

January 25th Financial Workshop

The first financial workshop was held on January 25th, 2006. The participants included 9 out of 10 members of City Council, all 6 community experts serving on the Blue Ribbon Resource Team, the City Manager, the Budget and Finance Director, and lead staff from each city department.

Prior to the 7 p.m. start of the workshop, the Blue Ribbon Resource Team came early to view a powerpoint summary of the city's overall financial condition that had previously been presented to City Council.

Following a few introductory remarks provided by the Chair of the City Council's Finance Committee, the City Manager re-stated the purpose of the meeting and outlined the proposed format for the presentation of data that evening.

Blue Ribbon Resource Team

John Thornton, Associate Professor Finance, KSU

Bill Hoover, Vice President, Key Bank

Brian Bialik, Vice President, Home Savings Bank

Joyce Harris, Wachovia Securities

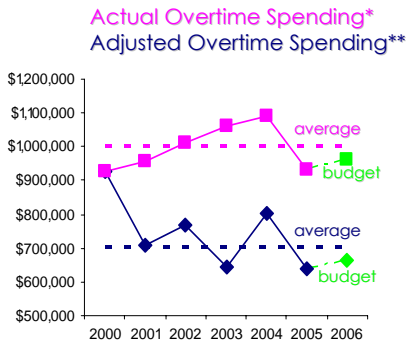
Amy Gilliland, Director, Analysis and Budget University of Akron

Matt Fajack, Director, Financial Affairs, KSU

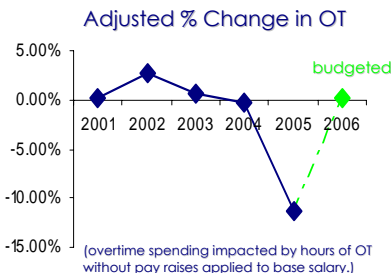
Purpose of the meeting

- 1) Determine if the decline in staffing over the last 5 years saved money or shifted costs from salaries to overtime/professional services;
- 2) Examine city overtime practices for effectiveness in service delivery; and
- 3) Understand the current use of overtime and professional services in consideration of possible cost savings measures.

Findings overtime

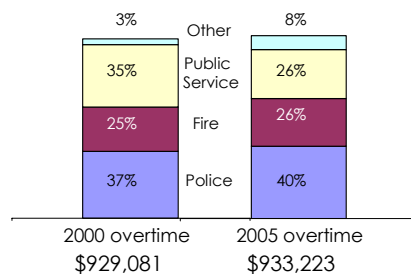


*overtime spending impacted by hours of OT and changes in pay rates.
 **overtime spending impacted by hours of OT without pay raises applied to base salary.

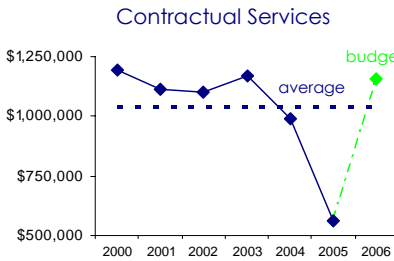
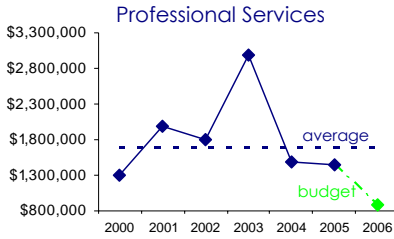


(overtime spending impacted by hours of OT without pay raises applied to base salary.)

- Over the four years from 2000 to 2004 overtime spending increased by \$160,000 or 17%. With pay raises increasing 13% for the same period, overtime hours rose 4% overall or 1% per year.
- In 2005 overtime spending dropped \$156,000 or 14% despite a 3% pay raise for that year.
- The average overtime spending per year is \$1,000,000 or \$5,200/employee/year.
- Excluding pay raises, the average swings in overtime from 2001 to 2004 was less than 3% year.
- The standard deviation of overtime spending per year was \$62,307; that means that the difference in overtime spending from year to year due to both pay raises and overtime needs, e.g., amount of snow storms, flooding, Halloween, etc. was \$62,307 which is under 10% per year for the last 5 years.
- 55% of Police overtime is correlated with staffing levels; as staff levels go down there are less court cases, less training, etc., so overtime goes down as staffing goes down.
- Overtime for fire emergency response was down 25% in 2005.
- In 2005 Police utilized the most overtime, representing 40% of city total; followed by Public Services and Fire at 26% each. These three departments comprise 92% of total city overtime.

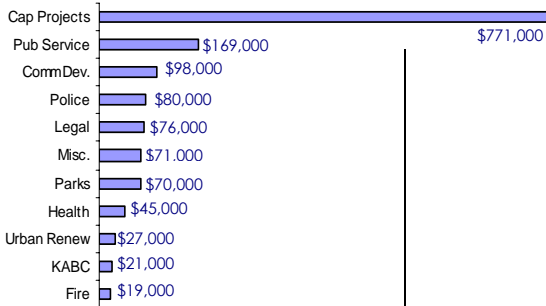


Findings professional and contractual services

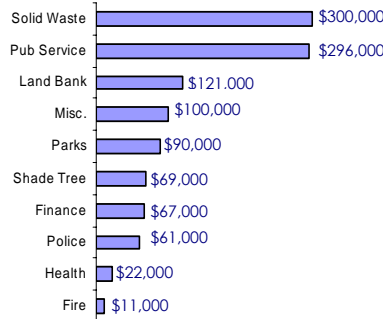


- From 2000 to 2005 professional services spending increased by \$137,923 or 11%; which is approximately 2% per year.
- Average professional services spending is \$1,700,000 per year.
- Excluding the unusually high year in 2003, the standard deviation for professional services from 2000 to 2005 was \$225,000/year.
- Excluding costs related to capital projects, the City spent \$675,000 in professional services in 2005 for routine operations and service support.
- Most of the routine use of professional services is for specialty legal, engineering and architectural design work in Public Service, Community Development, Parks and the Law Dept.
- From 2000 to 2005 contractual services decreased by \$632,000.
- The average contractual services spending over the last 5 years has been \$1,000,000 per year.
- The largest contractual service in the City is solid waste services at \$300,000/year.
- Contractual services is used for routine operational support in each department.

Professional Services Spending by Department



Contract Services Spending by Department



Findings one time purchases

- There was no presentation or questions on one-time purchases.

Parking Lot follow-up items

- 1) Compare City Department OT to peer cities
- 2) Calculate service demand vs. revenue contributions from Kent State University
- 3) Discuss legal costs and use of professional services for legal work
- 4) Calculate effective tax rate for Kent residents and compare with peer cities

Status

- Data collection in progress
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- Presentation at 2/22/06 workshop
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