City of Springfield: Initiative report

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Guiding principal for this report

This report follows the Finance Trend Analysis we presented to the City and Chamber leadership in September. That report described the City's recent financial results in the three funds we reviewed – the General Fund, Special Police Levy Fund and Fire Division Service Enhancement Fund – and presented a baseline financial projection for those funds' performance through 2021 if the City does not pass the temporary income tax increase on the November ballot and takes no corrective action. This second report references the first one in several places and they should be reviewed together.

With the reduction in State-shared tax revenue, Springfield's financial results slipped from a modest surplus in 2012 to a modest deficit in 2013. The City has successfully controlled spending on employee cash compensation, which was essentially flat from 2011 through 2015. The City and collective bargaining units have also worked together to try to alleviate the growth in employee health insurance costs. Despite those efforts, total General Fund expenditures grew more than total General Fund revenues, and the deficit that first appeared in 2013 grew to $1.8 million on a cash basis in 2015. The City has relied on its fund balance (reserves) to close these deficits, and they have been depleted well below the recommended threshold. PFM concludes (and City Finance concurs) that City government is at risk to exhaust its General Fund reserves as soon as 2018 and have growing deficits into the future, without corrective action.

Given the urgency of the situation and the lack of options that City officials could unilaterally adopt immediately to remedy it, we recommend that the City electorate approve the income tax increase on the November ballot. There are no other revenue options currently available that would generate as much revenue as the tax increase, and it would be very difficult for the City to reduce expenditures to the degree necessary in a short period of time to wrench the budget back into balance, especially with the charter mandated minimum public safety staffing levels.

However, the income tax increase alone is not sufficient to put Springfield on stable financial footing. A tax increase does not fix the other trends driving the City's finances out of balance and it increases the dependence on revenue that is sensitive to economic cycles.

The question isn't whether the City should adopt the income tax or take other actions. The income tax is necessary to address the immediate projected deficits *and* the City needs to aggressively pursue other initiatives to ensure City government achieves long-term financial structural balance (recurring revenues cover recurring expenses). After some brief scenario analysis, the majority of this report provides our recommendations for changes City government should pursue.

Revenue goal: Diversification

While we endorse the temporary increase in the income tax, we acknowledge that increasing taxes comes with a significant cost. It cuts further into the income of residents in a City where the loss of middle class wage earners is well documented. And it would place Springfield's income tax rate at least third highest and possibly second among comparable Ohio communities (see Appendix), though the City has a relatively low real estate tax relative to its peers.

Throughout this report we also highlight an additional concern described in our first report. Springfield is becoming increasingly dependent on the income tax, even more so than its Ohio peers. Outside of Ohio the two most common taxes to fund municipal government, besides the income tax, are the real estate and the sales tax. Springfield's real estate tax is losing money each year because of declining assessed value of property in the City and Ohio cities cannot levy a sales tax on their own.

Again we recognize those limitations and the lack of other revenue options that come close to generating as much revenue as the income tax increase would. But Springfield will not achieve financial stability simply by increasing the income tax and hoping that the next recession does not reduce revenues as much as the last two did. Springfield's officials need to pursue the other revenue options described in this report – right-sizing reimbursements from other funds, pursuing regional revenue sharing with the County, moving E911 services out of the income-tax dependent general fund – to provide a more diverse mix of revenues.

Springfield's business community should also be a part of this discussion. A united front of the City's government and business leaders will have a better chance to persuade others, like County government leaders, to help diversify the City's revenues. **It will also keep the focus on finding options to increase other revenues so the income tax increase can be rolled back at the end of the five year period authorizing it.** For example, moving E911 outside of City government and funding it through a mechanism other than the income tax would reduce City government's savings by as much as one-tenth of a percent in income tax generates. It would also diversify the City's revenue streams and put E911 in a better position to address its operational challenges.

	2017	2018	2019	2020	2021
Value of 0.1 percent of income tax	1,650,000	1,691,250	1,733,531	1,776,870	1,821,291
Initiative: Restructure E911	1,647,609	1,717,488	1,786,770	1,910,586	1,922,222

Cost-cutting goal: Rethink scope of government

The primary question before voters on the November 2016 involves revenue, but that does not mean government spending should not be adjusted. A successful, well-balanced path to financial stability needs to address both sides of the financial ledger.

Springfield allocates most of its General Fund budget to employee compensation (80.5 percent in 2016) and that percentage is even higher counting transfers to other funds primarily used to support employee compensation. So any conversation about reducing or controlling growth in City government spending means reducing or controlling the growth in employee compensation.

Broadly speaking, personnel expenditures are the product of the number of employees and the cost per employee, including all forms of compensation (health insurance, pensions). Over the last five years City government has demonstrated its willingness to take actions to mitigate the growth in cost per employee, and the employee bargaining units have largely cooperated in that effort. From 2011 through 2015 spending on employee base salaries across the three primary funds was basically flat, growing by just 0.3 percent per year. Health insurance spending grew faster at 5.4 percent per year but, even taking that into account, total expenditures on recurring employee compensation grew by 0.9 percent per year, less than the 1.1 percent national inflationary rate over that period. The options for keeping cost growth at that level through the next five years – wage freezes, hiring freezes, changing health insurance plans or design, increasing employee premium contributions – remain the same, though practically it will be difficult to duplicate the four consecutive years of base wage freezes that occurred from 2010 through 2013.

So the focus turns to where City government should reduce the number of employees. For now those discussions cannot include the two largest departments. The City charter sets minimum staffing levels for police and fire and, while any thorough discussion about cost reduction needs to include those departments, the question whether those charter limits should be amended is not on the ballot this year.

With that very large portion of expenditures taken off the table for now, the most impactful and thoughtful way to reduce headcount is to change the scope of what City government does and how it does it. Identifying small numbers of position cuts spread throughout government does not address concerns about whether City government has the capacity to successfully deliver any of the services provided and would likely not produce enough savings to change the City's financial trajectory.

Priorities to pursue

Instead we emphasize an approach that identifies functions that could be shifted outside of City government, like E911 dispatch. We also strongly recommend that the City evaluate whether its support services could be handled by service providers other than City employees. Conducting that evaluation for income tax collection is a priority because of how critical that function is to the City's financial position.

This is not a blanket endorsement of regionalization, consolidation or outsourcing as broad concepts. We have identified opportunities that should be pursued within the context of financial objectives (can we provide the same service at a lower cost) and strategic ones. But that is the next step in a meaningful effort toward cost control. Again, the business community can play a role in the support of some options and the evaluation of others.

While we endorse the temporary increase in the income tax, we urge City leaders to aggressively pursue the following initiatives, either to roll back the income tax increase if it passes or reduce the projected deficits if it does not:

1. Move E911 dispatch outside of City government, preferably to a Council of Government-governed model that can be funded by a revenue source other than the income tax

2. Review services listed on page 21 for opportunities to contract with a service provider outside City government, starting with income tax collection

3. Commission a study of the Municipal Court staffing levels relative to caseload and other relevant factors

4. Convene a discussion between the Municipal Court Clerk of Courts and County Common Pleas Clerk of Courts regarding potential consolidation

5. Right-size interfund reimbursements to the General Fund

6. Work with the third-party health benefits administrator on a wellness program to help reduce medical claims costs as part of a broader effort to mitigate growth in employee health insurance expenditures

Scenario analysis

Priority recommendations

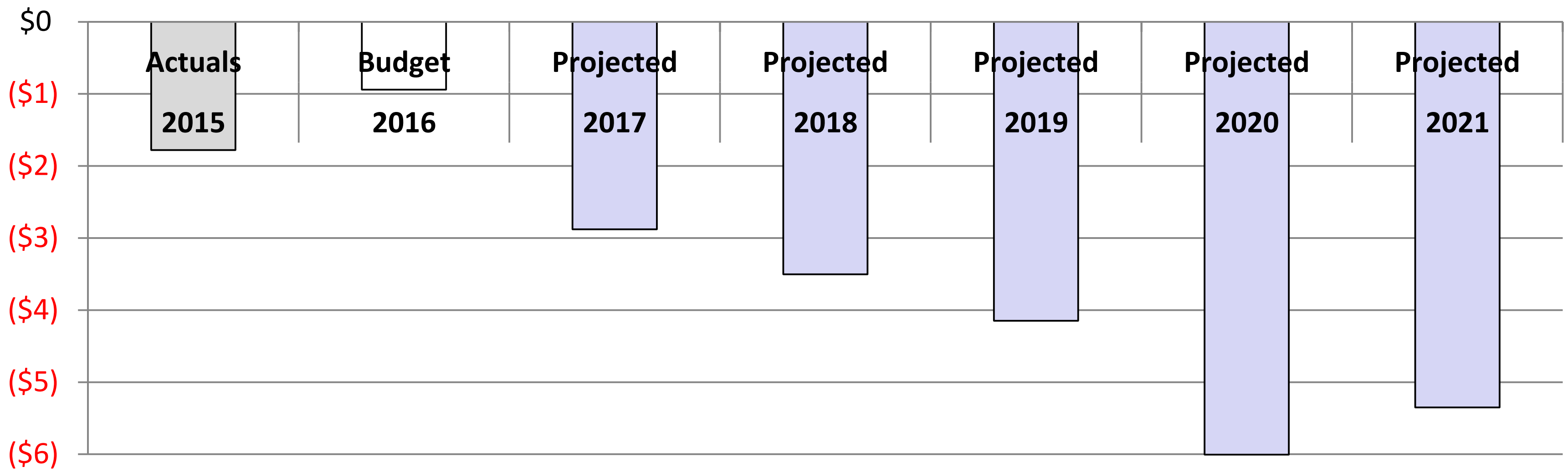
Initiatives responding to trends

What happens if the tax doesn't pass?

One last key initiative

Revisiting the baseline

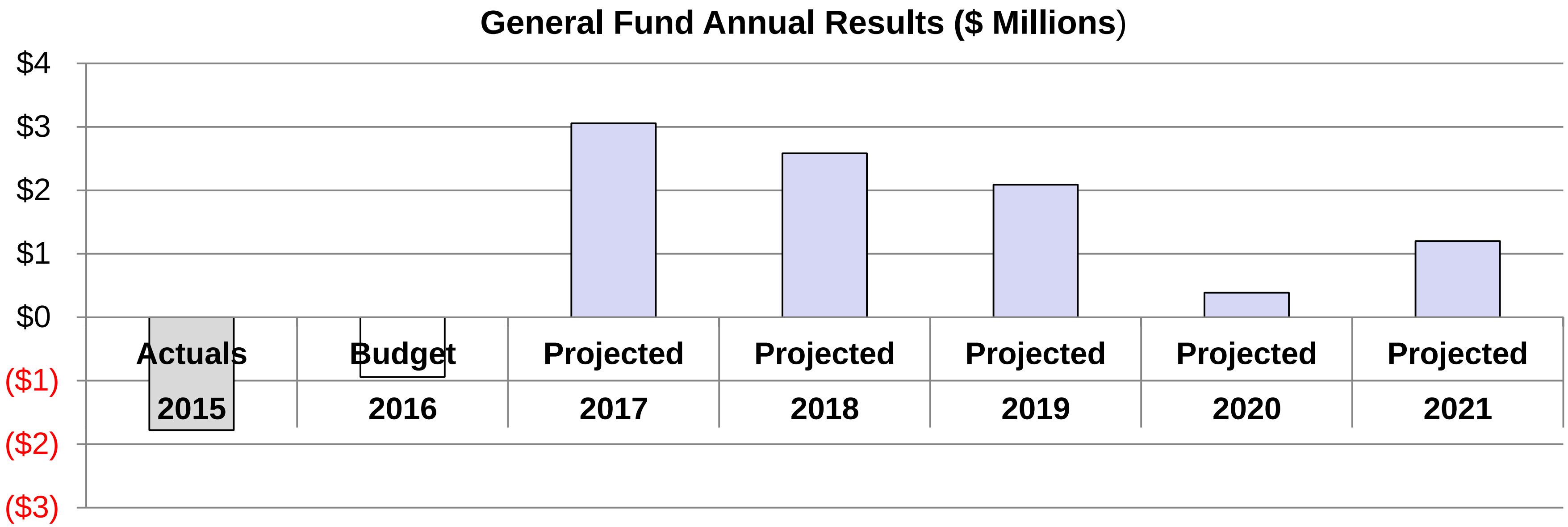
General Fund Annual Results ($ Millions)



	2015 Actuals	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Total revenues	$36.7	$38.0	$38.0	$38.8	$39.7	$40.6	$41.5
Total expenditures	$38.4	$38.9	$40.9	$42.3	$43.8	$46.6	$46.8
Annual Result	**($1.8)**	**($0.9)**	**($2.9)**	**($3.5)**	**($4.1)**	**($6.0)**	**($5.4)**

Let's return to our baseline projection for the General Fund. Remember that the deficits shown here include the deficits in the Special Police Levy Fund and the Fire Division Service Enhancement Fund. Expenses have outpaced revenues in those funds and the General Fund covers the difference through interfund transfers. The deficit is larger in 2020 because of the extra payroll period that year. The baseline isn't a prediction of financial performance, but rather a starting point for identifying appropriate, effectively sized solutions to fill the deficit.

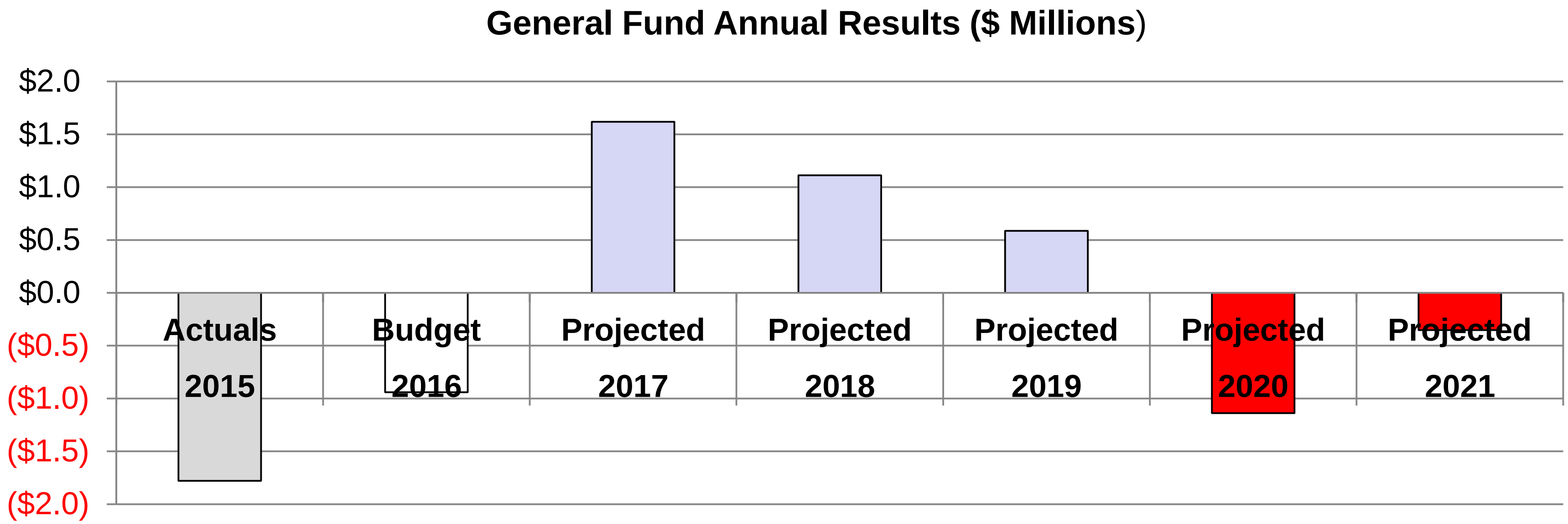
Adding the income tax increase



	2015 Actuals	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Total revenues	$36.7	$38.0	$43.9	$44.9	$45.9	$46.9	$48.0
Total expenditures	$38.5	$38.9	$40.9	$42.3	$43.8	$46.6	$46.8
Annual result	**($1.8)**	**($0.9)**	**$3.1**	**$2.6**	**$2.1**	**$0.4**	**$1.2**

If the electorate passes the temporary 0.4 percent income tax increase on the November ballot, it will add about $6 million to the General Fund plus another $0.6 million to the Capital Improvement Fund not shown above. That erases the projected deficits in the baseline, but the positive margin gradually declines because of the key trends discussed in our first report unrelated to the income tax. The margin is less than 1.0 percent in 2020 because of the 27th payroll in that year. The projections above do not account for any changes other than the increased income tax revenue.

Adding the new spending proposals

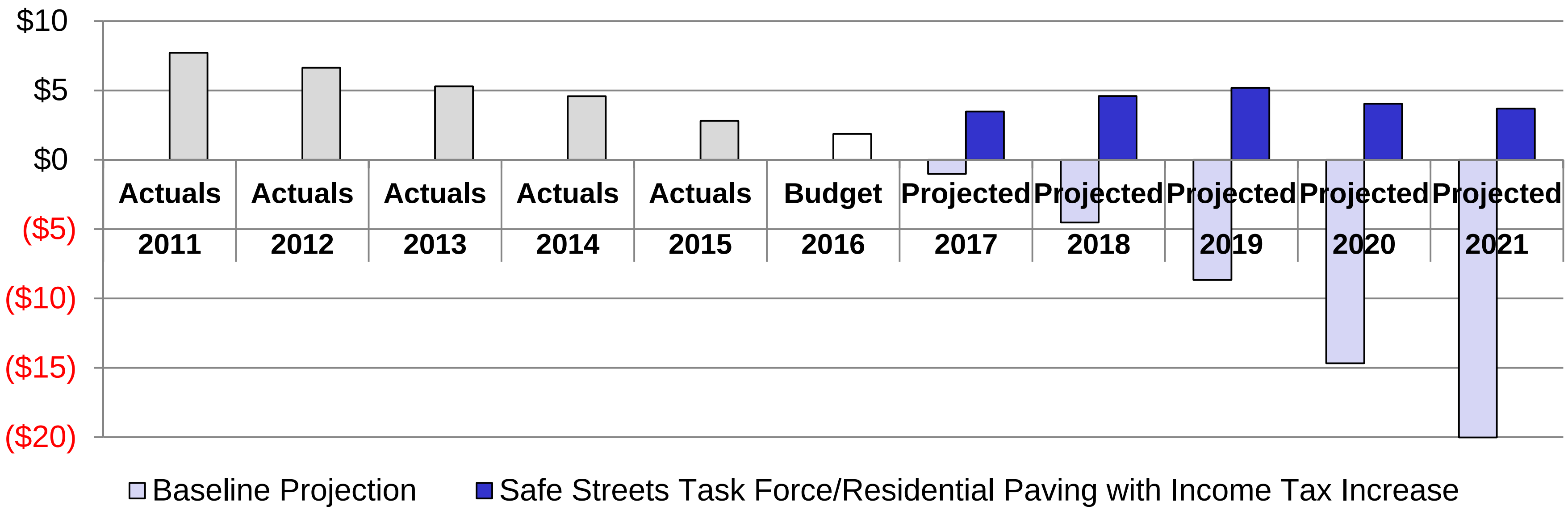


	2015 Actuals	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Total revenues	$36.7	$38.0	$43.9	$44.9	$45.9	$46.9	$48.0
Total expenditures	$38.5	$38.9	$42.3	$43.8	$45.3	$48.1	$48.4
Annual result	**($1.8)**	**($0.9)**	**$1.6**	**$1.1**	**$0.6**	**($1.1)**	**($0.4)**

The proposed income tax increase has been discussed in tandem with two other changes – adding a Safe Streets Task Force comprised of six additional police officers and increasing road paving by $2 million per year. The Task Force would cost an estimated $438,000 in the first year, rising to $555,000 by 2021 under the assumptions in the baseline projection. The additional paving would increase General Fund spending by $1 million per year, with the other $1 million coming from the Capital Improvement Fund ($0.6 million) and other funds ($0.4 million). With those expenditures added, the General Fund deficits return in 2020, assuming the City does not take any other corrective actions.

Replenishing the reserves

Cumulative Year-End General Fund Balance ($ Millions)



Note: The results for 2011 – 2015 come from the City's annual audits that are prepared on a modified accrual accounting basis. The results for 2016 – 2021 incorporate the projected annual financial results according to the City's budget that uses a cash accounting basis. In this scenario the modified accrual results for 2016 – 2021 may be higher than shown here but the overall trend should still apply.

If the income tax increase is approved, the City would replenish the fund balance (reserves) that has been depleted by recent annual deficits. If the tax is approved and the City implements the Safe Streets Task Force and road paving program, the projected fund balance would reach $5.2 million in 2019 (11.4 percent of General Fund expenditures) and then start to decline to $3.7 million (7.6 percent of General Fund expenditures) at the end of 2021.

Scenario analysis

Priority recommendations

Initiatives responding to trends

What happens if the tax doesn't pass?

One last key initiative

Priority recommendations

While much of our analysis is focused on the City's financial challenges, we evaluated those challenges within the broader context of City government's mission and primary goals, and the obstacles to achieving them. Our project kickoff meeting included discussion with City officials and business leaders on what Springfield City government's priorities should be, in view of its resource limitations, even after any income tax increase.

There was generally consensus among that group that City government should prioritize programs and services that improve public safety, strengthen neighborhoods (mostly within the context of maintaining and improving public spaces like streets and parks) and retain and attract jobs to Springfield. Those are admittedly broad areas that can be defined differently according to the reader's perspective and preferences, but they provided a starting point for our performance evaluation. They also align with the results of the community-wide poll conducted by the City in July 2016.

We cited those broad goals in our discussions with the City's appointed managers, department directors and collective bargaining unit leaders to gain their insight on how well the operations supported by the General Fund, Special Police Levy Fund and Fire Division Service Enhancement Fund reflect those goals. Those discussions touched on the challenges City employees face in delivering the services that taxpayers expect at a tax level they are willing to pay.

That qualitative analysis, coupled with our finance-focused quantitative analysis and experience working with other communities facing similar challenges, informed the recommendations described in this section. **We strongly urge the City government and local business leaders to aggressively pursue the priority recommendations, even if City government overcomes the immediate financial challenges.**

#1: Consolidate City and County E911 dispatch

Since public safety is a primary goal, operating a strong, stable emergency 911 dispatch center – the means by which most police and fire calls are received, dispatched and tracked – is a high priority. Based on our discussions with the City Director of 911 Communications and related department leaders (police, fire), Springfield faces significant operational and financial challenges related to the current arrangement.

Current Operational Challenges

- **Overall staffing:** The City reduced staffing from 18 operators (dispatchers) to 16 in 2009 and then 14 in 2012. The Center eliminated its Assistant Manager position and there have been discussions about dropping staff from four to three people per shift. At that level there would be little redundancy to cover calls when an employee was ill, indisposed or otherwise unavailable.

- **Hiring/training:** The City has had difficulty filling a vacant supervisory position because of salary compression with the operators and the higher level responsibility associated with the position. The Dispatch Director occasionally fills this vacancy himself. Further attrition among dispatchers is possible with a 3-4 month training process associated with new hires.

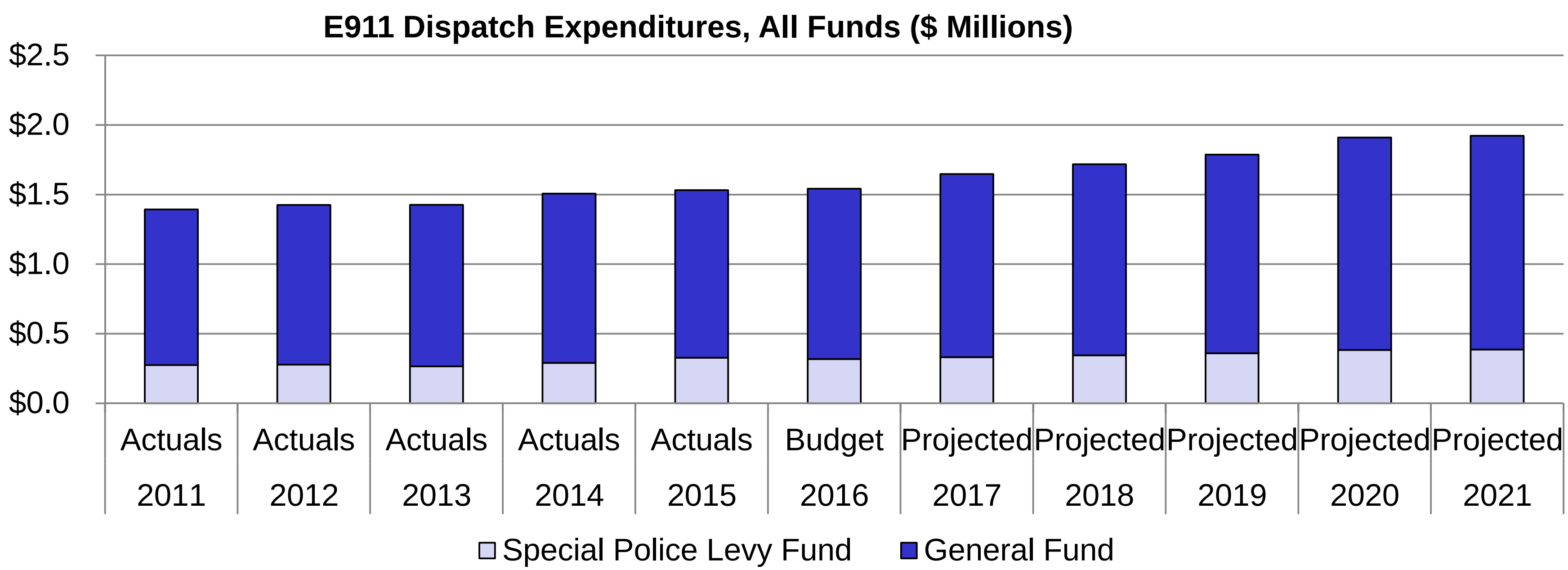
- **Technical:** The computer automated dispatch (CAD) system is 20 years old, which makes it difficult to secure technical support or replacement parts.

- **Efficiency:** Calls that are intended for the Springfield police and fire departments or New Carlisle fire department (dispatched by Springfield) are occasionally received by the County dispatch center first, and then routed back to the City for dispatch, and vise versa. This may happen because cell phone calls are automatically routed to the nearest dispatch center or staff shortages cause the call to rollover to the other center.

E911 dispatch: Financial challenges

There are also financial challenges associated with the current arrangement:

- Overtime expenditures have risen from $41,000 in 2011 to $114,000 in 2015 because of the aforementioned staffing challenges
- It would be challenging to house the additional staff needed to add any new dispatch partners to the City's system, and capital funds for securing and outfitting a new location or a new CAD system are limited
- The primary means for funding E911 dispatch and addressing the operational challenges are the income tax (supports many other functions) and real estate tax (slowly declining)



E911 dispatch: Opportunity along with risks

Springfield and Clark County, which handles E911 dispatch for all other municipalities, have previously discussed arrangements in which one entity would merge its E911 operations with the other. Those discussions are timely considering the following:

- Potential for new state legislation mandating what a E911 center needs with regard to electronic equipment, certifications and staffing
- Current facilities are located close to each other and already route calls to each other, with each government spending more than $1.3 million annually on the separate centers

It may be possible for the City and County governments to negotiate an intergovernmental agreement in which one government takes responsibility for the other's E911 dispatch duties and receives payment for doing so. **However we encourage the City to consider an alternative model in which the City would shift E911 dispatch – hopefully with the County or other interested parties – to a structure that exists *outside* of both governments and can be funded by a new revenue source.** That could provide a better, stronger platform for improving this vital service, beyond the financial and operational constraints that Springfield City government is likely to have.

E911 dispatch: Alternate governing models

Other communities in Ohio have E911 dispatch centers that are governed by entities other than the City or County government. The four examples below use a council of governments (COG) approach.

Other Consolidated Dispatch Governance Models

Center Name	City	Members	Services	Governance
Westshore Central Dispatch Center (WestCom)	Westlake, Ohio	5	Fire/EMS	Operated by City (Fire); governed by COG. Mayor of each community sits on COG board
Regional Emergency Dispatch (RED) Center	Massillon, Ohio	21	Police, Fire/EMS	Operated by COG; run by a board made up of COG management team
Chagrin Valley Regional Communications Center (CRCC)	Chagrin Falls, Ohio	13	Police, Fire/EMS	Governed by COG composed of one voting member from each jurisdiction. Employing COG (Chagrin Falls PD) receives compensation for services
Metropolitan Emergency Communications Consortium (MECC)	Gahanna, Ohio	6*	Police, Fire/EMS	Governed by a COG; has a consortium board and operations board. Contracts with Mifflin Township to operate the Center

** Also provides dispatch services for the Division of State Fire Marshal's Fire and Explosion Investigation Bureau (FEIB) and the Ohio Fire Chiefs Association. Each entity has its own separate contract*

E911 dispatch: Alternate funding models

Springfield's E911 Center is primarily supported by the City's General Fund, which receives most of its revenue from the income tax. Alternate approaches to funding this service include the following.

Funding Source	Description	Examples
Real estate tax	Funding provided by property owners on the basis of their property's value, which is a more stable source of income than the income tax, though declining in Clark County.	Delaware (0.45 mill), Defiance, Jefferson (1 mill) and Lorain counties
Parcel assessment	Per ORC 128.22, County commissioners may impose upon each improved lot or parcel reasonable charges equal to the amount needed to operate the public safety answering point (PSAP). This can be passed by resolution of the commissioners; no renewals are needed and the amount can be adjusted.	Ashtabula County; Mahoning County ($2.96 twice yearly)
Utilities service tax	Per ORC 324.02, County commissioners can levy an excise tax on each utility service bill at an amount of 2 percent or less of that bill. Funds are collected by utility companies and remitted to the County treasurer. The maximum tax is $0.50 per wireline. This may require State legislative action for authorization in Clark County.	$0.50 in Columbiana, Monroe and Van Wert counties
Sales tax	County commissioners can levy a tax of 0.5 percent or 0.25 percent for specific purposes on every retail sale in the county as long as the aggregate levy for these purposes does not exceed 0.5 percent. Clark County is currently at the maximum sales tax levy.	Warren County (tax only on sale of new cars and trucks); Geauga County (0.25 percent); Gallia County (0.25 percent), Lawrence County (0.5 percent*)

** 0.5 percent tax covers the cost of the ambulance service, dispatchers, road patrol deputies and the county Emergency Management Agency*

E911 dispatch: Blending the two approaches

The prior pages cite E911 dispatch centers governed by COGs and County-operated E911 dispatch centers funded by sources other than the income tax. There are no examples of a E911 dispatch center that explicitly blends both of those approaches since most COG-run E911 centers are funded by the member governments, who may default back to the income tax revenue for their contributions.

The concept presented here is that Springfield would pursue both so that there would be a stronger platform for addressing the current operational challenges, avoiding duplicate technology and facility costs associated with running two dispatch centers within a short distance of each other and providing a different Countywide source of revenue for funding a vital service that is needed throughout Clark County and Springfield. Given the City's staffing challenges, we do not assume that the merger would result in fewer positions across the two dispatch centers.

Financial impact estimate: What's it worth?

If the City were able to migrate its E911 functions to a separate governmental unit with its own revenue source, that would remove a financial obligation that is $1.5 million in 2016 (General Fund plus Special Police Levy Fund) and grows to $1.9 million by 2021 in the baseline projection. Those costs will be even higher if the City has to make additional investments in its facility, CAD or other technology. City government would forgo the minimal revenue it currently receives, such as the payment from New Carlisle.

The new unit would have its own funding mechanism to collect revenue from the people who rely on the system. Whether the cost to individual taxpayers would be higher than the current arrangement depends on the funding mechanism used and the total costs of a stronger, consolidated system. But this would provide financial relief to City government itself and address a critical operational need.

#2: Eliminate Golf Course subsidy

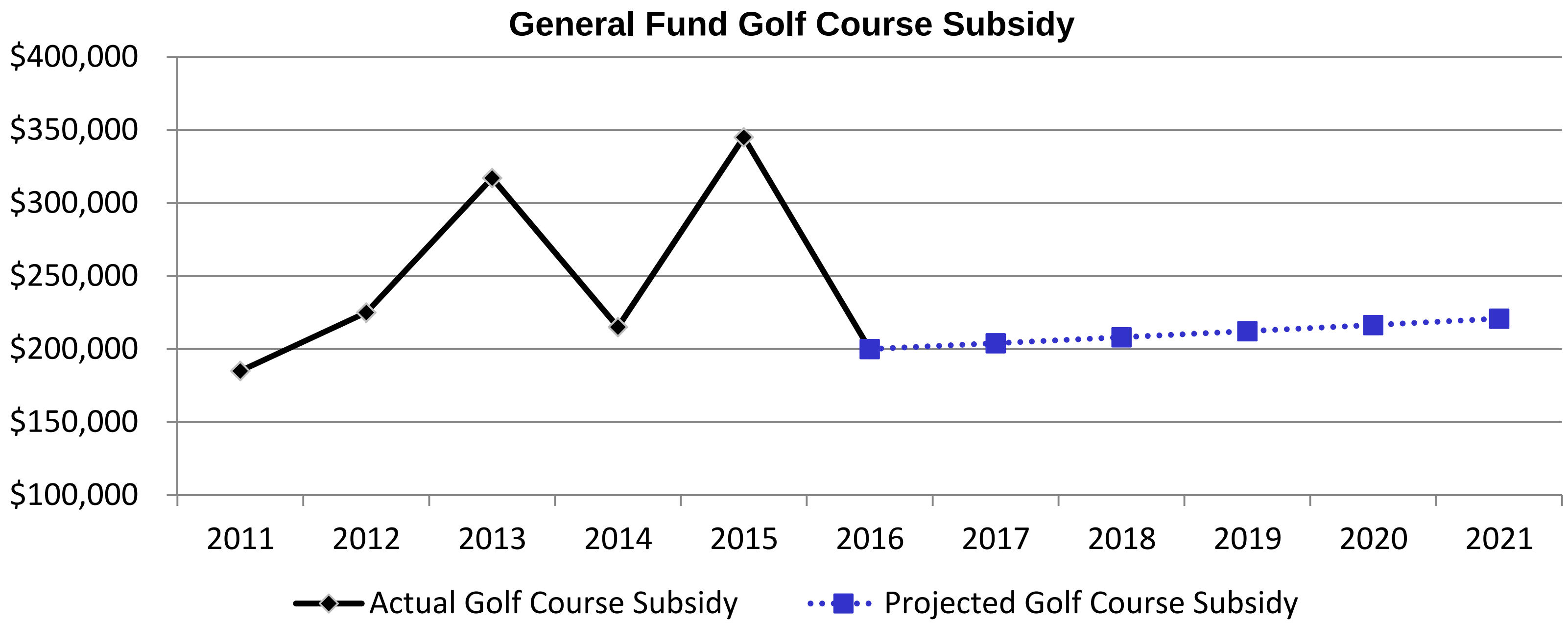
We endorse the City's current plan of action, which is to sell or lease the Reid Park Golf Course. The City's golf courses have historically run deficits, which the General Fund fills through its transfer to the National Trail Parks and Recreation District (NTPRD). The size of the subsidy has fluctuated (see next page) but averaged $260,000 from 2011 through 2015. According to information provided to the *Springfield News-Sun,* the number of rounds of golf played on city-owned golf courses has decreased 65 percent over the past 17 years, which includes the closure of Snyder Park Golf Course in 2014.

From a financial management perspective, the course should at least cover its costs, including "soft costs" like time spent on the golf course by City government staff who have a wider range of duties. If the course does not cover its costs, there is a disconnect between the people who benefit from it (primarily golfers) and the people who pay for it (taxpayers, many of whom do not use the course).

That may also be true for other City recreational programs, especially where it is difficult to identify benefit recipients and quantify the value of what they receive. But such subsidies need to be weighed carefully against other priorities, especially for amenities that are only accessible to the public through an admissions charge. Given the City's financial condition, these subsidies should also be limited so the City can target its limited resources to amenities that are funded by and provided to the broader tax base, like road paving.

Financial impact

The General Fund subsidy to the Golf Course has averaged $260,000 per year since 2011, though it has fluctuated from less than $200,000 to close to $350,000. If the subsidy grew at an inflationary rate – which is more conservative than the compound annual growth rate of 16.9 percent from 2011 through 2015 – the City would spend more than $1 million subsidizing the golf course over the next five years.



Financial impact estimate: What's it worth?

The City's current goal is to eliminate the subsidy to the golf course ($200,000 estimated for 2016). If the intention is to direct these resources to other priorities outside of the parks system, then the City's contribution to NTPRD should also drop.

#3: Evaluate in-house versus external service delivery options

In our review we noted several services that Springfield City government provides in-house using its own employees where some other governments handle those functions by contracting with businesses, non-profits or other outside entities. They include:

- Code enforcement
- Facility cleaning
- Facility security at the City Courthouse
- Payroll preparation
- Vehicle maintenance

Other public works functions, like **forestry** and **traffic signal/marking**, are handled by City employees and budgeted outside the General Fund. **Income tax collection** is a special case that is addressed in more detail later.

The City is reviewing proposals from outside parties for golf course management. We urge City leaders to work through a cycle of reviewing other services where an external provider (e.g. private company, non-profit, another government) may be able to provide the same level of service for less cost or a better level of service at the same cost.

Guiding principal: Using external providers in place of government employees is not an inherently "good" or "bad" approach. It's a tool that should be used thoughtfully to advance financial, operational and strategic objectives. We have <u>not</u> done a full evaluation of the City's options for outsourcing any specific service so we are <u>not</u> recommending that the City make that decision for any particular service at this time. We are providing guidance on an effective approach to using this tool.

Financial framework for considering outsourcing

While financial factors are often cited as a primary reason for shifting work from the public to the private sector, there is not a guarantee that the private sector will be able to deliver the same level of service at a lower price than government itself. Savings opportunities will depend in part on the availability of other providers in the local market, factors that drive their pricing and factors that drive City government's spending on employee compensation. It will also depend on how well the City manages any contract with an external provider.

As discussed in our earlier report, City government's spending on employee salaries across the three primary funds (General, Special Police Levy and Fire Division Service Enhancement) only grew by 0.3 percent per year from 2011 through 2015. Spending on all forms of cash compensation (e.g. overtime, longevity, sick leave payout) in those funds only grew by 0.5 percent per year. That low growth rate reflects savings related to position cuts, hiring freezes and attrition (junior employee replaces senior employee with a higher salary), and it is not reasonable to assume that flat trend will continue.

City spending on employee health insurance is growing at a faster pace (5.4 percent per year), in spite of any hiring freezes/position cuts and several cost control actions taken by the City and employee bargaining unit. There are strategies for controlling the growth in these costs as discussed later, but controlling spending on health insurance has been more difficult than controlling spending on salaries.

The baseline projection uses a blended growth rate of 3.0 – 3.5 percent per year for employee compensation, inclusive of the growth in health insurance spending. That is higher than US Federal Reserve Bank's 2.2 percent long-term projection for national inflation or our 2.2 percent projection for General Fund revenue growth.

Even if providing services in house costs City government less money now – or if it was deemed to cost less in the past – that can change. So the City should periodically review its cost comparisons.

Strategic framework for considering outsourcing

Earlier we noted the general consensus that City government should prioritize public safety, neighborhood improvement (i.e. maintaining and improving public spaces) and economic development (attracting and retaining jobs).

Using performance measures that tie day-to-day operations to broader goals will change the focus from how government operates to how *well* it operates.

A simplistic example related to fleet repairs – a service where the City is already outsourcing some work – is provided here.

The City should set performance measures that connect back to its goals and use them to evaluate the effectiveness of its operations, whether performed in house or by private contractors.

Goal	Public safety	Financial stability
Objective	Fix police, fire and EMS vehicles so they are available for use	Provide same service at a lower price or better service at the same price
Performance measure	Vehicle downtime	Shop rate
Framing questions	How do we reduce downtime for repairs? What factors increase or reduce downtime and how do we know? Is it better to outsource certain types of repairs? Which ones? How much does that help?	Is the fully loaded shop rate above or below industry standard? Could an outside vendor provide the same services at a lower hourly cost? How does the shop rate compare to the rate charged to departments?

Alternative approach: Managed competition

Managed competition is a useful strategy for evaluating the potential benefits of providing a service in-house versus the potential benefits of outsourcing, using a defined set of criteria that culminates in a beneficial decision for government and its taxpayers.

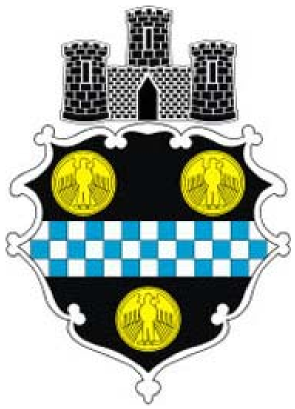
In a managed competition process, a government issues a Request for Proposal (RFP) for a defined set of services under a specific set of parameters. Outside providers and the City employees are invited to submit a proposal to provide those services at a specific cost. The City then evaluates the proposals and selects the one that best meets its selection criteria.

Just as the City crafts other RFPs to meet its needs, it can design these managed competition RFPs to reflect its priorities for providing a service a certain way. The RFP might require that the services be provided at a certain frequency, at a specified maximum cost or using employees with a minimum level of compensation. More restrictive bid requirements will narrow the field of competitors and potentially make it harder to achieve savings or service innovations. But they also allow the City to address some of the non-economic reasons for providing services in-house, like quality control.

In some cases the government provides additional support to its employees during managed competition so they can communicate their subject matter expertise in the proposal. That mitigates an advantage that the private sector entities may have from their greater familiarity with preparing formal proposals.

Case study: Pittsburgh managed competition

Managed competition is not the same as privatization or direct outsourcing, where the public sector employees do not have an opportunity to compete. It is possible for the public sector to compete and win in managed competition as Pittsburgh's experience indicates.



- **Animal Control – Public sector wins:** City employees submitted a stronger, more professional bid and demonstrated their ability to offer a more comprehensive range of services than their primary private sector competitor. City employees won the bid and the function remains in-house.
- **Refuse collection – Public sector wins:** City employees submitted the winning proposal to collect garbage. To address the private sector's cost advantage, employees proposed changes in staffing levels per vehicle and collection routes.
- **Fleet services – Private sector wins:** The City issued an RFP to private providers for fleet maintenance and, in consultation with its financial overseer, selected one company as the best private sector option available. Then the City conducted a managed competition process between the private provider and the City employees. The private provider won and agreed to abide by the terms of the collective bargaining agreement that existed between the City and associated employees. Most employees were given priority consideration in the application process for jobs with the provider or transferred to other positions in City government.

Court functions

The next two initiatives are responses to questions raised by the City and Chamber of Commerce regarding staffing levels at the Clark County Municipal Court and Municipal Clerk of Courts.

Springfield City government covers most expenditures for these functions, some of which are offset by the traffic fine, court fee and other revenues related to the court functions. Looking solely at the General Fund, the court-related revenues covered 33.3 percent of the court expenditures in 2011 and 27.6 percent in 2015.

Both offices serve all Clark County municipalities, including the City, and are separate from the Clark County Common Pleas Court and County Clerk's Office.

	2011 Actuals	*2012 Actuals*	*2013 Actuals*	*2014 Actuals*	*2015 Actuals*
Expenditures - Clerk of Courts	$1,679,134	$1,646,061	$1,681,892	$1,665,778	$1,682,991
Expenditures – Judicial	$2,401,333	$2,444,395	$2,538,015	$2,523,239	$2,503,486
Total General Fund expenditures	**$4,080,467**	**$4,090,456**	**$4,219,907**	**$4,189,016**	**$4,186,478**
Civil Branch court cost revenue	$462,590	$499,526	$412,215	$407,055	$384,203
Criminal/traffic court cost revenue	$528,040	$546,378	$465,031	$466,997	$490,491
Highway fines	$156,264	$185,500	$137,801	$121,743	$167,486
Fines and Forfeits (except parking)	$96,443	$78,678	$52,393	$71,082	$67,768
Parking fines	$113,828	$105,845	$74,475	$57,062	$44,345
Other revenue	$2,478	$2,333	$1,895	$1,659	$1,265
Total General Fund revenues	**$1,359,643**	**$1,418,260**	**$1,143,810**	**$1,125,598**	**$1,155,558**
% of Expenditures covered	***33.3%***	***34.7%***	***27.1%***	***26.9%***	***27.6%***

Please note that the cost recovery calculation does not imply that the Municipal Court should fully cover its costs. A significant portion of the revenue comes from fines that are intended to have a deterrent effect. All other factors being equal, the desired result is that these revenues would decline over time as the number of violations do. We provided this calculation to show the changes in net costs to the General Fund.

#4: Review municipal court staffing levels

In July 2015, the *Springfield News-Sun* published an article discussing the staffing levels for the Clark County Municipal Court and Clerk of Courts in view of the declining caseload. That article cited 9,600 cases per judge as the 2014 statewide average caseload. In the 2015 Ohio Courts Statistical Report, the average number of new, transferred or reactivated cases per municipal judge was 10,232. Clark County's three judges had an average caseload of 8,878 last year according to that report. The table below shows the caseload for 10 comparable cities. Please note that some courts, like Clark County, have a magistrate who hears cases but is not included in the judge count.

	Area covered	Judges	Population Covered	Population/ Judge	Open Cases	Case/ Judge
Hamilton	City and surrounding areas	1	77,850	77,850	20,718	20,718
Middletown	Two cities and two townships	1	71,239	71,239	16,449	16,449
Mansfield	City and surrounding areas	2	105,949	52,975	28,088	14,044
Newark (Licking Co.)	Licking County	2	166,492	83,246	21,425	10,713
Lima	Allen County	2	106,331	53,166	21,027	10,514
Elyria	City and surrounding areas	2	120,568	60,284	20,824	10,412
Findlay	City and surrounding areas	2	70,342	35,171	17,974	8,987
Kettering	City and three townships	2	119,077	59,539	15,127	7,564
Canton	City and surrounding areas	4	200,708	50,177	29,097	7,274
Youngstown	City	2	66,982	33,491	12,781	6,391
Average	**Average**	**2**	**110,554**	**57,714**	**20,351**	**11,306**
Clark Co. (Springfield)	**Clark County**	**3**	**138,333**	**46,111**	**26,633**	**8,878 (8 of 11)**

Complicating caveats

While the Clark County Municipal Court had a relatively low caseload per judge according to the State's statistics, other factors should be considered before drawing conclusions about the current Court staffing levels.

For example, the mix of cases in the Clark County Municipal Court differs from what the comparable cities or State has. In 2015 felonies accounted for a higher share of Clark County's total open case load (6 percent) than the State average (3 percent), though felonies are also a small part of the overall caseload in Clark County. The Clark County Municipal Court judges had a higher caseload for felonies (597) than the State average (376) and the fourth highest among the comparable cities.

2015 Caseload per Judge – Major Case Category

Case load per judge	Clark County	Ohio Average	Rank among 11 Cities
Felonies	597	376	4th of 11
OVI	430	360	5th of 11
Misdemeanors	1,843	2,418	6th of 11
Other Traffic	5,545	6,511	8th of 11
Contracts	955	904	8th of 11

Meanwhile traffic violations other than Operating a Vehicle While Under the Influence (OVI) accounted for more than half of the open cases in Clark County (56 percent) in 2015, similar to the share of caseload statewide. Looking just at the OSC statistics, Clark County judges had a relatively low caseload for that category (5,545 per judge) compared to the State average (6,511) and the fourth lowest among the comparable cities. Even that statistic has an important caveat though – the caseload for Clark County judges may have been lower than 5,545 since another magistrate handles some of these cases. That may also be the case in the comparable cities, but it is not reflected in the State's statistics.

Recommendation: Review court staffing levels

The State's statistics on caseload alone do not justify eliminating one Court judge seat. Other factors beyond gross number of cases should be considered including the types of cases, use of magistrates who are not counted in the State's calculations and the impact of changes in State legislation, like the recent change raising the small claims threshold from $3,000 to $6,000 for municipal courts.

Noting all those complexities and caveats, though, the recent decline in total caseload, relatively low caseload per judge (overall and for certain types of cases) and size of the Court's General Fund budget ($2.6 million in 2016, 6.6 percent of the total) validates the value of reviewing the Court's overall staffing levels, beyond the number of judges, to see if they can be adjusted.

The City's Law Director recommended that, if an operational and staffing analysis was to be done, the National Center for State Courts (NCSC) was a known and respected entity with experience in that type of analysis. We concur and encourage the City to commission a study of its Municipal Court staffing levels to see if those staffing levels can be adjusted.

Case study: Hamilton County (Ohio) Probate Court

From 1999 through 2003 the Hamilton County Probate Court worked with the NCSC on an evaluation of its caseload and method for assigning cases to staff. The Center used benchmarks for the average amount of time that staff spend on each kind of case and the average number of cases each staff person can handle to evaluate whether the court had enough staff. The 2003 study recommended that the Court add one additional staff position and noted the Court's staffing needs were lower in 2003 than when the first evaluation was done in 1999.

#5: Clerk office consolidation

The July 2015 *Springfield News-Sun* article on declining caseload also discussed the possibility of consolidating the Municipal Court's Clerk of Courts (funded by the City) with the Common Pleas Clerk of Courts (funded by the County).

Reasons for pursuing consolidation cited during our review include:

- **Declining caseload:** If the caseloads handled by the Municipal Court and Court of Common Pleas are declining, then it is reasonable to evaluate whether the two governments can reduce their spending (individually or together) to handle those cases, potentially through consolidation and staff reductions.

- **Avoiding duplication of fixed costs:** There are fixed costs associated with running a Clerk's Office, regardless of staffing level, such as the cost to maintain facilities or make technology upgrades. Consolidation might enable Clark County residents to fund one Clerk facility or technology system instead of two.

- **Efficiency:** For cases that cross over from the Municipal Court to the Court of Common Pleas, it may be more efficient and user friendly to have one integrated process and one computer system to manage it, from start to finish.

Other municipalities and counties with consolidated clerk offices include Auglaize, Hamilton, Holmes, Miami, Putnam and Warren.

Case study: Warren County, Ohio

The Clerk maintains the records for the Domestic Relations and the General (Civil/Criminal) Divisions of the Court of Common Pleas in Warren County and for Warren County-generated cases in the 12th District Court of Appeals. The Clerk is responsible for all filing activity associated with civil, domestic relations and felony criminal cases in the Common Pleas Courts as well as collecting legal fees, deposits, probation fines and court costs.

Since September 2004, the Clerk of the Court of Common Pleas has also been responsible for the Clerk's duties in the Warren County Court (traffic/small claims and misdemeanor criminal cases), as originally provided for in state law, with similar duties as outlined above.

Through consolidation, the County was able to reduce costs. While the transition from two clerks to one resulted in an increase in salary for the incumbent clerk, the County saves $25,000 - $30,000 annually by no longer needing to fund a second clerk's salary. The consolidated Clerk's Office also found that the number of employees was high for its workload and trimmed the staff from a high of 12 deputy clerks to 9 (though a total of 10 positions will be in next year's budget).

We note that Warren County has four municipal-level courts – the one described here plus separate courts in Franklin, Lebanon and Mason. Clark County has one Municipal Court for all municipalities. In 2013, the Warren County Commissioners authorized the National Center for State Courts to conduct a Court Consolidation Study. While two of the municipal courts had suggested splitting the County Court territory and incorporating it into their jurisdictions, the study concluded it would be more cost-effective and efficient to incorporate all the municipal courts into the County court. That recommendation has not been acted upon at this time.

Conditions affecting cost savings

Reducing costs and improving efficiency are usually cited as the reasons for pursuing consolidation, and it may be possible to achieve those objectives here. However, City officials should not presume that consolidation will automatically result in lower costs. Factors that should be evaluated include:

- **Similarity of functions:** Some municipalities have consolidated their individual Municipal Courts into one regional or countywide system, which Clark County already has. The type of consolidation discussed here would merge functions from one level of court (Municipal Court) with another (Common Pleas Court). There may still be efficiencies that can be gained by consolidating staff and cross training them to handle both processes, but this is not a consolidation of two parallel agencies into one.

- **Logistical constraints:** Would the City and County Clerks of Courts have to move into one common facility to maximize efficiency and reduce staff costs? Is that feasible at the current or a new location?

There are other questions related to operational, financial or statutory issues inherent in any consolidation, which shouldn't preclude City officials from discussing this option. It will also be necessary to engage County government and the Court of Common Pleas since any consolidation would need cooperation from those partners. We urge the City leaders, including the Clerk of Courts, to engage their counterparts in the County to discuss and work through these issues related to potential consolidation.

Scenarios

Priority recommendations

Initiatives responding to trends

What happens if the tax doesn't pass?

One last key initiative

Tailoring solutions to the problem

Our earlier report described **seven key trends** that explained City government's recent financial performance and underlie our baseline projection. Some of these trends will continue to hinder the City's ability to balance its budget on a recurring basis, even after a tax increase, unless they are addressed.

1) Income tax revenue is growing by 2 – 3 percent per year

2) State policies were a significant contributor to the City's recent deficits, but they aren't the only factor driving the need for action

3) Most non-tax revenues aren't growing. In some important instances, they're falling

4) The City is becoming more dependent on the income tax

5) Spending on salaries and total recurring cash compensation has been flat

6) Insurance costs are growing faster than the national average, though the City and unions have taken steps to curb that growth

7) There are growing deficits in the Special Police Levy and Fire Division Service Enhancement Funds

The initiatives in this section provide recommendations to address the risks and capitalize on the opportunities inherent in these seven trends.

Trend #1: Income tax collection

#1: Income tax revenue is growing by 2 – 3 percent per year

As with other Ohio cities, the income tax is Springfield's largest source of revenue. So its growth is critical to balancing the budget and achieving structural stability (i.e. recurring revenues cover recurring expenditures). Springfield's income tax revenues have grown steadily since 2011, but they are also sensitive to economic cycles. Revenues dropped 13.9 percent in 2002 following the 2001 recession and dropped 7.4 percent combined from 2008 to 2010 during the Great Recession.

The City has 6.8 staff assigned to the Income Tax Collection Division in the Finance Department, less than half of the 14.5 positions budgeted in 2005. The staff is responsible for receiving current year tax receipts, auditing tax returns and pursuing delinquent filings and delinquent revenue. There is mandatory filing for residents. As in other Ohio cities, commuters who live outside the City but work in it (and therefore pay tax to Springfield) are not required to file returns in Springfield, though most commuter earnings are likely captured through the filings by their Springfield-based employers.

Springfield's arrangement is not unusual among comparable cities. Nine of the 11 comparable cities we reviewed use their own staff for income tax collection. But many municipalities use the Regional Income Tax Agency (RITA) for collection and enforcement.

The income tax is vital to the City's financial stability. For financial and equity reasons, the City needs to collect as much revenue as it is owed from the existing tax base. The City's financial challenges limit its ability to invest more in this function while the risk associated with tax delinquency will be even higher if the tax rate increases. Plus there is a disconnect between the revenue collected and the City's cost for collecting this tax, which leaves it vulnerable when the next recession occurs.

Being mindful of the issues discussed earlier related to contracting with external vendors (see pages 18-20), we recommend the City take a closer look at opportunities to contract with an external entity for income tax collection.

Connecting costs to collections

How the City's costs grow: Most of the City's collection costs are related to its employees. Personnel expenditures account for 92 percent of the Income Tax Division's budget in 2016. They grow based on factors related to employee compensation – Citywide ability to pay for salaries, tenure of employees, Citywide health insurance usage – that are unrelated to the amount of revenue collected. And while the City has more ability to control salary growth unilaterally since these employees are not in a collective bargaining unit, the City generally would not treat these employees differently than other non-represented employees.

Dividing the Division's 2015 spending by income tax receipts yields an estimated cost of 1.53 percent. Incorporating more regular salary increases, the baseline projection shows the Division's costs rising in the baseline projection to 1.57 percent in 2018 and 1.61 percent in 2021.

How RITA's costs grow: Payments to RITA from member municipalities are based on the amount of revenue collected and the cost of doing so. Municipalities usually pay 3 percent of revenue collected up front as a retainer and then RITA reconciles payments to the actual cost of transactions. Any amount that the municipality overpaid for collections is refunded, which RITA states brings average actual cost to 1.57 percent.

Tying the cost of collections to revenue received means the City would pay less for the same level of service when revenues drop (and there is less ability to do so) and more when revenues rise (and there is more ability to do so). Please note that the projected City costs shown below incorporate the assumptions in our baseline projection and may differ from the City's 2017 budget. The projected RITA costs are based on the 1.57 percent estimate that needs to be vetted further.

Scenario Analysis: Income Tax Revenue versus Collection Cost ($000s)

Scenario	Assumption	Tax revenue	Est. City cost	Est. RITA Cost
Baseline	2.5% growth over 2016 budget	$33,722	$523	$529
Recession	-2.5% reduction under 2016 budget	$32,078	$523	$504
Boom	4.0% growth over 2016 budget	$34,216	$523	$537

Enforcement (delinquent collections)

City officials expressed concern that RITA's service level would not match their own, particularly for enforcement. The following table compares some of the enforcement processes employed by the City and RITA as described by each party. City officials have considered whether the cost of hiring additional staff for more aggressive tax collection outweighs the potential revenue generated by those actions. An external vendor may be able to provide additional capacity at a lower or more stable cost, and without the overhead costs associated with City employment (recruiting, hiring, training, benefits administration).

Enforcement Processes

	Springfield	RITA
Delinquent collections of non-filers	Springfield pursues non-filers via non-file letters and subpoenas. The City uses a variety of sources to determine compliance, including a Field Compliance Officer, W-2 and 1099 Misc. audits, utility billing, vendor and contractor license cross-checks, and CCA to identify those filing federally but not locally.	RITA utilizes multiple resources to identify non-filers and sends delinquent filing letters reminding taxpayers of their requirement to file or provide proof of exemption. Letters are sent as part of RITA's standard service. For an additional charge of $8 per subpoena, RITA can issue an administrative subpoena requiring the taxpayer to appear at a location selected by the municipality.
Delinquent collections of non-payers	Springfield pursues outstanding balances through correspondence and telephone contact. Springfield handles bankruptcies and the required proof of claims. Springfield uses IRS data available through CCA. Springfield files suits in Municipal Court including garnishments and real estate liens using the City Law Department. The City filed over 200 suits in 2015.	RITA pursues outstanding balances through correspondence and telephone contact. RITA handles bankruptcies and the required proof of claims as part of its standard service. RITA uses IRS data on behalf of its members to identify and assess under reporters and non-filers. In addition, the Agency also provides small claims civil litigation to pursue taxpayers that do not respond to standard collection activities. There is an additional charge of $35 per hour which may be shared with other members if RITA is litigating on behalf of other members in the same court. The return on the investment typically surpasses the cost.
Audit of returns	Each return is audited and questionable returns are flagged and pulled for employee review.	Each return is electronically audited and questionable returns are flagged and pulled for employee review.

We are providing this initial review of the financial and operational pros and cons of contracting with a specific external vendor for tax collection. City officials should evaluate these and other issues more thoroughly before making a decision.

Trend #2: Intergovernmental revenue sharing

#2: State policies were a significant contributor to the City's recent deficits…

Before 2012 the State of Ohio shared 3.68 percent of State tax revenues with local governments through the Local Government Fund. In 2012 the State allocated 75 percent of the amount received during 2011 (plus a one-time $49 million supplement) and in 2013 the State allocated 50 percent of that same base year. In 2014 the State restored the percentage approach, but at 1.66 percent instead of 3.68. For Springfield the net result is that State-shared tax revenues dropped from $3.2 million in 2011 to $1.7 million in 2014. The estate tax repeal also cost City government close to $1 million.

	2011 Actuals	2012 Actuals	2013 Actuals	2014 Actuals	2015 Actuals	Total Change
State-shared taxes (Local Gov't Fund)	3,187,950	2,257,602	1,731,287	1,695,068	1,779,653	-44.2%
Estate Taxes	925,045	614,415	610,313	246,256	0	-100.0%
Other State Shared Taxes	89,460	84,752	89,526	85,639	91,004	1.7%
Subtotal	**4,202,455**	**2,956,769**	**2,431,126**	**2,026,963**	**1,870,657**	**-55.5%**

While the actions of State officials are ultimately beyond the control of City government, Springfield's government and private sector leaders should approach State officials to seek the restoration of these funding reductions. As noted in our earlier report, the City has reduced its capital spending since 2011. City business and government leaders should identify a list of high priority infrastructure projects that will maintain or enhance the City's tax base and pursue State funding for those projects.

Similarly the City officials should build a coalition with Ohio's other legacy cities to advocate for changes at the State level that would restore lost funding. As described in our earlier report, Springfield is one of several cities that lost revenue after the changes at the state level, has become increasingly dependent on the income tax and depleted their reserve levels since 2011.

County-based revenue sharing

Beyond the question of restoring reductions in State shared revenues, there may be an opportunity to work with Clark County to establish a different kind of regional revenue sharing structure.

Montgomery County, Ohio increased its sales tax by 0.5 percent in 1989 to generate revenue for economic development projects.

Local governments apply to the County for tax-funded grants to finance economic development projects. County Commissioners choose grant recipients through a competitive application process at the recommendation of an advisory committee comprised of local government and business leaders. Grant funded projects include the Dayton Dragons' minor league baseball stadium and infrastructure to support the Center Point Commerce Park in Huber Heights.

The County's Government Equity Fund collects and distributes a portion of increased tax revenue generated in participating localities. Every third year excess funds are distributed to the participants so that no jurisdiction contributes more than it receives in grants over the life of the program.

Clark County currently levies the maximum sales tax amount allowed but, if it does not renew the portion that is reviewed periodically, this type of arrangement is a possibility.

Case study: RAD Sales Tax

The **Allegheny (PA) Regional Asset District** is a separate unit of local government established by Pennsylvania Commonwealth Law that encompasses all of Allegheny County. RAD receives one-half of one percent of a 1 percent Sales and Use Tax levied across the County, and distributes that money to civic, cultural and recreational organizations throughout the County. RAD is governed by a six-person Board of Directors (four appointees by the County Executive and two by the Mayor of Pittsburgh).

RAD primarily supports the County and City library system and parks and recreation amenities. Smaller amounts have been allocated to Pittsburgh's public transit agency and arts and cultural organizations like the Pittsburgh Opera and Pittsburgh Philharmonic.

The other half of the 1.0 percent tax is split between Allegheny County (which authorized the tax) and the municipalities within it. That local allocation is based on a formula maintained by the Pennsylvania Department of Revenue that uses factors like property values and population. As the largest municipality, Pittsburgh receives the largest single allocation ($20 million in 2015).

Financial impact estimate: What's it worth?

Following a similar model, this could replace the City's General Fund contributions to the NTPRD ($650,000 budgeted in 2016) or Springfield City Area Transit ($200,000), depending on the size and structure of the tax. It would also give these agencies a source of funding less tied to City government's own financial condition.

Trends #3 and #4: Revenue diversification

#3: Most non-tax revenues aren't growing. In some important instances, they're falling

#4: The City is becoming more dependent on the income tax

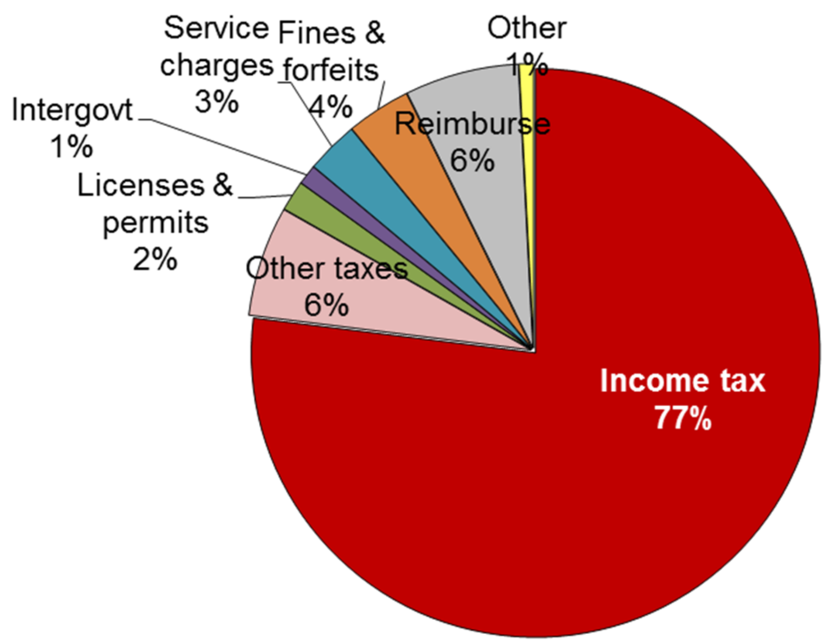
The income tax accounts for most of Springfield's General Fund revenue, and that is not unusual. Given the reduction in State-shared revenues and the relatively small amount generated by the real estate tax, many Ohio cities have became more income tax dependent. But Springfield is becoming more dependent on the tax at a faster rate than the other cities. The tax's share of total General Fund revenues grew from 68 percent in 2011 to 77 percent in 2015, and would grow again if the tax increase passes.

This is partly the result of the aforementioned steady growth in income tax revenue. But it is also the result of several other major revenue categories generating less revenue over time including:

- Reimbursements from other funds (down $0.9 million or 27.2 percent over five years)
- EMS charges (down $0.5 million or 18.1 percent)
- Real estate tax revenue (down $0.2 million or 8.4 percent in Special Police Levy Fund)

As noted earlier, revenues from State shared taxes and court costs also declined from 2011 to 2015. There is risk in the City's growing dependence on a single revenue source that is sensitive to economic cycles.

2015 General Fund Revenues



Right-sizing reimbursements

The City charges the cost of providing services supported by the General Fund to departments, programs and enterprises supported by other funds. The largest example is the reimbursement from the sewer, water and storm sewer operations to the General Fund. That reimbursement has dropped from $924,000 in 2012 to $712,000 in 2015.

Overall reimbursements to the General Fund decreased from $3.3 million in 2011 to $2.4 million in 2015. Some of the drop may be justifiable if the General Fund provides less service to the reimbursing party. But overall the City's General Fund costs have not fallen to the degree reflected in the revenues.

The Finance Department is aware of this trend and working with the managers of the departments who provide the reimbursable services (Engineering, Service Department) to correct it. Doing so will not generate new revenue for the City, but it would provide necessary relief to the General Fund. Correcting this trend should be a priority.

Financial impact estimate: What's it worth?

If the City increased its currently projected total General Fund reimbursements to 25, 50 or 75 percent of the 2011 total ($3.3 million), relief to the General Fund would be between $0.2 million and $0.8 million annually as shown below.

	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Restore to 25% of 2011 level	$242,618	$250,625	$258,088	$265,034	$271,487
Restore to 50% of 2011 level	$485,236	$501,249	$516,176	$530,068	$542,974
Restore to 75% of 2011 level	$727,854	$751,874	$774,264	$795,102	$814,461

** Reimbursement revenue includes administrative overhead reimbursements, salary/fringe reimbursements, other indirect costs reimbursements, and "other" reimbursements*

Service charges and fees

The City has several user charges and fees for service in its General Fund. While some understandably describe these charges as "just another type of tax," there is an important conceptual difference between the two. Taxes are generally levied across a broader base to fund services that produce a benefit that is harder to quantify and assign to specific individuals. Service charges are paid by the individual or organization that benefits most from the service. If service charge revenues fall while the cost of providing service rises or stays flat, then a larger burden of providing those services shifts to the broader population of tax payers.

Service charge revenues were basically flat from 2011 through 2015, which may be appropriate given the City's overall spending trend. But the City should be thoughtful about maintaining cost recovery where possible:

- **Index fees to inflation or the cost-of-service:** The cost of most goods and services rise over time as reflected by inflation. That is also true of government services, even in instances where spending on employees salaries has been flat. While many governments only adjust their service charges on an *ad hoc* basis as political will and administrative capacity allows, Springfield's leaders should consider building an automatic inflationary index into their service fees and licenses and permits where not prohibited by statute, so they maintain cost recovery without annual adjustments.

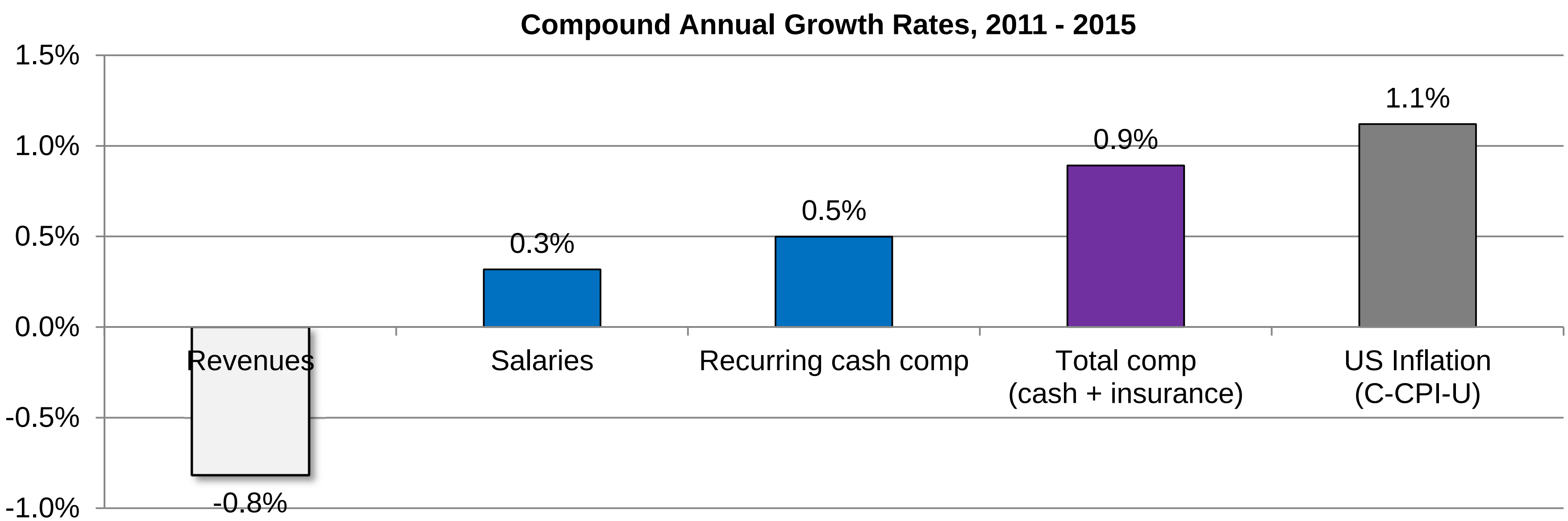
- **False alarm fees:** The Fire Division responds to an average of 685 false alarms each year, not including alarms where a bystander triggers an alarm because they believe there is a fire. The Police Division responds to false burglar alarms. Each false alarm response costs money (fuel usage, vehicle wear-and-tear) and time (staff are diverted from more urgent duties). Many municipalities have implemented a false alarm fee, both to recover some costs and as a deterrent to encourage property owners to rectify faulty alarms. This is not intended as a major revenue generator. A false fire alarm fee of $50 per incident (including the first one) would only generate $30,000 per year and that revenue should drop as false alarms do. But it may have a modest cost recovery and cost avoidance impact. The City has considered this option in the past, and is willing to consider it again.

Trends #5 and #6: Employee compensation

#5: Spending on salaries and total recurring cash compensation has been flat

#6: Insurance costs are growing faster than the national average…

Like most city governments, Springfield allocates most of its General Fund budget to employee compensation (80.5 percent in 2016) and base salaries are the largest component. From 2011 to 2015 spending on base salaries across the three funds was very flat, growing by only 0.3 percent per year. As shown in our earlier report, that flat trend generally applied across bargaining units. Including other types of cash compensation (overtime, longevity, sick leave buyback), annual growth was 0.5 percent. Spending on employee health insurance grew by 5.4 percent per year versus a national average across all types of employers and insurance plans of 3.6 percent for single coverage and 3.9 percent for family coverage. Adding cash compensation and health insurance together, total spending on employee compensation grew by 0.9 percent annually, a little under national inflation (1.1 percent). Meanwhile the revenues available to fund compensation *fell* by 0.8 percent per year for reasons discussed in our earlier report.



Salary increases

The 0.3 percent annual growth in base salaries was due in part to base wage freezes for 2011 through 2013. The chart below shows the across-the-board wage increases for this period, though we note there was another wage freeze in 2010, outside our review period. During this period employees were generally eligible for merit-based step increases in their first six years and then again in their first two or three years upon promotion (e.g. three steps for police and fire lieutenants). Savings related to position cuts, vacancies and attrition reduced total spending growth to 0.3 percent per year.

Across-the-Board Base Wage Increases, January 2011 – December 2016

	2011	2012	2013	2014	2015	2016	CAGR
AFSCME	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	1.0%
Firefighters	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	1.0%
911 Dispatch	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.7%
Police Clerks	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	1.0%
Patrol Officers	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	1.0%
Police Supervisory	0.0%	0.0%	0.0%	0.0%	4.0%	2.0%	1.0%
Non-represented employees	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	0.7%

The chart above does not account for timing differences in the application of base wage increases. For example, the patrol officers received the 2.0 percent increases on July 1st of 2014, 2015 and 2016 while the supervisory police officers received no increase in 2014, 2.0 percent increases on January 2015 and October 2015, and a 2.0 percent increase on July 2016.

The E911 dispatchers received two 2.0 percent increases during this period and have another scheduled for March 2017, three months after the end of the period shown above. Non-represented employees had their 2.0 percent base wage increase for 2016 rescinded.

Future wage increases

The City has kept its spending on cash compensation flat over this period, showing it understands its financial challenges. The employees and their collective bargaining units have been a partner in this effort, taking base wage freezes in 2010, 2011, 2012 and 2013. In our discussions with the union leaders, they expressed their understanding that City government is struggling financially.

That cooperative relationship will be essential going forward, even if the City gets the income tax increase. City leaders cannot unilaterally change employee compensation; it must be done through collective bargaining. The only employees for whom the City can unilaterally change compensation are those who are not represented by a bargaining unit. The City has shown the willingness to use that authority – it rescinded the 2.0 percent wage increase scheduled for those employees this year and increased their health insurance contribution from 10 to 15 percent of premiums – and it remains an option going forward. But City leaders understand the potential impact on morale and retention if one group of employees is treated differently from others.

As described in our earlier report, the baseline projection assumes two percent annual base wage increases each year through 2021, plus any applicable merit-based step increases. That is not a prediction of what negotiated increases will be or a prescription of what they should be. In our opinion it was the proper starting point for projecting the City's spending in a status quo scenario and then evaluating options to change that trajectory.

There are provisions in the labor contracts that give some bargaining unit members access to more or different types of compensation than other members of the same union. Some of these provisions, like tenure-based longevity or step increases, are common in the public sector. Springfield employees in the early part of their career likely did not have wage freezes in 2011 - 2013 since they would have received merit based step increases in those years. Those steps range in value from 2 to 10 percent depending on the union, position and years. Other provisions, like enabling employees to convert holidays to cash compensation near the end of their career, favor senior employees.

Provisions that automatically increase compensation based on employees' tenure or that grant additional compensation to one segment of the bargaining unit will make it harder for the City to afford across-the-board wage increases. If the City and employees want to provide the 2.0 percent increases in our baseline, some of these other forms of compensation may have to be altered.

Efforts to curb health insurance costs

As noted in our earlier report, the City and unions have taken steps to curb health insurance cost growth. Eligible employees moved from a higher cost Preferred Provider Option (PPO) plan to a lower cost High Deductible Health Plan (HDHP) in 2015. Premium contributions from non-represented employees increased in 2016 and copayments increased for all employees in 2014 and 2015. These changes are similar to what has occurred nationally. The national data below comes from the Kaiser Family Foundation surveys of all firms (public and private).

	City government	National
Change in plan type	All eligible employees migrated to the High Deductible Health Plan with an HRA or HSA in July 2015. Active employees are no longer eligible for the higher cost PPO	Among firms with at least 200 employees that offer health insurance, the percent with an HDHP increased from 29% in 2011 to 51% in 2016. The percent of firms offering a PPO stayed stable (72% in 2011, 73% in 2016). Among this same population, the percent of covered workers at firms that only offer an HDHP rose from 11% in 2011 to 31% in 2015
Increase employee contributions	Non-represented employees increased contribution from 10% in 2015 to 15% in 2016. Union employees contribute 10%	Average annual employee contribution for single coverage increased from 17.0% (or $921) in 2011 to 17.5% (or $1,129) in 2016. Average annual employee contribution for family coverage increased from 27.4% (or $4,129) in 2011 to 29.1% (or $5,277) in 2016. Average annual employee premium contributions for HDHPs were $943 (or 16.4%) for single coverage and $4,289 (or 25.6%) for family coverage in 2016
Office visit copayment increases	Copayments increased from $20 to $30 in 2014 and $30 to $35 in 2015	Average copayments for in-network primary care office visits increased from $22 in 2011 to $24 in 2016. Average copayments for in-network specialty care office visits increased from $32 to $38 in 2016

Recommendation: Enhanced wellness program

In addition to any changes in plan type, design and employee contribution structures, we recommend that the City work with its insurance carrier and third-party administrator on an enhanced **employee wellness program.**

This could lead to better health outcomes for employees, which would improve their quality-of-life, productivity and morale. From a financial perspective, a healthier workforce can also translate to fewer or less severe medical claims that drive health insurance costs higher. A 2012 review of 62 studies, published in the American Journal of Health Promotion, found companies with a wellness program had 25 percent lower sick leave, health insurance, workers' compensation, and disability insurance costs.

The City has made some efforts in this direction through a website, voluntary health screenings or diabetes-related programs. A more aggressive approach could involve elements of the programs described on the next page.

Financial impact estimate: What's it worth?

The City's spending on health insurance is projected to grow in our baseline projection by 8.0 percent per year. This is at the low end of the range that the City uses for budgeting purposes (8 – 10 percent) but higher than any other expenditure related growth rate. Bending this cost curve down to 5 percent over the projection period would save $1.3 million as shown below. Achieving savings of this magnitude would likely require more than a more aggressive wellness program.

	2017	2018	2019	2020	2021	Total
Baseline	$6,198,692	$6,694,588	$7,230,155	$7,808,567	$8,433,253	**$36,365,255**
Mitigated Growth Rates*	$6,198,692	$6,632,600	$7,030,556	$7,417,237	$7,788,099	**$35,067,185**
Potential Savings	**$0**	**$61,988**	**$199,599**	**$391,330**	**$645,154**	**$1,298,070**

** Growth rates of 8% in 2017, 7% in 2018, 6% in 2019, 5.5% in 2020, 5% in 2021*

Sample wellness programs

The wellness program for the **City of Dublin** includes annual health screenings (coupled with flu shots), a pass to the recreation center and online health assessments. The City also charges higher premiums to employees who do not participate in screenings (monthly dental insurance premiums charged to those who don’t complete one screening in the prior year) or who use tobacco (15 percent premium charge if the employee or spouse uses tobacco).

The **City of Kettering** has an incentive-based wellness program that offers employees a free fitness pass to the Kettering Recreation Center and Fitness Center in exchange for participation in Health Risk Appraisals provided by the Kettering Medical Center. Employees can sign up for an incentive program where they can earn up to $250 for their Health Savings Account (HSA) by working out or attending lectures and screenings.

Employees in the **City of Parma** can qualify for a five, 20 or 30 percent discount on their monthly health insurance premium contributions based on the results of a biometric screening. Those who do not participate in the screening have to pay a $100 fee. City leaders note that the standards for earning the higher levels of discount should be high enough and adjusted periodically so that the discount is a reflection of the likelihood that the employee actually will have lower medical costs.

A RAND corporation study of one Fortune 100 employer found that disease management (helping employees who already have a chronic disease) is a better return on investment than lifestyle management (encouraging employees with health risks to change behavior, such as through diet or exercise). The former generated a return of $3.80 per $1 spent while the latter generated $0.50 per dollar spent. The City should consult with its TPA to determine what types of program components are most likely to reduce its health insurance claim costs.

Trend #7: Addressing the Fire Fund deficit

#7: There are growing deficits in the Fire Division Service Enhancement Fund

Currently, the City charges standard established fees for emergency medical services ($900 for advanced life support and $600 for basic life support) plus transportation costs.

A bill for the total amount is sent to the patient's insurance provider (Medicaid/Medicare/private insurance) and the insurance company makes adjustment and subsequent payment. It is unusual for any insurance provider, including private insurance, to pay the balance in full.

Any remaining balance after insurance payment would normally become the patient's responsibility. However, City ordinance prohibits collection from residents – so any remaining balance is a direct loss to the City.

An example of the Medicaid/Medicare billing and collections process (80 percent of payers) follows:

Issues compromising collections

The City rarely collects 100% of what is billed for an EMS transport for the following reasons.

- **Capitated payments represent the vast majority of total transports:** Medicaid and Medicare represent 80 percent of all transports with commercial insurance accounting for 17.7 percent. Because of this disproportion and the low percentage of total costs collected on each one, an increase in standard fees would likely not equate to a corresponding increase in fee revenue.

- **City ordinance prohibits collection from residents:** Any balance remaining after insurance adjustments and payments, regardless of insurance source, cannot be collected and is therefore a direct loss to the City.

- **…And non-residents represent a small portion of total transports:** In the past 12 months, there were 11,789 patient transports. Only 838 (7.1 percent) involved non-resident treatment and transport services.

- **Medicaid expansion in Ohio offered minimal increased revenue:** Formerly uninsured patients that now have Medicaid generate incremental revenue on the total amount billed (as opposed to nothing at all), but still not enough to cover the total cost.

Options for increasing revenues

The following options are available to the City to increase Fund revenues. If the City does not increase fee revenues, then the General Fund (primarily the income tax) will continue to cover the deficit, which exacerbates the City's growing dependence on one source of revenue.

- **Electronic health data exchange with hospital:** The Fire Chief is actively engaged in aligning the City's current billing platform with the hospital's software. Certain elements (name of insurer, plan number, member ID) could be exported from the hospital's system to the City which would expedite the identification of payment resources and front-end collections. This collaboration would cost $2,500 for the City and $7,000 for the hospital annually, and the City is willing to cover that cost for the hospital for the first year to demonstrate the value.

- **Lift ordinance banning billing of residents:** Residents understand that healthcare and transportation cost money, but this initiative would in effect move EMS to a-fee-for-service model.

- **Pursue forced collections:** The City should evaluate the impact of its current soft collections process and consider implementing full collections to increase collections on amounts billed. As with the prior option, the Chief notes that there would not be a one-to-one return on more aggressive collections effort.

Financial impact – What's it worth?

The Fire Chief estimates that $1 million in billed revenue would generate a net increase of $210,000 - $280,000 after collection costs.

What about the Special Police Levy Fund?

Our earlier report detailed the growing deficit in the Special Police Levy Fund, which receives almost all of its revenue from a real estate tax rate set when the related ordinance was passed in 1990.

The City electorate supported this levy for “hiring, training, and maintaining and supporting” a minimum of 24 police officer positions, six of which were assigned to a Narcotics unit. In 2016 the City budgeted $2.3 million in real estate tax and associated revenue. That is close to the estimated amount needed to cover the personnel costs for the 24 most junior police officers in the fund, but not enough to cover the cost of additional staff who support those officers (i.e. the police clerks and 911 dispatch positions also in the fund).

Beyond the initiatives discussed earlier related to employee compensation and E911 dispatch, the options for closing this deficit are limited. The City could shift the 10 positions over and above the original 24 from the Special Police Levy Fund to the General Fund. But this would have little effect beyond moving the deficit to the General Fund, which is practically already covering the deficit through the subsidy to the Police Levy Fund.

The City could also increase the tax rate associated with this levy, which follow the same process as the current income tax increase ballot initiative. Other Ohio municipalities have levies for public safety, parks and recreation, libraries and other services. But because assessed value of taxable property has been slowly falling, real estate tax revenue has also slowly declined, making this tax a less effective option for funding recurring expenses. The table below shows the projected value to the City of an additional 1 mill real estate tax.

Projected Value of 1 Mill Real Estate Tax Increase

2017	2018	2019	2020	2021
$660,017	$656,717	$653,433	$650,166	$646,915

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Springfield Service Reduction Plan

City management has described the following reductions may be pursued if the income tax increase is not approved.

- **Police Division Cuts**
  - Eliminate up to 10 of the current 11 civilian positions in the Police Division
  - Close the Johnny Lytle Community Police Substation
  - Curtail community policing activity

- **Fire Rescue Division Cuts**
  - Eliminate one EMS response unit
  - Close Fire Station #5

- **Parks and Recreation**
  - Reduce the contribution to the National Trail Parks and Recreation District by $350,000

- **Other Reductions**
  - Eliminate up to 25 positions across City departments

In our view, given the recurring deficits projected in the baseline projection, the lack of reserves and the difficult-to-quantify financial impact from cuts like reducing community policing, the City would likely need more dramatic changes over the five year period. Those changes would also have to extend beyond wage freezes that, as noted earlier, cannot be implemented unilaterally. For reference, if the City did not provide any base wage increases (beyond the contractually scheduled 2 percent for FOP clerks in 2017), that would save $0.4 million on a $2.9 million deficit in 2017, growing to $2.5 million on a $5.4 million deficit in 2021.

As City officials have noted, the current charter-established minimum staffing levels for police (124) and fire/rescue (127) block the City from reducing manpower in its two largest units. The City is currently at the minimum level for both units. We will provide subsequent benchmarking analysis of the City's public safety staffing levels, but have not included discussion of staff reductions here since the charter change that would enable those reductions is not on the 2016 ballot.

Revenue options if the tax increase fails

Several initiatives in this report discuss alternative sources of revenue beyond increasing the income tax. While they are frequently harder to implement and would have a smaller impact than the proposed income tax increase, they remain important, if for no other reason than safeguarding the City against extreme dependence on the income tax to fund several government services.

One alternative is to **eliminate the resident income tax credit** if the income tax increase does not pass. Currently residents who work outside of Springfield receive a 50 percent credit on their tax liability to Springfield for taxes paid in their place of employment, up to 1 percent. So a resident who works in another city with a 1.0 percent income tax rate pays that 1.0 percent there and then 1.5 percent to Springfield (regular 2.0 percent minus 0.5 percent credit), or 2.5 percent total. Without the credit, that resident would still pay the 1.0 percent where he or she works and then the full 2.0 percent to Springfield, or 3.0 percent total. The City estimates this would generate $0.7 million a year based on its current level of tax refunds to residents. However, this would create a disincentive for people to live in or move to Springfield, which already has a smaller tax credit relative to comparable cities.

	Maximum Credit	Explanation
Findlay	0.00%	Eliminated in 2009
Springfield	1.00%	Credit is half the taxes paid to another municipality up to 1.00 percent
Mansfield	1.00%	Credit on the taxes paid to another municipality up to 1.00 percent
Newark	1.00%	Credit on the taxes paid to another municipality up to 1.00 percent
Lima	1.50%	Credit on taxes paid to another municipality up to Lima's 1.50 percent
Canton	1.70%	Canton lowered the income tax credit from 2.00 to 1.70 percent effective 2013
Elyria	1.75%	Elyria voted to increase its income tax rate from 1.75 to 2.25 percent in March 2016. The credit may also increase to 2.25 percent
Middletown	1.75%	Credit on taxes paid to another municipality up to Middletown's 1.75 percent
Hamilton	2.00%	Credit on taxes paid to another municipality up to Hamilton's 2.00 percent
Warren	2.00%	Credit on taxes paid to another municipality up to Warren's 2.00 percent
Kettering	2.25%	Credit on taxes paid to another municipality up to Kettering's 2.25 percent
Youngstown	2.75%	Credit on taxes paid to another municipality up to Youngstown's 2.75 percent

Rejecting the tax increase and *increasing* taxes?

If the income tax increase is rejected and the City eliminates the resident income tax credit, some Springfield residents will pay more in income tax than if the tax increase had passed, depending on where they work. Consider the following hypothetical example.

Current tax liability – 3.0 percent

A Springfield resident works in Hamilton, which has a 2.0 percent income tax. The resident pays 2.0 percent to Hamilton and then gets credit for half of that payment (or 1.0 percent) under Springfield's statutes. That 1.0 percent credit is applied to the resident's 2.0 percent liability to Springfield, reducing it to 1.0 percent. So the total municipal income tax paid is 3.0 percent – 2.0 to Hamilton and 1.0 to Springfield.

If the tax increase passes – 3.4 percent

The same resident works in Hamilton and pays 2.0 percent there. The resident's liability to Springfield is now 2.4 percent with the tax increase, but there's a 1.0 percent credit against that liability from the taxes paid to Hamilton. The 1.0 percent credit reduces the Springfield liability to Springfield to 1.4 percent. So the total municipal income tax paid is 3.4 percent – 2.0 to Hamilton and 1.4 to Springfield

No tax increase and no tax credit – 4.0 percent

The same resident works in Hamilton and pays 2.0 percent there. The resident has a 2.0 percent liability to Springfield since the 0.4 percent increase was rejected. If the City eliminates the resident tax credit, this resident gets no credit from the Hamilton payment. The resident owes the full 2.0 percent to Springfield and pays 4.0 percent total – 2.0 to Hamilton and 2.0 to Springfield.

This would not be true for residents who work in Springfield. Their liability would be 2.4 percent with the tax increase and 2.0 percent without it. It would also not necessarily be true for commuters whose total tax liability would depend on where they live and what that municipality's credit is.

We are not recommending the City eliminate the resident income tax credit. Doing so would provide a disincentive for people who work outside of Springfield to live in the City. We are highlighting this scenario so that the counter intuitive impact of these two options – a lower tax rate with a higher tax liability – is clearly understood up front.

University Partnerships

The following initiatives would not have a significant direct impact on City government's General Fund deficit, but could help Springfield City government further capitalize on its major non-profit community assets:

- **Consider Chief IT Officer "on loan"**: Several current and potential efforts to improve the quality or efficiency of City government services depend in part on new or better information technology. The City cannot afford to add a Chief Information Officer at this time, but it could pursue a partnership with Wittenberg, Clark State or another non-profit that could provide expertise "on loan" from (i.e. paid by) those institutions. Wittenberg has emeritus professors who may be candidates for this type of arrangement

- **Increase PILOTs with anchor institutions**: Springfield's anchor institutions have an economic self-interest in helping ensure the City is safe, vibrant and healthy. Springfield should develop goals with its universities, hospitals and other non-profit institutions to identify targeted investments for increased PILOTs and support joint planning and partnerships

- **Explore institutional "buy local" strategies that drive anchor procurement and investment locally**: For example, the University of Cincinnati has allocated more than 10 percent of its endowment to local investments intended to stabilize and revitalize the City's Uptown District

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Asking the "value" question

Throughout this process, we heard different variations on the same theme – measuring the value of services received for the amount of taxes paid.

- "What do I get if pay more taxes?"
- "How do I measure the value I get for what I pay now?"
- "As an employee, how do I show people that we are delivering what we say we will with the new tax money?"

The last question was particularly striking because it came from a leader of a collective bargaining unit that arguably stands to benefit from the tax increase since it will provide more resources for that department.

City leadership is also aware of this issue, and tested it in the July 2016 community poll.

Do you believe that the services provided to residents of the City of Springfield are:

- *Very good/good for the taxes paid – 39.8%*
- *Okay for the taxes paid – 35.9%*
- *Poor/Very poor for the taxes paid – 18.3%*
- *Unsure – 6.0%*

While City government is more accessible and visible on a day-to-day basis than federal or state government, it is also difficult to accurately quantify the benefit that taxpayers receive from services that are provided broadly to the entire population (police patrol), delivered in case of emergency (fire suppression/EMS) or have become a presupposed part of every day life (streets, sewers, water pipes). At the same time, value received for taxes paid is one factor in the decisions that people make on where to live, particularly if they have enough financial capacity and opportunity to move somewhere else. And the value question was clearly on the minds of the people with whom we interacted during this process.

Answering the value question

Other governments use **performance management** to help answer the value question and others related to how well government is doing at producing the results that matter to taxpayers at a price they are willing to pay. In short performance management uses quantified data to monitor, manage and improve the performance of government departments. It ties aspirational concepts, like mission and vision, to more tangible ones, like what government employees do on a daily basis.

The City of Baltimore has a sophisticated system called Citistat, which applies the same principles of the New York City Police Department's CompStat model to other departments. A successful performance management system in Springfield could start at a much simpler level that follows the basic principles of strategic planning summarized to the right.

Based on our discussions and the community poll results, there may already be consensus around City government's mission – to provide services that improve public safety, strengthen neighborhoods (mostly within the context of maintaining and improving public spaces like streets and parks) and retain and attract jobs to Springfield.

There has been much discussion on the obstacles to fulfilling that mission. Springfield City government has little influence over some obstacles, like global economic trends affecting demand for goods manufactured by Springfield-based businesses. And, acting alone, City government cannot eliminate other obstacles, like changing perceptions about crime in the City. But it can certainly identify a limited number of strategies to address those obstacles, measure the effectiveness of those strategies and use that to guide operational and financial decisions.

Mission
Broad, clear
statement of purpose

Obstacles
Critical issues that need to be
addressed to fulfill mission

Goals
Given the mission and obstacles,
what do we want to achieve
in the next X years?

Strategies
What can we do to shape our
environment to achieve these goals?

Performance measurement
What are the specific, measurable
objectives we want to achieve?

Using data, how we do know
that we're achieving our goals?

Using data, how do we know we're
doing better than before?

Recommendation: Data dashboard

One tangible and low cost initiative to help address the value question is to develop a data dashboard that tracks a limited number of measurable data points that tie back to the public safety-public spaces-economic development priorities.

The data points can be a mix of “inputs” (measuring government’s resources), “outputs” (measuring what government does) and “outcomes” (measuring what leaders want to achieve), all of which tie back to the three priorities with a concise, straightforward explanation. It is better if the data changes on a regular basis (monthly or quarterly) but some longer term measures are also acceptable.

The next page shows a portion of one County government’s “data dashboard.” The data is presented clearly and concisely so that people with limited understanding of day-to-day operations can still understand the trends and participate in conversations about whether they are positive and, if not, how to change them. The data points are limited, though supplemental dashboards focused on specific topics are certainly possible. And the dashboard can be easily integrated into existing processes related to government finance, economic development, hiring and public relations.

It is not necessary that the measures be perfect at the start. They will evolve and improve over time. There will undoubtedly be questions about what data is available, how it is gathered and what it means. Those are good questions that will help refine the tool, but should be discussed within the overarching context: What are our goals? What are our strategies to achieve those goals? How do we know whether those strategies are working? How do we communicate that to others?

Whatever the result of the November income tax vote, we encourage management to use this tool to show how City government provides value to its residents and how the result of the tax vote has changed its ability to do so.

Sample data dashboard

Fiscal Stability	Prior	Current	Progress
Annual GF expenditures per capita	$695	$701	⇩
Fund balance as % of annual GF expenditures	17.7%	17.5%	⇩
Unfunded OPEB liability as a % of annual GF revenue	151%	165%	⇧
Debt burden per capita	$879	$781	⇧
Ratio of employees to retirees	1.6	1.4	⇧
Number of services delivered via cooperative venture	12	12	⇔

Economic Strength	Prior	Current	Progress
% of community with access to high speed broadband	90%	90%	⇔
% of community age 25+ with BS or higher	29%	29%	⇔
Average age of critical infrastructure (years)	22.1	22.9	⇩
Government unit specific			

Public Safety	Prior	Current	Progress
Violent crimes per thousand	30.2	29.4	⇧
Property crimes per thousand	106	99.8	⇧
Traffic injuries or fatalities	50	55	⇩
Government unit specific			

Appendix: Income tax rates

Throughout this process we have compared Springfield to 11 other Ohio cities that are relatively close to it in population and seats of County government. If Springfield's income tax ballot question passes, the rate would increase from 2.00 to 2.40 percent, which would give the City the second highest tax rate in this group, depending on the results a similar ballot process in Warren (seeking increase to 2.50 percent). Newark is also seeking a 0.25 percent increase in its income tax while Elyria approved the rate increase from 1.75 percent to 2.25 percent in March 2016.

Last year Springfield staff compiled their own analysis of the income tax rates for the 20 largest cities in Ohio, which showed 10 cities with a higher rate than Springfield's current rate – Euclid (2.85), Youngstown (2.75), Columbus (2.5), Lorain (2.5), Parma (2.5) Akron (2.25), Dayton (2.25), Kettering (2.25), Toledo (2.25) and Cincinnati (2.1). As noted above, Elyria now has a higher tax rate and others, like Cleveland and Dayton, are considering an income tax increase.

Please note that the actual tax rate that a person pays depends on a combination of the income tax rate where the person lives, the income tax rate where the person works and whether the home municipality offers any credit for taxes paid elsewhere. Page 54 shows the current resident income tax credits for Springfield and the other 11 cities in our comparability group.

Also Springfield's real estate tax is relatively low in comparison to other cities in this group.

	Income Tax Rate
Youngstown	2.75%
Springfield (With increase)	2.40%
Elyria	2.25%
Kettering	2.25%
Springfield (Now)	2.00%
Canton	2.00%
Hamilton	2.00%
Mansfield	2.00%
Warren	2.00%
Middletown	1.75%
Newark	1.75%
Lima	1.50%
Findlay	1.00%