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#### **Mission**

The Chillicothe Ross Chamber of Commerce promotes economic and community development by providing services and addressing issues important to business.

# Chillicothe Ross Chamber of Commerce

## Ideas to address the City of Chillicothe's fiscal situation

In light of the city's financial crisis, the chamber strongly suggests that the administration, City Council and its employees' unions consider the following measures that, if enacted, could put the city back on solid financial footing not only for next year, but for years to come without having to raise taxes or fees.

We offer these suggestions in light of the fact no comprehensive solutions have surfaced as of this writing. City Council's Queen Lester said Monday, "If you have a suggestion, let us know." Pat Patrick said, "We seem to be spinning our wheels." So, here are ideas we obviously feel have great merit and warrant serious consideration by the administration and council.

We fully recognize that enacting any of these measures will cause short-term pain to and sacrifice for many, if not all, city employees eventually. We fully recognize it would change the lives of many of them. We also fully recognize, though, that getting city government back on solid and sustainable financial footing will benefit all city employees in the long run and all city residents for the foreseeable future.

This situation is no different than the ones faced by a multitude of businesses and industries across the nation and here in Chillicothe and Ross County. Faced with declining revenues, these businesses scaled back in the number of employees, trimmed benefit expenses and did whatever it took to remain financially viable.

A healthy and vibrant city with the lowest possible tax rate makes it more conducive for existing businesses to prosper and expand and makes it much more attractive for businesses looking to come here.

### **Repeal Ordinance 52-09 to provide flexibility and accountability for elected officials and their department managers.**

Approved in late May of 2009, the ordinance institutionalizes the pay scales and benefits for all non-union employees in the city. In essence, the measure gives non-union employees the same benefits as union employees. It means elected officials and managers must pay certain wages and benefits to their employees, effectively keeping them from managing the biggest portion of their budgets.

Non-union employees get the same expensive health insurance as union employees and pay very little for it. They receive upwards of 15 paid holidays a year in addition to 15 sick days. The city pays 70 percent of each non-union employee's pension contribution, the same as union employees. Most receive longevity benefits that cost the city thousands each year.

We strongly suggest City Council adopt what's done at the county level. The Ross County commissioners approve the budgets for the prosecutor, judges, auditor, treasurer, clerk of courts, sheriff, recorder, engineer and others based on previous years' budgets and projections of revenue for the coming year. Each elected official then is responsible for determining the pay scale and many of the benefits, other than retirement and health insurance, for their employees. If revenues are down, the budgets are cut, but the elected officials decide how to allocate the diminishing funds. That's how Ross County has been able to avoid asking for any tax increase during the recession.

Repealing this ordinance would allow the mayor, Municipal Court judges, auditor, treasurer and law director to set their own pay scales and benefit packages and, in essence, determine the size of their own staff. It means they would not be forced to pay \$31,000 a year for someone willing to work for \$24,000. It means if they want to pay someone \$60,000 to do the work of two people, they have that flexibility also. They could hire two part-time people without benefits for one full-time job with benefits.

Each elected official would get a pot of money to spend as they see fit. With this system, the elected official must stand before the people in an election every four to six years to defend their record, which should include fiscal accountability. The current system shields the elected official.

As examples, the county auditor spent an average \$26,665 in salaries and fringe benefits for each of the 17 people in his department in 2009 while the city auditor spent an average of \$71,978 for his 9.5 employees. The county auditor spent \$166,609 less than the city auditor in total expenses.

In 2009, the county prosecutor spent for salaries and fringe benefits an average of \$39,283 for each of his 19 employees while the city law director spent an average \$89,393 for her 7 employees.

Potential yearly savings: It's extremely tough to estimate how much this would save the city, but a conservative estimate would be \$400,000.

### **Seriously explore contracting with the Ross County Sheriff for law enforcement.**

The city is now spending \$5 million a year for its 50-employee Police Department. Is it possible the sheriff could do the same or a better job for \$3 million?

The city paid an average of \$79,176 for each police officer in 2009 and there's little reason to believe that won't be more when 2010 ends. With 15 paid holidays, 15 sick days and up to 35 days of vacation a

year, it's no wonder overtime costs are a large part of that \$79k figure.

Sheriff George Lavender paid in 2009 an average of \$59,933 for the 93 officers who worked for him which included those working in the jail. At that rate, the sheriff could hire 43 officers to cover the city.

Combining departments is not without precedent. The city of Coshocton and Coshocton County have done it for more than 20 years. Metropolitan cities such as Indianapolis, Louisville, Jacksonville (FL) and Los Angeles have been working it for years. Even in Ross County, villages not too long ago had their own police, but today are covered by the sheriff who legally is responsible for the entire county and who is voted upon by everyone, including Chillicotheans, every four years.

The county commissioners, who would have to approve a contract, and Sheriff Lavender said they are open to exploring the possibilities. The commissioners also are interested in the city paying its overdue bill of more than \$200,000 for housing its inmates in the county jail. This could be part of the contract talks.

Potential yearly savings: Possibly \$2 million, or the estimated shortfall in the entire General Fund for 2011. And that would be every year going forward.

**Change the health insurance plan to one that includes a health savings account component and require all employees to pay a percentage of the premium.**

While any possible ramifications from the health care reform legislation would have to be considered, the city needs to move away from its current plan that annually costs \$23,300 for a family, up to \$15,800 for a dual plan and \$7,570 for an individual plan. The out-of-pocket maximum deductible is a paltry \$250 and employees now pay \$105 for the family plan and \$50 for an individual plan a month.

By comparison, Ross County government is paying \$18,432 a year for family plans and almost \$7,000 for single plans. Employees pay \$261 for family plans and \$58 for single plans per month.

The current plan costs the city about \$2.3 million from the General Fund. By moving to an HSA-based plan with even a \$1,000 deductible, the savings would probably be substantial. By requiring all employees to contribute 10 percent toward the premium (county employees pay almost 14 percent), the cost to the city would be even less. Even in these plans, preventative procedures such as mammograms, colonoscopies and check-ups are usually covered 100 percent.

The council and administration could ask the unions to re-negotiate health insurance coverage now, well ahead of when the three contracts expire. A joint ad hoc group could work with prospective insurers to come up with a plan that would be palatable to everyone.

Potential yearly savings: Again, tough to estimate, but maybe in the neighborhood of \$500,000.

### **End the 7 percent pension pickup for all employees**

Public employees are required by state law to contribute 10 percent of their wages to their respective pension funds. Over the years, the city negotiated with its unions to pick up 7 of that 10 percent in addition to what the city also is required to contribute, in the neighborhood of 15-20 percent. The city also picks up 7 percent for its non-union employees.

The cost to the city's General Fund for everyone is about \$556,000.

While ending this perk would affect employees' take-home pay, it would not affect their final pensions, which, in many cases equals 80 percent of the average of their three highest earning years. It also could be phased out over a period of years to lessen the impact on employees.

As noted above, the city could take this action immediately for non-union employees by repealing Ordinance 52-09. Getting the three unions to agree to it, even in a phased-out manner, would probably be impossible, but it certainly needs to be on the table during next year's negotiations.

Potential yearly savings: Depending on whether or not it is phased out, the savings could be more than \$100,000 a year to start.

### **Re-open negotiations with the unions -- now**

The unions have just as much at stake in this crisis as anyone. Unless they want to see their ranks continue to decrease in size for years to come, it's in their best interests to cooperate with council and the administration. The firefighters' contract expires March 31, AFSCME on Aug. 31 and the police Dec. 31, 2011.

The city could provide them with a target cut in a dollar amount, after cuts have been made to non-union employees, and then let the unions propose how they would like to get there.

### **Make it easy: Cut 15 percent across the board**

That's about how much each General Fund department would need to pare expenses to get to the \$2 million needed to balance the budget. And that might provide an edge only for a couple years to come, depending on negotiations with the unions in 2011.

### **Long-term, not short-term solutions needed**

City Auditor Tom Spetnagel said at Monday's council meeting that despite all of the layoffs and other expense reductions to date, the council will need to trim \$1.5 million or more in 2011. He is recommending using money usually set aside to buy police cruisers, fire trucks and other equipment for police and fire salaries. He is recommending increasing the refuse collection fee from its current \$10 a month, noting every \$1 increase in the fee brings in \$100,000 more in revenue. He recommends the mayor work with the unions to minimize what he predicts to be a 15 percent increase in the health insurance premiums which means another \$500,000 in expenses, albeit not all from the General Fund. He also recommends giving incentives to effect the early retirements of at least five police officers. "But we'll still need cuts and layoffs," he said.

While Spetnagel's recommendations certainly address the situation for 2011, they do little to address what will be needed in 2012, 2013, 2014 and beyond. The ideas from the chamber, if enacted, could put the city on solid financial footing for years to come. We hope they are given serious consideration by the administration and council.

*We are interested in hearing what you think of the ideas the chamber is presenting. Email President and CEO Marvin Jones at [mjones@chillicotheohio.com](mailto:mjones@chillicotheohio.com).*