309

Source: City of Norwood Collective Bargaining Agreement.

Table 4-10 shows that NFD base pay increases by an average of \$2,516 for attaining an EMT certification in addition to the annual bonus. By providing an additional increase in base pay for certification, Norwood's program has a compounding effect. With each cost of living increase, the original pay increase for certification rises as well. If Norwood were to eliminate the practice of rewarding its Fire Department employees twice, the overall expenditures for the certificated employees would be reduced an average of \$2,516 per certification annually.

The Department should also ensure that all new hires have already obtained EMS certification. The Department would have a more flexible scheduling process if all personnel were EMS certified, and this practice would ensure that Departmental staff are cross trained in the major functional areas of NFD. If the City reduces incentives to

the annual bonus, there would be no additional cost to the City for hiring EMS certificated personnel.

Financial Implication: If NFD ceases to increase base pay for additional certifications, the Department could save, on average, \$2,516 annually for each firefighter holding an EMS certification.

R4.4 During future negotiations, the City should seek to decelerate the growth in salaries in the NFD. The City should seek salaries levels which are more comparable to the peers and other local jurisdictions in its region. This reduction would require limiting cost of living increases to 1 percent for the next 4 years.

NFD employees' annual compensation, based on the salaries outlined in the collective bargaining agreement, are significantly above the peer average. This data excludes overtime. **Table 4-11** compares the NFD compensation to the peers for 2004.

Table 4-11: 2004 Employees Compensation Comparison

Position	Norwood	Alliance	Trotwood	Whitehall	Peer Average	\$ Difference	% Above/(Below) Peer Average
Chief	\$82,368 ¹	\$61,108	\$70,461	\$90,958	\$74,175	\$8,193	9.9%
Asst. Chief	\$68,962	\$53,277	\$62,719	\$83,158	\$66,384	\$2,578	3.7%
Captain	\$65,101	\$47,573	\$50,471	\$66,309	\$54,784	\$10,317	15.8%
Lieutenant	\$61,969	\$43,555		\$58,675	\$51,115	\$10,854	17.5%
Paramedic II	\$59,581						
Prevention Spec.	\$59,581	\$47,174			\$47,174	\$12,407	20.8%
Engineer	\$57,468						
Driver/ATO	\$57,468						
Fire 4W/EMT-P	\$57,468		\$44,315		\$44,315	\$13,153	22.9%
Fire 4	\$54,374			\$45,942	\$45,942	\$8,432	15.5%
4 and 4W/EMT AVG	\$55,921				\$45,129	\$10,793	19.3%
Fire 3W/EMT-P	\$54,238		\$44,315		\$44,315	\$9,923	18.3%
Fire 3	\$51,655			\$45,942	\$45,942	\$5,713	11.1%
3 and 3W/EMT AVG	\$52,947				\$45,129	\$7,818	14.8%
Fire 2 W/EMT-P	\$51,383		\$44,315		\$44,315	\$7,068	13.8%
Fire 2	\$48,964	\$37,789		\$45,942	\$41,865	\$7,099	14.5%
2 and 2W/EMT AVG	\$50,174				\$42,682	\$7,492	14.9%
Fire 1 W/EMT-P	\$48,478		\$44,315		\$44,315	\$4,163	8.6%
Fire 1	\$46,169	\$36,017		\$45,942	\$40,979	\$5,190	11.2%
1 and 1W/EMT AVG	\$47,324				\$42,091	\$5,232	11.1%
Fire CERTW/EMT-P	\$45,674						
Fire CERT	\$43,499						
Fire APPT	\$38,062						

Source: Norwood and Peer Contract Agreement.

Note: Peer positions were matched to the City for a better comparison. Due to the high number of positions in NFD's organization, some peer averages are based a combination of like positions.

¹ This number represents the base pay for the Fire Chief in 2004; the gross pay of \$95,843 included other compensation and leave buy back.

As shown in **Table 4-11**, the City of Norwood pay scale exceeds the peer average for each classification within the organization. The following major differences were noted:

- The Chief salary is \$8,193, or 9.9 percent, above the peer average. The Norwood Fire Chief's contract requires that he be paid at least 12 percent above the Assistant Fire Chief, see **Human Resource Section**.

- The Lieutenant salary is \$10,854, or 17.5 percent, higher than the average for Alliance and Whitehall.
- If the Firefighter 4 and Fire 4 with EMT salaries are averaged for Norwood and the peers, NFD exceeds the peer average by \$10,793, or 19.3 percent.
- If the Firefighter 3 and Fire 3 with EMT salaries are averaged for Norwood and the peers, NFD exceeds the peer average by \$7,818, or 14.8 percent.
- If the Firefighter 2 and Fire 2 with EMT salaries are averaged for Norwood and the peers, NFD exceeds the peer average by \$7,492, or 14.9 percent.
- If the Firefighter 1 and Fire 1 with EMT salaries are averaged for Norwood and the peers, NFD exceeds the peer average by \$5,232, or 11.1 percent.

NFD has a substantially higher pay scale when compared to the peers. On average, NFD employees earn 10 percent more for the same position than the peers. **Table 4-11-A** shows the pay scale after four years with NFD receiving a 1 percent increase versus a 4 percent increase. It also shows the peer average with an increase of 4 percent.

Table 4-11-A: Pay Scale after Four Years at 1% and 4% Increase

	Norwood at 1% Increase	Norwood at 4% Increase	Alliance at 4% Increase	Trotwood at 4% Increase	Whitehall at 4% Increase	Peer Average
Chief	\$85,712	96,358	\$71,488	\$82,429	\$106,408	\$86,775
Asst. Chief	\$71,762	\$80,676	\$62,327	\$73,372	\$97,283	\$77,661
Captain	\$67,744	\$76,159	\$55,654	\$59,044	\$77,572	\$64,090
Lieutenant	\$64,485	\$72,495	\$50,953	N/A	\$68,641	\$59,797
Prevention Specialist	\$62,000	\$69,701	N/A	N/A	N/A	N/A
Engineer	\$62,000	\$69,701	\$55,187	N/A	N/A	\$55,187
Driver/ATO	\$59,801	\$67,229	N/A	N/A	N/A	N/A
Fire 4	\$56,5812	\$63,610	N/A	N/A	\$53,746	\$53,746
Fire 3	\$53,752	\$60,429	N/A	N/A	\$53,746	\$53,746
Fire 2	\$50,952	\$57,281	\$44,208	N/A	\$53,746	\$48,977
Fire 1	\$48,044	\$54,011	\$42,135	N/A	\$53,746	\$47,940
Fire Certification	\$45,265	\$50,888	N/A	N/A	N/A	N/A
Fire 4w EMT	\$59,801	\$67,229	N/A	\$51,842	N/A	\$51,842
Fire 3w EMT	\$56,440	\$63,451	N/A	\$51,842	N/A	\$51,842
Fire 2w EMT	\$53,469	\$60,111	N/A	\$51,842	N/A	\$51,842
Fire 1w EMT	\$50,446	\$56,712	N/A	\$51,842	N/A	\$51,842
Fire Certification W EMT	\$47,529	\$53,432	N/A	N/A	N/A	N/A

Source: Norwood Contract and Peers

Table 4-11-A shows the relationship between NFD and the peers after four years. If, for the next four years, NFD employees received a 1 percent increase annually, and the peers received 4 percent annually, Norwood would still be above or equal to the peer average in several comparative positions:

- The chief salary would be in line with the peer average, making \$1,063 less (1.2 percent);
- The assistant chief would be below peer average by \$5,898 (8 percent);
- The captain would be above the peer average by \$3,655 (6 percent);
- The lieutenant would be above the peer average by \$4,688 (8 percent);
- The engineer would be above the peer average by \$7701 (11 percent);
- Firefighter 4 would be above the peer average by \$2,836 (6 percent);
- Firefighter 2 would be above the peer average by \$1,976 (4 percent);
- Firefighter 4 with EMT would be above the peer average by \$7,959 (14 percent);
- Firefighter 3 with EMT would be above the peer average by \$4,598 (8 percent);
- Firefighter 2 with EMT would be above the peer average by \$1,627 (15 percent); and
- Firefighter 1 with EMT would be below the peer average by \$1,396 (3 percent).

Table 4-11-B shows the cost savings that could result if the City negotiated 1 percent annual COLA increases, including benefits costs, over the next 4 years in conjunction with the staffing reductions outlined in **R4.1**.

Table 4-11-B Savings 4 Years after Implementation of R4.1¹

Position	Estimated Savings
Chief	\$33,764
Asst Chief	\$29,125
Captain	\$82,483
Lieutenant	\$157,030
Prevention Specialist	\$50,326
² Average all other Positions	\$538,310
Total	\$891,037

Source: Norwood Fire Department and Auditor's Office

Note: If the City does not implement **R4.1**, cost savings for the *Average of all Other Positions* would be greater.

¹ Amounts may vary depending upon the current positions held by NFD employees.

² Average of positions remaining after the implementation of **R4.1**.

If NFD was able to negotiate 1 percent cost-of-living increases for all positions, it could avoid about \$891,037 in personnel costs over a four-year period or about \$222,759 per year. **Table 4-11-C** shows the cost savings that could result if the City negotiated 1 percent annual COLA increases, including benefits costs, over the next 4 years with the current staffing levels.

Table 4-11-C Savings after 4 Years without Implementation of R4.1

Position	Estimated Savings
Chief	\$33,764
Assistant Chief	\$29,125
Captain	\$82,483
Lieutenant	\$157,030
Prevention Spec.	\$50,326
Engineer	\$226,468
Fire 4	\$214,861
Fire 2	\$66,808
Fire 1	\$42,223
Fire Certification	\$79,910
Fire 4w EMT	\$188,543
Fire 2w EMT	\$96,916
Fire 1w EMT	\$116,032
Total	\$1,384,488

Source: Norwood Fire Department and Auditor's Office

¹ Amounts may vary depending upon the current positions held by NFD employees. Amounts include benefits cost and salary.

Norwood's salary levels were also compared to an average computed from National levels and the peer average. The National Levels used came from International City/County Management Association (ICMA). ICMA conducted a survey in FY 2004 evaluating Police and Fire personnel, salaries, and expenditures. The Survey consisted of 3,247 municipalities, with populations of over 10,000, and had a response rate of 48 percent.

Table 4-15 compares Norwood's salaries to the peers and ICMA survey; in addition it shows the average of both the peers average, and ICMA averages (PI).

Table 4-15: Norwood Salaries Compared to Peers & ICMA

	Norwood	Peer Average	ICMA Minimum	ICMA Maximum	ICMA Average	Peer & ICMA Average (PI)	Dollar Difference	Percent Difference
Fire Chief	\$82,368	\$74,175	\$68,701	\$89,928	\$79,315	\$76,745	\$5,623	7.3%
Asst. Chief	\$68,962	\$66,384	\$63,899	\$79,803	\$71,851	\$69,117	(\$156)	(0.2%)
Captain	\$65,101	\$54,327	\$49,108	\$59,374	\$54,241	\$54,284	\$10,817	19.9%
Lieutenant	\$61,969	\$50,478	\$44,963	\$53,179	\$49,071	\$49,774	\$12,195	24.5%
Prevention	\$59,581	\$43,846	\$43,297	\$54,712	\$49,005	\$46,425	\$13,156	28.3%
Engineer	\$57,468	N/A ¹	\$41,294	\$52,461	\$46,878	\$49,669	\$7,799	15.7%
Average Payout	\$68,154	\$57,842	\$51,877	\$64,910	\$58,393	\$53,854	\$14,300	26.5%

Source: Norwood, Peers, & International City/County Management Association

¹ Peers did not have these positions; average was based off of ICMA Average.

As shown in **Table 4-15**, Norwood's salaries surpass the PI average in five of the six positions. The following shows the dollar and percentage differences between Norwood and the PI.

- The Fire Chief for Norwood received \$5,623 more than the PI for a difference of 7.3 percent;
- The Assistant Chief receives \$156 less than the PI for a difference of 0.2 percent. This variance indicates the salaries are comparable and this is the only position that is below the PI;
- The Norwood Captains receive \$10,817 more than the PI or 19.9 percent;
- Norwood's Lieutenant position receives \$12,195 more than the PI or 24.5 percent;
- A Prevention Officer in Norwood receives \$13,156 more than the PI or 28.3 percent; and
- An Engineer in Norwood would receive \$7,799 more than the PI or 15.7 percent.

Collectively Norwood's average payout for these positions are higher than the peer average, ICMA average and the PI average. Overall the citizens of Norwood pay 26.5 percent above PI average for these salaries when compared to the surveyed cities.

Table 4-16 compares Norwood’s minimum and maximum base salaries to the peers and ICMA averages.

Table 4-16: NFD’s Base Min. & Max. Salaries Compared to Peer & ICMA

	Norwood	Peer Average	ICMA	Peer & ICMA Average (PI)	\$ Difference
Minimum Base Salary	\$38,062 ¹	\$30,601 ¹	\$33,880	\$32,241	\$5,822
Maximum Base Salary	\$54,374 ²	\$45,942 ²	\$46,291	\$46,117	\$8,258

Source: Norwood, Peers, & International City/County Management Association

¹ Norwood’s and the Peer Minimum Salaries are based off of Table 11-7

² Norwood’s and the Peer Maximum Salaries are based off of Table 11-7

Table 4-16 concludes that Norwood minimum salary is higher than the peer average, the ICMA average, and the PI average. Norwood’s minimum salaries are 15.3 percent above the PI average and the maximum salary for Norwood is 15.2 percent above the PI average.

Financial Implication: If NFD was able to negotiate 1 percent cost-of-living increases for all positions for the next four years, it could avoid about \$891,000 in personnel costs over the four-year period or about \$223,000 per year, assuming the implementation of **R4.1**.

R4.5 During future contract negotiations, the City should seek to reduce longevity for employees hired after the expiration date of the current contract agreement. This reduction should apply to longevity incentives earned for the fifth and through the ninth years of services. In addition, the City should maintain the current longevity scale without increases during the next contract period for current employees.

Norwood receives higher longevity pay after the first five years when compared to the peers. **Table 4-17** illustrates the structure of the longevity pay for years five through nine.

Table 4-17: Longevity Pay, Years 5-9

	Norwood	Alliance	Trotwood ¹	Whitehall	Peer Average	Difference Between NFD & Peer Average
5th Year	\$400	\$360	0	\$500	\$287	\$113
6th Year	\$425	\$360	0	\$550	\$303	\$122
7th Year	\$450	\$360	0	\$600	\$320	\$130
8th Year	\$475	\$360	0	\$650	\$337	\$138
9th Year	\$500	\$360	0	\$700	\$353	\$147

Source: Norwood Contract and Peer Contracts.

Note: Peer average numbers may differ from total because of rounding

¹ Trotwood has a longer duration before paying longevity pay. Therefore, years five through nine do not include longevity pay.

Based on the comparison between NFD and the peers in **Table 4-17**, Norwood Fire Department personnel receive higher longevity pay than the peers in each year examined. Because NFD pays higher salaries overall when compared to the peers (see **R4.5**), the higher rate of longevity pay compounds the high salary amounts. By reducing the current longevity pay schedule, Norwood would be more comparable to the peer average in future contract agreements and could reduce the overall cost to the City. Because several factors affect longevity pay, the financial implication associated with this reduction could not be quantified at this time.

R4.6 The City should adopt a policy limiting the use of one-time revenues for operating expenses. The City should attempt to prevent the over-reliance on unpredictable funding sources to sustain general operations.

Neither the City nor NFD has a policy that addresses the use of one time revenues. One time revenues have been used to help offset the cost of new equipment for the Department, but are not considered during the budgeting process. The Department has received three Federal Emergency Management Agency (FEMA) grants over the last four years. These grants have an impact on the equipment needs of NFD, but they do not address other functional aspects of the Department.

According to the Government Finance Officers Association (GFOA) *Best Practices in Public Budgeting*, governments should develop a policy limiting the use of one-time revenues for ongoing expenditures. These policies should include funds defined as unpredictable revenues, which mean that revenues may fluctuate from year to year, or may not exist the following year. One-time revenues should not be relied on for future budgeting because the practice encourages a reliance on uncertain funding for departmental services. Grants should be interpreted as one time revenues, and policies should be developed explaining the use of grants within the department during the budgeting process.

NDF, in conjunction with the City Auditor, should develop a policy outlining the manner in which one-time revenues are considered in the budgeting process. By ensuring that one-time revenues are listed separately in the budget, NFD will not develop a reliance on uncertain funding for day-to-day operations. The City should also link policies related to one-time revenue to policies concerning capital asset acquisition. (See also **R4.7**).

R4.7 NFD and the City should prepare policies and plans for capital asset acquisition, maintenance, replacement and retirement. These policies should form the basis for formulating long-term plans to address capital needs and ensure that these needs receive appropriate consideration in the budgeting process.

NFD does not have a capital replacement plan in place that is approved by City Council. The Fire Chief has developed a 25-year fleet replacement plan, but due to the financial condition of the City, the plan was not approved by Council. See also the **public works** section of this report for more detail on policies and procedures for capital asset acquisition.

The Public Works Management Practices Manual (PWMP), published by the American Public Works Association (APWA), recommends departments adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. These policies help ensure that needed capital assets or improvements receive appropriate consideration in the budgeting process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance. The policies can address inventorying of capital assets, evaluating the difference between maintenance and replacement, and determining the source of funding for the assets. Stakeholders should have an opportunity to provide input as policies and plans are developed. The policies should also include explanation that capital replacement should be funded through normal operational funding. Once the policies have been adopted, they should be publicly available, and should be used during the budgeting process.

With policies in place, the City should be able to determine the longevity or condition of the equipment, the cost of obtaining new capital assets, and how the cost can be addressed in the budgeting process. If a capital replacement plan is not developed, the City may incur large costs in the future to replace NFD equipment.

R4.8 The City should explore alternative funding options for the Department beyond traditional methods. NFD should evaluate options, such as impact development fees, subscription charges, and fees for fire prevention services, as a means of offsetting costs for providing services to residential and business customers. The City should determine which approach best fits the needs of the community and structure the fees to allow the Department to recoup its costs effectively.

Revenue other than General Fund appropriations has been limited to FEMA grants obtained in recent years by the Department. The grant application process has been very limited due to the City's inability or unwillingness to provide matching funds for grants. The FEMA grants were used for updating NFD equipment. The City does not have a grant writer, so NFD employees are responsible for identifying grants and apply for them. However, NFD employees often do not know what is available to the Department. In addition, the City has experienced difficulties in planning for, and providing, the matching funds required by most grants.

Fire departments across the United States, such as Tontitton Area Fire Department in Arkansas, Masonville Fire Department in Utica Kentucky, and Orange County Fire and Rescue Division in Orlando Florida have begun more actively seeking alternative funding to offset decreased local government revenues. Alternative funding can come from several different sources, such as impact development fees (private developers pay for the department needs), subscription charges (house holds pay a set fee per year and do not pay for additional fees beyond their medical insurance, and fees for fire prevention services. Another approach used by several departments is to define that tax money will pay for smaller house fires, while additional services are provided on a fee basis. These potentially chargeable services include, but are not limited to, providing emergency medical services, responding to hazardous materials incidents, extinguishing larger fires, standing by at events, pumping flooded basements, and providing other technical services. Fees can also be charged for providing services for people disobeying public warnings. Some departments also charge for fire suppression services, knowing that household insurance may cover the cost. Finally, grant funding can be obtained from the local and state level, and private institutes. For example the Alliance Fire Department has received several smaller grants from Wal-Mart and from the Public Utilities Commission of Ohio to purchase safety equipment..

The Governor's Office is also a resource for information on federal funds administered by the State. The following is a general list of grant resources at the state and federal level that Ohio fire departments have used:

- CFDA – Catalog of Federal Domestic Assistance;
- USFA – United States Fire Administration;
- CDBG – Community Development Block Grants;
- Department of Transportation;
- United States Department of Transportation Highway Safety Funds; and
- United States Department of Agriculture.

All of these resources can help a fire department find alternative funding. Without alternative funding, NFD must rely solely on General Fund appropriations to function. Since the Fire Department represents a large portion of General Fund appropriations,

other sources of revenue would help to reduce the current reliance on the City’s income tax revenue.

R4.9 The Fire Department should increase the fee schedule for the Bureau of Fire Safety (BFS) in an effort to offset inspection costs. NFD should also adopt policies that outline the manner in which fees and charges are established, and the extent to which fees will cover the cost of the service provided. In addition, the \$200 maximum for permit fees should be eliminated.

The BFS is divided into two divisions, Eastern and Western. Each of these Divisions performs several inspection-oriented duties. Some of these activities recoup a portion of the cost associated with services, while others have no fee.

During 2004, BFS issued 1,068 permits for various public and private functions. Annual permits cost the holder \$25; temporary permits cost \$10. Based on the number of permits issued, the Fire Department should have taken in \$26,450 in 2004. This number may vary because if a single entity applies for more than 8 permits, the fee is capped at \$200.

Increasing permit fees and instituting fees for fire prevention block inspections and business inspections would help NFD offset the associated costs. **Table 4-18** compares the fees collected last year by NFD to potential fees based on the amounts similar charged by the Oakwood Building Department for fire inspections⁴⁻¹, assuming the same number of permits issued.

Table 4-18: Potential Permit Fee Comparison

	Current Fee for Inspections	Current Fee for Inspections	Potential Fee for Inspections	Potential Fee for Inspections
Permits Fees	\$25	\$10	\$35	\$14
Permits Issued	1,058	10	1,058	10
Total	\$26,450	\$100	\$37,030	\$140

Source: Norwood Fire Department, AOS

As an example, if the NFD increased its chargeable fees by 40 percent, (indicated in **Table 4-18** above as \$35 and \$14) the Fire Department would have generated an additional \$10,620 in revenue.

The Fire Prevention Code 1511.02 section F-108.11 states that all multi-family and rental units may be inspected on an annual basis. A dwelling may also be inspected upon request by the owner/occupant, when a fire safety hazard has been reported by a formal complaint, or when the Code Official has witnessed a fire safety hazard on said property.

⁴⁻¹ Oakwood’s Building Department was used for comparison because most building departments do not conduct these types of activities. The peer departments did not issue permits.

Each year, the BFS conducts block inspections of rental properties as a preventive tool to reduce the number of fires. These inspections come at no cost to the property owners. Instead, the cost of the program is absorbed in the Fire Department's annual appropriation. The block inspections are conducted in rotations, depending on the year. The rotation schedule is divided by dwelling type including seven family and up, three to six family, two family, and one family occupied homes. During 2004, block inspections included three to six family rentals, which entailed inspecting 472 properties for a total of 1,011 residential inspections. The total residential inspections were greater than the total of properties inspected due to some re-inspections.

The BFS also conducts inspections of all businesses in Norwood on a yearly basis. Last year it inspected 418 businesses at no cost to the business owners. This program again is used as a preventive tool in an effort to reduce the number of fires. BFS also conducted 99 inspections of churches in Norwood.

The GFOA *Best Practices in Public Budgeting* states that a government should adopt policies that identify the manner in which fees and charges are set, and the extent to which they cover the cost of the services provided. The cost associated with the fees should include any direct or indirect cost, such as operating and maintenance costs, overhead, and charges for any capital assets involved in the process. The policies should also be used during the budgeting, planning, and management reporting processes. This insures that any potential revenue and workload issues will be considered. When developing policies, stakeholders should also have input into any function dealing with the fee schedules.

Ohio Administrative Code (OAC) §1301:7-1-04 states the State Fire Marshal shall require fire safety inspection fees of \$100 for the initial inspection and \$50 for each re-inspection.

Table 4-19 lists the services that the Department provides free of charge, the potential fee for the service based on a minimum cost (well below the ORC maximums), and the total revenue that would be generated if fees were instituted.

Table 4-19: Potential Revenue Based on Inspection Fees

Activities	2004 Total	Potential Minimum Charges	Potential Revenue
Residential Inspections	1,011	\$10	\$10,110
Churches	99	\$10	\$990
Businesses	418	\$10	\$4,180
Violations Issued	1,987	\$5	\$9,935
Investigations	8	\$50	\$400
Plan Review	0	\$25	\$0
Meetings	137	\$25	\$3,425
Alarm Tests	8	\$10	\$80
Hood Suppressions	9	\$10	\$90
Sprinkler Systems	2	\$10	\$20
2nd Citation Letters	173	\$10	\$1,730
Citation Letter	56	\$10	\$560
Total	3,908	N/A	\$31,520

Source: Norwood Fire Department, AOS

Table 4-19 gives an example of the amount revenue that could be generated by activities currently performed by BFS at no cost to the consumer. The Department should determine the cost associated with each activity and establish a fee schedule accordingly.

Financial Implication: If NFD implements additional fees for services currently offered free of charge, it could generate a minimum of \$31,000 in new revenue. Increasing permit fees would raise an additional \$10,000 each year, for a total of approximately \$41,000 in additional revenue.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and cost avoidances, as well as revenue enhancements discussed in this section of the report.

Table 4-20: Summary of Financial Implications for NFD

Recommendation	Annual Cost Savings	Annual Cost Avoidance	Annual Revenue Enhancements
R4.1 Reduce 22 FTEs		\$1,900,000	
R4.2 Eliminate overtime for MMP	\$151,000		
R4.4 Reduce the rate of COLA increases, assuming the implementation of the reductions in personnel in R4.1 .		\$223,000	
R4.9 Increase fees for permits and implement fees for inspections			\$31,000
Total	\$151,000	\$2,123,000	\$31,000

Source: AOS Recommendations

Note: **R4.3** (eliminate base pay increase for EMT certification and hire firefighters with certification) and **R4.5** (reduce longevity pay in years 5-9) are not shown in the table because the cost avoidance could not be quantified.

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Police Department

Background

This section of the report reviews aspects of the Norwood Police Division (NPD or the Division) operations for the purpose of providing recommendations to enhance service levels and reduce operating costs. The analysis contained in this section includes selected comparisons with the peer police department operations of the cities of Alliance, Trotwood, and Whitehall.

Organizational Function

NPD has a formalized mission statement that communicates the organization's values and direction and outlines the functional activities that the Division offers to the citizens of Norwood in order to safeguard the community. The mission statement is as follows:

“The Norwood Police Division exists to service all people within our jurisdiction with respect, fairness and compassion. We are committed to the protection of life and property, the prevention of crime as well as the preservation of peace, order and safety; the enforcement of the laws and ordinances; and the safeguarding which our constitution guarantees.”

In particular, NPD has emphasized key functions of the Division such as drug prevention; drug enforcement; community outreach and involvement; and a school programs. NPD engages in several activities to emphasize its narcotics control goals. NPD works closely with various adjacent police departments in a joint effort to prevent criminal drug trafficking within the City and around the County. It also engages in several community and school outreach and involvement initiatives. Finally, there is a strong effort to provide community awareness of crime prevention programs. The Division's priority initiatives are also reflected within the organization of NPD.

Organizational Structure and Staffing

NPD comprises several functional divisions and sections. The Patrol Division and the Criminal Investigation Section make up the majority of the Division. The main goals of these divisions are to prevent and solve crime within the City of Norwood. NPD also maintains a separate Drug Task Force Division to enforce the laws of the State of Ohio and the City of Norwood that pertain to illegal drug activities. In order to support the goals of these divisions, NPD also maintains a cross functional Canine Unit. The Canine Unit is used to help locate illegal narcotics, evidence, and missing persons. Finally, the Administrative Section serves as a support service for the Police Division and the community. The Administrative Section is responsible

for public relations management and building relationships with other federal and State agencies. It also helps obtain resources which are then used for functional changes and training opportunities.

Also, NPD has a school resource officer (SRO) within the school system. The SRO acts as a mentor to the students and seeks to build trust between students and Police. It also helps develop a communication link between the Police Division and the students of Norwood.

Sworn personnel represent 90 percent of the total personnel in the Police Division, while non-sworn personnel comprise the remaining 10 percent. Sworn personnel are full-time personnel and are reflected as full-time equivalents (FTEs). **Table 5-5** indicates the total number of positions within the Division, excluding six vacant positions.

NPD has a straight forward organizational structure, starting with the Chief of Police through the Police Officers that perform the day to day street activities. Norwood and the peer departments use an auxiliary force of comparable size and scope of duties. Most of the auxiliary positions for Norwood and the peers are paid positions, except for Whitehall. Whitehall has a program that allows personnel to volunteer for various positions throughout the Department.

Financial Data

Table 5-1 shows the actual expenditures for NPD from 2002 through 2004 and the budgeted expenditures for 2005.

Table 5-1: Expenditures for 2002 through 2005

	Actual 2002	Actual 2003	Percent Change 02-03	Actual 2004	Percent Change 03-04	Budgeted 2005	% Change 04-05
Salaries And Wages	\$2,968,653	\$3,191,324	7.5%	\$3,413,028	6.9%	N/A ¹	N/A ¹
Overtime	\$166,043	\$177,407	6.8%	\$193,013	8.8%	N/A ¹	N/A
Fringe Benefits	\$1,216,820	\$1,097,653	(9.8%)	\$956,866	(12.8%)	N/A ¹	N/A
Sub-Total	\$4,351,516	\$4,466,384	2.6%	\$4,562,907	2.2%	\$4,675,904	2.5%
Contracted Services	\$93,729	\$62,866	(32.9%)	\$39,217	(37.6%)	\$55,000	40.2%
Materials And Supplies	\$74,263	\$52,582	(29.2%)	\$42,081	(20.0%)	\$64,600	53.5%
Utilities	\$3,367	\$4,740	40.8%	\$5,180	9.3%	\$7,000	35.1%
Total Operating Cost	\$4,522,875	\$4,586,572	1.4%	\$4,649,385	1.3%	\$4,802,504	3.3%

Source: City of Norwood

Note: Numbers may vary due to rounding. While total salaries and wages have increased, the total benefit payout decreased, due, in part, to the Cities inability to contribute the full payment amount for retirement. If these payments were made in full, total operational costs would be higher than those shown in **Table 5-1**.

¹ The 2005 budgeted amounts combine all personnel costs; therefore, 2004 personnel line items were combined for the purpose of calculating the percent change from 2004 to the 2005 appropriations.

Table 5-1 indicates that the NPD's salary and wage costs have consistently increased from 2002 to 2004 for a total increase of 2.8 percent during this time period. This is directly related to the contractual issues and increases in staffing required by the negotiated agreement. In 2004 regular salaries and wages represented 73.4 percent of total operating costs. Overtime increased by 16.2 percent as well from 2002 to 2004; which represented 4.2 percent of total costs in 2004. Collectively, personnel costs comprised 98.1 percent of total expenditures in 2004, and 97.3 percent in 2003. NPD is increasing its personnel costs with a minimal allocation of funds to other operational needs, such as material and supplies. Even though fringe benefit costs have declined from 2002 to 2004, the decrease can partly be explained by the Cities inability to contribute the full payment amount for retirement.

Table 5-2 compares NPD's 2004 operating costs to those of peer organizations, with adjustments for the population served and the number of incidents.

Table 5-2: 2004 Expenditures Compared to the Peers

	Norwood	Alliance	Trotwood	Peer Average
Total Salary Costs	\$3,413,028	\$2,323,397	\$3,838,621	\$3,081,009
Total Benefits Costs	\$956,866	\$463,149	\$464,763	\$463,956
Total Operating Cost	\$4,649,385	\$3,360,024	\$5,007,574	\$4,183,799
Total Population	20,781	22,892	27,070	24,981
Total Cost Per Citizen	\$224	\$147	\$185	\$167
Numbers of Incidents	5,226	5,511	6,172	5,841
Total Cost Per Incidents	\$889	\$609	\$811	\$710
Total FTE	50	39	52	45.5
Total Salary Costs per FTE	\$68,260	\$59,574	\$73,819	\$67,714

Source: City of Norwood and peers financial reports, 2003 census estimates.

Note: The City of Whitehall was excluded from this comparison because it did not provide a complete list of incidents.

Norwood's total operation costs are 11.1 percent, or \$465,586, higher than the peer average. Norwood's total cost per citizen is \$57, or 34.1 percent, more than the peer average. If Norwood were able to maintain the peer average cost per resident ratio, its total operating costs would be \$1,205,477 lower than actual expenditures. NPD's total cost per incident was \$179 higher per incident, or 20.1 percent higher than the peer average. However, this disparity is largely explained by peer police departments emphasizing traffic enforcement to a greater degree, thereby increasing the number of traffic citations. If NPD maintained the peer average cost per incident, its total costs would be \$938,925 less than actual 2004 operating costs.

As illustrated in **Table 5-2**, the Division has shown only minimal control over its expenditures. This could partially be explained by poor budgeting and expenditure monitoring practices. While the Division receives a budget, it is largely imposed on the Division without input or foreknowledge by Division personnel. This is not conducive to planning the scope of services or prioritizing activities. In response to the current financial circumstances of the City, the Division has reduced services and has not met training or equipment needs. Finally, without involvement in the process, Division personnel may not understand the need to control operating expenditures. Budgeting practices are discussed in greater detail within the **finance** section of this report.

Key Operating Statistics

Table 5-3 compares Norwood crime incidents to those of each peer department, categorized as violent, property, or miscellaneous crimes to illustrate the workload of major occurrences for each department. **Table 5-3** provides a breakdown of total incidents in each category to particular types of incidents.

Table 5-3: 2004 Criminal Incidents by Crime Category

	Norwood	Alliance	Trotwood	Whitehall
Violent Crimes:				
Homicide	0	0	4	0
Rape	15	20	26	14
Weapons Violence	64	0	33	35
Domestic Violence	355 ¹	234	648	107
Assault	516	392	18	270
Sub-total	950	646	729	426
Property Crimes:				
Robbery	64	25	51	110
Theft	1164	1221	968	1065
Stolen Vehicles	129	0	276	171
Burglary & B&E	278	216	376	350
Sub-total	1,635	1,462	1,671	1,696
Miscellaneous Crimes:				
Arson	6	6	4	12
Missing Juveniles	94	0	406	105
Drug Violation	207	296	114	138
DUI	115	79	55	131
Traffic Citations	2,219	3,022	3,193	2472
Sub-total	2,641	3,403	3,772	2,858
Total Incidents	5,226	5,511	6,172	4,980
Average Response Time	N/A	8.7 min.	5.5 min.	Under 5 min.

Source: City of Norwood and the peers,

Note: Alliance criminal incidents are report in 2003. At the time of the report, only numbers through August 2004 were available.

¹ Domestic Violence for Norwood is reported from 2003

³ Trotwood was excluded as an outlier

NPD responded to or reported 12.3 percent fewer incidents than the peer average. While NPD had more violent crimes slightly more property crime than the peer cities, it had 34.7 percent fewer number of miscellaneous crimes. Norwood's higher number of violent crimes is explained by more incidents of assault and weapons violence. Norwood had fewer incidents of miscellaneous crime due primarily to a lower number of missing juveniles and traffic citations. It should be noted that all crimes require an allocation of labor regardless of the severity of the

offense. Therefore, this analysis considers the nature and extent of the police labor involved by grouping together those crimes requiring investigation and separately grouping those requiring reactive on-site enforcement in workload comparisons (see **R5.1**).

Table 5-4 presents key operational data for the City of Norwood Police Division and the peer police departments on a per 1,000 residents basis.

Table 5-4: Staffing and Incidents per 1,000 Population

	Norwood	Alliance	Trotwood	Whitehall
Total Sworn Police Officers	50	39	52	45
Population	20,781	22,892	27,070	18,611
Square Miles	3.12	8.61	30.54	5.22
Officers per Square Mile	16.03	4.53	1.70	8.62
Police Officers per 1,000 Residents	2.4	1.7	1.9	2.4
Incidents per 1,000 Population				
Violent Crime Incidents	45.7	28.2	26.9	22.9
Property Crime Incidents	78.7	63.9	61.7	89.8
Miscellaneous Crime Incidents	127.1	148.7	139.3	153.6
Total Crime Incidents	251.5	240.7	228.0	267.7

Source: City of Norwood, Peers and 2003 U.S. Census estimates.

Note: Within the broad incident categories, the City of Whitehall provided the number of incidents for a portion of the specific crime groups but not others. Therefore, it was deemed appropriate not to reflect Whitehall category totals unless a complete data set was obtained. However, to the extent possible, Whitehall's specific crime figures were incorporated into peer average figures explaining any discrepancies between the peer average and stated category figures.

¹ Did not provide complete information.

Table 5-4 illustrates that NPD has more officers per 1,000 residents than two of the peers, and more officers per square mile than all three of the peers. However, the City had more violent incidents per 1,000 residents than all the peers, and more property crime incidents per 1,000 residents than two of the peers. While this may indicate a higher work load and explain higher staffing levels, this relationship is not clearly established by NPD. While Norwood had more violent and property crimes per 1,000 residents, it had fewer total incidents per 1,000 residents than one of the peers and is comparable to the remaining peers. Furthermore, each incident, regardless of its severity, requires a labor allocation. NPD staffing levels are evaluated in **R5.1**.

Assessments Not Yielding Recommendation

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

Dispatching Operations: In comparison to the peers, Norwood's Dispatching Center (Communication) has developed a scheduling practice comparable to or better than the peers. The process reduces overtime and the costs associated with benefit payout. Norwood's Communication Center is staffed by 5 full-time, and 7 part-time personnel. The Dispatching center tries to staff two individuals per shift; with three eight hour shifts per day. The full-time personnel work five eight hour days, and the part-time personnel are assigned to two eight hour shifts per week. The part-time employees also fill in any open shifts throughout the week. The Dispatching Center responds to both fire and police emergency calls and seeks to maintain open channels to both departments by having one staff member assigned to each station. When not receiving calls, the dispatchers serve as police clerks, confirming outstanding warrants and processing computer entries into the Regional Crime Information Center (RCIC) and National Crime Information Center (NCIC) systems.

According to the Dispatch supervisor, the Department's ideal personnel numbers are six full-time and six part-time staff members. This number of personnel allows them to work the full-time staff five eight hour shifts per week, and the part-time a minimum of two eight hour shifts a week. Of the forty-two open shifts during the week, the full-time employees fill thirty shifts and the part-time staff fill twelve. When a full-time employee goes on vacation a part-time employee is used to fill open shifts. The Dispatchers also use a part-time floater position that may only be needed a few times a year. The part-time personnel allow NPD to have additional staff without triggering contractual minimum shift provisions. Under this scheduling arrangement, part-time personnel work approximately 1,040 hours a year which does not exceed the contractual threshold requiring the City to pay full-time benefits.

Issues Requiring Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditor does not review within the scope of the audit. AOS has identified the following as issues requiring further study:

- **Replacement of Dispatching Equipment:** It was noticed during the course of the Audit that the Dispatching equipment was ageing and Division personnel stated that it would need to be replaced shortly. The Government Finance Officers Association (GFOA) states that governments should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. With policies in place, the City should be able to determine the

longevity or condition of the equipment, the cost of capital assets, and determine how the cost can be addressed in the budgeting process. A discussion on capital planning is contained in **R5.4** and the **finance** section of this report.

- **Outsourcing Dispatching Operations:** The City should consider the option of outsourcing the Dispatching operation to Hamilton County in an effort to reduce expenses. Due to the fixed expenses of equipment and shift coverage, there appears to be potential for a larger operation to absorb Norwood calls without a proportionate increase in their costs. Therefore, the potential is high for negotiating with Hamilton County for contracted dispatch services to reduce in-house operational costs. In addition, outsourcing would be an alternative to large capital investments for replacement of dispatch equipment. Cost-benefit and service level comparisons should be conducted to determine whether in-house or county dispatch is the best option.
- **Clerical Staffing:** This issue pertains to both the Police Division, and the Fire Department. Over two years ago, the City's Police Department secretary position became vacant and has not been filled. Due to budgeting constraints, the Fire Department secretary became responsible for both positions, working half days in each Department. In addition, several job functions of the secretarial position have been distributed among personnel within the two departments. The City should study the workload ratio of the clerical position in relation to the possible decrease in functional activities caused by **R4.1** and **R5.1**.

Recommendations

R5.1 NPD should consider eliminating up to 9 FTEs and 6.0 vacant positions from its organizational structure for a maximum staffing level of 41 FTEs. By eliminating these positions, NPD would achieve staffing levels and work load levels comparable to the peer average.

NPD maintains higher staffing levels than peer police departments when compared on the basis of all ratios including population, geographic area, and crime incidents per police officer (see **Table 5-4**). According to 2000 census data evaluated by the U.S. Bureau of Justice Statistics, local police departments in municipalities ranging in population from 10,000 to 24,999 had an average of 2 full-time police officers per 1,000 residents. Cities with populations between 25,000 to 49,999, maintained ratios of 1.8 full-time police officers per 1,000 residents. In contrast, NPD had 2.4 full-time officers per 1,000 residents in 2004, while peers had an average of 2.0 officers per 1,000 residents.

Table 5-5 illustrates Police Division staffing levels by position for NPD and peer police departments.

Table 5-5: Sworn Police Officer Staffing Comparison

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Administration Staff					
Chief	1.0	1.0	1.0	1.0	1.0
Assistant Chief	0.0	1.0	0.0	1.0	0.7
Total Administration	1.0	2.0	1.0	2.0	1.7
Supervisory Staff					
Captain	0.0	2.0	3.0	0.0	1.7
Lieutenant	4.0	4.0	0.0	2.0	2.0
Sergeant	8.0	4.0	6.0	8.0	6.0
Total Supervisory	12.0	10.0	9.0	10.0	9.7
Direct Response Staff					
Parole Officer	0.0	1.0	0.0	0.0	0.3
Detectives	4.0	6.0	5.0	6.0	5.6
Police Officer	33.0	20.0	37.0	27.0	28.0
Total Direct Response	37.0	27.0	42.0	33.0	34.0
Total Sworn Police Officers	50.0	39.0	52.0	45.0	45.3

Source: City of Norwood and peers

Table 5-5 illustrates that the total Police Division staffing levels for NPD is 4.7 FTE's or 10.4 percent higher than the peer average. These figures do not incorporate 6.0 vacant positions which would increase NPD's staffing levels to 10.7 FTE's or 23.6 percent over the peer average. Of filled positions in **Table 5-5**, it appears that NPD employs 2.3 more supervisory FTEs and 3.0 more direct response personnel than the respective peer averages. However, these figures do not evaluate the work load of the respective departments. **Table 5-6** compares NPD's staffing levels by position to peer staffing, adjusted for the population served.

Table 5-6: Residents per Police Staff by Position Comparison

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
100's Residents per Administration Staff					
Chief	207.8	228.9	270.7	186.1	228.6
Assistant Chief	N/A	228.9	N/A	186.1	342.9
Total Administration	207.8	114.5	270.7	93.1	137.1
100's Residents per Supervisory Staff					
Captain	N/A	114.5	90.2	N/A	137.1
Lieutenant	52.0	57.2	N/A	93.1	114.3
Sergeant	26.0	57.2	45.1	23.3	38.1
Total Supervisory	17.3	22.9	30.1	18.6	23.6
100's Residents per Direct Response Staff					
Parole Officer	N/A	228.9	N/A	N/A	685.7
Detectives	52.0	38.2	54.1	31.0	40.8
Police Officer	6.3	11.4	7.3	6.8	8.2
Total Direct Response	5.6	8.5	6.4	5.6	6.7
100's of Residents per Total Police Staff					
Total Sworn Police Officers	4.2	5.9	5.2	4.1	5.0

Source: City of Norwood and Peers

Table 5-6 indicates that peer police departments serve approximately 16.0 percent more residents per staff member than NPD. While NPD serves more residents at administrative levels, it serves 26.7 percent fewer residents in supervisory positions and 16.4 percent fewer residents in direct response positions. If NPD maintained comparable ratios of residents served per FTE, it would have a staffing level of 41.5 FTEs; an 8.5 FTE reduction. These ratios indicate that 3.2 FTEs could be reduced in supervisory positions and the remaining 6.0 FTEs could be reduced from direct response staff. It should also be noted that a redistribution of remaining staff might also be appropriate. It appears that NPD could promote a supervisor to captain, and one to assistant chief.

Table 5-7 compares crime incidents per NPD staff, by position, to peer workload ratios.

**Table 5-7: Police Department Staffing
Comparison Adjusted for Crime Incidents**

	Norwood	Alliance	Trotwood	Whitehall
Crimes per Total Police Staff				
Violent Crime Incidents per FTE	21.3	16.8	14.0	9.5
Property Crime Incidents per FTE	32.7	38.2	32.1	37.7
Miscellaneous Crime Incidents per FTE	52.8	87.3	72.5	63.5
Total Crime Incidents per FTE	104.5	142.2	118.7	110.7
Non-traffic Citation Crimes per Employee by Position				
All non-traffic citation Crime Incidents per Administrative FTE	3,123.0	1,262.5	2,979.0	1,188.5
All non-traffic citation Crime Incidents per Supervisory FTE	260.3	252.5	331.0	237.7
All non-traffic citation Crime Incidents per Direct Response FTE	84.4	93.5	70.9	20.6
All non-traffic citation Crime Incidents per Total FTEs	62.5	64.7	57.3	52.8
Crime Categories per Employee by Selected Staff Categories				
Investigative Crimes ¹ per Investigative FTE ²	126.4	129.3	205.3	125.0
Investigative Crime Incidents per Detective FTE	505.8	301.7	451.6	333.3
Property & Miscellaneous Crime Incidents (excluding traffic citations) per Police Officer FTE	62.3	93.4	60.8	43.4
Property Crime Incidents per Police Officer FTE	49.5	74.4	45.2	37.7
Miscellaneous Crime Incidents (excluding traffic citations) per Police Officer FTE	12.8	19.5	15.6	14.3

Source: City of Norwood and peers.

Note: The City of Whitehall was unable to provide complete crime incident statistics. The statistics provided were incorporated into ratios to the extent possible, however, in many instances; these ratios could not be calculated.

¹ Investigative crimes were subjectively determined to include homicide, rape, weapons violence, robbery, theft, stolen vehicles, burglary/ B&E, arson, missing juveniles, and drug violations.

² Investigative staff includes the lieutenants, sergeants, and detectives.

Table 5-7 indicates that Norwood's ratio of total crime incidents per FTE is 104.5; compared to the peers shown at 141.3, 118.7 respectively, and the peer average of 110.7. If the reduction of 9 FTE's took place, the workload of total crime per FTE would be 127.5-- more comparable to the peers. This comparison reveals that if NPD implemented recommended staffing reductions, the 19.2 percent fewer incidents per officer would be reduced to 1.43 percent fewer per officer than the peers. However, it should be noted that this is primarily explained by more traffic citations being issued by peer police departments. In addition, NPD had more violent crimes per officer than the peer average. This is primarily because Norwood had a significantly higher incidence of weapons violence and assault than the peer cities (see Table 5-3).

In an effort to adjust work load ratios for the peers' differing emphasis on traffic violations, staffing categories were evaluated by total crime incidents excluding traffic citations in **Table 5-7**. If NPD was able to maintain the peer average crime incident per FTE ratio, it could reduce staffing levels by 9 FTEs. However, with this reduction, Norwood would have a moderately higher workload in the area of violent crimes than the peers when excluding traffic citations from crime statistics. It should be noted that traffic enforcement is a component of work load, albeit one requiring less investigative time than more serious crimes. This reduction could be accomplished by reducing supervisory staff by approximately 2 FTEs and direct response staffing levels by 7 FTEs. In this manner, NPD could attain more comparable work load ratios.

Finally, **Table 5-7** subjectively evaluates selected crime incidents per selected staff categories. As Norwood had a higher number of violent crimes, an effort was made to evaluate NPD's staffing for more labor intensive types of crimes. It was determined that two general types of enforcement activities were common; investigations and on-site enforcement. It was determined that complex or felony crimes were likely to require investigations, and therefore, were likely to require additional labor allocations. In contrast, crimes such as domestic violence, simple assault, DUIs, and other traffic citations would require less time than investigative crimes. Investigative crimes include homicide, rape, weapons violence, robbery, theft, stolen vehicles, burglary/ breaking and entering, arson, missing juveniles, and drug violations. Furthermore, it was determined that more senior staff such as lieutenants, sergeants, and detectives would likely conduct the investigations.

Based on this methodology, **Table 5-7** shows that peer police departments conduct more investigations per investigator. However, NPD may not employ a sufficient number of detectives, indicating the potential to reallocate an individual into this role. NPD may wish to promote an officer into the detective position to ensure adequate staffing for investigative crimes. Comparisons of property and miscellaneous crime incidents (excluding traffic citations) per police officer indicate that NPD police officers handle fewer incidents per FTE than the peers shown in the table.

Higher staffing levels are driven, in part, by the City administration's emphasis on law enforcement services for its residents, and the contractual issue of minimum man power. In 2004, minimum manpower for the Police Division consisted of five officers during hours of 0300 to 2000, and six during the hours of 2000 to 0300. In addition, an absence of performance measurements or managerial tools to make decisions does not provide management with sufficient information to make operational decisions. As a result of higher staffing levels, the City and its taxpayers support Police Division operating expenditures that are 34.7 percent higher than the peer average on a per citizen basis (see **Table 5-2**). As personnel costs were 98.1 percent of the Division's operating costs in 2004, a reduction staffing levels could have a profound impact on operating costs.

Financial Implication: If Norwood underwent a 1 percent COLA increase (see **R5.2**) and reduced its total staffing by 9 FTEs, it would save; \$643,364 in 2006; \$649,797 in 2007; \$656,295 in 2008; \$662,858 in 2009; and \$669,487 in 2010, for a total savings of \$3,281,804. With the elimination of the six vacant positions, the City would save an additional \$429,000 in 2006; \$443,000 in 2007; \$438,000 in 2008; \$442,000 in 2009; and \$446,000 in 2010 for a total savings of \$2.2 million. These total cost saving are conservatively based on the salary of a police officer with one year experience, and the related benefit costs.

- R5.2** During the next round of collective bargaining, the City should consider negotiating to restructure the pay scale for NPD employees. To better reflect regional pay levels, NPD should reduce starting salaries for appointment positions, police officers with 1 year of experience, and officers newly promoted to sergeants or lieutenants. In conjunction with these changes to the salary structure, NPD should consider incorporating additional step increases associated with tenure to provide an incentive to employees to stay with the Division and defer higher salary costs to later periods. This could be accomplished by adding two more steps to police officer categories, three more steps for sergeants, and one more step for lieutenants. While the benefit of these changes will not be immediate, they will aid the City in managing departmental costs in future years.

For existing Division employees, NPD should negotiate a reduction in COLA increases to 1.0 percent per year for the next five years. By doing so, Norwood's pay scale would gradually become more comparable to those of its peers. However, even with a slower growth rate for the next five years, NPD's pay rates will exceed those of similar sized police departments in the region.

Norwood's average salary per sworn FTE in 2004 was \$68,260. Alliance's average salary per sworn FTE was \$44,823, while Trotwood and Whitehall's average salary cost per sworn FTE was \$59,048 and \$59,501; respectively. Norwood's average salary costs per FTE are 25.3 percent higher than the peer average. This is explained by a significantly different pay structure when compared to the peer police departments. **Table 5-8** shows the salary schedules for various positions at NPD and the peer police departments.

Table 5-8: Salary Comparison

	Norwood	Alliance	Trotwood	Whitehall	Peer Average	% Above/ (Below) Peer Average	Dollar Difference
Chief	N/A	\$52,270	N/A	N/A	\$52,270	N/A	N/A
Captain	N/A	\$50,252	N/A	N/A	\$50,252	N/A	N/A
Supervisory Positions							
Lieutenant (2 Yr. Exp.)	\$72,162 ¹	\$47,465	N/A	\$71,978 ³	\$59,722	21%	\$12,440
Lieutenant (1 Yr. Exp.)	\$72,162	\$45,614	N/A	\$71,978	\$58,796	23%	\$13,366
Sergeant (3 Yr. Exp.)	\$68,077 ¹	\$42,952 ²	\$61,692	\$63,679 ³	\$56,108	21%	\$11,969
Sergeant (2 Yr. Exp.)	\$68,077 ¹	\$42,952 ²	\$59,883	\$63,679 ³	\$55,504	23%	\$12,573
Sergeant (1 Yr. Exp.)	\$68,077 ¹	\$42,952	\$58,448	\$63,679 ³	\$55,026	24%	\$13,051
Sergeant (Entry Level)	\$68,077	\$41,267	\$56,742	\$63,679	\$53,896	21%	\$12,440
Direct Response Positions							
5 Year Experience	\$58,687 ¹	\$38,022	\$49,462	\$55,858 ³	\$47,781	23%	\$10,906
4 Year Experience	\$58,687 ¹	\$36,109 ²	\$47,465	\$55,858	\$46,477	26%	\$12,210
3 Year Experience	\$58,687	\$36,109	\$44,720	\$54,121	\$44,983	30%	\$13,704
2 Year Experience	\$55,753	\$34,438	\$42,224	\$52,041	\$42,901	30%	\$12,852
1 Year Experience	\$52,818	\$30,750	\$39,832	\$49,264	\$39,949	32%	\$12,869
Certification	\$49,884	N/A	\$37,585	\$38,064	\$37,824	32%	\$12,060
Appointment	\$46,949	N/A	\$33,280	N/A	\$33,280	41%	\$13,669

Source: SERB - contracts for Norwood and peers.

Note: Whitehall's salaries were based on the 2004 contractual agreement.

¹ Norwood does not have these positions within the organizational chart, but existing positions were carried over to provide comparisons.

² Alliance does not have these positions within the organizational chart, but existing positions were carried over to provide comparisons.

³ Whitehall does not have these positions within the organizational chart, but similar positions were carried through the table to show comparisons.

Table 5-8 indicates that NPD's salary schedule step increases are comparable to the peers. NPD has an average step increase of 5.6 percent for direct response positions (excluding the appointment position) and no step increase for supervisory positions. In contrast, the peers have an average step increase of 5.2 percent for direct response personnel (excluding the appointment position) and an average step increase of 1.4 percent for supervisory staff positions. One notable difference in NPD's pay schedule is that it has fewer step increases. NPD direct response staff are at maximum pay after only three years of experience, while each peer has a salary schedule with five steps, which allows their employees to gradually work their way up the pay schedule, thereby deferring higher salary payments. In addition, NPD has only one sergeant salary level, while each peer maintains four salary levels.

While NPD has fewer step increases at comparable growth rates to peer increases, higher salary levels appear to be caused by a practice of "front loading" salaries. **Table 5-8** shows that, across the board, NPD has higher starting salaries. Its starting position category salaries significantly exceed those of its peer police departments. Starting salaries for certified police officers are 31.9 percent higher than the peer average. In

addition, starting salaries for sergeant and lieutenant positions are 26.3 percent and 22.7 percent higher than the peer average, respectively. However, even structural differences do not completely account for generally higher salary levels. For instance, the peer average direct response salary schedule only exceeds NPD's appointment staff salary after five years of tenure. In addition, the NPD's starting salary for the sergeant position exceeds the peer average salary for the senior lieutenant position. This appears to be partially explained by NPD's higher cost of living adjustments (COLA) in prior years which is shown in **Table 5-9**.

Table 5-9: Historical COLA Increase Comparison

COLA Increase	Norwood	Alliance	Trotwood	Whitehall	Peer Average
2003	3.0%	N/A	3.0%	4.0%	3.5%
2004	4.0%	3.0%	3.0%	4.0%	3.3%
2005	7.0%	3.0%	2.0%	N/A	2.5%
Three Year Average	4.7%	3.0%	2.7%	4.0%	3.1%

Source: Norwood and peer collective bargaining contracts

As shown above, NPD's rate of COLA increases has been accelerating. In contrast, peer police departments have either maintained or decreased COLA increases during this time period in an effort to mitigate the impact of less favorable economic conditions. These negotiated increases are particularly important because they impact the entire salary schedule, and are in addition to step increases.

Table 5-10 illustrates the effect over a five-year period of a reduction in COLA increases in Norwood's pay scale to 1.0 percent annually when compared to the peer average salary appreciated at 4.0 percent annually.

Table 5-10: Comparison of 2010 Position Salaries after Proposed COLA Increase

	Current NPD	Estimated 2010 NPD Salaries	Current Peer average	Estimated 2010 Peer Average Salaries	2010 Percent Variance
Supervisory Staff					
Lieutenant	\$72,162	\$75,843	\$59,722	\$72,661	4.4%
Lieutenant	\$72,162	\$75,843	\$58,796	\$71,534	6.0%
Sergeant (3 Yr. Exp.)	\$68,077	\$71,550	\$56,108	\$68,264	4.8%
Sergeant (2 Yr. Exp.)	\$68,077	\$71,550	\$55,504	\$67,529	6.0%
Sergeant (1 Yr. Exp.)	\$68,077	\$71,550	\$55,026	\$66,948	6.9%
Sergeant Start	\$68,077	\$71,550	\$53,896	\$65,573	9.1%
Direct Response Staff					
5 Year Experience	\$58,687	\$61,681	\$47,781	\$58,133	6.1%
4 Year Experience	\$58,687	\$61,681	\$46,477	\$56,546	9.1%
3 Year Experience	\$58,687	\$61,681	\$44,983	\$54,729	12.7%
2 Year Experience	\$55,753	\$58,597	\$42,901	\$52,196	12.3%
1 Year Experience	\$52,818	\$55,512	\$39,949	\$48,604	14.2%
Certification (or App)	\$49,884	\$52,429	\$37,824	\$46,019	13.9%
Appointment	\$46,949	\$49,344	\$33,280	\$40,490	21.9%

Source: Norwood and peer collective bargaining agreements

If Norwood limited COLA increases to 1.0 percent annually for the next five years and the peers are increased an average of 4 percent annually (which is the largest COLA increase among peer police departments), starting salaries at NPD would still significantly exceed the peer average. Salaries only become comparable when comparing ending salaries for each position as NPD does not have as many step increases. Even then, NPD's salaries exceed the peer average by 4.4 to 6.1 percent. This illustrates the importance of restructuring the current salary schedule for long-term solvency. Norwood should consider renegotiating current starting and ending salaries for each position for any new hires or promotions. In addition, it should seek to implement additional steps to its salary schedule with starting salaries comparable to the peer's starting salaries.

According to the year end 2004 payroll register, NPD's salary costs were \$3,571,965, excluding buy-backs of leave time. Assuming a 7.0 percent COLA increase through the remainder of the collective bargaining agreement ending December 31, 2005, salary costs will approximate \$3,821,000 for 2005. If Norwood continues to offer average annual COLA increases of 4.7 percent (the three-year average), salary costs will approximate \$4,001,000 in 2006, \$4,189,000 in 2007, \$4,385,000 in 2008, \$4,592,000 in 2009, and \$4,807,000 in 2010. Limiting COLA increases to 1 percent would create a cost avoidance of about \$2.3 million over the five year forecast period.

Financial Implication: If COLA increases are limited to 1.0 percent annually, total salary costs will approximate \$3,859,000 in 2006, \$3,898,000 in 2007, \$3,937,000 in 2008, \$3,976,000 in 2009, and \$4,016,000 in 2010. This would result in a cost avoidance of \$141,400 in 2006, \$290,800 in 2007, \$448,700 in 2008, \$615,400 in 2009, and \$791,500 in 2010 for a total of approximately \$2.3 million over the forecast period.

R5.3 The City should develop alternative funding solutions to help offset the cost of functional activities of the Police Division. Alternative solutions can range from increasing the number of grant applications in an effort to increase grants received, to community involvement in fund raising activities. The City should also establish formal guidelines for grant management and grant solicitation. These processes should be reviewed and approved by all stakeholders within the City Administration and the Division.

Table 5-11 compares NPD's grant funding to that of peer police departments.

Table 5-11: Comparison of Grant Funding as a Percentage of Operating Costs

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
2003 Federal Grant Disbursements	\$14,515	\$62,583	\$163,083	\$247,822	\$157,829
Total 2004 Operating Costs	\$4,675,904	\$3,360,024	\$5,007,574	\$6,113,421 ¹	\$4,827,006
Grant Funding of Operating Costs	0.3%	1.9%	3.3%	4.1%	3.3%

Source: Norwood 2003 & 2004 financial reports and peers' 2003 CAFR and 2004 financial reports

¹ Whitehall records employee benefit expenses centrally, therefore, these expenses were estimated as a percentage of salary costs using the overall General Fund benefits to salary ratio.

NPD's grant funding is significantly lower than peer funding levels. Peers have received funding from grants such as the Justice Equitable Sharing Program, Local Law Enforcement Block Grants, the Bullet Proof Vest Partnership Program, Juvenile Accountability Incentive Block Grants, Violence Against Women Formula Grants, and the Byrne Formula Grant Program. In contrast, the City of Norwood appears to have received only a Crime Prevention Grant from the US Department of Justice.

NPD's lower grant funding results from insufficient grant solicitation. Currently, neither NPD nor the City of Norwood has a grant writer. It was stated during the course of the audit that Division staff take it upon themselves to research and process grant applications. Furthermore, the City does not have formalized policies that outline the grant writing process to guide staff in seeking and using grants.

According to Grant Writing, a publication of the Ohio Office of Criminal Justice Services, grant applicants should establish set guidelines that will allow the grant process

to be understood by the entity, and by external grant reviewers. The process needs to be designed to best fit the needs of the City, and it may include the following:

- **Identify the organization's grant needs.** The City should determine the existing problems, and how the grant money can help to solve them.
- **Determine the program objectives.** These objectives should be tangible, specific, concrete, measurable, and achievable in a specific time period. The objectives define the measurable outcomes of the project.
- **Define the method(s) that will achieve the objectives.** Cities should determine the method/programs and provide descriptions of the activities they want to pursue.
- **Determine a method to evaluate the outcomes of the proposed program(s).** Quantifiable measures of input, outcomes, and outputs allow management to assess program performance and facilitate effective management. In addition, they allow results to be communicated to all stakeholders.
- **Illustrate financial need for grant funding.** Detailed cost estimates and program budgets should be prepared to illustrate financial needs in contrast with Division resources. They should provide a justification of the financial need to all stakeholders involved.
- **Assess and monitor staff qualifications.** Monitoring staff qualifications will help ensure that grant funding is used for the proposed purpose. It will also ensure that the staff has the necessary skills to use the funds to their full potential.

The primary reason for pursuing alternative funding is to leverage city resources and provide a higher level of services to citizens without increasing the cost to taxpayers. However, organizations must be wary of funding core operations with temporary funding sources. Should these funding sources expire, a disruption of services or an increase in direct costs may result. Therefore, one-time expenditures such as the purchase of equipment are especially good uses of grant funding. The expiration of grant funding can be mitigated by effective grant management and communication with stakeholders.

The Basic Handbook of Grants Management (Leffert, 1983) emphasizes the importance of communicating with several parties to ensure effective grants management and to facilitate future grant funding. It suggests frequent communication with funding sources, the general public, stakeholders, community organizations, and the host agency (NPD) by sharing financial reports, operational reports, and project achievements.

By demonstrating program impact, longevity, and operational success, future grant applications may be viewed with more favor. Many grants from foundations consider the longevity, and success of past projects. The more successful the project, the more favorably the organization is viewed by the foundation during the selection process. Other forms of alternative funding may be derived from local business and industry, the chamber of commerce, local units of government, and fund raising projects.

The Sandusky Ohio Police Department regularly uses funding from community sources. They have several community programs that have allowed the Department to purchase new equipment, and fund crime prevention activities. By increasing the outside sources of revenue for the Department, Sandusky PD has decreased its reliance on general fund money.

Table 5-12 provides a list of grant sources and grant research foundations that can assist in the grant seeking process.

Table 5-12: Grant Resources for Police Departments

Resource	Website
Finding Federal Grants	
Catalog of Federal Domestic Assistance (CFDA)	www.cfda.gov
The Foundation Grants Index	www.fdncenter.org
National Directory of Corporate Giving	www.fdncenter.org
Federal Register	www.gpoaccess.gov/nara
Grants.Gov	www.grants.gov
Finding Private Grants	
Foundation Directory	www.fdncenter.org/cleveland
Identifying Federal Grant Source	
Department of Justice (DOJ)	www.usdoj.gov
National Institute of Justice (NIJ)	www.ojp.usdoj.gov/nij
Office of Juvenile Justice and Delinquency Prevention (OJJDP)	www.ojjdp.ncjrs.org
Bureau of Justice Assistance (BJA)	www.ojp.usdoj.gov/bja
The Office of Victims of Crime	www.ojp.usdoj.gov/ovc
Identifying State Grant Sources	
The Ohio Office of Criminal Justice Services (OCJS)	www.ocjs.ohio.gov
Ohio Department of Public Safety (ODPS)	www.ohiopublicsafety.com
Ohio Department of Alcohol and Drug Addition Services (ODADAS)	www.odadas.state.oh.us
Ohio Department of Education (ODE)	www.ode.state.oh.us
Ohio Department of Health	www.odh.ohio.gov
Ohio Department of Job and Family Services	www.ifs.ohio.gov
Ohio Department of Mental Health (ODMH)	www.mh.state.oh.us
Ohio Department of Youth Services (ODYS)	www.dvs.ohio.gov
Ohio Attorney General	www.ag.state.oh.us/crimevic/crimevictimservices

Source: Federal Emergency Management Agency

In addition to grant information published by specific state and federal agencies, information regarding available grants and their eligibility requirements can be found in the following sources:

- **Local Government Resources** - a research database within the State Auditors Office web site that contains links to a verity of grants resources;
- **Office of Management and Budget Circulars;**

- **The Foundation Center**- a comprehensive source about grant writing and the funding process with internet links to private and corporate foundations; and
- **The Nonprofit Times**

By increasing the level of grant funding for NPD, the Division can potentially redirect one-time expenditures from General Fund revenue sources to grant resources. Obtaining grants also would help the City focus its resources for the Division's operations on critical areas while one-time costs could be funded by grant receipts. This would better leverage city resources and allow additional service levels without increasing costs to the citizens of Norwood.

R5.4 The City and the Division should prepare policies and plans for the acquisition, maintenance, replacement and retirement of capital assets. These policies should form the basis for formulating long-term plans to address capital needs and ensure that these needs receive appropriate consideration in the budgeting process.

NPD does not have a replacement policy that is approved by Council. For this reason, along with a lack of resources, the NPD vehicle fleet continues to increase in age and mileage, with no apparent plan for replacement. While the Division has submitted proposed capital replacement plans, they remain unapproved because of a lack of available resources. **Table 5-13** compares NPD's vehicle fleet to peer fleets to illustrate the inadequacy of current capital replacement planning.

Table 5-13: Summary of Police Vehicle Age and Mileage

	Norwood	Alliance	Trotwood	Peer Average
Number of Vehicles	29	38	32	35
Average Age	8.0	7.0	4.8	5.9
Average Miles	86,112	93,530	92,550	93,040
Age of Vehicles				
Percent of Vehicles 3 years of age or under	10.3%	36.8%	31.3%	34.3%
Percent of Vehicles 4 to 5 years of age	13.8%	2.6%	21.9%	11.4%
Percent of Vehicles 6 to 10 years of age	58.6%	44.7%	46.9%	45.7%
Percent of Vehicles greater than 10 years of age	17.2%	15.8%	0.0%	8.6%
Mileage of Vehicles				
Percent of Vehicles with less than 50,000 miles	17.2%	45.9%	25.8%	36.8%
Percent of Vehicles with 50,000 to 75,000 miles	24.1%	2.7%	19.4%	10.3%
Percent of Vehicles with 75,000 to 100,000 miles	20.7%	10.8%	16.1%	13.2%
Percent of Vehicles with greater than 100,000 miles	37.9%	40.5%	38.7%	39.7%

Source: City of Norwood and Peers

Note: In some instances, incomplete vehicle information was submitted. In those instances, vehicles were excluded from distribution percentage calculations.

Table 5-13 shows that while NPD's average mileage is lower than that of the peer fleets, the age of its vehicles is greater. This is the result of the smaller geographical footprint of Norwood when compared to the peer cities. While central measure indicators are relatively consistent, the distribution of NPD's fleet is of some concern. 45.7 percent of peer fleets are aged five years or less, while only 24.1 percent of NPD's fleet falls in this age category. This is also reflected in a mileage comparison where 41.3 percent of peer fleets have less than 75,000 miles, while 47.1 percent of NPD's vehicles have less than 75,000 miles, despite Norwood's smaller geographical area. This indicates a lack of consistent capital replacement that will require a large number of vehicles to be replaced at one time.

The Government Finance Officers Association (GFOA) suggests that governments adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. These policies help ensure that needed capital assets or improvements receive appropriate consideration in the budgeting process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to accommodate large expenditures and to minimize the effect of deferred maintenance. The policies can address inventorying of capital assets, evaluate the difference between maintenance and

replacement, and determine the source of funding for the capital assets. Stakeholders should have an opportunity to provide input as policies and plans are developed. Once the policies have been adopted, they should be publicly available, and should be used during the budgeting process.

With policies in place, the City should be able to determine the age and condition of its equipment, the cost of obtaining new capital assets, and how the cost can be absorbed in the budgeting process. See the **finance** section for a more detailed discussion of the capital budgeting practices.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and cost avoidances discussed in this section of the report.

Table 4-15: Summary of Financial Implications

Recommendation	Estimated Annual Cost Savings	Estimated Annual Cost Avoidance
R5.1 Reduce staffing by 15 positions. ¹	\$766,000	\$438,000
R5.2 Revise salary schedule and reduce COLAs. ¹	\$458,000	N/A
Total	\$1,224,000	\$438,000

¹ Annual cost savings are based on an average of five years; 2006 – 2010. For actual cost savings see respective recommendation.

Public Works & Recreation Departments

Background

This section focuses on the Norwood Public Works Department's street, parks and recreation, and garage maintenance operations. The analysis contained in this section includes selected comparisons with the public works department operations in the cities of Alliance, Trotwood, and Whitehall. In addition, it uses data and practices from state and regional organizations with similar functions such as the Ohio Department of Transportation (ODOT), Hamilton County Engineer's Office (HCEO), and other states' transportation departments. Finally, this assessment uses national best practices and benchmarks established by organizations such as the American Public Works Association (APWA) and the International City/County Managers Association (ICMA).

Organizational Function

The Public Works Department (the Department or NPWD) is responsible for the following functions:

- Street Maintenance;
- Parks Maintenance;
- City vehicle and equipment maintenance; and
- Water Distribution System Maintenance⁶⁻¹.

Street maintenance operations include the maintenance, repair, and improvement of all City streets, curbs, sidewalks, and shoulder or median areas. Care of City streets includes the maintenance or repair of pavement surfaces, pavement markings, signs or signals; snow and ice control; street cleaning; and other miscellaneous activities. In addition, the Department maintains State highways within the City limits. Parks maintenance primarily entails mowing and landscaping City parks and performing litter control, as well as miscellaneous maintenance of park infrastructure. However, it is important to note that while the NPWD shares parks maintenance duties, it is not responsible for parks and recreation activities. The Norwood Recreation Commission is responsible for budgeting and the overall direction of the parks and recreation programs in the City. The City's central garage services all City vehicles and equipment. It provides a wide array of services including major repairs and contracts only those activities that are under warranty. Due to the functionally interrelated activities of these

⁶⁻¹ Water Distribution System Maintenance is not assessed in this section as it is supported through enterprise funds.

departments and divisions, their collective operations are examined in this section of the performance audit.

Organizational Structure & Staffing

The NPWD has a flat organizational structure with the Superintendent of Public Works (Superintendent) as the primary administrative authority. The Superintendent reports directly to the Safety/Service Director. The Superintendent has one administrative assistant who performs administrative duties. While there are “lead man” positions in the organizational hierarchy at functional task or division levels, their duties, in practice, are similar to other public works staff with some additional supervisory responsibilities. However, these positions do not have substantial administrative function. Including lead man positions, the NPWD allocates approximately 4.75 full-time equivalents (FTE) staff to street maintenance operations, 4.25 FTEs to park maintenance, 3.0 FTEs to the central garage, and 6.0 FTEs for water distribution maintenance. However, it should be noted that individuals are able to complete other functional tasks within the Department.

Financial Data

The City’s financial and information management systems did not provide detailed operational and maintenance costs (see **R6.2**). However, to the extent possible, historical financial data is presented in a manner that seeks to provide insight into operational costs. Data is grouped by funds that provide funding for specific purposes, as in the case of Permissive Tax Fund receipts which are generally required to be used for street improvement and maintenance by ORC § 4504.02. Therefore, these financial records are aggregated with like funds and adjusted on a per lane mile basis for comparison to peer cities. **Table 6-1** illustrates public works expenditures and percent changes for 2002, 2003, 2004, as well as budgeted amounts for 2005.

Table 6-1: Public Works Revenues & Expenditures, 2002 through Budgeted 2005

	Actual 2002	Actual 2003	Percent Change 2002- 2003	Actual 2004	Percent Change 2003- 2004	Budgeted 2005	Percent Change 2004- 2005
Gas Excise Tax	\$371,018	\$421,142	13.5%	\$486,696	15.6%	N/A	N/A
Motor Vehicle Registration Taxes	\$163,398	\$157,369	(3.7%)	\$154,696	(1.7%)	N/A	N/A
Permissive Taxes	\$146,592	\$333,591	127.6%	\$132,615	(60.3%)	N/A	N/A
Other Receipts	\$11,273	\$15,908	41.1%	\$15,267	(4.0%)	N/A	N/A
Total Public Works Revenues	\$692,281	\$928,010	34.1%	\$789,274	(14.9%)	N/A	N/A
Salaries And Wages	\$391,753	\$351,068	(10.4%)	\$355,546	1.3%	N/A	N/A
Fringe Benefits	\$117,977	\$124,130	5.2%	\$142,932	15.2%	N/A	N/A
Total Personnel Costs	\$509,730	\$475,198	(6.8%)	\$498,478	4.9%	\$583,753	17.1%
Contracted Services	\$91,790	\$101,873	11.0%	\$93,107	(8.6%)	\$708,572	661.0%
Utilities	\$116,819	\$123,734	5.9%	\$102,629	(17.1%)	\$28,168	(72.3%)
Materials And Supplies	\$81,103	\$74,030	(8.7%)	\$72,066	(2.7%)	\$93,739	30.1%
Non-coded Expenditures	\$17,497	\$141,540	708.9%	\$56,240	(60.3%)	\$0	N/A
Total Operating Costs	\$816,939	\$916,375	12.2%	\$822,520	(10.2%)	\$1,457,749	74.6%
Debt Service	\$0	\$0	N/A	\$0	N/A	\$43,517	N/A
Capital Improvement	\$89,851	\$121	(99.9%)	\$12,376	10128%	\$0	(100%)
Total Public Works Expenditures	\$906,790	\$916,496	(1.1%)	\$834,896	(8.9%)	\$1,396,477	67.3%
Receipts Over/(Under) Expenditures	(\$214,509)	\$11,514	N/A	(\$45,622)	N/A	N/A	N/A

Source: City of Norwood financial records aggregated to summarize portions of the General Fund, Permissive Tax Fund, State Highway Improvement Fund, and Street Maintenance Fund

Norwood public works' revenues have experienced volatility that can be primarily attributed to Permissive Tax and Gas Excise Tax funding sources. According to the Deputy City Auditor, Permissive Tax fluctuations are primarily explained by a large one-time reimbursement by the County for the completion of a construction project with cost sharing provisions. In addition, City Gas Excise Tax collections have steadily increased because of a change in State Gas Tax rate increases in mid 2003, and mid 2004.

Personnel costs were the largest expenditure category at 59.7 percent of total expenditures in 2004. According to the Deputy City Auditor, these expenditures likely decreased in 2003 due to a reduction in staff. However, she noted that while it was a large percentage change, the total dollar value indicated that it was only a small change in staffing. Thereafter, salary expenses increased at a modest rate and fringe benefits costs increased as well. According to the Superintendent, the public works staff received a 2 percent cost of living adjustment in 2003 and

2004, but have not receive additional salary increases since that time. In addition, contractual services have been relatively stable in past years, but are budgeted to increase significantly in 2005 mostly within the Permissive Tax Fund. This reflects planned street rehabilitation and storm sewer projects scheduled to begin in 2005. While utility expenditures are budgeted at lower levels, the Deputy City Auditor indicated that this was a reflection of the resources available, rather than actual expectations for utility expenses. In addition, past financial reports indicate a material portion of expenditures that were not categorized into types of expenditures and remained “non-coded.” However, this is a reflection less than optimal accounting practices, and therefore, these expenditures are not budgeted in 2005. Finally, according to the Deputy City Auditor, budgeted debt service expenditures are to repay Ohio Public Works Commission (OPWC) infrastructure improvement loans.

Table 6-2 provides a financial comparison of NPWD to the peer public works departments, adjusted for lane miles.

Table 6-2: 2004 Public Works Revenue and Expenditure Comparison per Lane Mile

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Lane Miles	144	227	410	133	257
Receipts per Lane Mile:					
Local Special Revenue Taxes	\$5,375	\$3,452	\$1,178	\$7,688	\$2,973
Grants Funding	\$0	\$0	\$1,765	\$0	\$940
Assessments	\$0	\$0	\$442	\$0	\$235
Licenses, Permits, & Fees	\$42	\$412	\$21	\$0	\$133
Other	\$65	\$2,210	\$93	\$1	\$700
Total Public Works Receipts	5,481	6,074	3,499	7,689	\$4,982
Public Works Expenditures per Lane Mile:					
Salaries	\$2,469	\$2,300	\$1,233	\$8,376	\$2,782
Benefits	\$993	\$808	\$395	\$0 ¹	\$673¹
Contractual Services	\$647	\$249	\$942	\$0	\$575
Utilities	\$713	\$72	\$549	\$0	\$313
Repairs	\$0	\$1,208	\$0	\$872	\$507
Materials and Supplies	\$500	\$602	\$577	\$386	\$552
Capital Outlay- equipment	\$0	\$0	\$216	\$1,318	\$343
Capital Improvement	\$86	\$0	\$1,759	\$0	\$937
Other	\$0	\$30	\$0	\$36	\$15
Non-coded	\$391	\$0	\$0	\$0	\$0
Total Public Works Expenditures	\$5,798	\$5,268	\$5,671	\$10,988	\$6,695
Other fund sources/(uses)	\$0	\$0	\$0	\$1,902	\$986
Receipts Over/(Under) Expenses (per Lane Mile)	(\$317)	805	(\$2,172)	(\$1,397)	(\$727)

Source: Norwood and peers' 2004 financial records

Note: Aggregated totals from appropriate street maintenance funds. These funds generally include portions of the General Fund, the Street Maintenance and Repair Fund, the State Highway Improvement Fund, the Permissive Tax Fund, and other funds as appropriate.

¹The City of Whitehall maintains a central code for all personnel fringe benefit costs, therefore, the portion attributable to public works operations could not be determined. The peer average reflects the average of costs from the Cities of Alliance and Trotwood only.

Table 6-2 shows that NPWD receives less revenue for public works specific activities per lane mile than two of three peer cities. However, these receipts are most indicative of the General Fund support of these operations, as these receipts reflect only those taxes, grants, or fees imposed specifically for street maintenance activities. Therefore, expenditures exceeding these receipts are paid from General Fund resources. Norwood offsets 94.5 percent of its street maintenance operations with receipts from sources other than the General Fund. In comparison, the peers offset an average of only 69.0 percent of street maintenance activity costs with other receipt sources. It should be noted, however, that the NPWD actually charged 86.4 percent of its expenditures to the General Fund in 2004.

NPWD also spent 13.4 percent less per lane mile than the peer average in 2004. However, the peer average is skewed by Whitehall's higher expenditure levels. Excluding Whitehall, NPWD's expenditures are slightly higher, but fairly comparable to those of Alliance and Trotwood on a per lane mile basis. Because NPWD's expenditures were not coded except to generally charge them to the State Highway Improvement Fund and the Permissive Tax Fund, a detailed analysis could not be performed. Even without those portions of expenditures that may or may not be attributable to various expenditure categories, several line items were higher than the peer average on a per lane mile basis. For instance, NPWD's benefit costs were 47.5 percent higher than the peer average on a per lane mile basis.

Most street maintenance operations perform a portion of their activities in-house and contract with independent contractors for the remainder. Therefore, contractual services are combined with salary expenses to show the total cost of operating activities. Excluding Whitehall as an outlier, combined contractual service and salary costs per lane mile were \$3,116 for Norwood, \$2,549 for Alliance, and \$2,175 for Trotwood. The average combined cost of salary expenses and contractual services for Alliance and Trotwood was \$2,362 per lane mile. This indicates that Norwood's combined contractual services and salary costs were 31.9 percent higher per lane mile than the adjusted peer average. NPWD had lower operating costs per lane mile in the capital improvement and capital equipment purchases categories. However, this may have a negative impact on the City's street quality and future repair and replacement costs (see **R6.3**).

Norwood also spends a considerable portion of its public works funding on parks maintenance operations. Although organizationally separate, the following tables illustrate financial activity of the Recreation Department for parks, recreation and maintenance activities. **Table 6-3** shows recreation historical expenditures.

Table 6-3: Recreation Revenues and Expenditures

	Actual 2002	Actual 2003	Percent Change 02-03	Actual 2004	Percent Change 03-04	Budgeted 2005 ¹	Percent Change 04-05
Charges for Service	\$98,201	\$72,103	(26.6%)	\$107,084	48.5%	N/A	N/A
Contributions	\$0	\$0	N/A	\$65,380	N/A	N/A	N/A
Grants	\$388,442	\$261,805	(32.6%)	\$41,250	(84.2%)	N/A	N/A
Non-Coded Receipts	\$250	\$126,022	N/A	\$28,672	(77.3%)	N/A	N/A
Total Recreation Revenues:	\$486,893	\$459,930	(5.5%)	\$242,386	(47.3%)	N/A	N/A
Salaries And Wages	\$564,741	\$553,443	(2.0%)	\$447,583	(19.1%)	N/A	N/A
Fringe Benefits	\$127,407	\$154,371	21.2%	\$136,373	(11.7%)	N/A	N/A
Total Personnel Costs	\$692,148	\$707,814	(2.3%)	\$583,956	(17.5%)	\$475,242	(18.6%)
Contracted Services	\$138,858	\$58,102	(58.2%)	\$30,087	(48.2%)	\$15,079	(49.9%)
Utilities	\$93,696	\$73,985	(21.0%)	\$44,107	(40.4%)	\$35,151	(20.3%)
Materials And Supplies	\$24,507	\$23,967	(2.2%)	\$30,457	27.1%	\$42,500	39.5%
Non-coded Expenditures	\$18,925	\$15,376	(18.8%)	\$119,452	676.9%	\$133,761	12.0%
Other Expenses	\$420	\$440	4.8%	\$105	(76.1%)	\$200	90.5%
Total Recreation Expenditures	\$968,554	\$879,684	(9.2%)	\$808,164	(8.1%)	\$706,933	(13.1%)
Receipts Over/(Under) Expenditures	(\$481,661)	(\$419,754)	N/A	(\$565,778)	N/A	N/A	N/A

Source: City of Norwood financial records aggregated to summarize portions of the General Fund, Recreation Commission Fund, Linder Park Flower Fund, 21st Century Grant Fund, Parks and Recreation Capital Projects Fund, and the Community Center Trust Fund.

¹ The City does not budget revenues or components of personnel service costs for this function.

Table 6-3 illustrates that Recreation Department's operations are not self sufficient. In the year of its smallest operating deficit (2003), parks and recreation receipts were able to offset 52.3 percent of total expenditures. However, a large portion of these receipts are dependent upon grant funding. In 2004, parks and recreation receipts were only able to offset approximately 30.0 percent of operating expenditures. This is primarily explained by a loss of grant receipts from the 21st Century Grant. However, the Recreation Department has shown some success in containing and reducing total operating expenditures through reduced personnel and contracted services expenditures.

In addition to the park maintenance expenditures incurred by the Public Works Department, a portion of the Recreation Department's resources are allocated to park maintenance. **Table 6-4** compares the Norwood Recreation Department's parks maintenance expenditures to peer expenditures on a per park acre basis.

Table 6-4: Comparison of Recreation Department's 2004 Park Maintenance Operating Revenue and Expenditures per Park Acre

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Park Acres	70	200	133	128	154
Parks Maintenance Receipts:					
Charges for Service	\$0.00	\$1.27	\$0.00	\$936.13	\$259.74
Contributions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Grants	\$0.00	\$270.70	\$0.00	\$0.00	\$117.57
Capital Reimbursement	\$0.00	\$0.26	\$0.00	\$0.00	\$0.11
Non-coded Receipts	\$385.74	\$38.86	\$0.00	\$0.00	\$16.88
Other	\$0.00	\$4.71	\$1,203.10	\$0.00	\$349.52
Total Receipts	\$385.74	\$315.80	\$1,203.10	\$936.13	\$743.82
Parks Maintenance Expenditures:					
Salaries	\$2,492.69	\$1,521.23	\$948.99	\$0.00	\$934.77
Benefits	\$927.83	\$524.13	\$251.58	\$0.00	\$450.44 ¹
Contractual Services	\$55.16	\$181.08	\$113.75	\$245.48	\$179.46
Utilities	\$0.00	\$145.77	\$0.00	\$656.60	\$245.10
Materials and Supplies	\$159.13	\$79.05	\$341.38	\$0.00	\$132.93
Capital Outlay- equipment	\$0.00	\$116.93	\$0.00	\$0.00	\$50.78
Capital Outlay- Infrastructure	\$0.00	\$173.75	\$1,178.60	\$0.00	\$415.86
Non-coded	\$1,703.42	\$80.13	\$0.00	\$0.00	\$34.80
Other	\$0.00	\$0.00	\$0.00	\$22.53	\$6.24
Total Parks Maintenance Expenditures	\$5,338.22	\$2,822.06	\$2,834.30	\$924.61	\$2,450.39

Source: Norwood and peers' financial records

¹ The City of Whitehall maintains a central code for all personnel fringe benefit costs, therefore, the portion attributable to park maintenance operations could not be determined. The peer average reflects the average of costs from the Cities of Alliance and Trotwood only.

On a per acre basis, Norwood's park maintenance expenditures exceeded the peer average by 117.9 percent. These expenses primarily comprised salary and benefit costs, which exceeded the peer ratio per acre by 166.7 percent and 106 percent respectively.

Table 6-5 compares Norwood Recreation Department program expenditures to peer expenditures on a per capita basis. This is primarily explained by higher staffing levels per acre than two of the three peers (see **R6.1**)

Table 6-5: Comparison of 2004 Recreation Revenues and Expenditures per Capita

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Population	20,781	22,862	27,070	18,611	22,848
Parks Maintenance Receipts:					
Charges for Service	\$5.15	\$0.00	\$0.48	\$0.05	\$0.20
Contributions	\$3.15	\$0.00	\$0.00	\$0.00	\$0.00
Grants	\$1.98	\$0.00	\$0.00	\$0.00	\$0.00
Capital Reimbursement	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Non-coded	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.18	\$0.00	\$0.00	\$0.06
Total Receipts	\$10.36	\$0.18	\$0.48	\$0.05	\$0.26
Parks Maintenance Expenditures:					
Salaries	\$13.13	\$3.48	\$1.79	\$19.63	\$7.20
Benefits	\$3.43	\$1.54	\$0.45	\$0.76 ¹	\$1.04
Contractual Services	\$1.26	\$0.05	\$2.15	\$0.51	\$1.01
Utilities	\$1.47	\$0.00	\$0.00	\$0.00	\$0.00
Materials and Supplies	\$1.59	\$0.05	\$0.46	\$0.00	\$0.20
Capital Outlay- equipment	\$0.00	\$0.49	\$0.00	\$3.25	\$1.04
Capital Outlay- Infrastructure	\$0.00	\$0.52	\$0.00	\$0.00	\$0.17
Other or Non-coded	\$0.01	\$0.41	\$0.00	\$15.49	\$4.34
Total Parks Maintenance Expenditures	\$20.88	\$6.54	\$4.86	\$39.63	\$15.00
Receipts Over/ (Under) Expenditures	(\$10.52)	(\$6.36)	(\$4.38)	(\$39.58)	(\$14.73)

Source: Norwood and peers' financial records

¹ Generally, the City of Whitehall maintains a central code for all personnel fringe benefit costs, therefore, the portion attributable to public works operations could not be determined. However, a small portion of benefits attributable to PERS contributions was coded to park recreation expenditures. The peer average reflects the average of costs from the Cities of Alliance and Trotwood only.

On a per capita basis, Norwood's recreation expenditures exceed the peer average by 39.2 percent. These expenses are primarily comprised of salary, benefit, and material/supply costs; which exceeded the peer ratio by 82.4 percent, 229.8 percent, and 695.0 percent, respectively. While Norwood generates more receipts than any of the peers, its expenditures exceed each peer with the exception of Whitehall. As a result, Norwood's recreational programs have significantly larger operating deficits than both Alliance and Trotwood. These deficits are subsidized by the already depleted General Fund.

Assessments Not Yielding Recommendations

During the course of this audit, several areas were reviewed that yielded no recommendations. These are highlighted below:

- **Central Garage Staffing Levels:** The City of Norwood's central garage employees serve a larger percentage of other City employees than the peer average (67.5 percent more). Both the City of Norwood and the City of Alliance garage employees serviced about 30 vehicles/equipment per employee. Therefore, this analysis concluded that staffing levels within the City's central garage to be appropriate. In general, Norwood's central garage also exceeded the American Public Works Association benchmarks for vehicles serviced per employee.
- **Parks and Recreation Funding Sources:** Comparisons with peer organizations reveal that the Norwood Parks and Recreation Department had less reliance upon General Fund resources than peer parks and recreation organizations on a proportional basis. The only exception is the City of Trotwood; however, its other funding sources are for capital improvement activities rather than operating activities. In addition, the City of Norwood had more grant funding as a percentage of total resources than all but the City of Alliance. Likewise, it had more receipts from charges for service than all but the City of Whitehall. This is likely explained by a larger scope of recreation programs and comparable fee schedules. Finally, it had the most receipts from fundraising efforts of all the peer park operations. Therefore, this analysis concluded that the Norwood Parks and Recreation Department adequately seeks outside funding sources to subsidize operations.

Issues Requiring Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditor does not review within the scope of the audit. AOS has identified the following as one requiring further study:

- **Scope of Public Works Department Operations:** A comparison of NPWD's scope of operations reveals that there are limited instances where the Department may benefit from outsourcing certain operations. Activities with a high potential for contracting at a lower cost are those characterized either by sporadic demand and high capital costs or by a labor intensive nature able to be performed by low or unskilled individuals. However, since the City does not maintain accounting records at a sufficient level of detail to determine function costs within City departments, this audit could not conclusively determine if these activities could be outsourced at a lower cost. The Department should evaluate its activities to determine the potential for savings that could result from contracting with third parties. Specifically, the Department should determine if savings are available by outsourcing mowing and litter control activities. For instance, the Department could seek to partner with Hamilton County's work detail program for juveniles that have committed minor crimes, or implement its own similar program to complete litter control activities.

Recommendations

Organizational Issues

R6.1 The City of Norwood should increase its labor allocation to the streets maintenance function by 2.0 FTEs. This can be accomplished by reallocating 1.0 FTE from park maintenance activities and hiring one additional employee. Alternatively the Public Works Department could hire an additional streets maintenance employee as well as part-time and/ or seasonal employees.

The Department should also reevaluate its management structure so that adequate time can be spent on administrative and planning activities. The Superintendent should delegate direct supervisory duties, such as task identification and prioritization, to subordinates and focus on long-term goals and planning to establish the framework within which subordinates can make their decisions.

Finally, the City of Norwood should reduce its parks recreation staff by 3.0 FTEs and evaluate the scope of its recreation activities (see R6.6). In addition, the Recreation Department should evaluate options to either extend or replace the 21st Century Grant, which finances the salaries of 3.0 FTEs. Should outside funding expire, these programs and their staffing requirements should also be reduced.

Table 6-6 compares Norwood's public works and parks recreation staffing levels to those of peer municipalities.

Table 6-6: Comparison of Public Works and Parks Staffing Levels

	Norwood ¹	Alliance	Trotwood	Whitehall	Peer Average
Lane Miles	144	227	410	133	257
Park Acres	97 ²	200	133	127.5	154
Recreational Activities	11	9	6	9	8
Recreational Programs	40	20	8	16	14.7
Population	20,781	22,862	27,070	18,611	22,848
Streets Maintenance:					
Managerial/Supervisory	0.5	2.0	2.5	1.0	1.8
Staff	5.3	11.7	12.7	8.0	10.8
Total	5.8	13.7	15.2	9.0	12.6
Staff per Managerial Personnel	10.5	5.8	5.1	8.0	5.9
Total Lane Miles per Streets Staff	25.0	16.6	27.0	14.8	20.3
Parks Maintenance:					
Managerial/ Supervisory	0.5	3.0	1.0	1.4	1.8
Staff	4.8	6.8	4.7	9.7	7.1
Total	5.3	9.8	5.7	11.1	8.9
Staff per Managerial Personnel	9.50	2.3	4.7	6.9	3.9
Total Park Acres per Total Park Maintenance Staff	18.4	20.4	23.3	11.5	17.3
Parks Recreation Administration:					
Managerial/Supervisory	2.0	0.0	0.5	0.6	0.3
Staff	6.7	2.4	0.0	2.2	2.3
Total	8.7	2.4	0.5	2.8	2.6
Staff per Managerial Personnel	3.4	N/A	0.0	3.7	N/A
Recreational Activities per Total Recreational Program Staff	1.3	3.7	12.0	3.3	3.0
Recreational Programs per Total Recreational Program Staff	4.6	8.2	16.0	5.6	5.6
Population per Total Recreational Program Staff ³	2,380	9,408	54,140	6,553	8,671

Source: Norwood and peers' organizational charts and payroll registers

¹ The Superintendent and his administrative assistant administer both street maintenance and park maintenance activities, therefore their time is evenly distributed among these activities.

² Park acres include other public property maintained by the NPWD as they have similar maintenance needs and are performed by park maintenance staff.

³ Some discrepancies in ratios exist due to rounding of FTE figures.

Note: As Norwood's public works staff has cross functional duties, the allocation of staff is based upon the Superintendent's estimated allocations.

The Norwood Public Works Department is primarily responsible for street maintenance. However, **Table 6-6** indicates that Norwood maintains more lane miles per street employee than each peer operation except the City of Trotwood. The lane miles maintained per employee exceed the peer average ratio by 23.2 percent. This lower staffing level and generally lower allocation of resources has had a negative effect on road and infrastructure conditions within the City (see **R6.3**). In order to achieve the peer average ratio of street lane miles per employee, Norwood would need a total staffing level of 7.1 FTEs; representing an additional staffing allocation of 1.3 FTEs. However, if an additional 2.0 FTEs were allocated to this function, it would maintain a lane miles per staff ratio of 18.6, which still exceeds two of three peers. If NPWD were to allocate 9.0 FTEs to its street maintenance function it would approximate the average lane miles per staff ratio of the cities of Alliance and Whitehall.

When possible, NPWD should seek to reallocate staff from functions with over staffing to the street maintenance function. This analysis indicates that the potential exists to reallocate staff exists from the parks maintenance function. Alternatively, the Department may seek to hire additional staff and be conscious of the potential to hire seasonal or part-time staff at a lower cost than full-time employees.

Norwood's parks maintenance operations have a park acres per staff ratio comparable to the peer average. However, Norwood maintains fewer park acres per staff than each peer except for the City of Whitehall. Excluding the City of Whitehall, the cities of Alliance and Trotwood average 21.8 acres per staff. Norwood maintains 15.6 percent fewer acres per staff than Alliance or Trotwood. This is partially explained by more extensive recreational facilities as discussed in **R6.7**. Furthermore, Norwood's park acre figure includes 26.85 acres mowed for City buildings and along streets, which, while part of their duties, do not entail as much maintenance as normal park acres that may include equipment and facilities. Finally, street personnel are being diverted to park maintenance activities which further exacerbates the low staffing levels allocated to street maintenance. The Public Works Department would need to reduce its parks maintenance staffing levels to 4.4 FTEs for staffing to be comparable to that of Alliance and Trotwood.

As indicated by ratios of the number of recreational programs/activities per recreational employee and the population served per recreation employee, the City of Norwood maintains a higher number of paid staff for the service levels provided to its constituents. For instance, there were 72.5 percent fewer citizens per employee, and 17.9 percent fewer recreational programs per employee than the respective peer average ratios. However, it should be noted that the peer average is skewed by Trotwood's service levels as Trotwood outsources recreation activities and Whitehall has lower service levels. However, Norwood's recreational activities did reflect higher staffing levels than both Alliance and Whitehall when adjusted for work load measures. This reflects the higher

number of recreational activities and the higher number of labor intensive recreational facilities, such as swimming pools, maintained by the City. The appropriateness of current infrastructure, such as the swimming pool, is discussed in further detail in **R6.7**. The appropriateness of recreational programming is discussed further in **R6.6**. If the City was to maintain a number of employees per capita similar to the peer average, the Recreation Department would have 2.4 FTEs; a reduction of 6.3 FTEs. However, it should be noted that almost 3.0 FTEs are funded by the 21st Century Grant and do not negatively impact City finances. As long as these positions are funded with external sources, the Recreation Department should reduce staffing by only 3.0 FTEs.

In addition to staffing level discrepancies between departments, there appears to be an inadequate number of supervisory or management positions per staff within the streets maintenance and parks maintenance functions. The City of Norwood maintains the largest span of control ratio of all peers with 10.5 staff members per manager in the streets maintenance function and 9.5 staff members per manager in the parks maintenance function. This reflects Norwood's use of lead staff whose duties are not materially different than staff members, and who have only very limited managerial or supervisory responsibilities. In addition, this ratio is caused by the lack of a separate director of parks maintenance operations. While the City of Norwood's superintendent of public works must split his time between streets maintenance, parks maintenance, and water maintenance, and the central garage operations, each of the peer cities has separate managers for the park maintenance and the public works operations. The Superintendent's high level of direct staff support and supervision prevents him from fulfilling an administrative and long-range planning role. This can have a negative impact on the overall identification of maintenance needs, allocation of resources, and proactive maintenance management as discussed in **R6.3**. The Safety/Service Director indicated that this organizational structure has historical precedence in City operations. While difficult to quantify, the impact of current short-term operational savings, resulting from lower staffing and an overly flat organizational structure, will increase long-term capital costs.

Financial Implication: In 2004, the starting salary for a laborer was approximately \$27,000 per year. Including benefits, hiring one additional laborer would cost approximately \$35,100 in the first year of employment.

In 2004, 3.7 part-time recreation FTEs received \$58,833 in salaries and benefits for a rate of approximately \$15,900 per FTE. A reduction of 3.0 FTEs should result in a savings of approximately \$47,700 in salary and benefit costs.

In 2004, 21st Century Grant salary and benefit costs were approximately \$88,400. Should outside funding for these activities become unavailable, the City of Norwood should avoid salary costs of \$88,400 by reducing the 3.0 FTEs associated with these activities.

R6.2 The Department should devise a work order system that facilitates operational planning, task management, and personnel management allowing it to monitor and track labor allocations. This information should facilitate long and moderate range planning and more systematic managerial decision-making, helping to ensure effective progress toward the Department's mission. Furthermore, this added information may allow the City to charge back public works costs to more solvent special revenue funds, rather than the General Fund. However, if the City pursues this option, it should be wary of using limited funding designated for long-term infrastructure management needs for operating expenses.

The Department and City do not have a strategic plan or an information technology strategy to facilitate operational planning activities. Within the Public Works Department, there is no formally communicated or documented infrastructure planning process. Although there was an infrastructure inventory survey commissioned in 2002 at no cost to the City, it has fundamental flaws in its use as a planning document and was not substantially implemented (see **R6.3**). Furthermore, it was a one-time activity and not completed as a standard planning process on an ongoing or periodic basis. The Department's planning horizon is generally less than one year. The Superintendent of Public Works identifies tasks for his staff lead men on a daily basis and, on occasion, the Safety/Service Director requests completion of maintenance tasks. Paper-based staff logs are the primary means used to track staff progress on completing tasks. The Superintendent also checks with lead men on completion of tasks from the prior day during his morning meetings.

Long range planning is driven by appropriate operational information. It allows management to identify short-term and moderate-term goals, identify and allocate available resources, and measure the efficiency and effectiveness of operational outcomes for the next planning cycle. For instance, the City does not conduct a sufficient continuous formal infrastructure inventory (see **R6.3**) and has no formal work order process. Similarly, lane miles and park acreage data are not maintained, nor are policies and procedures available for Department operations. Equipment inventory is physically counted by the Superintendent and maintained on his computer, but does not incorporate operational and maintenance costs. In addition, while employee time is tracked manually during the day, the employee's time is not correlated to a specific project. A sample of logs revealed that the Department oversees remote employees by performing radio checks on the hour. However, the consistency of the timing of these checks is not the most effective approach to staff oversight, as staff knows when to expect them. The

Department has minimal, less than optimal managerial controls in place to ensure legal compliance and the prevention of employee theft of time. It fails to reach a sufficient level of controls to facilitate effective operational, task, and personnel management which would help ensure that its mission is being met in the most efficient manner.

The deficiency of useful operational data and information is explained, in part, by the lack of a comprehensive information technology strategy and sufficient technology infrastructure to collect and analyze management information. This, in turn, inhibits long-range planning efforts. The absence of an automated work order system has hindered the Department's ability to systematically identify and track performance in a manner that allows for adequate assessment. This may contribute to the deficient infrastructure conditions and reactive maintenance activities noted in **R6.3**.

A best practice review by the Minnesota Office of the Legislative Auditor for preventive maintenance of local government buildings recommends the use of a work order system. A work-order system is a standard way of processing maintenance work, whether the job originates as a problem communicated by building users or as part of planned maintenance projects. It controls and helps prioritize the large numbers of job requests that maintenance personnel typically face. A work-order system provides uniformity in planning maintenance jobs. Using work orders for upcoming preventive maintenance tasks helps ensure that this work does not get abandoned as a result of competing demands. By analyzing completed work orders, building managers can track recurring problems. Work orders may also provide a written record of actual work done each day, as well as the number of hours to complete tasks, parts needed for the job, and feedback on the completed work. More sophisticated work-order systems provide information for measuring worker productivity and can summarize data in various useful manners.

An automated work order system allows managers to compare budgeted to actual costs and evaluate department performance. Information on maintenance histories can help determine expected remaining equipment life spans. Trend data on maintenance and repair costs provide useful information for estimating budget items. Together with preventive maintenance inspections, a work order system allows managers to efficiently identify building problems before major failures occur. Similarly, the system allows managers to evaluate the quality and efficiency of maintenance work, set performance measures, and measure the progress toward their attainment.

The Hamilton and Franklin County Engineers use work order systems to track street maintenance operations with varying degrees of sophistication and functionality. Both systems have the capability to generate unit cost reports and exception reports to identify teams or activities that exceeded budget and labor allocation expectations. According to Franklin County, the work order system has allowed it to alter its focus from reactive to proactive maintenance. A review of products offered by the software vendor used by the

Franklin County Engineer's Office, indicated that the City would be able to select an appropriate level of functionality through one or more of its products. In addition, the vendor indicated that these products interface with each other or other financial and payroll systems to provide a comprehensive information management system. A comprehensive software package should include but not be limited to the following:

- Task and work management tools addressing functions such as:
 - Task initiation and planning;
 - Scheduling;
 - Progress tracking;
 - Work data capture, performance reporting, and management analysis;

- GIS & Asset management tools using digital maps and database information to address functions such as:
 - Long-term work management;
 - Asset management;
 - Infrastructure modeling;
 - Building and economic development planning; and
 - Utility billing among other uses.

- Fleet and Fuel management tools to address such as:
 - Fuel consumption management;
 - Fuel purchasing management; and
 - Automated equipment/vehicle maintenance scheduling.

The Ohio Department of Transportation (ODOT) maintains the Transportation Management System (TMS). It is a work order driven computer program that tracks work accomplishments and actual costs for labor, equipment, and materials used by its workforce. The purpose of the TMS is to make current data available to Department managers to analyze and make good decisions in the following areas:

- Planning and Programming,
- Budgeting,
- Performance Standards,
- Legislative Requirements,
- Legal Claims, and
- Federal and State Reimbursements.

The system uses program activity codes to group associated tasks and sub-tasks necessary to maintain the highway system. Examples of these codes are pothole patching, snow and ice control, pavement markings, and facility maintenance. The detailed labor, materials, and equipment used, and actual costs associated with these three components will generate a work accomplishment and a performance measurement for each program

activity code. This allows ODOT to study and redirect resources. TMS is a component of the Equipment Management System (EMS). This system contains the equipment inventory and the statewide material inventory. TMS is also linked to the Personnel system to keep wage rates current for the detailed labor use component. TMS is also linked to several physical features inventories that allow the system to detail where the work is being performed. The physical features inventories include the Road, Bridge, Rest Area, and Building data inventories. The system can also detail work outside the state system using the Off System Work (OSW) designation. This allows the system to detail work on municipal roads, county roads, township roads and other state owned facilities.

While it may not be necessary to invest in a sophisticated work order system such as those used by ODOT and various county engineers, NPWD should devise a standard process to identify maintenance needs; record staff activity; labor allocations per activity; track specific task progress; and summarize maintenance activities by function, specific infrastructure item, and staff member in order to track and evaluate overall performance.

An added benefit of more accurate record keeping of staff activities is that the Department may be able to shift its General Fund burden to more solvent special revenue funds for specific road maintenance activities such as the State Highway Improvement Fund, and the Permissive Tax Fund. While the City should be careful to ensure that there are adequate resources available for infrastructure improvement or repair, it could also use a portion of these funds for daily maintenance of City streets that would otherwise be charged to the General Fund. At 2004 year end, the State Highway Improvement Fund had an ending fund balance of \$29,508, and the Permissive Tax Fund had an ending fund balance of \$616,604. Currently, the City uses the Permissive Tax Fund strictly for capital improvement projects. The State Highway Improvement Fund is used for 7.5 percent of non-personnel public works expenses; however, the City could not demonstrate the rationale for this allocation. However, it should be noted that only a portion of public works costs that are charged to the General Fund primarily related to administrative functions - most notably the salaries and benefits of the Superintendent and the Safety/Service Director. Therefore, the benefit of the practice may result in only marginal relief to the General Fund.

Financial Implication: Assuming similar costs to the system used by the Franklin County Engineer's office for a work order and public works operational support software, a comprehensive software package would cost about \$37,500 per year or a monthly fee of \$50 per 1,000 population per software package (about \$12,500 per year based on the City's population for one package). The above analysis outlined the functionality of three packages for a total cost of \$37,500 per year. These fees include software application upgrades and decrease 5 percent annually for each year of use. However,

these costs do not include training costs, or any upgrades of existing information technology infrastructure.

Street Maintenance

R6.3 The Department should prepare a major infrastructure inventory with quality ratings based on objective and absolute standards. Using this assessment of infrastructure, it should prioritize and plan future infrastructure improvement and preventative maintenance tasks. Part of this planning process should include an assessment of funding source availability.

According to the Superintendent, the NPWD does not have a formally documented infrastructure planning process. While the Department head and the Safety/Service Director informally discuss street repair and rehabilitation needs, their planning horizon is generally less than one year. Generally maintenance needs are determined subjectively through the Superintendent's daily inspections of City infrastructure. However, inspections are informal and are not conducted to update or modify an infrastructure inventory. While the City commissioned a consultant to survey street quality and propose a rehabilitation plan at the end of 2002, the methodology employed by the consultant in surveying City streets is not clear. In addition, the ratings that were developed have not been updated since this review. The Superintendent stated that the City began to implement the consultant's street rehabilitation plan with limited resurfacing projects in 2005. As a whole, the Department's activities could generally be characterized as reactive rather than proactive.

The American Public Works Association (APWA) recommends that municipalities maintain an inventory of street and highway infrastructure, including items such as storm sewers, roadways, curbs, gutters, sidewalks, street lights, traffic control devices, trees, and signs. The inventory should provide a record of location, size, installation date, type, characteristics, and maintenance and operations needs. In addition, it should maintain and update the infrastructure condition. Records of infrastructure are maintained and used in tracking maintenance and operating costs and flagging service needs to maximize the life expectancy of the structure. Inventory records can be used for work scheduling and budgeting. In addition, the APWA recommends planning for short and long-term capital improvement initiatives to schedule for major construction and rehabilitation projects.

The City of Trotwood has prepared a capital improvement plan that rates current infrastructure conditions and prioritizes rehabilitation and preventive maintenance needs using criteria such as economic development impact and sub-standard infrastructure quality. This plan also outlines methods to fund these activities. The City's study identified that property taxes, bond financing, earmarked revenues, impact fees,

exactions, tax increment financing, and public right-of-way related funding were the most viable options for funding their infrastructure improvement operations. This study also evaluated numerous other funding sources, including but not limited to motor fuel taxes, motor vehicle fees and taxes, parking taxes, tolls, sales taxes, payroll and income taxes, special assessment districts, and advertising on public facilities as other possible funding sources that were later deemed as less viable.

The lack of infrastructure planning compounds the Department's inability to perform preventive maintenance. Infrastructure planning and other types of operational planning are partially dependent upon effective information management policies and practices as outlined in **R6.2**. According to the Superintendent, most planning or task assignment is done on a daily or weekly basis to address emergency or repair issues. He stated that the Department primarily responds to maintenance emergencies or ongoing tasks such as mowing. The City does little preventive maintenance on its infrastructure. Prioritization is done on a subjective basis by the Superintendent, with safety or emergency concerns taking precedence.

According to the APWA, municipalities should establish a preventive maintenance program for the street and highway system. Providing timely and appropriate maintenance of streets and highways prolongs the useful life of the infrastructure and reduces maintenance and rehabilitation costs. An automated maintenance management system is often used to schedule maintenance activities.

The Nebraska Department of Roads' Pavement Maintenance Manual asserts that a preventive maintenance program has been shown to often be 6 to 10 times more cost-effective than a "do nothing" strategy. By extending the life of a pavement until it needs rehabilitation, preventive maintenance allows the Department to equalize its budget for both maintenance and construction. The intent of preventive maintenance is to repair early pavement deterioration, delay failures, and reduce the need for corrective or emergency treatments. In contrast, corrective maintenance is reactive and often requires a greater level of service as minor conditions degenerate into major road hazards.

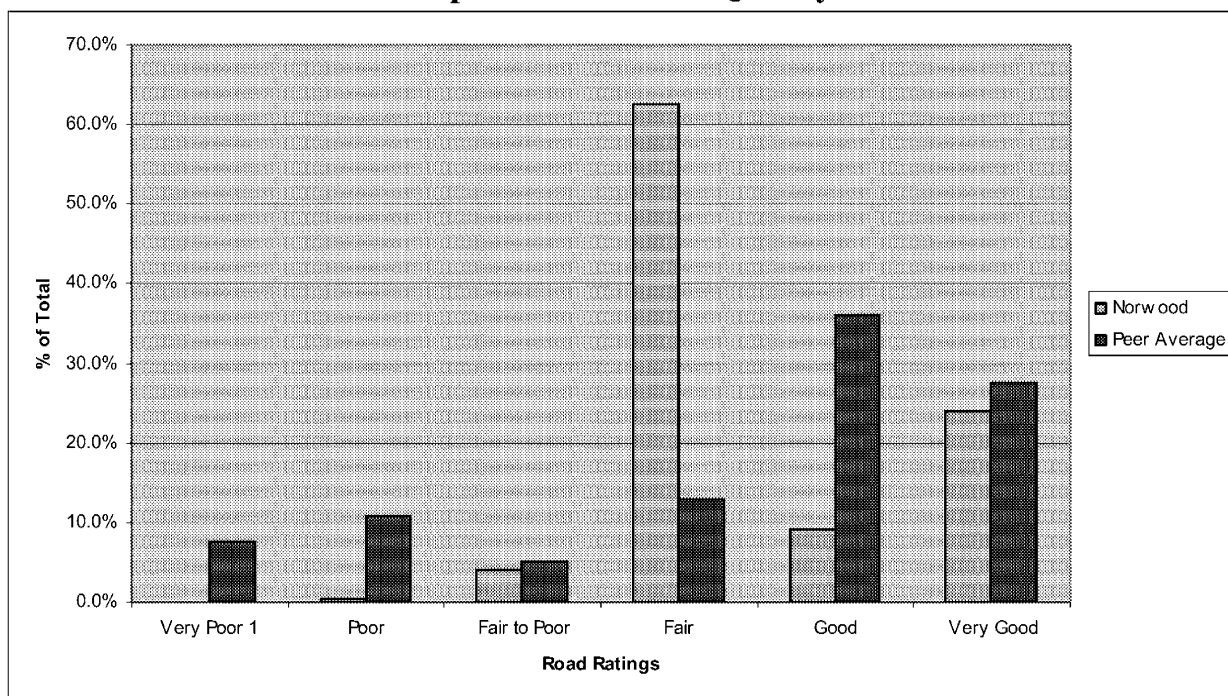
The Nebraska Department of Roads further states that crack filling and sealing is probably the most important and cost effective preventive maintenance strategy as it prevents minor structural defects from deteriorating at a faster rate. Therefore, crack filling and sealing on newer pavements should be considered a high-priority item and cracks should be filled as soon as possible after detection, preferably in the first fall crack filling period after they appear. Filling or sealing pavement cracks will extend pavement life 3 to 5 years.

As a result of the City's current and past reactive maintenance and repair strategies, the City street surfaces have deteriorated. Further impacting the infrastructure condition, the

City only spent \$12,376 (\$86 per lane mile) on capital improvements in 2004. According to the Safety/Service Director, capital improvements were not conducted on a large scale due to the City’s fiscal condition. Furthermore, the quality of City streets is not evenly distributed. Rather, they are predominantly grouped in the same quality ranges. Therefore, large lump sum rehabilitation costs are likely to be necessary in the future.

According to the Safety/Service Director, the City of Norwood commissioned a consultant in 2002 to prepare an inventory of all city streets and rate their quality free of charge. However, the methodology for this survey assumed that each street required substantial rehabilitation, and therefore, it did not rate the streets against absolute criteria as ODOT does with its pavement condition rating system (PCR). Rather, street conditions were rated in a manner that prioritized rehabilitation activities. The consultant noted that the largest portion of streets were in a condition that warranted complete rehabilitation including replacement of curbs, and rework of asphalt or concrete pavement. While, the methodology employed by Norwood’s consultant and that of ODOT are not consistent, the ratings were compared in a manner deemed to be most appropriate. **Chart 6-1** compares the City’s street quality ratings to an average profile of the City of Trotwood, Hamilton County Roads, and State Highway Roads within Hamilton County.

Chart 6-1: Comparison of Road Quality Distribution



Source: Norwood 2002 Consultant Report, ODOT PCR rating database, Hamilton County Engineer’s Office

This comparison is most useful in comparing the distribution of street quality, rather than comparisons of overall quality as quality standards within Norwood were not consistently employed. The chart illustrates that Norwood's street infrastructure is heavily weighted in the "fair" category. This is problematic as there is not a consistent distribution of street quality. Therefore, maintenance and capital improvement needs are not likely to be consistent from year to year.

If the consultant's rating of "fair" were consistent with the ODOT PCR scale, it would equate to a PCR score of 75 to 65. According to ODOT, when the PCR score drops to the range of 65 to 55, an overlay or rehabilitation of roadways should be considered. Applying ODOT's standards to the consultant's ratings, 62.5 percent of Norwood's streets were rated as "fair" and were beginning to require significant rehabilitation. ODOT generally assumes an annual standard deterioration of 3 PCR points on a statewide average. Applying this standard and assuming a central PCR score of 70 for Norwood's "fair" category at the beginning of 2003, the central tendency rating of this group of streets would be approximately 64 in the current year and beginning to require substantial rehabilitation. Because the consultant's rating of "fair" is not consistent with ODOT's PCR rating, the remaining useful life of Norwood's infrastructure can not be determined. However, given the consultant's view that the majority of streets required substantial rehabilitation, it is likely that the above illustration optimistically assumed that the consultant's ratings were consistent with ODOT's PCR scores. More than likely, the City's streets would score in lower categories if the street inventory had been prepared with consistent criteria.

However, ODOT has prepared PCR ratings for State highways within municipality corporate limits using a common quality scale. Since municipalities are responsible for maintenance of State highways within their corporation limits, these figures are used for a comparison of street quality with peers. **Table 6-7** compares central measures of PCR scores for state highways within the municipal limits of Norwood and the peers and illustrates the distribution of those street quality scores.

**Table 6-7: Comparison of the Condition
Of State Highways within Municipal Limits**

	Norwood	Alliance	Trotwood	Whitehall	Peer average
Average PCR	77.30	79.59	83.09	96.00	86.23
Weighted Average PCR	76.15	77.27	85.03	94.28	85.53
PCR Category Distribution of State Highway Lane Miles					
Very poor (0-40)	0.00%	0.00%	0.00%	0.00%	0.00%
Poor (40-55)	0.00%	0.00%	2.22%	0.00%	0.74%
Fair to poor (55-65)	9.38%	7.72%	1.33%	0.00%	3.02%
Fair (65-75)	56.51%	54.54%	8.57%	0.00%	21.04%
Good (75-90)	17.59%	22.03%	43.98%	27.31%	31.11%
Very good (90-100)	16.52%	15.70%	43.91%	72.69%	44.10%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: ODOT

The above table illustrates that Norwood's State highway ratings are fairly consistent with those extrapolated for the City streets as a whole. Within the City of Norwood, 56.5 percent of lane miles are rated as fair. Within this category, there is an average rating of 71.4 on the PCR scale and a standard deviation of 2.1 PCR points. Consistent with the methodology above, and assuming a 3 PCR point annual degradation, approximately 38 percent of the City's State highway lane miles will require significant rehabilitation in the near future.

According to the Washington State Department of Transportation, pavement deteriorates over time at an accelerating rate. Each new structural distress allows future distresses to develop. Therefore, the importance of a systematic preventive maintenance and repair focus becomes self evident. As a result of the City's current focus on emergency repairs and its lack of funding/staffing, infrastructure has deteriorated to a level that may require large capital outlays to rehabilitate the road system at a higher cost than would likely have been necessary if a more proactive maintenance focus had been adopted. If these investments are not made, the City's current practices could cause its road system to be less efficient and safe in future years. In addition, these needs will likely come due in a large lump sum rather than a consistent manner, causing further financial and operational strain on the City.

R6.4 The City should formalize purchasing policies to incorporate best practices that generally ensure goods and services are obtained in an efficient manner, there are sufficient internal controls, and the quality of service/goods from suppliers is monitored.

The City should participate in the cooperative purchasing programs administered by Ohio Department of Transportation's (ODOT) Office of Contracts, and the Department of Administrative Services (DAS). The City should use the cooperatives' services for salt, aggregate, liquid asphalt, vehicles, equipment, and other necessary supplies. Program participation would allow the City to reduce supply expenditures while maintaining the Department's service quality.

The Department does not have formal purchasing policies or procedures. According to the Safety/Service Director and the Superintendent, NPWD does not regularly use competitive bidding for goods or services with the exception of salt or other contracts with an estimated value of more than \$25,000. For items of lesser value, Department personnel research supply and parts prices on the internet in an informal manner. Also, the Department has not entered into discount programs with suppliers. On those occasions that the Department does solicit bids, the Superintendent stated that at least three sealed bids are solicited and one is selected on a subjective basis. However, the Department could not provide examples for requests for proposals or other documentation of this practice. This is, in part, a reflection of the low number of high value purchases of goods or services made by the Department. Furthermore, the Department does not have formal contract management policies and procedures. In one instance, the Safety/Service Director noted that the City did not have a standing contract with a vendor that services the City's traffic signals.

The Department can improve its current practices to be more in line with established best practices. A review of San Antonio's, purchasing procedures established the following best practices for purchasing operations:

- Clearly defined roles and responsibilities for Purchasing and Financial staff involving contract bidding, purchasing and requisitioning exist;
- Purchasing policies and procedures exist, and changes are disseminated to appropriate people on a timely basis with instructions and a means for follow-up education, if necessary;
- Purchasing policies and procedures are followed;
- Internal controls are effective and consistent;
- Emergency purchasing procedures are appropriate;
- A list of recommended or preferred suppliers (including minority suppliers) is compiled;
- Supplier performance is monitored;
- Volume purchases are annually pursued for discounts;
- Analyses are conducted on lease vs. buy options to determine the costs and benefits;
- Supplier catalogs are maintained and accessible;
- Time between purchase order submission and issuance is assessed;

- Information transmission between Purchasing and Finance is effective and efficient;
- Inventory and fixed assets are tracked;
- Disposal of obsolete and surplus items is completed;
- Warehouses are used effectively; and
- Internal controls for receiving and warehousing are appropriate.

The City of Alliance also has formalized purchasing procedures that specify steps for making one-time and blanket purchases of goods and services. One-time purchases for amounts less than \$500 do not require bidding. However, one-time purchases for amounts greater than \$500 require at least two quotes. Blanket orders are used for repetitive purchases not to exceed \$5,000. The City of Alliance also plans for purchases by allowing the director of public safety and service to solicit bids for many materials, supplies, and services for the coming year. In addition, the City of Alliance participated in the ODOT purchasing consortium in 2004 for road salt.

Another option to generally improve purchasing practices without incurring the cost of formal bidding requirements is to enroll in purchasing consortiums. The City's small procurement quantities result in a relatively low level of purchasing power. Cooperative purchasing programs allow those organizations with little purchasing power to pool procurement efforts and negotiate significantly lower prices. ORC § 5513.01(B) and ORC § 125.04(C)(2) allows municipalities to participate in the ODOT and Department of Administrative Services (DAS) purchasing consortiums and forego bidding requirements on goods since bids are solicited by the purchasing program. These programs receive bids from various vendors for materials, equipment, and vehicles commonly used in street maintenance and repair that do not require significant service or labor by the vendor. Each program requires enacting legislation to be passed by the municipality, binding it to the terms of agreements negotiated on its behalf. In addition, the DAS program requires a fee of \$185 from municipalities with populations ranging from 25,001-50,000.

The City may benefit by participating in these consortia for certain materials that are of significant value and purchased repeatedly, such as salt. Special provisions exist for salt purchasing through ODOT's consortium. This item requires the submission of binding agreements with ODOT which indicate the municipality's salt requirements for the upcoming winter season. The municipality is bound to purchase as little as 50 percent of the specified quantity or as much as 150 percent of the specified quantity.

Hamilton County Engineer's Office (HCEO) uses another notable local best practice in salt procurement. The HCEO purchases salt directly from salt terminals on the Ohio River. A review of this practice has revealed that it can purchase salt at a low cost. The relatively low cost is primarily explained by the fact that a significant portion of the cost of salt results from shipping costs. In 2004, HCEO was able to purchase salt at lower

prices than the ODOT purchasing cooperative. While this practice does not consistently outperform ODOT's purchasing cooperative, it provides another alternative.

The lack of formal procurement policies and procedures places the Department at risk of purchasing goods and services at less than optimal rates. While limited materials pricing comparisons do not conclusively reveal systemically higher prices for goods and materials, they did indicate that in some instances, the municipality could have received goods at a lower price. The most notable instance, in 2004, was road salt for snow and ice control. Norwood purchased salt at a price of \$38.86 per ton, while the ODOT consortium allowed participants in Hamilton County to purchase road salt for \$34.27 per ton and HCEO purchased salt for \$32.97 per ton.

The City's informal maintenance schedule, varied rates of consumption, and price fluctuations preclude this analysis from determining an annual savings associated with the City's participation in a purchasing consortium. However, since road salt is a material that is purchased in large quantities and is needed on a consistent basis, this item will be used to demonstrate potential savings. At the City's quoted price for a quantity of 1,130 tons, the City spent \$43,800 for salt in the winter of 2004-05. If it had purchased road salt at the ODOT consortium's price of \$34.27 per ton, the Department would have saved \$5,153, or 11.8 percent.

R6.5 NPWD should formalize its snow and ice control practices into a formal policy document. In addition, it should purchase and install salt spreaders with electronic application controls, or, as an alternative, replace its salt control equipment as funding becomes available (see R6.8). This equipment should assist in ensuring adequate, but efficient salt usage. Finally, the City should continue its discussions the City of Cincinnati or the Hamilton County Engineer's Office to contract for the use of their salt storage facilities in order to limit both environmental damages and materials waste.

NPWD has minimal formal policies and procedures for snow and ice control. These documented procedures are largely comprised of established snow control routes. There are four routes which are organized by priority of street service. Route 1 services main roads, hills, and portions of State Route 562 within municipal City limits. Route 2 clears main roads and secondary residential roads. Route 3 services secondary and residential roads. Route 4 services dead end roads, and parking lots. In some less hazardous conditions during after hours, The Superintendent indicated he may only run priority routes.

The Department uses an "on-call" basis to schedule snow and ice control staffing levels. Department staff are assigned on a voluntary basis with a standing staffing level of 10 individuals. However, the Superintendent noted that when advance notice of winter

storms was provided by meteorologists after regular hours, snow fighters would be sent home early to reduce overtime costs. The Superintendent noted that current staffing levels were insufficient to divide staff into shifts during winter months. This informal practice appears to be sufficiently containing overtime costs. While Norwood's overtime costs were 3.3 percent of other salary costs in 2004, Alliance's overtime costs were 2.7 percent of other salary costs, and Trotwood's overtime costs were 10.0 percent of other salary costs.

The City has an outdoor salt storage facility with a 400 ton capacity. Salt is covered with large tarps to mitigate loss. The Superintendent indicated that the previous administration attempted to contract with the City of Cincinnati for use of their salt storage facility located near Norwood. However, he did not know why this arrangement could not be completed. In 2002, the Superintendent evaluated the potential for building a salt storage facility. He estimated that such a facility would cost between \$60,000 and \$70,000. However, current fiscal conditions do not allow for this infrastructure purchase.

NPWD uses four multi-use trucks to conduct its snow and ice control activities. Furthermore, the Department encapsulates plows after the winter season. However, the Superintendent stated that the salt spreaders do not have the capability of being calibrated. Rather the drivers use judgment to adjust augur speed to ensure that sufficient salt is released to cover the streets. Furthermore, the Superintendent questions if capital outlay for electronic salt spreaders is warranted given the age and condition of the vehicles. **Table 6-8** compares operating ratios for Norwood's snow and ice control function to the peers.

Table 6-8: Snow and Ice Control Operating Ratios (2004-05)

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Trucks	4	11	8	N/A ¹	9.5
Routes	3	3	7	4	4.7
Avg. Lane Miles/Route	40.0	35.0	59	33.3	42.3
Square Miles	3.2	7.9	30.54	5.5	14.7
Tons of Salt Used	1,127	3,370	1,924	1,400	2,231
Lane Miles	144	227	410	133	257
2004-05 Inches of Snow, Ice pellets, & Hail	24.0	60.1	32.9	37.2	43.4
Days with Snowfall	21	47	27	35	36
Tons of Salt/Lane Mile	7.8	14.9	4.69	10.5	8.7
Tons of Salt/(Lane miles x Winter Precipitation)	0.33	0.25	0.14	0.28	0.20
Storage Capacity (tons)	400	800	3,300	N/A ¹	2,050
Covered Storage Facilities	0	1	2	N/A ¹	1.5
Lane Miles Plowed /FTE	1.67	1.46	1.05	1.04	1.20

Source: Norwood and peer public works departments; and National Weather Service Climate Data

¹ Information was not provided.

Table 6-8 indicates that the Department has an adequate number of snow and ice control vehicles and a reasonable route length when compared to peer departments. However, the table also illustrates that the Department uses a larger quantity of salt given the number of lane miles and amount of winter precipitation compared to peer public works operations. NPWD uses 65 percent more salt per lane mile and per inch of winter precipitation. This is likely caused by NPWD's use of outdoor storage rather than an indoor facility and by salt trucks that do not have electronic application controls. NPWD uses about 24.5 percent more salt than Whitehall and Alliance. If NPWD had applied salt at the same rate as Alliance and Whitehall, it would have used about 916 tons of salt, or 211 (18.7%) fewer tons. Using Norwood's costs of \$38.86 per ton, the City could have saved \$8,200 in the winter of 2004-05 by better controlling salt application and storage.

APWA recommends that municipalities implement snow and ice control plans. These plans should include established procedures detailing the amount of time required to complete the removal effort, as well as the required personnel, equipment, and materials

for a desired service level. Guidelines for application of materials should be established taking into account weather conditions, traffic volume, location, wind, temperature, and the intensity or form of precipitation. In addition, the guidelines should include policies establishing maximum continuous work hours for crews during snow events, and procedures and responsibilities for notifying personnel of snow emergencies. Policies and procedures should also be established for loading spreading equipment with ice control materials. Finally, a formal annual maintenance inspection during the off season should be required to ensure that equipment downtime affecting the efficiency of snow removal is minimized.

According to the Wisconsin Transportation Department, localized environmental damage from salt has come largely from stockpile runoff. Since runoff is at maximum concentration, any exposed environmental element receives a very large dose. For that reason, stockpile runoff should be prevented from contaminating ground or surface water by covering the salt and storing it on an asphalt base so rain and melt runoff can not seep into groundwater.

Finally, according to the American Association of State Highway and Transportation Officers (AASHTO), all spreaders require an accurate electronic controller to ensure that the appropriate application rate is achieved. Simple hydraulic circuits, used to maintain a steady application rate, are still in use in many transportation agencies. This equipment starts to exceed the desired application rate as soon as the truck speed drops below the design speed and excessive salt is then applied to the road. Modern spreaders use electronic groundspeed spreader controls to provide consistent, accurate application rates. The truck speed is monitored from the truck's speedometer drive, and the spreader output is adjusted to maintain a steady output at the set rate per kilometer.

Manufacturers can now provide units that record, for printing, information about the amount of salt used, the time it was used, and the associated application rate, for analysis and control by the transportation agency. Information that is captured and logged can include: amount and type of material applied, gate position, run time, blast information, average speed, spread width/symmetry, etc. Units are also available that incorporate global positioning systems (GPS) for automated vehicle location (AVL) and to identify where the material was discharged (either generating a passive history or a live transmission). There is currently no industry standard format in place for this information reporting. As a result, it is difficult to compare and combine the information from units supplied by various manufacturers.

Financial Implication: Using ODOT purchasing consortium bids for salt spreaders with electronic controls, this equipment can be purchased for approximately \$800 per unit. Assuming that four trucks are outfitted with these units, a total one-time cost of \$3,200

will be incurred. However, using 2004 salt quantities and prices as indicative of future prices and quantities, this equipment could save the City as much as \$8,200 per year.

Parks and Recreation Operations

R6.6 The Norwood Recreation Department should prioritize and reduce the number of activities according to available funding and operating costs, citizen feedback, and participation. This would ensure that citizens receive the greatest impact and responsiveness for their tax dollars. Higher usage rates indicate a higher impact of activities, programs, and facilities per funding dollar. The activities that appear to have the highest potential to outsource are swimming lessons, softball leagues, and basketball leagues. If possible, the City should attempt to retain service levels for its citizens by encouraging non-profit organizations to take over administration of these programs. The City would realize savings in wage costs associated with operating these programs and, potentially, operating costs such as maintenance/preparation of ball fields and swimming pools.

The Recreation Department provides a higher level of service to its citizens than peer cities. However, these services appear to provide diminishing returns in terms of participation and appear to contribute to higher expenditures and subsidies from the General Fund than peer recreation departments (see **Table 6-5**). **Table 6-9** illustrates the levels of service provided by Norwood and peer recreation departments.

Table 6-9: Summary of Recreation Offerings and Participation

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Total Number of Activities	11	9	6	9	8
Total Number of Programs	40	20	8	16	14.7
Total Programs per Total Activities	3.6	2.2	1.3	1.8	1.8
Population	20,781	22,862	27,070	18,611	22,848
Population per Programs	520	1,143	3,384	1,095	1,554
Estimated Participants in on-going programs	1,070	750	N/A	941	845.5 ¹
Estimated Participants per Program	26.8	37.5	N/A	58.9	50.0 ¹

¹ The City of Trotwood was unable to provide complete attendance rates, the peer average number of participants and the peer average ratio of participants per program only used Alliance and Whitehall information.

For the purpose of this evaluation, activities are defined by type of activity such as various kinds of sports, exercise programs, or classes. While this indicates the scope of services, it does not indicate the scale of services. For example, offering one aerobics class for 10 people is not equivalent in workload to offering 10 classes with 15 participants. Therefore this assessment also takes programs into consideration, defined as

organizational divisions within activities. Programs many times may be for various leagues which are generally defined by participant factors such as gender, age, or skill level.

Table 6-9 shows that Norwood maintained only a slightly higher number of activities than its peers. However, it provided nearly 172.1 percent more programs than its peers. While Norwood appears to be offering a higher level of service, these services appear to provide a diminishing return in terms of the number of citizens being reached by each program. On a per capita basis, there were 46.4 percent fewer participants per recreation program than the peer average.

The Recreation Department primarily exceeded peer recreation department service levels by offering extensive swimming lessons and its own softball and basketball leagues. Norwood offers nine separate swimming classes for various skill levels, and two water exercise programs. In contrast, only the City of Alliance had swimming lessons in five skill levels, and the City of Trotwood closed its swimming pools due to operating expenses. In addition, the City of Norwood operates its own softball leagues. There were five separate softball leagues in 2005, after discontinuing an adult league. Only Whitehall administered its own softball leagues, which consisted of an adult men's and an adult co-ed league. The City of Trotwood allowed a separate parent's association to operate a softball league. Finally, the City of Norwood administers its own basketball leagues. There were 10 separate age groups with their own basketball leagues. In contrast, none of the peers operated a basketball league. However, the City of Trotwood allowed an external basketball association to administer a similar program.

As a result of Norwood's more extensive recreational program offerings, it maintains higher staffing levels than its peers. In 2004, the Norwood Recreational Department had 8.7 FTEs. Of this number, only the director and her assistant are full-time employees with the remainder being seasonal or part-time staff numbering approximately 36 to 40 individuals. According to the recreation director, Norwood's part-time and seasonal staff is primarily allocated to the swimming pools and various program duties, such as acting as referees for sports activities. However, no record of time allocation to each recreational program exists. In comparison, the peers averaged 2.6 FTEs. The total cost of part-time and seasonal staff in Norwood approached \$135,400 in 2004. These costs were offset by approximately \$107,100 in user fees in 2004 for a net loss of \$28,300. However, using estimates of participants and user fees, over half of the user fees come from the summer camp program. Therefore, the majority of activities are not self-supporting. Much of this cost is subsidized by 21st Century Grant receipts. However, these cost estimates do not include materials, supplies, or capital expenses associated with the programs, nor do they include indirect overhead and administrative costs of the Recreation Department. It appears that these programs are at least partially subsidized by

the City's General Fund and that a reduction of activities and programs will reduce the amount of funding coming from the General Fund, which totaled over \$120,000 in 2004.

R6.7 The Norwood Recreation Department should, through cost/benefit analyses and citizen feedback, prioritize and reduce the number of facilities and assets based on available funding, facility operating costs, and use levels. This would ensure that citizens receive the greatest impact and responsiveness for their tax dollars and that the City is not using scarce resources on excess or underused facilities. The facilities with the highest potential for closure appear to be swimming pools, baseball/softball fields, and excess park land. This could potentially save the City in wages associated with operating or maintaining these facilities, as well as other supply or repair costs.

Table 6-10 summarizes NRD's recreation facilities and assets and compares them to peer recreation departments on a per 5,000 resident basis.

Table 6-10: Summary of Recreation Facilities

City	Population	Park Acres	Baseball fields ¹	Soccer fields ²	Basketball courts	volleyball courts	Tennis courts	Batting cages	Horseshoe pits	Pools ³	Playgrounds
Norwood	20,781	70.125	11 ¹	N/A ¹	4	1	4	2	2	4	11
Alliance	22,862	200	18	6 ²	6	4	8	0	0	0	12
Trotwood	27,070	133	0	8	7	1	5	0	0	0	6
Whitehall	18,611	127.5	2	0	0	0	0	0	0	0	0
Peer Average	22,848	153.5	6.7	4.7	4.3	1.7	4.3	0.0	0.0	0.0	6.0
Average Peer Facilities per 5,000 Residents		33.6	1.5	1.0	0.9	0.4	0.9	0	0	0	1.0
National Benchmark Facilities per 5,000 Residents		7.5	1.0	0.5	1.0	1.0	2.5	N/A	N/A	0.25	N/A
Norwood Facilities per 5,000 Residents		16.9	2.6	N/A	1.0	0.2	1.0	0	0.5	1	3
Norwood Variance Converted to Facility Units		(69.5)	4.9	N/A	0.1	(0.5)	0.1	2.0	2.0	4.0	5.5

Source: Norwood and peer recreation departments; and Ammons' Municipal Benchmarks

¹ Norwood ball fields are used for baseball, soccer and football.

² Alliance soccer fields are used for football.

³ While Alliance does not have a swimming pool, it has a lake used for swimming and other activities.

While Norwood's facilities vary from peer and national benchmarks in numerous ways, the most important variances are its abundance of swimming pools, baseball/softball fields, and park acres per capita, which significantly increase maintenance

responsibilities. Norwood has four swimming pools and operates three of these facilities. By comparison, peer cities do not maintain a single pool, although the City of Alliance has a lake in which citizens can swim. National benchmarks indicate that one swimming pool per 20,000 residents would be adequate to meet needs.

Norwood also maintains 11 baseball/ softball fields, or 2.6 fields per 5,000 residents. Peer cities maintain 1.5 baseball/ softball fields per 5,000 residents. Although it should be noted that the City of Alliance skews this ratio with significantly more ball fields than the other peers which maintain a minimal number of fields. National benchmarks indicate that one baseball field and one softball field per 5,000 residents is an appropriate number of facilities. As Norwood maintains fields that are used for softball and baseball, a ratio of two fields per 5,000 residents would be appropriate. At this level, Norwood should maintain eight fields, which would allow the City to reduce maintenance responsibilities for three fields. Using the peer average ratio of baseball/softball fields per 5,000 residents of 1.5, Norwood could reduce maintenance responsibilities for up to 5 fields.

Finally, the City of Norwood maintains over 70 park acres, or 3.37 acres per 1,000 residents. National benchmarks indicate that municipalities should maintain between one and two park acres per 1,000 residents. At 1.5 acres per 1,000 residents, the City should maintain approximately 31 park acres, a reduction of 39 acres.

Norwood's disproportionate number of facilities per capita appears to be the result of a lack of formal capital planning and needs assessment. While the Parks and Recreation Commission has conducted a limited survey of park attendees regarding the feasibility of a parks levy, it has not conducted a survey of citizens to determine their priorities for facilities, recreation programs, and other services. As a result, the Commission is unable to ensure that available funding is used in a manner that optimally meets stakeholder needs and maximizes satisfaction levels.

Due to its more extensive parks facilities, the City incurs additional costs associated with their maintenance. Further, the lack of detail in City accounting records and performance measures, makes it difficult to quantify the impact of these additional responsibilities. However, using 2004 total parks maintenance costs per park acre of \$5,338, an "upper bound" figure of costs associated with these additional maintenance requirements can be estimated. Reducing 39 acres of maintenance responsibilities could reduce maintenance costs by as much as \$207,900. Using *Municipal Benchmarks* (Ammons, 2001) for mowing labor allocations, the cost associated with labor for maintaining acreage is estimated to be \$23,700 per year. Using benchmarks for baseball field maintenance and preparation, costs associated with maintaining four additional ball fields are estimated to be \$17,600. Finally, using the Recreation Department's internal, unaudited figures, the estimated cost of operating two additional swimming pools, net of operating receipts, is

approximately \$41,200 per year. However, this figure is likely conservative as the pool with the highest attendance, and therefore the highest operating receipts, was used to estimate the operating results for the pools to be closed. In addition, the maintenance estimates for additional park acreage and ball fields incorporate only estimated labor costs and do not include other expenses such as supplies, equipment, or fixed costs. The total impact of maintaining excess facilities is conservatively estimated to be \$82,400 annually. However, a portion of these savings are already reflected in **R6.1**, and therefore, are not presented as a financial implication.

Central Garage Operations

R6.8 City administration, with input from the central garage, should prepare formal vehicle and equipment replacement plans. These plans should attempt to minimize the total lifecycle costs of equipment by balancing ongoing maintenance and operational costs against capital outlay costs. Furthermore, this plan should identify financing requirements and sources necessary to implement the replacement plans.

The City does not have a formal equipment and vehicle replacement planning document centrally assembling the departments' needs for review by city planners. Within the Public Works Department, the Superintendent stated that he compiles an annual "wish list" for equipment and submits these requests to his superiors. However, no such list is prepared for City vehicles. The Superintendent's criterion for requesting equipment and vehicles is to replace those items that are generally unsafe to operate. Due to the City's financial condition, he does not proactively request equipment. His informal process generally incorporates the opinions of his mechanics and their estimates for future repair costs and functionality of the items. In other departments, the level of capital planning varies. For example, the Police Division has compiled a capital equipment replacement plan, but it has not been approved or implemented. This is likely caused by the City's worsening financial condition.

According to the GFOA and the APWA, a government should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. Equipment should be replaced at the most economical point in its life cycle, which requires the development of a planned, well administered equipment and vehicle turnover that will be relatively consistent from one year to the next. These policies ensure that needed capital assets or improvements receive appropriate consideration in the budgeting process and that older capital assets are considered for retirement or replacement. This is necessary to plan for large expenditures and to minimize deferred maintenance.

The ICMA states that the goal of a replacement plan is to minimize the total life-cycle costs of the fleet by achieving the optimal balance between capital and operating cost components, subject to constraints imposed by environmental impact, reliability, suitability, and other qualitative factors. This strategic component of fleet replacement planning includes determining and analyzing overall expenditure requirements and financing these expenditures. Older vehicles are generally more expensive to operate, less reliable, less suitable to the tasks assigned, and more environmentally harmful than newer ones. Developing and implementing a systematic fleet replacement plan is an important tool available for minimizing the financial, operational, and environmental costs associated with the fleet.

The first step in this process is establishing a set of planning criteria for determining when to replace a particular type of vehicle. These criteria are typically expressed as the minimum age and/or mileage a unit must reach to be considered for replacement. Once replacement criteria are set, the next step is to develop a vehicle inventory that incorporates the data elements required to make replacement projections. The projection of annual costs is the next step in developing a viable replacement plan. However, developing a funding mechanism to manage and smooth out the annual expenditure amounts is key to developing a replacement program that is sustainable over time. Due to the relatively static nature of revenue sources, most local government budgets cannot tolerate significant variations in annual spending. A more sustainable strategy is to consider making adjustments to the size and composition of the fleet. Matching the supply of vehicles more closely to the demand requires in-depth discussion and analysis with the users of the fleet and the fleet manager.

Over time, the key challenge is to develop a financing strategy that supports the desired average expenditure requirements. There are three primary financing mechanisms used by governmental organizations for funding fleet replacement: cash, reserve funds, and debt financing. Since cash appropriations only need to cover the debt service in any given year, not the entire acquisition price, debt financing, if used in a disciplined manner, can mitigate the impact of large capital outlays much like the use of a reserve fund. Another major advantage of this type of financing is its ability to help eliminate large existing replacement backlogs without a major influx of cash. The drawbacks surround the economic costs associated with the financing instrument and, depending on the mechanism used, the effect the additional debt will have on the locality's bond rating.

As a result of the lack of effective and formal capital equipment planning, the City maintains an aging fleet. While a separate review of fleet age did not indicate a material disparity between departments, the table below illustrates the generally older fleet of vehicles. **Table 6-11** summarizes the City's vehicle fleet by age and mileage categories and compares them to national replacement standards.

Table 6-11: Norwood Equipment & Vehicle Profile

	All Vehicles		Cars		Light Trucks		Medium Trucks		Heavy Trucks		Vans	
# of Vehicles 0-3yrs. Old	4	4.7%	3	7.0%	0	0.00%	0	0.0%	0	0.0%	0	0.0%
# of Vehicles 4-5yrs. Old	15	17.7%	7	16.3%	3	42.9%	0	0.0%	2	14.3%	2	28.6%
# of Vehicles 6-7 yrs. Old	20	23.5%	11	25.6%	1	14.3%	4	80.0%	2	14.3%	0	0.0%
# of Vehicles 8-10 yrs. Old	25	29.4%	15	34.9%	1	14.3%	0	0.0%	5	35.7%	1	14.3%
# of Vehicles 11 yrs. Old and greater	21	24.7%	7	16.3%	2	28.6%	1	20.0%	5	35.7%	4	57.1%
Total Equipment & Vehicles	85	100.0%	43	100.0%	7	100.0%	5	100.0%	14	100.0%	7	100.0%
Average Age	8.5		7.7		7.0		9.0		10.4		11.1	
# of vehicles 0-24,999 miles	18	23.1%	6	14.3%	2	28.6%	1	20.0%	5	35.7%	1	16.7%
# of vehicles 25,000-49,999 miles	22	28.2%	10	23.8%	2	28.6%	3	60.0%	6	42.9%	1	16.7%
# of vehicles 50,000 to 74,999 miles	9	11.5%	6	14.3%	2	28.6%	-	0.0%	-	0.0%	-	0.0%
# of vehicles 75,000 to 99,999 miles	13	16.7%	8	19.1%	1	14.3%	1	20.0%	-	0.0%	3	50.0%
# of vehicles 99,999 miles and greater	16	20.5%	12	28.6%	-	0.0%	-	0.0%	3	21.4%	1	16.7%
Total Vehicles	78	100.0%	42	100.0%	7	100.0%	5	100.0%	14	100.0%	6	100.0%
Average Mileage	70,239		70,052		45,982		44,452		51,986		73,851	
NAFA Age Replacement Standard	N/A		5 years		7.5 years		10 years		10 years		8 years	
NAFA Milcage Replacement Standard	N/A		88,000		98,000		105,000		105,000		86,000	
Number of Vehicles Over Replacement Standards by Age	47	60.3%	33	42.3%	3	3.9%	1	1.3%	5	6.4%	5	6.4%
Number of Vehicles Over Replacement Standards by Mileage	25	32.1%	19	24.4%	-	0.00%	-	0.0%	3	3.9%	3	3.9%

Source: The City of Norwood’s Central Garage and the National Association of Fleet Administrators (NAFA)

Table 6-11 compares the City’s vehicle fleet against a survey of standards used by public entity fleet administrators. This survey was conducted by the National Association of Fleet Administrators (NAFA) and averaged replacement standards by age and by mileage. Using industry average standards for equipment replacement by age, 60.3 percent of the fleet exceeds average replacement standards. Also, using industry average standards for vehicle replacement by mileage, 32.1 percent of the vehicles exceeds

average mileage replacement standards. If the City was to implement these replacement standards it would replace at least 19 cars, 3 heavy trucks, and 3 vans. As this survey did not determine if these standards were established in an effort to minimize the cost of vehicles over their life cycle, the City should make its own determination of appropriate capital outlays. However, **Table 6-11** underscores the importance of a formal capital outlay planning process that systematically evaluates and prioritizes fleet needs and available resources.

R6.9 The central garage should seek to implement a preventative maintenance program for all City vehicles and equipment. It should incorporate a record keeping process sufficient to facilitate efficient task identification and prioritization. These functions may be incorporated into other work order systems discussed in R6.2. In addition, the City should allow the central garage to initiate maintenance services in a proactive manner to supplement operator initiated service needs.

The City garage appears to have a reactive repair focus rather than a proactive, or preventative repair focus. Repairs and maintenance are performed based upon a combination of the mechanic's vehicle maintenance logs and operator requests. Mechanics remind operators of maintenance needs and use windshield stickers to remind operators of the next scheduled service call. Mechanics also keep detailed paper logs of repairs for each vehicle owned by the City. A sample vehicle maintenance log comprised handwritten entries in a spiral notebook. In addition, the garage uses a 101 point inspection form during each service call to evaluate any upcoming maintenance needs on Police vehicles. However, this appears to be a paper driven system that is not consistently used for other departments.

While the central garage's practices appear adequate to record past activities, they do not appear to be in a format that would facilitate proactive maintenance activities. For instance, the current system generally relies upon the operator to initiate maintenance services without a systematic process for identifying those vehicles that have exceeded normal time periods between service calls. In addition, it does not provide an efficient method by which central garage staff can prioritize maintenance needs among vehicles. Mechanics generally make their own determination of maintenance/service priorities on a subjective basis. Generally the mechanics consider the time required to make the repair, parts availability, and the severity of the mechanical issues in prioritizing maintenance and repair activities. The Superintendent expressed his confidence in the fact that mechanics generally knew which vehicles were due for service. While this may be sufficient, the stated criterion for maintenance prioritization appears to indicate a general focus on reactive repairs, rather than preventative maintenance.

The reactive repairs focus is likely caused by a generally older vehicle fleet (see **R6.8**), which requires more frequent and extensive reactive repairs. Another contributing factor

is that the central garage has a paper driven record keeping system that is not conducive to a proactive operation. It is likely that the mechanics could better determine and prioritize needs if they were supported by objective information for each vehicle in a format that would allow comparisons between vehicles. This would also facilitate a formal preventative maintenance program.

NAFA provides guidance for maintenance practices in its *Fleet Manager's Manual* (1997). Motor vehicle maintenance is performed either scheduled on a periodic basis (preventative maintenance), or unscheduled on demand basis. NAFA recommends preventative maintenance when possible because:

- It extends the life span of vehicles requiring replacement of more costly systems/ components at a date earlier than should be expected;
- It prevents frequent and unexpected breakdowns taking vehicles out of service when needed; and
- Allows more constant work load for garage operations.

A preventative maintenance program has two major components: a checklist of maintenance actions that need to be performed periodically, and the interval or frequency with which these actions are performed. Another significant component is record keeping for each vehicle and summaries by vehicle class or category. Information such as the date, odometer reading, repair order number, repair cost, the cause of repair, and the repair remedy should be maintained.

It is difficult to quantify specific operating inefficiencies caused by a reactive repair focus as detailed maintenance cost data was not available. However, anecdotal evidence indicates that there are likely additional operating efficiencies available to the central garage through the implementation of a preventative maintenance program. For instance, the Superintendent indicated that a high percentage of garage activities were devoted to major repairs. While this is partially explained by an older vehicle fleet, this could also be partially mitigated with a formal preventative maintenance program.

Financial Implications Summary

The following table summarizes the cost savings and implementation costs discussed in this section of the report.

Recommendations	Annual Cost Savings	One-time Implementation Costs	Annual Implementation Costs
R6.1 Reduce a net of 3.0 FTEs in parks and recreation staff	\$47,700	\$0	\$0
R6.1 Hire 1.0 FTE street maintenance employee			\$35,100
R6.2 Purchase work order system software	\$0	\$0	\$37,500
R6.5 Install salt spreaders	\$8,200	\$3,200	
Total	\$55,900	\$3,200	\$72,600

Source: AOS Recommendations

Building Department

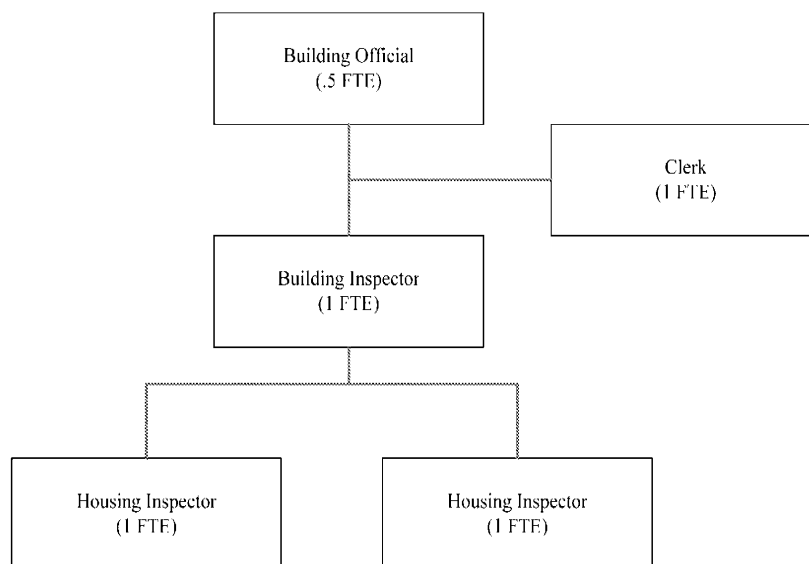
Background

The City of Norwood's Building Department (NBD or the Department) is responsible for several functional activities which include zoning, planning and building code compliance as provided in the City's Codified Ordinances Sections 2225; 1119; 1301; and 1305. For a city to have a certified building department, they must conform to various laws set forth in the Ohio Administrative Code (OAC). OAC 4101:1-1-03 states that the positions within the Department may be filled with personnel that hold the proper certifications to perform building inspections or perform other services⁷⁻¹. Norwood meets these requirements through the use of full-time and contracted personnel with the appropriate certifications. Certifications are governed by the Board of Building Standards (BBS), which trains city officials in the standards set forth by the State.

Summary of Operations

In 2005, the Norwood Building Department consisted of 4.5 FTEs. NBD personnel include one part-time Building Official (0.5 FTE), one full-time Building Inspector (1 FTE), two full-time Housing Inspectors (2 FTE), and a full-time department Clerk (1 FTE). **Chart 7-1** shows the reporting relationships within the Department.

⁷⁻¹ Personnel may be full or part-time or contracted.

Chart 7-1: Norwood Building Department Organizational Chart

Source: City of Norwood Building Department

The Building Official's main responsibility is to review plans for zoning and building code compliance as outlined in the codified ordinance. The Building Official also provides information and assistance to the Board of Zoning Appeals, Planning Commission, Community Development and Small Business Committee, City Engineer, and the Fire Department.

The Building Inspector's main job duty is to inspect construction projects, as determined from the permits issued by the department. He also assists the Board of Zoning Appeals, Planning Commission, and the Community Development and Small Business Committee. The Building Inspector must meet the following qualifications:

- State of Ohio Class III Building Inspection Requirements,
- City of Norwood Administrative Procedures, and
- City and State ordinances pertaining to building construction and maintenance.

Housing Inspectors are responsible for inspections of existing structures for compliance with the City's Maintenance Code. They also assist in the Team Inspection program with the Health and Fire departments in a joint effort to ensure compliance with the codes set forth by the City. The Housing Inspectors also inspect construction projects that pertain to City infrastructure, such as street curbs and sidewalks. Housing Inspector job duties are as follows:

- Recognize hazardous conditions,
- Enforce residential codes, and
- Maintain records and prepare reports.

The Building Clerk assists the Building Official and the Building Inspectors with administrative office duties. The Clerk is also responsible for clerical duties related to the Board of Zoning Appeals, Planning Commission, and the Board of Plumbing Examiners.

Staffing

Table 7-1 compares Building Department staffing levels in Norwood and the peer cities. Two of the three peers use in-house inspectors, while one of the peers outsources its services to the county engineering department. For comparison of staffing levels, Norwood was compared to only two peers.

Table 7-1: Departmental Staffing Levels

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Building Official	0.50	0.50	MC ¹	1.00	0.75
Building Inspector	1.00	0.50	MC ¹	0.50	0.50
Housing Inspector	2.00	0.50	1.00	N/A	0.75
Departmental Clerk	1.00	0.50	MC ¹	1.00	0.75
Total FTE	4.50	2.00	1.00	2.50	2.25
Total FTE Per 10,000	2.16	0.87	N/A¹	1.34	1.08

Source: City of Norwood and peers

Note: Numbers may vary due to rounding.

¹ Outsourced to Montgomery County. Trotwood was not included in the peer average as Building Department operations are outsourced.

NBD employs 4.5 FTEs, compared to the peer average of 2.25. The higher staffing can be attributed to the number of Housing Inspectors (HI) for Norwood (see **R7.2**). When comparing HI functional areas, Norwood has an average of 1.75 more FTEs than the peers.

Financial Data

Table 7-2 illustrates the total receipts versus total expenditures for Norwood and the peers.

Table 7-2: Revenues from Fees Compared to Expenditures:

	Norwood	Alliance	Trotwood	Whitehall	Peer Average
Total Receipts	\$273,129	\$133,928	\$70,114	\$144,358	\$116,133
Total Expenditures	\$265,943	\$78,000	\$206,987	\$186,062	\$157,016
Receipts Over (Under) Expenditures	\$7,186	\$55,928	(\$136,873)	(\$41,704)	(\$40,883)

Source: City of Norwood and Peers

Note: Numbers may vary depending upon rounding

NBD achieved a positive year end operating balance in 2004. When compared to the peers, their total revenue versus expenditures is almost 6 times greater than the peer average. NBD raised its permit fees and inspection cost to better cover the cost of operations prior to 2004 to make NBD self sufficient.

Operational Statistics

Table 7-3 illustrates the total chargeable activity of the Building Department and the total revenue (fees) produced by that activity.

Table 7-3: Operational Statistics

	Total Fees	Total Activity
Plan Review Commercial	\$70,636	147
Plan Review Residential	\$3,386	45
Permits Commercial	\$101,723	230
Permit Residential	\$32,403	628
Residential Inspections	\$49,964	378
Business Inspections	\$10,221	89
BZA/Planning	\$3,750	36
Re-Inspection (Special)	\$280	3
Copies	\$766	60
Total	\$273,129	1,616

Source: City of Norwood Building Department

Note: Numbers may vary depending upon rounding.

On average, NBD produced about \$169 per activity completed or \$60,695 per FTE in 2004. Also, NBD completed 359 activities per FTE. This indicates that each FTE is averaging 1.40 functional activities per work day. However, some aspects of activities, such as plan reviews, take considerably more time than others, like issuing permits. For more information on statistical information pertaining to Norwood's operations compared to the peers, see **R7.1**.

Assessments Not Yielding Recommendation

There were several assessments made during the course of the audit that did not yield recommendations. The primary objectives in this section were to assess staffing levels and the fees structure.

- **Cross-Training:** Based on the current levels of certifications of Building Department staff members, increasing cross-training would not significantly improve permit issuance, inspections, and contractor monitoring.

Self-sufficiency: In 2004, Norwood's Building Department generated positive net revenue of \$7,186 compared to the peer average of (\$40,883). This practice is recommended by the Government Finance Officers Association (GFOA), *Best Practices in Public Budgeting* which states that a government's fees and charges should cover the cost of the services provided. The total costs associated with the fee-based activities should include any direct or indirect costs, such as operating and maintenance costs, overhead, and charges used for any capital assets involved in the process, including fees for housing inspection and permits.

- **Tax Department Interaction:** According to the Building Department, all permits issued are copied and sent to the County Auditor's Tax Department for determination of any increase in property valuation and taxes. The Tax Department does not respond to all permits issued due to time constraints, but for the high dollar projects, the Tax Department sends adjustors to appraise the project. The Hamilton County Auditor's Office requires all building departments within the County to report any permits issued.

Issues Requiring Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that are outside the scope of the audit. AOS has identified the following issue as one requiring further study.

- **Replacement of Equipment:** It was noticed during the course of the audit that the computer equipment in the Building Department was out of date. GFOA recommends that governments adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. These policies help ensure that needed capital assets, or improvements receive appropriate consideration in the budgeting process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance. The policies can address inventorying of capital assets, evaluate the difference between maintenance and replacement, and determine the source of funding for the capital assets.

Stakeholders should have an opportunity to provide input as policies and plans are developed. Once the policies have been adopted, they should be publicly available, and should be used during the budgeting process. With policies in place, the City should be able to determine the longevity or condition of the equipment, the cost of capital assets, and how those costs can be accommodated in the budgeting process. This will help enable the City to replace equipment and to have a more functional Building Department. It will also allow them to better track and maintain records. Updated records can help management or other departments in the any decision making process (see **R2.4**).

Recommendations

R7.1 The Building Department should establish policies and procedures that include documented internal controls for remote collection of fees for inspections. These procedures should be documented and systematically reviewed by the appropriate officials.

NBD's cash management process allows the majority of fees and payments to be paid directly to the City Treasurer's Office. Once a permit has been authorized, the applicant takes the permit to the Treasurer's Office where two receipts are issued after payment. One copy is given to the Building Clerk and the other is proof of payment for the applicant. The Building Department has implemented a new program allowing special inspections to occur outside the regular hours of operations. The cost of these inspections is increased to cover the cost of any overtime that occurs. The fee may be paid at the Treasurer's Office prior to the inspection or directly to the inspector after the inspection has taken place.

The Government Finance Officers Association (GFOA) *Best Practice in Public Budgeting* states that remote cash and check collection points should be established where customer service benefits are evident. Documented internal controls need to be established for such collection points. The collection of such payments should be documented and systematically reviewed by appropriate officials. Internal controls consist of the following; personnel authorization for remote collection, daily processing timely deposits and overview of all payments for all activity to the primary recipient of payments, notification of any suspicion of fraud to the appropriate personnel (department supervisor, law enforcement, internal audit), and notification of any suspicion regarding non-compliance with internal controls.

If Norwood implements better cash management practices, it will improve internal checks and balances, reduce the risk of fraud and abuse, ensure proper controls over revenues and abide by Government Accounting Standards Board guidelines. In the absence of adequate controls over remote cash collection, NBD is susceptible to a high risk of fraud and abuse and risks losing City revenue.

The practice of collecting fees outside the regular process is for the convenience of the recipient of the service. To better serve the community and foster the economic growth of the City, the Building Department feels that providing this service is important. However, the City should implement the internal controls to prevent and protect the City from loss of revenue, fraud and theft.

R7.2 The City should consider reducing Building Department personnel levels from two Housing Inspectors to one. By reducing the number of Housing Inspectors to 1,0 FTE, the overall personnel costs would be reduced and workload ratios would be more comparable to the peers. Other cost savings options include contracting with the Hamilton County Department of Building Inspections or raising fees to cover the cost of the services.

According to **Table 7-4**, NBD has a higher staffing level than any of the peers. The City of Trotwood is not included in the comparison as it outsources its building inspection functions to Montgomery County. Norwood has 4.5 FTEs compared to the peer average of 2.25 FTEs. Therefore, NBD staffing is twice the peer average, primarily due to the higher number of Housing Inspectors. NBD has 0.71 Housing Inspectors per 10,000 residents compared to the peer average of 0.10 per 10,000. Also, when compared to the peers, Norwood performs an average of 4.9 percent fewer residential functions with 1.75 more FTEs.

Table 7-4: Illustrates the functional activities, total FTEs per 10,000 residents, and total valuation of construction projects based on the cities' annual report to the State of Ohio.

Table 7-4: Functional Activities Comparison 2004

	Norwood	Alliance	Whitehall	Peer Average
Population	20,781	22,892	18,611	20,752
Total FTE Per 10,000	2.16	0.87	1.34	1.08
Building Official (BO)	0.50	0.50	1.00	0.75
BO Per 10,000	0.24	0.21	0.53	0.37
Total Functional Activities (Permits and Inspections)	1,284	931	474	702
Total Economic Dollars (Million)	\$16.1	\$33.8	\$6.0	\$19.9
Building Inspector (BI)	1.00	0.50	0.50	0.50
BI Per 10,000	0.48	0.21	0.26	0.24
Housing Inspector (HI)	2.00	0.50	0.00	0.25
HI Per 10,000	0.96	0.21	0.00	0.10
Total Functional Activity (Permits & Inspections)	762	431	1,169	800
Total Valuation of Construction (Million)	\$1.6	\$5.0	\$1.4	\$3.2
Departmental Clerk	1.00	0.50	1.00	0.75
Total FTE	4.50	2.00	2.50	2.25

Source: As reported in the Yearly Operational Reports for the Board of Building Standards

Note: Numbers may vary depending upon rounding.

The Building Department is performing under the peer average workload ratio for residential functions and should be able to provide the same service with less staff and at a lower cost to the City. For example, if, in 2004, NBD only had one Housing Inspector the total functional activities per FTE would have been 762 (instead of the actual rate of 381) which is more comparable to the peer rate of 800 functional activities per FTE.

City officials expressed concern with the reduction of one of the two housing inspectors because of the age and condition of the City's buildings and the concentration of rental property. The reduction of a staff member would, according to City officials, decrease the City's ability to enforce building and zoning codes. However, in the event that the Building Department can not administer code enforcement in a timely or efficient manner, Hamilton County could be used as an option to outsource specific functions. Another option would be to ensure fees cover the personnel costs for specific services.. Since the City expressed a desire to add staff in this area, the audit would caution against additional staff without a concrete plan to fund the positions and ensure that the retention of two inspectors and the addition of two inspectors is budget neutral.

Financial Implication: With the reduction of 1 FTE Housing Inspector, the City would save approximately \$44,000 in salary and benefits.

Financial Implications Summary

The following table summarizes the estimated annual cost avoidance discussed in this section of the report.

Summary of Financial Implications

Recommendation	Annual Cost Avoidance
R7.2 Reduce Department staffing by 1 FTE.	\$43,655
Total	\$43,655

Source: AOS Recommendations

Mayor's Court

Background

This section focuses on the operations of the City of Norwood Mayor's Court. The Mayor's Court hears misdemeanor criminal cases, and certain traffic violations, while the Hamilton County Municipal Court handles all other violations and appeals. The Alliance Municipal Court and the Whitehall Mayor's Court were used as peers. Trotwood does not have a local court; its violations are heard in a regional county court.

Staffing

The City of Norwood's Mayor's Court (Norwood's Court or Mayor's Court) has three employees; one full time Clerk of Courts, and two part-time assistant clerks who work approximately 35 hours per week. The Mayor appoints the Clerk of Courts while the part-time assistants are hourly employees. One assistant is paid from the Auxiliary Police Fund while the other assistant is paid from the Clerk of Courts' budget. The responsibilities of the Department are shared by all employees without significant separation of duties.

Summary of Operations

Norwood's Court has jurisdiction over all traffic violations and misdemeanors charged under City code within the City limits. All other violations are under the jurisdiction of the Hamilton County Court system within various venues. Norwood's Court contracts with two local attorneys to act as magistrates. One magistrate holds court on Monday mornings, while the other holds court on Thursday evenings. Police officers schedule court appearances at the time the citation is written. The Mayor's Court staff is primarily responsible for clerical and administrative duties such as:

- Maintaining case files and other court records;
- Communicating with other governmental agencies and stakeholders;
- Collecting fines and fees;
- Depositing receipts;
- Monitoring and collecting delinquent payments; and
- Administering probation and work detail programs.

Table 8-1 represents the cases processed and disposed by the Norwood Mayor's Court, the Alliance Municipal Court and the Whitehall Mayor's Court during 2004.

Table 8-1: 2004 Case Load Comparison

Case category	Norwood		Alliance		Whitehall		Peer Average	
	Processed	Disposed	Processed	Disposed	Processed	Disposed	Processed	Disposed
Misdemeanors	1,167	1,228	1,301	1,290	970	1,136	1,136	1,213
OVI	76	83	191	186	96	103	144	145
Other traffic	1,635	1,765	3,333	3,333	2,478	2,658	2,906	2,996
Total	2,878	3,076	4,825	4,809	3,544	3,897	4,186	4,354

Source: Client and peer State Supreme Court reports

Note: Trotwood does not have a local court and is not included in the comparisons in this section.

As shown in **Table 8-1**, Norwood Mayor's Court overall caseload was lower than the peers and the peer average. However, while the Alliance Municipal Court processed and disposed of more cases, this is largely explained by a larger scope of jurisdiction that includes civil lawsuits and felony criminal cases in addition to misdemeanors and traffic violations.

Financial Data

Table 8-2 presents a comparison of actual expenditures for 2003, 2004 and budgeted amounts for 2005 for the Norwood Mayor's Court.

Table 8-2: Norwood Mayor's Court Expenditures

Expenditures	2003	2004	Percent Change	2005 Budget	Percent Change
Salaries	\$51,453	\$57,587	11.9%	\$51,560	(10.5%)
Benefits	\$17,491	\$12,816	(26.7%)	N/A	N/A
Contractual Services	\$23,506	\$21,434	(8.8%)	\$25,000	17%
Materials and Supplies	\$2,846	\$2,146	(24.6%)	\$3,000	39.8%
Other	\$0	\$0	0.0%	N/A	N/A
Total	\$95,296	\$93,983	(1.4%)	\$79,560	(15.3%)

Source: Norwood financial reports for 2003, and 2004, and 2005 Appropriations

As indicated in **Table 8-2**, total expenditures declined 1.4 percent between 2003 and 2004, primarily due to a reduction in benefits costs incurred by the City. Salaries increased from 2003 to 2004 because of several personnel changes. During 2003, the full time Clerk of Courts and one part time deputy clerk resigned and both received separation pay. In 2004, the new Mayor appointed a new Clerk of Courts who changed the structure and organization of the Mayor's Court. One former deputy clerk of courts was rehired at her previous pay rate and all court

employees received a Cost of Living Adjustment of 1.7 percent for 2004. Benefits costs decreased from 2003 to 2004 because the new Clerk of Court does not receive benefits. The City of Norwood paid certain benefit related deductions in 2004 for the previous year. These deductions include the City of Norwood's portion of Worker's Compensation, Medicare, PERS, Healthcare, and Dental/Optical coverage. The appropriated 2005 budget amount appears lower than 2003 and 2004 because the City budgeted for 22 instead of 26 payrolls for 2005 as the City anticipated not being able to meet all of its expenses, including payroll.

Table 8-3 shows the Mayor's Court revenues by source for 2002, 2003, and 2004 from the General Fund, Computer Fund, DUI Fund, and payment of violations.

Table 8-3: Mayor's Court Revenue for 2002, 2003, 2004

Combined GF, Computer Fund, and DUI Fund	2002	2003	Percent Change	2004	Percent Change
Fines	\$135,772	\$161,960	19.3%	\$212,096	31.0%
City Court Costs	\$30,085	\$36,581	21.6%	\$42,101	15.1%
Bond Forfeiture	\$2,713	\$2,935	8.2%	\$4,836	64.8%
Bond Fee	\$0	\$695	N/A	\$1,206	73.5%
Computer Fund	\$23,770	\$23,170	(2.5%)	\$18,305	(21.0%)
DUI Fund	\$1,135	\$1,450	27.8%	\$1,114	(23.2%)
Traffic Payout	\$155,952	\$130,038	(16.6%)	\$77,352	(40.5%)
Misdemeanor Payout	\$22,170	\$20,271	(8.6%)	\$4,364	(78.5%)
Checking Account Interest	\$312	\$62	(80.1%)	\$26	(58.1%)
State Court costs	\$44,282	\$45,948	3.8%	\$41,225	(10.3%)
Copy/Report fees	\$1,779	\$0	(100.0%)	\$0	N/A
Bad Check Service Fees	\$790	\$690	(12.7%)	\$390	(43.5%)
Immobilization Fees	\$0	\$0	N/A	\$200	N/A
Seat Belt Fines	\$7,769	\$6,400	(17.6%)	\$5,685	(11.2%)
Child Restraint Fines	\$0	\$895	N/A	\$1,355	51.4%
City Expungement Fee	\$140	\$360	157.1%	\$200	(44.4%)
State Expungement Fee	\$240	\$540	125.0%	\$300	(44.4%)
Hamilton County Fines	\$1,199	\$1,540	28.4%	\$3,732	142.3%
City Miscellaneous	\$0	\$456	N/A	\$45	(90.1%)
Bureau of Motor Vehicle Reinstatement Fee	\$1,560	\$2,175	39.4%	\$525	(75.9%)
Outstanding Bonds turned over to Treasurer	\$261	\$0	(100.0%)	\$0	N/A
Total Revenue	\$429,929	\$436,166	1.5%	\$415,057	(4.8%)

Source: Department revenue reports

Table 8-3 shows a slight increase of 1.5 percent in total revenue from 2002 to 2003 and a 4.8 percent decline in 2004. Revenues based upon violations are generally unpredictable. For instance, while fines and court costs increased by 31.0 percent and 15.1 percent respectively from 2003 to 2004, traffic payout costs decreased 40.5 percent in the same time period. Although the Clerk of Courts could not provide a specific explanation, he stated that more people appeared in court than in the past. Therefore, he believed the changes in receipts reflected a shift of receipts from one line item to another. For the other variances, the Clerk of Courts could not offer any explanations.

The Mayor's Court revenue substantially exceeded its expenditures. A high level review of Norwood's Mayor's Court operations indicates that receipts outpaced expenditures by \$321,074 in 2004, \$377,865 in 2003, and \$319,015 in 2002. Historically, Mayor's Court operations have resulted in receipts exceeding expenditures, which allows the Court to cover its expenses and provide revenue to other City operations. Furthermore, Mayor's Court total revenues and expenditures compare favorably to the peers' operations. **Table 8-4** compares Norwood's 2004 financial results to those of its peers.

Table 8-4: 2004 Court Expenditure Comparison

Receipts:	Norwood	Alliance	Whitehall	Peer Average
Fees	\$48,543	\$249,903	\$22,775	\$136,339
Fines	\$300,852	\$199,868	\$242,102	\$220,985
Unrestricted Intergovernmental Funds	\$45,782	\$0	\$42,721	\$21,361
Restricted Grants/State Grants	\$19,419	\$59,199	\$57,158	\$58,179
Miscellaneous	\$461	\$0	\$1,130	\$565
Total Revenue:	\$415,057	\$508,970	\$365,886	\$437,429
Operating Expenditures:				
Salaries	\$57,587	\$193,995	\$70,783	\$132,389
Benefits	\$12,816	\$79,940	N/A ¹	\$79,940 ¹
Contractual Services	\$21,434	\$80,360	\$35,563	\$57,962
Materials and Supplies	\$2,146	\$13,971	\$3,190	\$8,581
Capital Equipment	N/A	\$11,070	N/A	\$5,535
Total Operating Expenditures	\$93,983	\$379,336	\$109,536	\$284,407
Revenues over Expenditures	\$321,074	\$129,634	\$256,350	\$153,022
Expenditures as a Percent of Revenues	22.6%	74.5%	29.9%	65.0%

Source: Client and peer financial reports

Note: AOS subjectively categorized inconsistent court receipt line items into encompassing categories.

¹The City of Whitehall employs a central fund for all benefit costs and could not extract those for Mayor's Court operations; therefore, the Alliance figure was used without alteration as the peer average.

Norwood's court receipts are comparable to the peer average, but lower than those of the Alliance Municipal Court. It should be noted that while the Alliance Municipal Court did generate more receipts, this can be explained by a larger scope of jurisdiction that includes civil lawsuits and felony criminal cases in addition to misdemeanor and traffic violations. Furthermore, a review of violation fine and fee schedules and receipts, adjusted for caseload, revealed effective collection practices (see **Tables 8-5** and **8-6**). Norwood's court operating costs are \$190,425 less than the peer average and were lower than both peer court operations. Finally, as a percentage of revenues, Norwood's Mayor's Court was the most cost effective of the peers.

Key Operating Statistics

Table 8-5 illustrates key 2004 statistics and indicators of efficiency and effectiveness for the Norwood Mayor's Court and the peers.

Table 8-5: 2004 Operating Activities per Case Disposed

	Norwood	Alliance	Whitehall	Peer Average
FTEs	2.6	7	2	4.5
Cases disposed	3,076	4,809	3,897	4,353
Total fines collected	\$300,852	\$199,868	\$242,102	\$220,985
Total fines & fees collected	\$349,395	\$449,771	\$264,877	\$357,324
Total Receipts	\$415,057	\$508,970	\$365,886	\$437,428
Salary Costs	\$57,587	\$193,995	\$70,783	\$132,389
Total Operating Expenditures	\$93,983	\$379,336	\$109,536	\$284,407
Fines per Case Disposed	\$97.81	\$41.56	\$62.13	\$50.77
Fines & Fees per Case Disposed	\$113.87	\$93.53	\$67.97	\$82.09
Total Receipts per Case Disposed	\$134.93	\$105.84	\$93.89	\$100.49
Operating Expenditures per Case Disposed	\$30.55	\$78.88	\$28.11	\$66.61
Receipts In Excess of Expenditures per Case Disposed	\$104.38	\$26.96	\$65.78	\$33.88
Cases disposed per FTE	1,183	687	1,949	967
Salary Costs per FTE	\$22,149	\$27,714	\$35,392	\$29,420

Source: State Supreme Court reports, Norwood and peer financial reports, and organizational charts.

Table 8-5 indicates that the Mayor's Court is tightly controlling Court operating costs. This is primarily explained by the low salary costs per FTE. In addition, Norwood's staffing levels appear reasonable given workload measures presented above. The Norwood Mayor's Court is also generating more fines per case disposed than each of the peers. As the total fees and fines per case disposed exceed those of peer court operations, Norwood appears to generate sufficient receipts from court operations.

The total collections from court operations are a function of the quantity of convictions and the fees and fines assessed. As the quantity of convictions is not controlled by the court and should not be influenced, it is important that fees and fines are assessed adequately to compensate the City for the court costs and costs of enforcement. This is also supported by a comparison of fines for common violations and court fees presented in **Table 8-6**.

Table 8-6: Fee and Fine Schedule Comparison

Fine Description	Norwood	Alliance	Whitehall	Peer Average
Miscellaneous Traffic	\$100	\$90	\$88	\$89
DUI	Court Appearance	Court Appearance	Court Appearance	Court Appearance
Speeding	\$101	N/A	N/A	\$87
0-10 miles over limit	N/A	\$85	\$88	\$87
11-15 miles over limit	N/A	\$90	\$93	\$92
16-25 miles over limit	N/A	\$95	Court Appearance	N/A
Speeding on highway	\$134	N/A	N/A	N/A
Reckless operation	\$150	Court Appearance	Court Appearance	Court Appearance
Vehicle condition	\$50	\$65	\$88	\$77
Parking	\$20	\$20	\$10	\$15
Courts Costs	\$70	\$40	\$26	\$33

Source: Client and peer fine and fee schedules

Table 8-6 indicates that the Court adequately charges guilty parties for traffic violations. Norwood's fee schedule is comparable to or slightly more aggressive than the peer courts. In three of four fine categories (miscellaneous traffic violations, speeding, vehicle condition, and parking violations), Norwood's fine schedule exceeded or equaled the highest peer amount. In addition, Norwood Mayor's Court charges higher court costs than either of the peer court operations.

Assessments not Yielding Recommendations

During the course of this audit, several assessments of operations were conducted that yielded no recommendations. These assessments are as follows:

- **Court Duties and Jurisdictional Scope:** Norwood's Mayor's Court duties are within the boundaries allowed by the Ohio Revised Code and comparable to those of peer court operations.
- **Financial Activity Assessment:** Norwood's Court expenditures are lower than the peer average and the Mayor's Court revenues are comparable to the peer average on a "per case disposed" basis.
- **Fine and Fee Schedule Assessment:** Norwood charges adequate fines and fees to compensate the City for court and enforcement costs. Norwood charges more for miscellaneous traffic citations, speeding, and parking violations. Furthermore, Norwood charges \$37 more than the peers for court costs.
- **Staffing Level Assessment:** Norwood's Mayor's Court disposed of a comparable number of cases per FTE when compared to peer court operations. Norwood's Court employs 2.6 FTEs compared to a peer average of 4.5 FTEs. Norwood staff disposed of 1,183 cases per FTE compared to the peer average of 967 cases per FTE in 2004. Finally, Norwood maintained salary costs per FTE at a lower level per FTE than the peer court operations.
- **Third Party Administration Assessment:** During the course of the audit, the feasibility of outsourcing the Mayor's Court operations to the Hamilton County Court system was evaluated. After reviewing the pertinent sections of Ohio Revised Code (ORC), it was determined that outsourcing to the County court system would not be beneficial to the City. According to ORC § 1905.32, 1907.20, and 1901.024 the Hamilton County Court is one of two Ohio county courts that can retain 50 percent of all fines and fees collected for cases tried on behalf of a township or city by the County court. Given that the Court maintained a margin of receipts over expenditures of 78.2 percent of total receipts in 2003 and 77.4 percent of total receipts in 2004, outsourcing the Mayor's Court operations would significantly decrease the net revenue generated for the City of Norwood. .

Issues for Further Study

Additional areas were identified during the audit that may warrant examination but were outside the scope of the audit. These areas are discussed below:

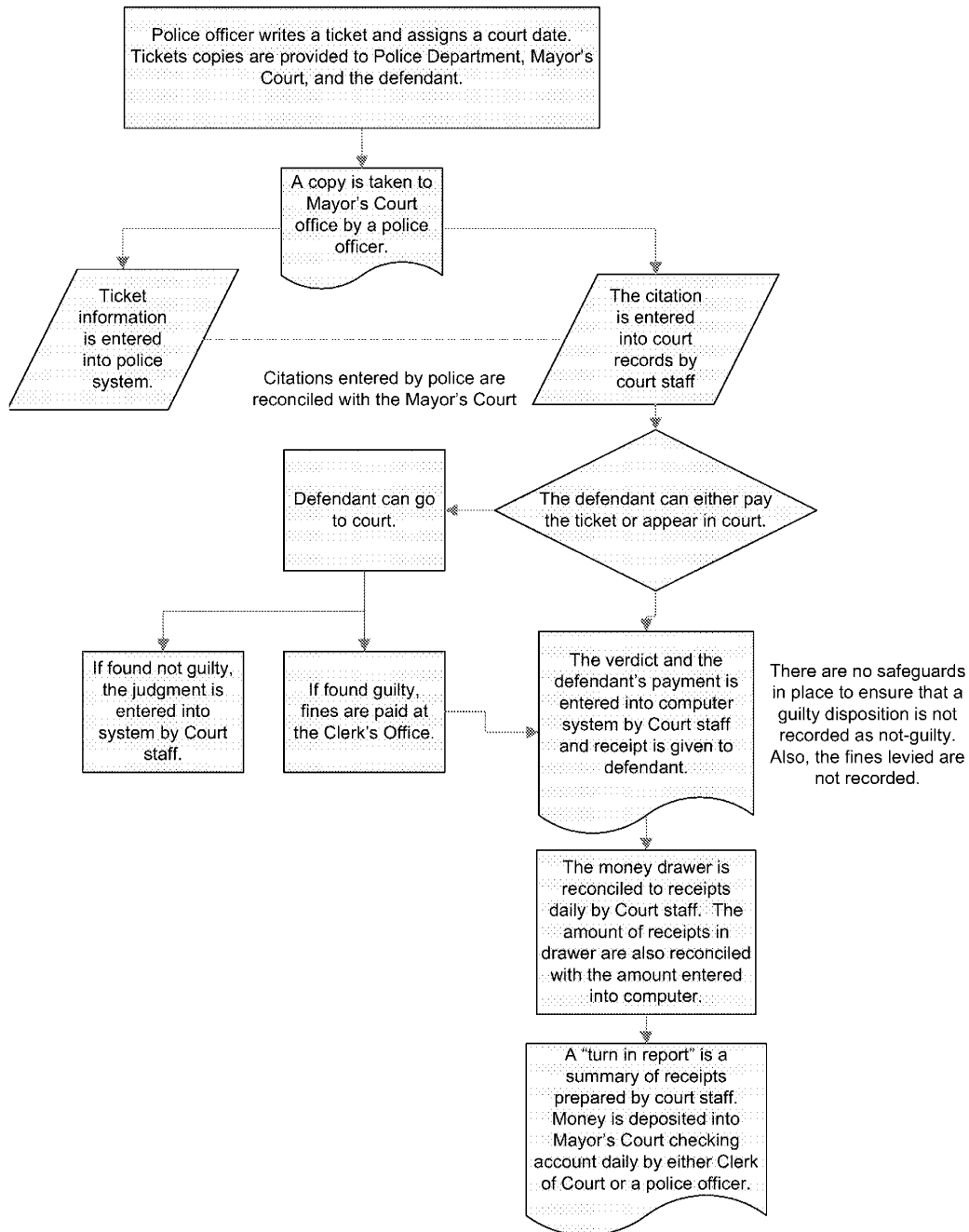
- **The Use of Ohio State Supreme Court Case Management Specialists:** The State Supreme Court of Ohio offers free case management and technical assistance for case flow management which could help the Mayor's Court develop a comprehensive plan to improve its processes. The State Supreme Court also offers free training on identifying and implementing best practices, and allocating resources efficiently. Specifically, case management programs (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. This issue could not be investigated fully because it exceeded the scope of this engagement. However, it is a free service that could be a valuable resource to Norwood's Mayor's Court.
- **Collection of Delinquent Accounts:** During the course of the audit, the Norwood Clerk of Courts indicated that there are few policies in place for fine and fee collection and delinquent accounts. Although the Court's revenue exceeds its expenditures, a fee collection analysis could not be performed and the audit could not be determined if the Court has an effective collection processes. The Court could not provide the number of delinquent accounts and the collection rate. Each individual account is handled on a case-by-case basis concerning payment plans. See **R8.3** for a discussion on collection policies.

Recommendations

R8.1 The Clerk of Court should update internal control procedures related to the segregation of duties for the recording of court dispositions and the resulting fine and fee collection. The Court should better define and segregate the duties of its staff to ensure the separation of key functions such as collections and recording of transactions.

The workflow process for the Mayor's Court is summarized in **Chart 8-1**.

Chart 8-1: Norwood Mayor’s Court Workflow Process



Source: Financial Audit Documentation Narrative 107 for Mayor’s Court, City staff interviews.

As illustrated in **Chart 8-1**, distinctive duties are not associated with specific court employees. Furthermore, the workflow process does not provide safeguards that ensure guilty verdicts are reflected in Court records and establish an expectation of payment within Court accounts. The same individual collecting receipts is also recording the disposition of the case and the receivables within the Courts records. The lack of segregation of duties provides an opportunity for individuals to collect fines and fees, while failing to reflect the defendant's liability within court records.

The internal control weakness in the Mayor's Court is due, in part, to insufficient formal policies and procedures that fail to segregate duties among staff. The Clerk of Courts and the assistant clerks are involved in almost every step of the process. Each employee accepts payments, enters cases into the system, prepares daily reports, prepares bank deposits, and completes the cash drawer reconciliations. The Clerk of Courts' additional duties include payroll and leave approval, as well as depositing daily receipts into the Court's bank account. However, these additional duties do not provide sufficient internal and management controls over Court receipt collections and record keeping.

According to the Government Finance Officers Association (GFOA), security of assets and records should include controlled access. The more employees who have access to assets and records, the higher the potential for abuse and fraud. Internal controls should also include a segregation of incompatible duties. An incompatible duty is one that puts a single individual in the position of being able to both to commit an irregularity and then to conceal it.

This means that one worker should not be posting to case records, handling the money and preparing the deposits. If one worker enters the verdicts or dispositions from the Court, then another worker should accept payments and a third worker should prepare the deposit and reconcile the daily receipts with review by the Clerk of Courts. It is important to note that no improper activities were noted during this engagement; however, the opportunity for fraud is present and should be mitigated to the extent possible.

R8.2 The Mayor's Court should revise City Administrative Code § 159.03 to increase its personal bonds from \$2,500 to an amount proportionate to the amount of cash handled by the Court. Furthermore, if the Court segregates cash collection duties from case file recording duties among its employees (see R8.1), it could reduce the number of bonds maintained by the City.

Currently, the Mayor's Court clerks are covered under two separate City employee insurance bonds that mitigate the City's risk of dishonest acts by its employees. The Clerk of Court is bonded for \$5,000, while the other two employees are covered by a

City-wide performance bond for \$2,500. Each of the three employees had access to fines and fees that totaled \$349,395 in 2004.

It is highly recommended by the Ohio Administrative Code (OAC) § 1301:9-2-03 that if a credit union has assets ranging from \$10,001 to \$1,000,000 the minimum bond should be equal to the amount of assets. Although this recommendation is for a different entity, the Court is similar in that it is responsible for collecting large amounts of money in the form of cash and checks. Therefore, the OAC serves as a guideline for the minimum coverage for entities that process large amounts of revenue. The League of Minnesota Cities also lists surety bond coverage guidelines from \$25,000 to \$1,000,000.

Due to budgetary constraints, the City of Norwood has carried a citywide employee bond in order to save on insurance costs. However, the effect of the City's bonding policy is to expose itself to additional risk arising from employee misconduct. Given the absence of an adequate segregation of duties and the internal control weakness noted in **R8.1**, mitigating these risks is particularly important, considering the revenue generated by the Mayor's Court for the City. By increasing the bond coverage for Mayor's Court employees, the City of Norwood would decrease the risk of fraud and abuse and better safeguard City revenue.

R8.3 The Clerk of Court should establish common terms of payment at the time of sentencing to facilitate effective collections management practices. Furthermore, the Mayor's Court should implement receivables policies and record keeping practices that allow an analysis of the aging of receivables. In addition, the Court should establish policies to ensure proper delinquent notices are sent, as well as formal criteria for taking punitive action against delinquent accounts. Finally, the Court clerks should receive training on their existing Baldwin Group Mayor's Court software system to ensure it is used to its fullest extent in conjunction with the policies that are established.

The Mayor's Court does not maintain an appropriate record of fee and fine obligations payable to the City. The Mayor's Court was unable to provide the total amount of delinquencies for 2002, 2003 or 2004. The Clerk of Courts stated that defendants who are found guilty individually negotiate payment schedules with the magistrate or Clerk of Courts based on the amount, due date, and if an installment or lump sum is required. Payments made on these accounts are recorded manually on the case record; however, they are not maintained in a manner that can be summarized, or easily tracked. If the negotiated payment date is not met, the Clerk of Court stated that a delinquency notice is issued to the individual. However, if the first delinquency notice does not resolve the issue, no further action is taken. In the past, the Court used a collection agency; however, the Clerk of Courts stated that this practice was stopped due to citizen dissatisfaction.

The Clerk of Courts indicated that aggressive collections had resulted in non-payment of fines and that, because of the socio-economic circumstances of many defendants; more personalized payment plans net greater collections. City representatives indicated an interest in exploring the efficacy of license forfeitures and warrant blocks, in addition to bench warrants, as punitive measures for non-payment.

Since court mandated obligations share similar characteristics with other collections operations, such as accounts receivable, Norwood's collection practices are evaluated from this perspective. The Government Finance Officers Association (GFOA) recommends the following practices for accounts receivable management:

- Billing practices by the Clerk of Courts should include established terms (e.g., 30 days from billing date);
- Accounts receivable should be recorded in a manner to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.);
- Past due accounts should be governed by specified practices that ensure proper delinquent notice is provided;
 - Such practices should specify the threshold and materiality of a delinquency for which further collection efforts would be pursued (e.g., >180 days and over \$25). Use should be made of collection agencies, utilizing all federal and state notice requirements and in a manner whereby the entity receives all amounts owed;
- Allowances for doubtful accounts should be based upon an established method (e.g., the percentage of receivable method). The computation of an allowance for doubtful accounts should be performed at least annually based upon the aging of such receivables and recent history of write-offs at fiscal year-end, with any material changes reported to appropriate officials;
 - For write-offs of delinquent balances, thresholds should be established to permit the timely write-off of immaterial balances (e.g., balances <\$25 and >180 days delinquent) upon appropriate authorization; and
 - For balances greater than established thresholds (e.g., >\$25), collection efforts should be performed for a period equivalent to the statute of limitations or sooner to avoid the amount being written off.

Norwood's collection practices result from an unfamiliarity with its current court software package and a reluctance to press its legal claims for payment of court obligations due to resident dissatisfaction. The Court currently uses the Baldwin Group's

Mayor's Court software package. This software allows automated reporting of citations to the BMV, automated preparation of Ohio Supreme Court reports, case entry and comprehensive case management, case correspondence, monitoring and reporting of collections, and monthly statistical and financial reporting, among other features. A representative of the Baldwin Group stated that the Norwood Mayor's Court has the technological capability to track, monitor, and manage its fine and fee receivables.

By fully using its current software, and by establishing formal policies and practices to track, monitor, and manage its receivable accounts, the Mayor's Court should be able to increase its collections of fines and court fees. By improving collection rates, the City could better ensure that it is collecting revenues owed to it which could then be used for public purposes. Unfortunately, the absence of any delinquency monitoring precludes this analysis from estimating the financial impact of improving its collections operations.

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Health Department

Background

This section focuses on the Norwood Health Department operations. The Norwood Health Department (the Department or HD) states that it is responsible for the following:

- Determining the health status and needs of the community;
- Monitoring and controlling environmental factors that could negatively affect the community;
- Providing preventive and therapeutic health services;
- Motivating citizens to improve and maintain their health; and
- Monitoring the Department's effectiveness and assessing the health and environmental needs of the community and correcting problems.

The Department offers a variety of services including, but not limited to, home visits for the elderly and newborns, environmental health inspections, child and adult immunizations, and preventative health services. The peers used for this section are the Alliance Health Department and where appropriate, the Hamilton County Health Department and the Fairfax, VA, and Baltimore, MD, Health Departments. Trotwood and Whitehall use the County Health Departments in their respective counties.

Organizational Function

A five-member Board of Health, that includes the Mayor as president, governs the Norwood Health Department. The Health Board meets monthly to discuss budget and service issues. The Board also determines the service fee structure and schedule. The Department is comprised of both full-time and contractual workers.

The Department has the following six full time employees:

- *Health Commissioner*, who plans day-to-day operations, supervises the full time and contractual staff, administers services to clients, seeks and applies for grants, administers drug testing, inspects car seats, and performs clerical duties;
- *Secretary/Registrar*, who is responsible for reception and clerical duties in addition to providing services to clients, recording vital statistics, and compiling financial reports;
- *Sanitarian/Environmental Health Inspector*, who administers the restaurant, pool, and school inspections, handles nuisance complaints and animal bite data, and records data for West Nile Virus through the collection of mosquitoes and birds;

- *Nursing Director*, who primarily provides home visits to elderly and newborn clients;
- *Environmental Health Inspector*, who processes nuisance complaints and animal trappings; and
- *Public Health Nurse* who provides home visits to the elderly and records communicable disease data.

During the time period examined, the Norwood Health Department also employed five contractual workers who comprise the following:

- *Dental Hygienist*, who provides services for the school dental program;
- *Dental Assistant*, who provides services for the school dental program;
- *Dentist*, who provides services for the school dental program;
- *Medical Director*, who attends all Board of Health meetings, acts as a consultant for the Department, and assists in activities when needed; and
- *School Public Health Nurse*, who works in two local schools and provides records review for students, hearing and vision testing, head lice checks, and scoliosis screenings.

Summary of Operations

Ohio Revised Code (ORC) chapter 3709 regulates health services provided by local health districts. The Norwood Health Department provides environmental health, public health nursing, vital statistics, and health education services. Environmental Health services include food service and restaurant inspections to ensure that new and existing food establishments comply with State guidelines. The Department charges fees to recover the cost of inspections. Environmental Health services also include nuisance complaints. Public Health programs include those related to the health of the population, such as tobacco use prevention and communicable disease programs. The Public Health programs also include home visits to the elderly and newborns. See **Table 9-4** for a detailed list of the services provided by the HD.

Financial Data

The Health Commissioner submits annual reports to the State Board of Health. **Tables 9-1** and **9-2** illustrate the revenues and expenditures for 2002 to 2004.

Table 9-1: Health Department Revenues and Expenditures 2002-2004

	2002	2003	% Change 2002 - 2003	2004	% Change 2003 - 2004
HD Revenues					
Licenses and Permits	Not reported	\$55,923	N/A	\$54,285	-2.93%
Senior Dental Program	Not reported	\$3,269	N/A	\$6,715	105.41%
Service Charges	Not reported	N/A	N/A	\$8,606	N/A
General Fund Revenue	Not reported	\$45,908	N/A	\$53,314	16.13%
Total HD Revenue:	N/A	\$105,1 00	N/A	\$122,920	16.96%
HD Expenditures					
Salaries and Benefits	\$345,604	\$346,112	0%	\$386,993	13%
Contractual Services	\$40,041	\$43,302	8%	\$22,699	-45%
Materials and Supplies	\$7,309	\$6,506	-11%	\$6,197	-3%
Other¹	\$914	\$452	-51%	\$11,485	2441%
Total	\$393,868	\$396,372	1%	\$427,374	7.82%
Net Profit/(Loss)	N/A	(\$291,272)	N/A	(\$304,454)	4.53%

Source: City of Norwood expenditure and revenue reports

¹ Other includes utilities.

As shown in **Table 9-1**, the HD is predominantly supported by the City's General Fund. In each year, the net loss represents General Fund revenue that was used to support the HD, which, in both 2003 and 2004 was approximately \$300,000. In addition, the HD also had a total of \$5,366 in encumbrances at the end of FY 2004. However, based on data obtained during the audit and discussed in **R9.3** and **9.4**, additional grant funds and service fees may be available to alleviate the HD's reliance on the General Fund. **Table 9-2** illustrates the Norwood Health Department expenditures by function.

Table 9- 2: Expenditures by Norwood Health Dept. Function

<u>Department</u>	<u>Expenditures</u>
Health Administration	\$171,051
Health Medical Services	\$132,596
Health Environmental Services	\$123,727
Total:	\$427,374

Source: City of Norwood financial data.

Table 9-2 shows that, although the three main services are roughly equal in cost, the administration of the HD comprises the largest portion of the operating costs. While grant funding and fees may be available to cover medical and environmental services, it is not

available in the same proportion for program administration. See **R9.1** for information on HD costs and operations.

Statistical Data

As the other peer cities (Whitehall and Trotwood) use their county health departments, statistical comparisons are only included for Norwood and Alliance. **Table 9-3** illustrates the Norwood and Alliance Health Departments' workload statistics.

Table 9-3: Health Department Statistics 2004

Workload	Norwood	Alliance
Population	20,781	22,862
FTEs	6.12	15
Population per FTE	3,396	1,524
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Birth/Death certificates	372	4,641
Child/Adult immunizations	822	1,059
Inspections/Home Visits	4,050	1,913
• Food service inspections	522	452
• Other Environmental Health	1,305	1,371
• Home Visits	2,223	90
Inspections/Home Visits/FTE	1,350	N/A

Source: Norwood and Alliance service statistics.

Note: Alliance did not provide a breakdown of personnel involved in home visits. Also, the hours for contracted employees were very limited and accounted for about 0.2 FTEs as shown in the staffing table.

Although Alliance has a slightly higher population than Norwood, it employs over twice the number of staff. The HD staff serves over twice the number of citizens per FTE compared to Alliance. The HD also inspected slightly more food establishments than Alliance. On the other hand, Alliance has a hospital, which allows it to process over 12 times the number of birth and death certificates. Alliance had about 30 percent more immunizations than Norwood but Norwood had more than twice the number of home visits.

For comparison purposes, work measure ratios from the Fairfax, VA, county Health Department and the Baltimore, MD, City Health Department were used. These jurisdictions are actively involved in performance management and regularly track performance data that is not be available in other cities. The following show workload differences on an FTE basis:

- **Dental Visits:** The Fairfax HD had 4 dental FTEs who averaged 1,137 dental visits per employee in 2004. This is in comparison to the HD, which had three contractual part time

dental workers during the time period examined. According to the Health Commissioner, the dentist saw an average of 121 children for two days. However, the cost for the contracted dental employees was minimal.

- **Food Establishment Inspections & Nuisance Complaints:** The Fairfax HD had 65 FTEs who conducted 3,115 food establishment inspections and responded to 3,647 nuisance complaints, for an average of 48 inspections per FTE and 56 nuisance complaints per FTE, respectively, for 2004. The Baltimore HD had 20 FTEs who conducted 8,161 food service inspections for an average of 408 inspections per FTE. The Norwood inspector conducted 1,134 nuisance and vector control investigations and complaints in 2004. Norwood also had 1 FTE who conducted 522 food service inspections in 2004. Compared to much larger cities, the HD is meeting or exceeding workload measures for these areas.
- **Communicable Diseases and Immunizations:** The Fairfax HD investigated 1,146 communicable disease cases with 73.5 FTEs for an average of 16 cases per FTE while Norwood had 1 worker who examined 69 communicable disease cases. The Fairfax HD had 97 FTEs who saw 22,871 children and administered 44,537 vaccinations for an average of 236 per FTE and 459 per FTE, respectively, in 2004 while the Baltimore HD had 75 FTEs who saw 373 children for an average of 5 per FTE. The Department had 1 worker who saw 274 children and administered 822 vaccines in 2004. In general, it appears that the HD staff provides significantly higher service levels in many key public health areas.

The City of Norwood may not have sufficient financial resources to subsidize the Health Department programs at the current time, even though health departments are not usually self-sufficient. Therefore, throughout this section, the Health Department is evaluated on its ability to sustain current operations without General Fund transfers from the City's operating budget.

Recommendations

R9.1 Because the Norwood Health Department is not self-sufficient and generates costs to the General Fund, the City of Norwood should consider outsourcing the HD activities to the Hamilton County Health Department. Although the Department offers valuable services to the citizens of Norwood, the City cannot afford to subsidize services that are duplicative of the County health services. Unless the HD is able to support its operations (see R9.3 and 9.4), the City should seek to obtain critical public health services from Hamilton County.

The Department's costs exceed the revenue generated by grants and service fees as illustrated in **Tale 9-1**. (See **R9.3** for a discussion on increasing revenues through grant funding and **R9.4** for a discussion on service fees and collection rates). Furthermore, the HD does not fully track its revenues and expenditures as illustrated by the lack of 2002 data. The City of Norwood must use General Fund revenues to pay for HD expenses that exceed grant and service charge revenues. On an annual basis, the General Fund subsidy is about \$300,000. In August 2005, the Department was notified that it would no longer receive the Community Grant from the Ohio Department of Natural Resources, potentially increasing the amount needed from the General Fund to support operations. According to the Health Commissioner, the loss of the grant will not increase the Department's reliance on General Fund revenue but may prevent it from performing any additional recycling activities.

Also, HD's services are very broad and encompass many programs not offered in other localities. However, the Hamilton County Health Department offers certain overlapping services and could provide these services to the City of Norwood. Hamilton County Health Department contracts with about 12 cities to provide services. The cost to the cities is based on valuation, as determined by the County Auditor. Once the valuation has been determined for all the cities who want to contract with the County, their respective valuations are combined. Each city then pays a proportionate amount based on their valuation. The price changes every year as the valuations change. At the time of the audit, the lowest cost to a city was \$4,500 and the highest was \$46,000. Also as previously noted, two peers, Trotwood and Whitehall, use the services of the county Health Departments in their respective counties. Although the Mayor sits on the Health Board, it does not appear that there has been strong consideration of the City's financial condition in developing, implementing or maintaining HD programs. An examination of the outcomes of programs and the feasibility of their continuation under current circumstances has not been undertaken.

The National Public Health Performance Standards Program states that local public health agencies are the natural leaders in the development of cohesive local public health systems that include public, private, and voluntary organizations working together to

improve the health of local populations. Local public health agencies, working in conjunction with partners in public health, establish parameters and set directions for the practice of public health. Like state public health systems, local systems have responsibility for carrying out the core functions of public health assessment, policy development, and assurance. The Health Commissioner stated that HD reports performance standard measurements to the Ohio Department of Health annually. In contrast, the Government Finance Officers Association (GFOA) recommends using service fees and other methods to recoup costs for optional services that may benefit only a small portion of the population (see **R9.4**).

In order to continue to provide critical services to the citizens of Norwood, the City must closely examine the feasibility of operating the HD without substantial changes to its revenue and expenditure structure.

Financial Implication: The City of Norwood would avoid costs of approximately \$254,000 in General Fund expenditures if it outsourced HD functions to the Hamilton County Health Department, including the cost for contracted services.

R9.2 If the City of Norwood chooses not to outsource the Health services, the Department should limit the scope of services to provide only those services that are not provided by the Hamilton County Health Department, thus reducing the staff needed for the remaining programs and the corresponding cost to the General Fund.

The Health Department provides many services that duplicate those provided by the Hamilton County Health Department. As stated in **R9.1**, the Hamilton County HD contracts with about 12 cities to provide services. Norwood could contract with the County HD to provide certain mandated services while maintaining certain services in house and delegating some duties to other City departments. For instance, the Department provides nuisance abatement, a service more commonly provided by building departments in other cities. In addition, the HD provides child seat belt checks, a service normally performed by the fire or police departments. **Table 9-4** contains a detailed list of the services provided by Norwood, Alliance and Hamilton County Health Departments. Areas where the HD services are unique to the City are shown in bold text while those that overlap with the County are gray-shaded.

Table 9-4: Health Department Services Comparison

Services provided	Norwood	Alliance	Hamilton County
Nuisance and Vector Control	Y	Y	Y
Water Study	Y	N	Y
Rabies Control	Y	Y	Y
Jail Inspection	Y	N	Y
Food Inspection	Y	Y	Y
Infectious Waste	Y	N	Y
Tattoo Parlor Inspection	Y	Y	Y
School Environmental Inspections	Y	Y	Y
Public Pool Inspections	Y	Y	Y
School Dental Program	Y	N	N
Communicable Disease Program	Y	Y	Y
Food Borne Outbreak Stats	Y	N	Y
Birth Certificates	Y	Y	Y
Burial Permits	Y	N	Y
Death Certificates	Y	Y	Y
Immunizations	Y	Y	Y
Flu Shots	Y	Y	Y
Maternal Health Services (Prenatal and Post Partum)	Y	Y	Y
Health Promotion Services	Y	N	Y
Blood Pressure Clinics	Y	N	N
Home Visits	Y	Y	Y
School Nurse Visits	Y	N	N
WIC Program	N	Y	Y
Lead Program	Y	Y	Y
HIV Counseling/Testing Site	Y	Y	Y
Injury Prevention	Y	Y	N
Healthy Start	Y	Y	Y
Plumbing	N	Y	Y

Source: Norwood, Alliance and Hamilton County service data.

Although many services overlap between the City and County, Hamilton County does not provide school dental programs, blood pressure clinics, or school nurse visits. In addition, there are several services provided within Norwood (and in Hamilton County in some cases) that are not provided in Alliance. These include:

- Water Study services,
- Jail Inspections,
- Infectious Waste services,
- School Dental Programs,
- Food Borne Outbreak Statistics,
- Burial Permits,

- Health Promotion Services,
- Blood Pressure Clinics, and
- School Nurse Visits.

Although the Department staff wants to provide quality services to Norwood citizens, the financial situation may require a reduction in the scope of services. If it eliminated overlapping services, the HD would provide the School Dental Program, School Nurse visits, blood pressure clinics and the Healthy Start Program. The Dental program was operated by contract employees and generally supported with grant funding. In 2005, according to the Health Commissioner the Dental program was eliminated due to the dentist being called into active duty in Iraq. However, the Health Commissioner is seeking additional grant funding to reopen the dental clinic. The remaining programs are supported by General Fund revenue.

A reduction in the scope of services would result in the elimination of the following full time positions:

- Health Commissioner;
- Secretary/Registrar;
- Sanitarian; and
- Environmental Health Inspector.

Reducing 4 FTEs would save the City \$196,293 in salary and benefit costs.

Financial Implication: If the City reduced the scope of services to those that do not duplicate services provided by the County, it could reduce the cost to the General Fund by approximately \$196,000.

R9.3 If the City of Norwood chooses not to outsource the Department, the HD should aggressively seek additional funding sources that meet identified community health needs. An increase in grant awards, particularly in service areas it desires to retain, will help reduce the Department's reliance on General Fund for revenue sources.

The HD does not obtain the same level of grant funding as Alliance. **Table 9-6** illustrates the amount and type of grants Norwood and Alliance received for 2004. The grant funding information obtained from the HD did not match the financial data provide by the City Auditor. The information in **Table 9-6** is based on the City of Norwood's financial data.

Table 9-6: 2004 Grant Revenue Comparison

Grant	Norwood	Alliance
Residential Recycling Initiative	\$7,077	N/A
Women, Infants and Children, (WIC)	N/A	\$97,503
HIV/AIDS	N/A	\$12,994
Welcome Home	N/A	\$9,410
State Subsidy	N/A	\$6,729
Immunization	N/A	\$20,433
Bureau for Children with Mental Handicaps (BCMh)	\$2,750	N/A
Child and Family Health SVC	N/A	\$14,047
Community Development Block Grant (CDBG)	N/A	\$ 8,835
Tobacco Prevention (TUPCF)	\$4,731	N/A
Car Seats	\$1,450	N/A
Bioterrorism	\$20,493	N/A
Community Investment	\$3,000	N/A
Total:	\$ 39,500	\$ 169,951

Source: Norwood and Alliance revenue reports.

In addition, the HD also had funding available from a carryover balance of \$15,362 from FY 2003. When compared to Alliance, the HD received less than one-third the amount in grant funds. As a percentage of total operating costs, grants offset less than 9 percent of the costs while user fees offset about 15 percent of operating costs. (See **Table 9-7** for a comparison of fees) Alliance HD expenditures were \$708,808 in 2004 and it used grants to offset 24 percent of the total expenditures incurred by the Department. If the HD increased its level of grant funding to 24 percent, the Department could reduce its reliance on the General Fund by about \$105,000, based on 2004 revenues and expenditures. The HD may not be eligible for the same grants as the Alliance HD, but in order to continue the same level of services, alternative funding sources must be used.

Financial Implication: By increasing its level of grant funding to 24 percent, the Department could reduce its reliance on the General Fund by approximately \$105,000.

R9.4 If the City of Norwood chooses not to outsource the HD, the Health Board should raise its service fees to levels comparable to Hamilton County. Likewise, the Department should begin collecting all fees for services. In 2004, the Department collected \$8,606 in service fees and \$54,285 in licenses and permits. However, the records of service provided to Norwood residents indicate that a higher rate of collection should have been obtained. By increasing fees for services, licenses and

permits to levels comparable to the County and collecting these user charges for all applicable services, HD will be able to reduce its reliance on General Fund revenues for operations.

The HD has not raised pool inspection fees since 1999 and immunization rate schedules had no date identifying the latest date of revision. When compared to the fees charged by the County, HD is collecting substantially less revenue for its services. As Norwood can not currently provide financial support for the Department due to its fiscal condition, it should increase fees for any services it plans to retain in-house. **Table 9-7** shows the difference in service fees between Norwood and the County.

Table 9-7: Service Fee Comparison for 2004

Fee Type	Norwood	Hamilton County	Difference
Birth Certificate	\$15	\$18	\$3
Death Certificate	\$15	\$18	\$3
Burial Permit	\$3	\$3	\$0
Immunization	\$2	\$5	\$3
Tattoo/Body Piercing License	\$100	\$300	\$200
BCMh home visit	\$10	\$10	\$10
BCMh office/clinic visit	\$10	\$10	\$10
Food service inspection ¹	\$284	\$308	\$24
Primary Pool inspection	\$240	\$290	\$50

Source: Norwood and Hamilton County fee schedules for 2004.

¹This is the average of four types of food establishment inspections in 2004. For establishments of less than 25,000 square feet in Norwood, Level 1 fee: \$135; Level 2: \$160; Level 3: \$363; and Level 4: \$477. Hamilton County HD, Level 1: \$185; Level 2: \$206; Level 3: \$373; and Level 4: \$467 for establishments of less than 25,000 square feet.

The Department consistently charges patients a lower rate for the same services when compared to the Hamilton County Health Department during the period examined. For the food service inspection comparison, four types of commercial food establishment inspections were averaged. The sample included one type at each level for establishments measuring less than 25,000 square feet. In Norwood, the local Board of Health determines the service fees. Although the differences are slight in most areas, the overall effect of the lower rates is significant. The Health Commissioner in Norwood stated that for BCMh home visits and office/clinic visits, the Department is reimbursed by the Ohio Department of Health at \$10 per visit.

The GFOA notes that fees are imposed as a result of a public need to regulate activities, typically related to health, safety, or other protective purposes. Fees result in the purchase of a privilege or authorization and are applied to such activities as restaurant

inspections, landfill use, building permits, and marriage licenses. According to economic theory, the most efficient use of resources is achieved if the price for a good or service is set at a level that is related to the cost of producing the good or service. In practice, governments set some charges and fees to recover 100 percent of the full cost. The full cost should incorporate direct and indirect costs including operation and maintenance, overhead, and charges for capital facilities. Charges and fees should be reviewed and updated periodically based on factors such as inflation, other cost increases, the adequacy of the coverage costs and current competitive rates. Furthermore it suggests that information on charges and fees should be made available to the public.

The Health Commissioner provided cost analyses showing the sanitarian costs associated with the food safety program. However, because Norwood cannot determine the cost for each of its other services, e.g., pool license fees, at the current time, ensuring that fees capture the total cost to provide the service may not be possible. Likewise, some of the costs may be offset by grant funds or the City's desire to maintain the service at a low cost for citizens who may be economically disadvantaged. However, if Norwood decides to retain its HD services, the Department should use the performance measures in **R9.5** and a cost allocation formula to target key services in an effort to ensure that associated costs are fully recovered.

The HD should also ensure that it obtains and records all fee, permit and license revenue. The HD was unable to explain the variance in services provided and revenues collected. In an interview held in August 2005, the Health Commissioner stated that the Norwood Board of Health made a resolution that the Health Department could not charge the full amount of fees allowed by the State for food service inspections. A cost methodology formula developed by the State determines the full amount allowable for fees but the local Board determines how much of those fees the Health Department will charge. In 2004, the HD charged between 85 percent and 95 percent of the fees allowed by the State. The City Auditor should work with the HD to ensure that internal controls are appropriate within the office and that the HD does not issue licenses or permits, or provide services without payment.

Table 9-9: Potential Fee Revenue in 2004

Service	Number	Potential Revenue Generated Under 2004 Fees	Revenue Generated Under Proposed Fees
Birth Certificates	33	\$495	\$594
Death Certificates	339	\$5,085	\$6,102
Burial Permits	354	\$1,062	\$1,062
Immunizations	822	\$1,644	\$4,110
Tattoo/Body Piercing License	0	\$0	0
BCMh home visits	91	\$910	\$910
Food service inspections	522	\$148,248	\$160,776
Primary Pool inspections	94	\$22,560	\$27,260
Total	N/A	\$180,004	\$200,814
Actual Collected Fees	\$62,891	\$62,891	\$62,891
Net profit/(loss)		(\$115,393)	(\$137,923)
Total as a % of Operating Costs	15%	42%	48%

Source: Norwood fee schedule.

Based on the Norwood fee schedule and workload statistics, \$180,004 in revenue should have been generated by service, license and permit fees based on 2004 data. Instead, Norwood only collected \$62,891. The comparison is based on the 2004 published fee schedule multiplied by the workload statistics provided by the HD to determine the potential revenue generated by the fees. As illustrated above, the actual fee collection amount is considerably less than the potential revenue based on the workload statistics. During the audit the Health Commissioner stated that the Norwood Board of Health passed a resolution that the Department could not charge the full amount of fees allowed by the State for food service inspections. A cost methodology formula developed by the State determines the full amount allowable for fees but the local Board determines the portion of those fees the Department will actually charge. However, this explanation does not explain the discrepancy between published, approved fees and the revenue collected. As of January of 2005, the Norwood Health Board allows the HD to recover 100 percent of the food license fees allowable by State law.

If HD collected all allowable revenue for permits, licenses and fees, the cost to the General Fund would be substantially lower and a continuation of departmental efforts would be more feasible under current financial conditions. The Board of Health should closely examine revenue opportunities and seek additional options to improve its revenue generating capacity.

Financial Implication: If the HD collected all fees in accordance with its published workload statistics, it could increase revenue and offset program costs by about \$115,000, based on 2004 data. If it increased its fees to levels similar to Alliance and the County, it could generate about \$138,000.

R9.5 If Norwood retains the Department operations in-house, it should use established performance measurement processes to determine its level of effectiveness and the services needed by its constituents in addition to performance standards required by the State. Performance evaluation models typically require about one 8-hour day per month to maintain. HD could complete performance measurement activities without additional staff or costs.

The Ohio Department of Health (ODH) requires that each local health district complete a Local Health District Improvement Standard report annually. The HD does not measure its performance to determine effectiveness or the adequacy of outcomes beyond what is required by the ODH. Therefore, the utility of the Department to the City is difficult to demonstrate and its performance cannot be compared with the County Health Department to determine whether it is more effective in ensuring the health of Norwood's citizens. The Health Commissioner stated that the HD annually completes performance standards as required by the Ohio Department of Health or ODH. The Norwood HD was also included in the 2005 National Association of County and City Health Officials (NACCHO). "Building Healthier Schools: Local Collaborations to Promote Nutrition and Physical Activity" booklet. This was developed for informational use by other health agencies to identify alternative practices.

Performance measures are available to evaluate the performance of local health departments and help them better serve the community's needs. Performance measurement not only illustrates the outcomes produced by a department, but also allows the examination of ways to improve services.

Table 9-8, is an example of performance evaluation criteria from the Public Health Nursing and Administration. Areas scoring less than 100 percent are addressed in action plans by participating health departments.

Table 9-8: Performance Evaluation Example

Performance Area	Performance Standard
CD1: Training	Designated individual(s) from each of the 8 communicable disease areas (Disease Surveillance and Case Follow-up, Outbreak Investigations, STD, HIV/AIDS, Vaccine Preventable Diseases, TB, Rabies, and Epidemic Response) attend initial and ongoing training in their area of responsibility and disseminate this information locally to those involved in the area of service.
CD2: Community Education	At least one community education activity per year is provided in at least four of the following areas: Disease Surveillance and Case Follow-up, Outbreak Investigation, Epidemic Response, STD, HIV/AIDS, Vaccine Preventable Diseases, TB, Rabies, and General Infectious Diseases.
CD3: Provider Education	At least one provider education activity is provided per year in at least four of the following areas: Disease Surveillance and Case Follow-up, Outbreak Investigation, Epidemic Response, STD, HIV/AIDS, Vaccine Preventable Diseases, TB, Rabies, and General Infectious Diseases.
CD4: Community Collaborations	New or continued collaboration with an external organization (e.g., Board of Education, Managed Care Organization, Student Health, Department of Corrections, etc.) is demonstrated in at least one of the communicable disease basic public health service areas.

Source: Public Health Nursing and Administration

A similar model is available through the National Public Health Performance Standards Program, Local Public Health System Performance Assessment Instrument. Whether as leader, convener, partner, collaborator, enabler, analyst or evaluator, local public health agencies play key roles in coordinating the performance of local public health systems. By developing public health performance standards to identify and benchmark superior performance, local public health systems and their local public health agencies will be better equipped to assess and improve delivery of essential public health services and achieve improvements in community health. The Local Public Health System Performance Assessment Instrument was developed by the National Association of County & City Health Officials and the Centers for Disease Control and Prevention.

The Local Public Health System Performance Assessment Instrument is based on essential services, which is divided into several indicators that address critical aspects of the services. Each indicator is illustrated by a model standard that describes high

performance and each model standard is addressed by assessment questions that serve as measures of performance. The following ten service-based performance measures are recommended by the Center for Disease Control to monitor the effectiveness of the model standards:

- Monitor health status to identify community health problems;
- Diagnose and investigate health problems and health hazards in the community;
- Inform, educate, and empower people about health issues;
- Mobilize community partnerships to identify and solve health problems;
- Develop policies and plans that support individual and community health efforts;
- Enforce laws and regulations that protect health and ensure safety;
- Link people to needed personal health services and assure the provision of health care when otherwise unavailable;
- Assure a competent public and personal health care workforce;
- Evaluate effectiveness, accessibility, and quality of personal and population-based health services; and
- Research new and innovative solutions to health problems.

If the Norwood Health Department implemented a performance measurement system similar to the Local Public Health System Performance Assessment Instrument or the Public Health Nursing and Administration model, it could better demonstrate the effectiveness of its operations and serve in a collaborative role with surrounding health departments to provide community services. Without data to the contrary, the City should consider outsourcing operations so that essential services are provided by the County.

Financial Implication Summary

The following table summarizes the estimated annual cost savings and cost avoidance, as well as revenue enhancements, for the recommendations presented in this section of the report.

Scenario 1: Outsource Health Department

Recommendations	Estimated Annual Cost Savings and Cost Avoidance
R9.1 Outsource operations to Hamilton County.	\$254,000
Total	\$254,000

Scenario 2: Retain Health Department Operations In-house

Recommendations	Estimated Annual Cost Savings and Cost Avoidance	Estimated Annual Revenue Enhancements
R9.2 Reduce in-house programs	\$196,000	
R9.3 Increase grant funding to off-set program costs.		\$105,000
R9.4 Increase fees and collect all fees due for services		\$138,000
Total	\$196,000	\$243,000

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Thomas F. Williams
Mayor

January 17, 2006

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4645 Montgomery Road
Norwood, Ohio 45212

The draft copy of the Performance Audit Report for the City of Norwood has been thoroughly reviewed and I would like to submit the following response.

The financial situation of the City is moving in a positive direction. The administration's goal since first taking office has been to bring financial stability to the City. We are in the process of adopting plans to follow some of the recommendations contained in the Audit Report, while making additional recommendations as follows:

1. The Administration and Finance Committee Chairman are in the process of forming an Audit Committee. Meetings have been held to make recommendations for the Committee. Members of the Audit Committee would include leaders who have experience in banking, business, municipal finance and academics;
2. The process is under way to retain the services of a Budget Director. This would be a part-time position and the person would report to the Finance Chairman and Council. This person would have experience in municipal finances and would be an asset to Council, advising them in making informed budgetary decisions and future budgetary planning;
3. The City has retained the services of a professional firm to represent them in labor negotiations;
4. The Administration has actively applied for and received grants in the amount of nearly \$2,000,000.00. Areas covered by the grants include streets, storm sewers, and environmental clean-up;

"Gem of The Highlands"

5. In the year 2005 the Administration and Council, particularly the Small Business and Development Committee have successfully recruited over forty (40) businesses to relocate in the City of Norwood. These include small businesses with as few as three (3) employees to large corporations with as many as five hundred (500) employees. The future looks very good for the City as we continue discussions with businesses and developers;
6. Discussions have taken place to receive a \$5,000.00 grant from Cinergy. The grant would be applied to a joint collaboration between Xavier University and the City of Norwood. The grant would be utilized to formulate a financial plan for the City of Norwood in conjunction with the Audit Committee.

The above recommendations are based on my belief that the City cannot let services decline to a point where quality of life for residents and recruitment and maintenance of businesses will decline.

It has been written and I quote from an article: "Benchmarking and Municipal Reserve Funds: Theory Versus Practice" by Michael Shelton and Charlie Tyler:

"David Osborne and Ted Gaebler in their bestseller, *Reinventing Government*, write about "anticipatory government" being necessary today. They note, correctly, that politicians are bombarded with problems that an individual or an interest group wants solved on a short-term basis. Thus, most governments in the United States fail to plan beyond one year at a time, particularly in terms of their budgets, which are most universally annual budgets and are not viewed in the context of any kind of overall plan.

One way of anticipating the future, according to Osborne and Gaebler, is by "long-term budgeting," or multi-year budgeting, something they imply few governments do. But, they then proceed to acknowledge that there is another, indeed more common, way that local governments anticipate the future. This is by the use of reserve funds, although they too refer to these in the context of "contingency funds" or rainy day funds."

In order to achieve the above goals, the City must change its custom regarding how we utilize our financial resources and how we properly inform our department heads of their budgets.

In order to achieve financial security, items 1, 2 and 3 are the basis for our success.

Sincerely,


Thomas F. Williams, Mayor
City of Norwood

TFW:bko