



45 East Main Street

Chillicothe, OH 45601-2504

Phone 740.702.2722

Fax 740.702.2727

www.chillicotheohio.com

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

Information on city safety levy

To: All chamber members

From: Chamber Board of Directors

Date: October 12, 2010

Re: City safety levy request on the Nov. 2 ballot

The chamber's Board of Directors is not taking a position on the request by the Chillicothe City Council and administration to increase the city's income tax. The voters of the city will make that decision in the Nov. 2 election.

The Board of Directors did, though, vote to get facts and information to all members that it feels are important for members to know when they cast their vote on this very important issue. In making this decision, the board feels it is in keeping with the chamber's stated mission to address issues important to business. It is a chamber tradition to weigh in on issues that affect our members.

The chamber researched the situation of the city because the financial health of the city is of great importance to all citizens, including the business community. A financially sound city means it's a city where services are provided, such as police and fire protection, roads are paved, refuse is collected and projects can be undertaken to make this an even better place to live, work and play. It means existing businesses are more likely to add jobs and new businesses find this an attractive place, meaning even more jobs.

Background

In the last six years ending in 2009, the revenue from the income tax grew by only 3.2 percent. General Fund expenses in that same time increased by 32.4 percent.

In addition to the income tax, General Fund revenues also include fees from Municipal Court cases, estate taxes, insurance payments for ambulance services, earnings on investments and a few other minor sources. Funds generated by the now dismantled red-light cameras also went into the General Fund. The income tax generated approximately one-half of all General Fund revenues in 2009.

Of the city's current 1.6 percent income tax levied on those who live and/or work in the city, 1.0 percent is for general use, 0.1 percent is for parks and recreation and 0.1 percent is for the bus system. The remaining 0.4 percent is ostensibly for the safety forces (police and fire protection). Of that 0.4 percent, one-fourth is to be set aside to buy cruisers, fire trucks, ambulances and other equipment.

The administration and council seek to increase this 0.4 percent safety levy to 0.8 percent and move the total income tax levied to 2.0 percent, or 25 percent more than the current rate. If approved, this would generate approximately \$2.6 million annually.

The chart below details what's happened in the past five years as it relates to the safety forces. Income tax revenue is up only 3.2 percent and expenses for the safety forces are up 27.5 percent. The expenses of the two departments now exceed the entire revenue generated by the undesignated income tax. In 2005, the combined expenses of the two departments represented 88 percent of the income tax revenue. In 2009, it was 109 percent, meaning the city had to draw upon other General Fund sources to supplement the income tax revenue.

The city's largest expenses are for all of its employees' wages and fringe benefits. In 2009, wages and fringe benefits in all departments amounted to 74 percent of all General Fund expenses.

Below is information and facts the board feels are important for its members to know.

Chillicothe Safety Forces Finances

	<u>2009</u>	<u>2005</u>	<u>Diff</u>	<u>Pct Diff</u>
Income tax revenue*	8,530,391	8,265,381	265,010	3.2%
Police				
Personal services (wages)	3,108,063	2,377,287	730,776	30.7%
Fringe benefits	1,246,618	930,126	316,492	34.0%
Total wages and fringes	4,354,681	3,307,413	1,047,268	31.7%
Employees	55	49	6	12.2%
Average wage	56,510	48,516	7,994	16.5%
Average fringe benefits	22,666	18,982	3,684	19.4%
Average wage and benefits	79,176	67,498	11,678	17.3%
Total department expense	5,033,248	3,745,920	1,287,328	34.4%
Fire				
Personal services (wages)	2,831,798	2,475,826	355,972	14.4%
Fringe benefits	1,132,018	827,966	304,052	36.7%
Total wages and fringes	3,963,816	3,303,792	660,024	20.0%
Employees	47	43	4	9.3%
Average wage	60,251	57,577	2,674	4.6%
Average fringe benefits	24,085	19,255	4,830	25.1%
Average wage and benefits	84,337	76,832	7,504	9.8%
Total department expense	4,235,158	3,522,101	713,057	20.2%
Total police and fire	9,268,406	7,268,021	2,000,385	27.5%
Total as a percent of income tax	108.7%	87.9%		

*--excludes revenue designated for transit, safety capital and parks/recreation

Source: Auditor's Comprehensive Annual Financial Reports

Contracts

In 2011, the administration and council will negotiate new contracts with its three unions, starting with the firefighters whose contract expires on March 31, 2011. The AFSCME (non-uniformed) contract expires Aug. 31 and the one for police on Dec. 31 next year.

Wages

The total average wage and benefit package of a police officer was \$79,176 in 2009, up 17.3 percent in five years, as noted in the chart.

The salary for a police officer just joining the force is \$34,320. Every police officer receives \$6,600 in hazardous duty pay every year to bring the starting pay to \$40,920. They earn an additional \$1 per hour (\$2,080 annually) for working the 11-7 shift and 75 cents an hour (\$1,560 annually) extra working the 3-11 shift.

The total average wage and benefit package of a firefighter was \$84,337 in 2009, up 9.8 percent in five years, again, noted in the chart.

The starting salary for a firefighter is \$40,456 with extra pay for being an EMT or paramedic.

Under the AFSCME contract, the starting salary for a general laborer is \$32,573. The starting salary for a clerk is \$32,573. The starting salary for a secretary is \$35,464. The starting salary for a mechanic is \$36,130.

For comparison purposes, a beginning Ross County sheriff's deputy makes \$25,792 annually, a starting corrections officer at a prison earns \$34,008 and a starting Highway Patrol trooper makes \$44,762 in salary and earns about \$49,000 total in the first year.

There is not one full-time position in city government that pays less than \$30,000.

Health insurance

The city's hands are tied as to what it offers all employees because the basic terms of the insurance are written into the contracts. While there are minor co-payments for doctor's office visits and prescriptions, the maximum out-of-pocket cost to employees is \$250 a year.

County government employees pay about 14 percent of the premium cost. City employees pay a set amount of about \$125 per month for a family plan.

Since 2005, the city's bill for health insurance for all employees increased 18 percent to an average last year of \$14,794 per employee. The dollar increase was \$603,178 in five years while revenue from the income tax increased \$265,010.

Paid time off

All city employees, union and non-union, receive 15 days of sick leave per year.

In addition to sick leave, union and non-union employees can roll unused sick leave to the next year and can accumulate it over the span of their careers. At retirement, the employee is paid for a portion of the unused sick leave at the rate they are making when they retire, not at the rate it was earned. In the past, the city has made six-figure payments to retiring employees. That amount also is subject to the city paying retirement benefits.

City employees receive 10 days of vacation after the first anniversary, 15 days after the fifth, etc., up to a maximum of 30 days except for police who receive 35 days, or seven weeks, of vacation after their 21st anniversary.

Unused vacation is paid at retirement. There is no limit on the amount of vacation a police officer can accrue. Firefighters can accrue up to 180 days and all other employees about 90 days.

Most city employees receive 10 paid holidays a year except for police who receive 15.

The city has 11 police officers with more than 21 years' service receiving 15 sick days, 15 holidays and 35 vacation days for a total of 65 paid days off a year or 25 percent of a normal work schedule.

Firefighters earn 10 what are called "holivac" days off a year. Most firefighters work 24 straight hours, then are off for 48 straight hours. Holivac refers to the 24-hour shifts. Vacation tops out at six weeks at the 21st anniversary. In 2009, 19 had reached that level.

The same as private sector employees when it comes to overtime, city employees are paid time and a half, double time and, in some instances, double time and half for working holidays or filling in for their colleagues who are on vacation or taking a day off.

Retirement

State law requires that most government employees pay 10 percent of their wages into their respective pension funds. City Council approved in the current and past contracts to "pick up" 70 percent of that obligation in addition to its own statutory obligation. The county does not pick up any portion of its employees' portion, except in a very few situations.

The council approved doing the same for its non-union employees.

Private sector employees pay 6.2 percent of their wages into Social Security with employers also paying 6.2 percent.

Longevity pay

In addition to paid holidays, sick leave and retirement benefits, all city employees receive what's called longevity pay, usually after they have been on the job for five years.

Firefighters receive \$350 after their fifth year, escalating to \$1,350 for 25 or more years. Police receive \$650 after two years, rising to \$1,400 for 25 or more years. AFSCME and non-union employees receive \$950 after five years, rising to \$1,950 after the 25th year.

Wage increase frequency

While the majority of city employees have five or more years' experience, others just being hired can quickly get pay raises.

For example, a clerk under the current AFSCME contract hired on May 1, 2008 would have started at \$14.33 an hour. This employee then would have gotten raises on the anniversary of both the contract and their hire date. In 28 months, this employee's pay would have risen to \$16.10 an hour, or an increase of 12.4 percent in their first 28 months.

A similar situation for a police officer hired on Sept. 1, 2008 would have gone from \$15.55 an hour to \$19.59, an increase of 26 percent in their first 36 months.

A firefighter hired on Nov. 1, 2008 would go from \$18.33 an hour to \$23.29 an hour, or an increase of 27 percent in their first 36 months.

In the private sector, raises, if given, generally are only once a year.

Automatic pay raises set for next year

Unless council acts before the end of this year, all non-union city employees will receive 3 percent raises. Council approved the raises back in May 2009. The ordinance authorized 3 percent raises each year on Jan. 1 starting in 2009.

Firefighters received the third and final annual raise in their contract on March 31 this year. AFSCME's came on Sept. 1 and the police are scheduled to receive theirs on Dec. 31. All raises were for 3 percent. The police and firefighters agreed to give back 2 percent for the last three months this year. AFSCME declined.

Summary

In addition to paying for the wages and benefits of its employees, the city has many other financial obligations. These include:

- Paying the interest on the money it's borrowed over the years.
- Paying for street lights.
- Paying for the utilities for its buildings and properties.
- Making repairs such as those needed for the Administration Building and swimming pool.
- Providing matching funds to secure grants from the state and federal governments for projects such as the widening of Western Avenue, the relocation of North Plaza Boulevard and neighborhood and downtown revitalization programs.

- Repairing and replacing vehicles, dump trucks and garbage trucks when they become inoperable.
- Paving streets and alleys on a regular basis.
- Replacing antiquated computer systems and software.

Again, the chamber's Board of Directors feels its members should be well informed when they cast their votes on the city's request to increase the income tax rate to 2.0 percent from the current 1.6 percent. This information is provided in that spirit.