

Stark County Public Health Study Commission

Phase One Analysis

March 5, 2013

The Stark County Public Health Study Commission has engaged The Center for Community Solutions to determine the feasibility of combining the Canton City Health Department and the Stark County Health Department. Phase One of the analysis involves an examination of the fiscal impact of such a potential merger.

Each health department is first examined followed by an analysis of what a combined department would look like and what its major opportunities and challenges would be. Year-to-year carryover balances are excluded to obtain a handle on annual receipts and spending over the past four years. (Appendix A summarizes the reasons why such a merger should merit careful consideration.)

Stark County Health Department Income

Table 1 depicts income by source for revenues supporting the Stark County Health Department, exclusive of carryover balances. (Tables 1-15 can be found in Appendix B.) From 2009 to 2011, total revenues dropped by 2.1 percent, or \$125,953. The drop was similar for each year studied. Revenues dropped by 1.2 percent from 2009 to 2010, or \$69,535. They dropped an additional 0.9 percent, or \$56,418, from 2010 to 2011. Total income rebounded strongly in 2012 with an increase of 9.6 percent, or \$566,854. However, most of this increase, \$375,000, represented an advance payment made by the office of the Stark County Auditor from the political subdivisions to the Stark County Health Department's account. These funds were processed in late December, 2012, although they actually are part of the 2013 departmental budget. Without this funding, actual revenues in 2012 would have been \$191,854, or 3.3 percent, higher than in 2011.

Fees for Service experienced the largest single drop in dollar terms from 2009 to 2011. It decreased by nearly \$200,000, from \$1,146,117 in 2009 to \$946,364 in 2011, or 17.4 percent. Fees for Service income dropped in both years, but most significantly from 2009 to 2010, when it fell by \$153,045, or 13.4 percent. However, it largely recovered from these losses in 2012 to \$1,124,757, an increase of \$178,393, or 18.9 percent, over the previous year. This is due to an increase in tipping fees collected from construction and demolition landfills, as well as in the Home Sewage Treatment System program. The department is also enforcing a stricter collection policy at its dental clinic.

Easily the largest single decrease in percentage terms was State Subsidy, which now comprises less than one percent of total income. The item was reduced from \$70,312 in 2009 to \$42,902 in 2010, or 39.0 percent. It increased by a small margin in 2011 to \$43,472 and in 2012 to \$46,787. Health departments are indeed fortunate not to be heavily dependent on State Subsidy in this time of local government cutbacks by the state.

Two other large income categories, Permits and Fees and Grants, were relatively stable from 2009 to 2011. This masked some noteworthy changes within the categories, however. For example, within the Permits and Fees category, Vital Statistics fees grew by an impressive 40.1 percent from 2009 to 2011. These categories moved in opposite directions in 2012. Permits and Fees increased by an additional \$165,289, or 11.8 percent over 2011. Large increases came from income from permits, inspection fees, Vital Statistics, and fines/late charges. The recent growth in Vital Statistics has been fueled by a law change allowing individuals to obtain a birth certificate from any registrar in Ohio for any birth in the state rather than from where the event was registered.

Grants, on the other hand, declined by \$223,654, or 15.7 percent, between 2011 and 2012. Several grants were reduced significantly in 2012, including Public Health Emergency Preparedness, WIC, the Immunization Action Plan, and Ohio EPA.

The largest growth in dollar terms from 2009 to 2011 was from contributions from Taxation/Political Subdivisions. Income from local tax subdivisions grew by \$97,572, from \$1,369,148 in 2009 to \$1,466,720 in 2011, or 7.1 percent. This amount would have remained constant in 2012, if not for the previously mentioned advance of \$375,000 in 2013 funds from the County Auditor in late December.

Another relatively large revenue category, Contracts, grew significantly between 2009 and 2010, but slipped slightly in 2011. The 2011 level represented an increase of \$72,494, or 17.2 percent, over 2009. However, Contracts income dropped again in 2012, this time by a significant \$47,345, or 9.6 percent, to a level just \$25,149 above 2009. This was due in part to a discontinuation of the Phase 2 storm water program with the political subdivisions served by the department. In addition, it reflected the end of a one-time 2011 contract from the Ohio Department of Health for Public Health Improvement.

Despite the considerable variances in some individual items, the overall revenue picture presented is one of relative stability, once the advance from 2013 is taken into consideration. The decrease in Fees for Service was the largest driver of the overall reduction in total revenue between 2009 and 2011, but it would not seem to be a concern moving forward given its rebound in 2012 due to the proactive steps taken by the department. Still, its ongoing volatility, and the more recent volatility in revenues generated from Permits and Fees, Grants, and Contracts, bears monitoring.

Stark County Health Department Expenditures

Table 2 depicts the expenditures of the Stark County Health Department. Total expenditures mirrored the revenue picture from 2009 to 2011 with trends moving in the opposite direction. Total spending of \$6,026,289 in 2011 was \$173,901, or 3.0 percent, higher than in 2009. Virtually all of this increase, \$150,055, or 2.6 percent, occurred between 2010 and 2011. Expenditures grew by yet an additional 2.5 percent in 2012.

Salaries and Benefits were easily the largest expenditure items throughout the period. Salaries alone comprised over half of the total budget of the health department. Expenditures on Salaries

have grown slowly, but steadily, over time, despite the elimination of 11 full-time positions since 2008 due to budgetary concerns. Over the last three years, the number of full-time equivalent positions (FTEs) in the department has declined by seven from 74.7 FTEs in 2009 to 67.7 FTEs in 2012. Six of these positions were lost in 2012 alone. The reductions have come largely from staff retirements.

Expenditures on Salaries grew from \$3,101,839 in 2009 to \$3,172,288 in 2011, an increase of 2.3 percent. All of the growth was experienced between 2010 and 2011, when the number of FTE positions in the department did not change significantly. This growth was in line with normal annual step increases of three percent for employees. Salaries grew again in 2012 by \$104,214, or 3.3 percent, to \$3,276,502, despite the significant drop in FTE positions this year. The increase in 2012 was due in part to vacation and sick leave payouts to retiring employees, including the previous health commissioner. It was also the result of a prior year reimbursement of 2011 salaries that was booked early in 2012. When these items are excluded, actual staff salaries in 2012 were only \$3,061,559, which was \$110,729, or 3.5 percent, less than in 2011.

Benefits grew from \$1,069,106 in 2009 to \$1,178,096 in 2011, or 10.2 percent. Again, all of this increase occurred between 2010 and 2011, when employment in the department held steady. Health insurance premiums spiked in 2011, and several employees not previously on the department's health plan joined during this year. As a result, Benefits equaled 37.1 percent of Salary expenditures in 2011. This is compared to 34 percent during the previous two years. Benefits dropped slightly in 2012, decreasing them as a share of Salary to 35.5 percent, primarily due to the aforementioned leave payouts.

After declining in 2010, Purchased Services increased significantly from \$267,653 in 2010 to \$405,948 in 2011, or 51.7 percent. However, they decreased back to \$227,293 in 2012, a reduction of \$178,655, or 44.0 percent.

State Remittances also increased from 2010 and 2011, but by a much lesser amount, from \$628,361 to \$641,968, or 2.2 percent. They increased dramatically in 2012 to \$869,018, registering growth of 35.4 percent, due in part to the aforementioned law change regarding the obtaining of a birth certificate. As with expenditures for Purchased Services, State Remittances had experienced a reduction from 2009 to 2010.

Maintenance expenditures decreased from \$657,091 to \$621,146 between 2010 and 2011, a reduction of 5.4 percent. (Maintenance expenditures as used throughout this document include rent, utilities, supplies, phone and communications, travel, and equipment leases.) This helped keep the overall increase to a manageable amount, as did a reduction in the more variable Equipment category. Maintenance expenditures increased marginally in 2012 to \$623,604, a relatively modest amount for this item given the size of the department. The large one-time increase in Equipment expenditures in 2010 was related to grant-supported efforts to combat H1N1 influenza virus.

The overall picture in expenditures has been one of steady growth to this point. The increases in Salaries and Benefits would ordinarily pose some concerns, especially the double digit annual growth in Benefits in 2011 explained earlier. However, this does not seem to be the case here,

given the one-time nature of this increase as well as for the significant personnel reduction in 2012 due to staff retirements. This should greatly reduce spending pressures moving forward.

Stark County Health Department Summary

Total income, exclusive of carryover balances, exceeded expenditures in both 2009 and 2010, but by a much lesser amount in 2010. Income exceeded expenditures by \$157,478, or 2.6 percent, in 2009. This gap narrowed significantly to \$64,085 in 2010, but was still a healthy 1.1 percent. However, 2011 was a different story with total expenditures exceeding revenues generated during the year by \$142,380, or 2.4 percent. Increases in Salaries and Benefits and a decrease in revenues from Fees for Service were the primary reasons for the changed financial picture.

While income increased significantly in 2012, even without considering the advance of 2013 revenues from the County Auditor's office, so too did expenditures. Expenditures in 2012 exceeded those in 2011 by \$152,171 or 2.5 percent. However, it should be noted that this increase was primarily due to vacation and sick leave payouts that will have the positive impact of reducing future liabilities for the department and other one-time factors. Each year the budget has been balanced with a healthy carryover balance, which the department projected at \$290,450 heading into 2013.

Table 3 depicts the relationship between total income and expenditures for the department exclusive of carryover balances. The picture became somewhat less favorable each year between 2009 and 2011, with slight improvement in 2012 even when the advance of 2013 income is excluded. This is illustrated in Table 4. The recent significant cutback in personnel will likely begin to improve the relationship between income and expenditures in future years and restore balance to the overall financial picture.

Certainly, no meaningful cost control can take place outside of Salary and Benefits. When taken together, these items fully comprised 72 percent of total expenditures in both 2011 and 2012. It should be noted that this is not abnormally high for a health department. It simply reflects where most spending occurs, and thus where the only significant opportunities for cost control are. However, the department is already staffed at a very modest level. As in the recent past, any further cutbacks in personnel must be weighed carefully by the department so as not to compromise its mission.

Canton City Health Department Income

Table 5 shows revenue by source for the Canton City Health Department, exclusive of carryover balances. Total revenues changed very little, if at all, from 2009 to 2011. Total income decreased by a negligible \$55,420, or 0.8 percent, from 2009 to 2011, and declined again in 2012 by \$84,037, or 1.2 percent. However, income in 2010 was an aberration to the overall pattern. Revenue in that year was significantly higher due to the receipt of one-time grant funding to combat H1N1 influenza virus.

Canton City Health Department revenue originates in large part from two sources, Taxation/Political Subdivision and Grants, although Contracts and Permits and Fees are other important sources of funding. Revenue from Taxation/Political Subdivision totaled \$2,578,765 in 2011. It has declined over time, dropping by \$181,776, or 6.6 percent, from 2009 and 2011. It remained level in 2012, however, growing by a negligible \$16,139, or 0.6 percent.

Income from Grants grew to \$2,363,525 in 2011, which was \$380,340 above the 2009 level, or 19.2 percent. It grew by an additional \$142,228, or 6.0 percent, in 2012. There was a significant increase in 2010 over the 2009 level due to the aforementioned one-time Public Health Preparedness grant funding for preventing the spread of H1N1. This subsequently resulted in a corresponding decrease in 2011.

It is important to note here that the Canton City Health Department is the recipient agency for several grants that it passes through in large measure to other health departments as well as to Kent State University, including \$668,606 to the Stark County Health Department. Of the \$2,363,525 received in Grants income in 2011, fully \$943,792 was passed through to the Stark County, Alliance City, and Massillon City health departments and to Kent State University. This involved grants for WIC Administration, Public Health Preparedness, HIV Prevention, Immunization Action and the Personal Responsibility Education Project. The total amount passed through to other entities increased to \$1,024,395 in 2012 and included the Mahoning County, New Philadelphia City, and Youngstown City health departments in addition to those enumerated above.

Income from Contracts fell significantly between 2009 and 2011, declining by \$274,230, or 24.6 percent, to 839,220. The 2011 funding level actually represented a rebound from 2010. Contracts revenue decreased again in 2012 by \$210,381, or 25.1 percent, below the 2011 level to an amount just below that experienced in 2010.

Revenue from Permits and Fees has been trending downward, decreasing by \$34,762, or 4.8 percent, from 2009 to 2011. They decreased again in 2012 by \$17,662, or 2.6 percent. The decrease was due to a reduction in fees as a result of statewide issuance of birth records. This policy change drastically altered the business model for local health departments. Previously, one could obtain a birth certificate from the registration district where the event was registered. Although the Canton City Health Department continues to register the majority of births in Stark County, now a customer can obtain a birth certificate from any registrar in Ohio for any birth in the state. This has resulted in a decrease in business for the department, even as it has created a corresponding increase for the Stark County Health Department. The Canton City Health Department is attempting to stabilize Permit and Fees funding through enhancing its on-line services.

Income from Fees for Service has followed an erratic pattern. These wide variations are likely attributable to nothing more than when the cash for the service was booked. Fees for Service revenue seemed steady between 2009 and 2011, increasing by \$5,505, or 5.1 percent, but this was the result of a large increase in 2010 followed by a nearly equal large decrease in 2011. Funding increased again in 2012 by \$27,408, or 24.0 percent, over 2011 to a level just above that of 2010.

State Subsidy decreased dramatically from \$23,191 in 2009 to \$12,685 in 2011. This decrease of \$10,506, or 45.3 percent, was as large in terms of percentage as it was small in dollar terms. State Subsidy grew slightly in 2012, by \$968 or 7.6 percent. As with the Stark County Health Department, it represented just a fraction of the department's overall budget.

In sum, revenues for the Canton City Health Department are quite stable, but trending slightly downward. The decrease is minor enough not to be a matter of great concern.

Canton City Health Department Expenditures

Table 6 indicates that total expenditures for the Canton City Health Department increased by \$435,809, or 7.8 percent, between 2009 and 2011. However, total expenditures for the department fell by \$300,170, or 4.8 percent, in 2012.

Just three items, Salaries, Benefits, and Purchased Services, accounted for the vast majority of expenditures by the Canton City Health Department. Expenditures on Salaries held steady from 2009 through 2011, and this trend continued in 2012. Salaries increased a negligible \$15,112, or 0.5 percent, between 2009 and 2011. They decreased by this same percentage in 2012, 0.5 percent, or \$13,062. Staffing has been reduced significantly over time due to retirements, and those positions that were replaced were filled with lower paid staff. While the department maintained 62.0 FTE positions in 2009 and 2010, this level was reduced by over seven full-time positions in 2011 to 54.7 FTEs. In addition, longevity payments were eliminated for new staff and frozen at 2010 levels for existing staff.

Benefits were \$36,750, or 3.0 percent, lower in 2011 than they were two years previously. However, they were significantly lower in 2011 than they were in 2010, when they peaked at a level some \$90,000 above 2009. The decline in 2011 was met with an even larger reduction in 2012, when Benefits funding dropped by an additional \$148,054, or 12.3 percent, from the previous year. The referenced Salary changes contributed in part to the significant Benefits reduction. In addition, the health department no longer picks up the employees OPERS benefit, which they previously did in full. They now pay only the mandated 14 percent employer share. Benefits as a share of Salaries had reached an alarming 47.4 percent in 2010, but dropped to 37.0 percent just two years later.

Spending on Purchased Services increased by \$434,218, or 37.1 percent, between 2009 and 2011. It subsequently declined by \$246,061, or 15.3 percent, in 2012. Since the Canton City Health Department is the recipient of several grants on behalf of other health departments and Kent State University, these pass-through grants comprise a large component of overall Purchased Services expenditures. They accounted for \$943,792 and \$1,024,395 of total Purchased Services spending in 2011 and 2012, respectively, representing the clear majority of expenditures in this category.

Maintenance expenditures declined by \$43,038, or 16.1 percent, from 2009 to 2011. Although Maintenance expenditures increased in 2012 to a level just below that of 2009, they still only accounted for an extraordinarily small 4.44 percent of total departmental spending in 2012. The

department does not pay rent, which accounts for some savings, but frugal management is also a major factor.

Equipment expenditures increased significantly from 2009 to 2010, but have declined in each subsequent year. Equipment expenditures in 2012 were \$19,687, or 14.6 percent, less than in 2010.

State Remittances increased by \$28,497, or 14.0 percent, from 2009 to 2011. Virtually all of this increase disappeared in 2011. By 2012, State Remittances had fallen \$50,516, or 21.7 percent, below the 2010 level. A large State Remittance is birth and death record sales, and decreasing record sales has equated to a reduction in remittances.

In sum, a large increase in Purchased Services in 2011 was the chief reason for the overall growth in expenditures for the department. This growth is not of great concern, however, given that significant reductions in Benefits and Purchased Services in 2012 decreased departmental expenditures by \$300,170. Total spending in 2012 was at a level just \$153,639 higher than that experienced in 2009.

Canton City Health Department Summary

As can be seen on Table 7, revenues have been trending slightly downward since 2009, while expenditures, until 2012, had been trending in the opposite direction. Nevertheless, total income for the Canton City Health Department exceeded total expenditures by a healthy amount throughout the period. Total income exceeded total expenditures by \$749,785 or 11.1 percent, in 2012. Revenue exceeded expenditures in other years by an even greater margin, peaking at \$1,281,193 in 2010. However, this balance is in restricted funds and is not available for general expenditure as it is carried forward.

Combined Health Department Income - 2011

Tables 8 and 9 depict what the finances of a consolidated department might have looked like in 2011 under existing financial arrangements with their respective political subdivisions. They indicate that in 2011 a combined department would have had approximately \$12.0 million in revenue and a smaller total in expenditures, \$11.6 million. The Canton City Health Department generated \$6.8 million in revenue in 2011, but it is again important to note that \$943,792 of this amount was Grants funding that passed through to other health departments in the county and to Kent State University. This included \$668,606 passed through to the Stark County Health Department. Total income was thus nearly \$700,000 less than the sum of the two departments' revenues due to this pass through funding to the Stark County Health Department. Stark County Health Department income totaled \$5.9 million in 2011. Once the pass through funding is considered, revenue from the two entities becomes quite similar.

If all pass through grant funding is excluded from the Canton City Health Department, including pass through grants to the Alliance City and Massillon City health departments and Kent State University as well as the Stark County Health Department, total revenues become virtually identical. This can be seen in Table 10.

While similar in amount, income to the two departments comes from strikingly different sources. Canton City Health Department receives substantially more income than its counterpart from Taxation/Political Subdivision and Contracts. An undue or increasing dependency on support from Taxation/Political Subdivision could be an indicator of operational inefficiency or of costs escalating at a rate that revenues can keep up. While the Canton City Health Department receives a substantial portion of its total income from Taxation/Political Subdivision, their dependency on this resource has gradually reduced over time.

The Canton City Health Department also appears to more dependent on funding from Grants as well, but this is not the case once all funding passed through to other county health departments is considered. When this is done, Grants funding becomes nearly identical, as indicated in Table 10.

The Stark County Health Department, on the other hand, generates significantly more revenue from Fees for Service and Permits and Fees. Their high level of program driven revenue indicates programs are self-sustaining and draw less upon tax dollars or the general sources of the district.

The different patterns of funding support for the Canton City and Stark County health departments should prove to be complementary in a combined department. That is, a combined department will have a much broader, and thus more stable funding base than either department could maintain separately.

Combined Health Department Expenditures - 2011

Table 9 depicts a simple combination of the expenditure patterns of the Canton City and Stark County health departments in 2011. Expenditures in a combined department could actually be somewhat less than the sum of the two entities, especially for personnel, without any discernible diminution of service provision. This would come from an improved distribution of administrative costs over a broader base and reduction in duplication providing for a more efficient operational model.

Expenditure areas seem much more consistent across the two departments than do revenue sources. The Canton City and Stark County health departments each spend about half of their resources on Salaries and an additional 20 percent on Benefits. The commonalities in this critical area should serve to facilitate a blending of staffs and organizations.

The Canton City Health Department spent more on Purchased Services, but not overwhelmingly so once pass-through grants are excluded as seen in Table 11. The Stark County Health Department, on the other hand, had higher expenditures for Maintenance and State Remittances. Nevertheless, the overall pattern is one of more similarities than differences.

Total expenditures were \$6.3 million for the Canton City Health Department and \$6.0 million for the Stark County Health Department, although a significant amount of the Canton City Health Department spending was simply pass-through funding to other county health departments and Kent State University in the form of Contracts. If this is considered, then Canton City Health

Department expenditures on its own operations were actually \$665,007 less than those of the Stark County Health Department in 2011. This is depicted in Table 11.

Combined Health Department Income - 2012

Tables 12 and 13 repeat the above analysis of what the finances of a consolidated department might have looked like under existing financial arrangements with their respective political subdivisions, but for 2012. They indicate that in 2012 a combined department would have had approximately \$12.6 million in revenue and a significantly smaller total in expenditures, \$11.5 million. The gap between income and expenditures grew in a positive direction between 2011 and 2012, from less than \$400,000 to over \$1.1 million. The change was due to both increased revenues and reduced expenditures, but the greater variance was on the revenue side. The Canton City Health Department generated over \$6.7 million in revenue in 2012, but it is again important to note that \$1,024,395 of this amount was Grants funding that passed through to other health departments and to Kent State University. The 2012 pass through amount was \$80,803 more than the previous year, even though the \$554,931 passed through to the Stark County Health Department was actually \$113,675 less than the previous year. Total income is thus over \$550,000 less than the sum of the two departments' revenues due to this pass through funding to the Stark County Health Department. Stark County Health Department income totaled \$6.45 million in 2012, a significant increase over the previous year. If this pass through funding is considered, Stark County Health Department revenue becomes significantly higher than the Canton City Health Department. However, this margin is somewhat offset when the \$375,000 advance from 2013 received by the Stark County Health Department is also considered. When this is done, Stark County Health Department income was still \$313,486 larger than that of the Canton City Health Department in 2012. This can be seen in Table 14.

While somewhat similar in amount, income to the two departments again came from quite different sources. The Canton City Health Department received substantially more income than its counterpart from Taxation/Political Subdivision and Contracts. As previously noted, the dependency of the Canton City Health Department on Taxation/Political Subdivision would be a concern if this resource were increasing over time instead of being stable or declining.

The Canton City Health Department also appears to more dependent on funding from Grants as well, but considerably less so once all funding passed through to other entities is considered. When this is done, Grants funding for the Canton City Health Department still exceeds that received by the Stark County Health Department by \$325,596, as indicated in Table 14.

This gap developed in 2012 when Grants funding for the Stark County Health Department decreased by a significant amount, \$223,664, or 15.7 percent. Such a decreasing level of grant support can indicate either an inability to leverage resources or a declining availability of federal funds. The reduction here appears to be driven by economic factors rather than a decreased ability to acquire funding. Cuts in federal categorical funding were the major contributor to the reduced level of Grants support.

The Stark County Health Department, on the other hand, generates significantly more revenue from Fees for Service and Permits and Fees, \$1,124,757 in 2012 versus only \$141,762 for the

Canton City Health Department. Their growing level of program driven revenue indicates programs are self-sustaining and draw less upon tax dollars or the general sources of the district.

As previously noted, the different patterns of funding support for the Canton City and Stark County health departments should be complementary in a combined department. For local health districts, diversifying revenues and creating economies of scale are critical for long term sustainability. Moreover, the relative equal size of the two entities would potentially make for a marriage of equal partners.

Combined Health Department Expenditures - 2012

Table 13 depicts a simple combination of the expenditure patterns of the Canton City and Stark County health departments in 2012. As previously noted, expenditures in a combined department could actually be somewhat less than the sum of the two entities, especially for personnel, without any discernible diminution of service provision.

Expenditure areas again seem much more consistent across the two departments than do revenue sources. Both the Canton City and Stark County health departments each spend about half of their resources on Salaries and an additional 20 percent on Benefits. The commonalities in this critical area should serve to facilitate the unification of staffs and organizations.

The Canton City Health Department again spent more on Purchased Services, but not overwhelmingly so once pass-through grants are excluded as seen in Table 15. The Stark County Health Department, on the other hand, had significantly higher expenditures for Maintenance and State Remittances.

Total expenditures were \$6.0 million for the Canton City Health Department and \$6.2 million for the Stark County Health Department, although a significant amount of the Canton City Health Department spending was simply pass-through funding to other health departments and Kent State University in the form of Contracts. If this is considered, then Canton City Health Department expenditures on its own operations were actually \$1,165,949 less than those of the Stark County Health Department in 2012. This is depicted in Table 15. The differences in Maintenance and State Remittances account for almost all of the difference.

Combined Health Department Summary

Each department would bring something positive to the table in a combined department in addition to the potential synergy referenced previously with regard to income and expenditure sources. The Canton City Health Department currently has a more positive financial picture than the Stark County Health Department, at least in the near term. A high level of fund balance indicates an enhanced ability to mitigate current and future financial risks and ensure stable tax rates, although as previously noted, the balance carried forward by the Canton City Health Department in this instance is restricted and not available for the general operation of the department. However, both departments have taken difficult, but laudable actions in recent years that should significantly improve their financial picture in the future. Both departments

seem fiscally stable moving forward, and importantly no party would come to a combined union from a position of fiscal weakness.

In the combined department, this portrait would be further improved. Staffing levels could be reduced post consolidation without a loss of service provision as duplicative administrative positions are streamlined and grant funding is shifted to core functions. It is anticipated that this would take place through attrition. While both departments are fiscally stable, this picture would only be enhanced through the economies that could be reached by the larger, combined entity.

The Stark County Health Department, on the other hand, exhibits substantially better efficiency, if either spending per capita or employees per capita is examined. Together, the combined department would serve fully 85.5 percent of Stark County's total population. According to 2011 U.S. Census estimates, the Stark County Health Department currently serves a population of 247,768 and the Canton City Health Department serves a population of 72,919 with not entirely dissimilar budgets or staffing. In 2011, the Canton City Health Department spent \$73.52 per capita, exclusive of pass-through grants. This was significantly greater than the Stark County Health Department, which spent \$24.32 per capita in 2011. In 2012, the Canton City Health Department spent significantly less on a per capita basis than the prior year, \$68.74 versus \$73.52. On the other hand, Stark County Health Department expenditures on a per capita basis increased, but only on a marginal basis to \$24.94. In 2012, the Canton City Health Department employed 0.75 staff per 1,000 population. The comparable ratio for the Stark County Health Department was 0.27 per 1,000 population.

It should be noted, however, that the two departments serve quite different populations. The Canton City Health Department is an urban health district, while the Stark County Health District serves a more suburban and rural constituency. Certainly, there are more needs in Canton based on the percentage of people in poverty, the percentage of people having insurance, the percentage of people in substandard housing, higher teen pregnancy rates, a larger proportion of single family homes, population density, and other health indicators. A parallel can be found with the City of Akron and the Summit County Health District. They too served very different populations, and were similarly positioned on these measures when first considering a merger.

It must be added that it is impossible in such a simplistic analysis to factor in how the work of these two departments are already intertwined. The very fact that some services are already blended itself speaks positively about the prospects of combining the departments. The Canton City and Stark County health departments both provide several services directly on behalf of a much larger geographic area than their respective jurisdictional boundaries. For example, through a \$900,000 grant, the Canton City Health Department provides Air Pollution Control services to the entire county. This blending of service areas makes it extremely difficult to assign cost ratios without a much more detailed analysis of the costs and service areas of each individual program. This analysis is beyond the scope of this initial phase of study.

Phase Two Analysis

More analysis is clearly needed in a second phase before a combination of the Canton City Department and the Stark County Health Department is undertaken. However, it does appear

that the upside to such a combination would outweigh the negatives provided existing financial arrangements with their respective political subdivisions are not significantly changed. The following items should be studied on a comparative basis, if the Stark County Public Study Commission proceeds to a Phase Two analysis:

- Job descriptions, salary levels, and benefits;
- Conversion of technological systems;
- Facility arrangement;
- Designing approaches to engaging staffs, especially to manage the significant cultural change in serving different populations; and
- Proposed timelines.

For example, an examination of job descriptions would be informative in determining whether personnel are serving functions that are either complementary and additive or duplicative and redundant. An examination of benefits would inform what needs to be reconciled in this sphere.

In addition, issues impacting governance of the combined district and maintenance or changes to existing financial arrangements would need to be considered.

This financial analysis was performed by The Center for Community Solutions on behalf of the Stark County Public Health Study Commission. Its principal author was Terry M. Thomas, independent policy consultant. The cooperation of the staffs of the Canton City Health Department and the Stark County Health Department is greatly acknowledged.

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APPENDIX A

Opportunities Presented in a Combined Department

- 1) The different patterns of funding support for the Canton City and Stark County health departments should prove to be complementary in a combined department. A combined department would have a much broader, and thus more stable and sustainable, funding base than either department could maintain separately.

- 2) The relative equal size of the Canton City and Stark County health departments would potentially make for a marriage of equal partners. Moreover, both departments seem fiscally stable moving forward, and no party would come to a combined union from a position of fiscal weakness. These factors would minimize the cultural changes inevitably involved in such an endeavor.

- 3) Expenditures on personnel are similar for the Canton City and Stark County health departments. Each entity spends about half of their resources on Salaries and an additional 20 percent on Benefits. The commonalities in this critical area should serve to facilitate a blending of staffs and organizations.

- 4) Staffing levels could be reduced post consolidation as duplicative administrative positions are streamlined and grant funding is shifted to core functions. It is anticipated that this would take place through attrition and without any diminution of service provision. While both departments are fiscally stable, this picture would only be enhanced through the economies that could be reached by the larger, combined entity. The distribution of administrative costs over a broader base and reduction in duplication would provide a more efficient operational model.

APPENDIX B

Table 1				
Stark County Health Department Income by Source, Exclusive of Carryover Balances				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Contracts	\$ 420,873	\$ 501,420	\$ 493,367	\$ 446,022
Fees for Service	1,146,117	993,072	946,364	1,124,757
Permits and Fees	1,401,623	1,410,113	1,396,301	1,561,590
State Subsidy	70,312	42,902	43,472	46,787
Taxation / Political Subdivisions	1,369,148	1,424,000	1,466,720	1,841,720*
Grants	1,438,406	1,446,583	1,427,507	1,203,853
Other Receipts and Reimbursements	<u>163,385</u>	<u>122,238</u>	<u>110,179</u>	<u>226,035</u>
Total Income	\$6,009,864	\$5,940,328	\$5,883,910	\$6,450,764*

*Includes a \$375,000 advance of 2013 income from the political subdivisions. Without this revenue, total income for 2012 would be more accurately reflected as \$6,075,764.

Table 2				
Stark County Health Department Expenditures				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Salaries	\$3,101,839	\$3,099,724	\$3,172,288	\$3,276,502
Benefits	1,069,106	1,061,252	1,178,096	1,162,867
Purchased Services	333,086	267,653	405,948	227,293
Maintenance*	634,440	657,091	621,146	623,604
Equipment	17,017	153,209	2,308	5,733
State Remittances	687,446	628,371	641,968	869,018
Refunds / Others	<u>9,452</u>	<u>8,943</u>	<u>4,536</u>	<u>13,444</u>
Total Expenditures	\$5,852,386	\$5,876,243	\$6,026,290	\$6,178,461

*The Maintenance category as used throughout this document includes rent, utilities, supplies, phone and communications, travel, and equipment leases.

Table 3
Stark County Health Department
Total Income and Expenditures Comparison,
Exclusive of Carryover Balances

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Income	\$6,009,864	\$5,940,328	\$5,883,910	\$6,450,764*
Expenditures	<u>5,852,386</u>	<u>5,876,243</u>	<u>6,026,290</u>	<u>6,178,461</u>
Balance**	\$157,478	\$ 64,085	\$(142,380)	\$272,303*
	2.6%	1.1%	(2.4)%	4.2%

*Includes a \$375,000 advance of 2013 income from the political subdivision. Without this revenue, total income would be more accurately reflected as \$6,075,764 and the balance would be \$(102,697).

**These amounts may be in restricted accounts and not available for the general operation of the department.

Table 4
Stark County Health Department
Total Income and Expenditures Comparison,
Exclusive of Carryover Balances and
Advance from 2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Income	\$6,009,864	\$5,940,328	\$5,883,910	\$6,075,764
Expenditures	<u>5,852,386</u>	<u>5,876,243</u>	<u>6,026,290</u>	<u>6,178,461</u>
Balance*	\$157,478	\$ 64,085	\$(142,380)	\$(102,697)
	2.6%	1.1%	(2.4)%	(1.7)%

*These amounts may be in restricted accounts and not available for the general operation of the department.

Table 5
Canton City Health Department
Income by Source,
Exclusive of Carryover Balances

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Contracts	\$1,113,450	\$632,050	\$839,220	\$628,839
Fees for Service	108,849	138,925	114,354	141,762
Permits and Fees	727,050	766,387	692,288	674,626
State Subsidy	23,192	14,151	12,685	13,653
Taxation / Political Subdivision	2,760,541	2,689,124	2,578,765	2,594,904
Grants	1,983,185	2,965,368	2,363,525	2,505,753
Other Receipts and Reimbursements	<u>161,791</u>	<u>144,316</u>	<u>221,801</u>	<u>179,064</u>
Total Income	\$6,878,058	\$7,350,320	\$6,822,638	\$6,738,601

Table 6
Canton City Health Department
Expenditures

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Salaries	\$2,865,256	\$2,816,611	\$2,880,368	\$2,867,306
Benefits	1,244,331	1,334,175	1,207,581	1,059,527
Purchased Services	1,170,512	1,161,406	1,604,730	1,358,669
Maintenance	267,344	292,074	224,306	266,167
Equipment	41,477	135,071	120,838	115,384
State Remittances	203,782	232,279	211,163	181,763
Refunds / Others	<u>42,474</u>	<u>97,511</u>	<u>40,000</u>	<u>140,000</u>
Total Expenditures	\$5,835,177	\$6,069,127	\$6,288,986	\$5,988,816

Table 7
Canton City Health Department
Total Income and Expenditures Comparison,
Exclusive of Carryover Balances

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Income	\$6,878,058	\$7,350,320	\$6,822,638	\$6,738,601
Expenditures	<u>5,835,177</u>	<u>6,069,127</u>	<u>6,288,986</u>	<u>5,988,816</u>
Balance*	\$1,042,881	\$1,281,193	\$533,652	\$749,785
	15.2%	17.4%	7.8%	11.1%

*These amounts are in restricted accounts and are not available for the general operation of the department.

Table 8
Combined Health Department Income - 2011

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>	<u>Combined Department</u>	<u>% of Total</u>
Contracts	\$839,220	12.30%	\$493,367	8.39%	\$1,332,587	11.07%
Fees for Service	114,354	1.68%	946,364	16.08%	1,060,718	8.81%
Permits and Fees	692,288	10.15%	1,396,301	23.73%	2,088,589	17.35%
State Subsidy	12,685	0.19%	43,472	0.74%	56,157	0.47%
Taxation / Political Subdivisions	2,578,765	37.80%	1,466,720	24.93%	4,045,485	33.61%
Grants	2,363,525	34.64%	1,427,507*	24.26%	3,122,426	25.94%
Other Receipts and Reimbursements	221,801	3.25%	110,179	1.87%	331,980	2.76%
Total Income	<u>\$6,822,638</u>	<u>100.00%</u>	<u>\$5,883,910*</u>	<u>100.00%</u>	<u>\$12,037,942</u>	<u>100.00%</u>

*Includes \$668,606 received from the Canton City Health Department that was passed through to the Stark County Health Department. This amount is not included in the Combined Department column.

Table 9
Combined Health Department Expenditures - 2011

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>	<u>Combined Department</u>	<u>% of Total</u>
Salaries	\$2,880,368	45.80%	\$3,172,288	52.64%	\$6,052,656	51.97%
Benefits	1,207,581	19.20%	1,178,096	19.55%	2,385,677	20.48%
Purchased Services	1,604,730*	25.52%	405,948	6.74%	1,342,072	11.52%
Maintenance	224,306	3.57%	621,146	10.31%	845,452	7.26%
Equipment	120,838	1.92%	2,308	0.04%	123,146	1.06%
State Remittances	211,163	3.36%	641,968	10.65%	853,131	7.33%
Refunds / Others	40,000	0.64%	4,536	0.08%	44,536	0.38%
Total Expenditures	<u>\$6,288,986*</u>	<u>100.00%</u>	<u>\$6,026,290</u>	<u>100.00%</u>	<u>\$11,646,670</u>	<u>100.00%</u>

*Includes \$943,792 in grant funding expended by the Canton City Health Department in the form of Purchased Services contracts with other county health departments and Kent State University and also partially reflected in the Stark County Health Department categories and total. The amount passed through to the Stark County Health Department, \$668,606, is not included in the total for the Combined Department.

Table 10
 Health Department Income - 2011,
 With Canton City Health Department Amounts Exclusive of
 Grants Passed Through to Other Entities

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>
Contracts	\$839,220	14.24%	\$493,367	8.39%
Fees for Service	114,354	1.94%	946,364	16.08%
Permits and Fees	692,288	11.74%	1,396,301	23.73%
State Subsidy	12,685	0.22%	43,472	0.74%
Taxation / Political Subdivisions	2,578,765	43.75%	1,466,720	24.93%
Grants	1,435,822	24.36%	1,427,507*	24.26%
Other Receipts and Reimbursements	221,801	3.76%	110,179	1.87%
Total Income	<u>\$5,894,935</u>	<u>100.00%</u>	<u>\$5,883,910*</u>	<u>100.00%</u>

*Includes \$668,606 received from the Canton City Health Department that was passed through to the Stark County Health Department.

Table 11
 Health Department Expenditures - 2011,
 With Canton City Health Department Amounts Exclusive of
 Grants Passed Through to Other Entities

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>
Salaries	\$2,880,368	53.73%	\$3,172,288	52.64%
Benefits	1,207,581	22.52%	1,178,096	19.55%
Purchased Services	677,027	12.63%	405,948	6.74%
Maintenance	224,306	4.18%	621,146	10.31%
Equipment	120,838	2.25%	2,308	0.04%
State Remittances	211,163	3.94%	641,968	10.65%
Refunds / Others	40,000	0.75%	4,536	0.08%
Total Expenditures	<u>\$5,361,283</u>	<u>100.00%</u>	<u>\$6,026,290*</u>	<u>100.00%</u>

*Includes \$668,606 in grant funding passed through by the Canton City Health Department and reflected in the Stark County Health Department categories and total.

Table 12
Combined Health Department Income - 2012

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>	<u>Combined Department</u>	<u>% of Total</u>
Contracts	\$628,839	9.33%	\$446,022	6.91%	\$1,074,861	8.51%
Fees for Service	141,762	2.10%	1,124,757	17.44%	1,266,519	10.02%
Permits and Fees	674,626	10.01%	1,561,590	24.21%	2,236,216	17.70%
State Subsidy	13,653	0.20%	46,787	0.73%	60,440	0.48%
Taxation / Political Subdivisions	2,594,904	38.51%	1,841,720*	28.55%	4,436,624	35.12%
Grants	2,505,753	37.19%	1,203,853**	18.66%	3,154,675	24.97%
Other Receipts and Reimbursements	179,064	2.66%	226,035	3.50%	405,099	3.21%
Total Income	<u>\$6,738,601</u>	<u>100.00%</u>	<u>\$6,450,764*</u>	<u>100.00%</u>	<u>\$12,634,434</u>	<u>100.00%</u>

* Includes a \$375,000 advance of 2013 income from the political subdivisions. Without this revenue, total income for 2012 would be more accurately reflected as \$6,075,764.

**Includes \$554,931 received from the Canton City Health Department that was passed through to the Stark County Health Department. This amount is not included in the Combined Department column.

Table 13
Combined Health Department Expenditures - 2012

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>	<u>Combined Department</u>	<u>% of Total</u>
Salaries	\$2,867,306	47.88%	\$3,276,502	53.03%	\$6,143,808	53.43%
Benefits	1,059,527	17.69%	1,162,867	18.82%	2,222,394	19.33%
Purchased Services	1,358,669*	22.69%	227,293	3.68%	917,356	7.98%
Maintenance	266,167	4.44%	623,604	10.09%	889,771	7.74%
Equipment	115,384	1.93%	5,733	0.09%	121,117	1.05%
State Remittances	181,763	3.04%	869,018	14.07%	1,050,781	9.14%
Refunds / Others	140,000	2.34%	13,444	0.22%	153,444	1.33%
Total Expenditures	<u>\$5,988,816*</u>	<u>100.00%</u>	<u>\$6,178,461</u>	<u>100.00%</u>	<u>\$11,498,671</u>	<u>100.00%</u>

*Includes \$1,024,395 in grant funding expended by the Canton City Health Department in the form of Purchased Services contracts with other health departments and Kent State University and also partially reflected in the Stark County Health Department categories and total. The amount passed through to the Stark County Health Department, \$554,931.00, is not included in the total for the Combined Department.

Table 14
 Health Department Income - 2012,
 With Canton City Health Department Amounts Exclusive of
 Grants Passed Through to Other Entities and
 Stark County Health Department Amounts Exclusive of 2013 Advance

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>
Contracts	\$628,839	10.91%	\$446,022	7.34%
Fees for Service	141,762	2.46%	1,124,757	18.51%
Permits and Fees	674,626	11.71%	1,561,590	25.70%
State Subsidy	13,653	0.24%	46,787	0.77%
Taxation / Political Subdivisions	2,594,904	45.03%	1,466,720	24.14%
Grants	1,529,449	26.54%	1,203,853*	19.81%
Other Receipts and Reimbursements	179,064	3.11%	226,035	3.72%
Total Income	<u>\$5,762,297</u>	<u>100.00%</u>	<u>\$6,075,764*</u>	<u>100.00%</u>

*Includes \$554,931 received from the Canton City Health Department that was passed through to the Stark County Health Department.

Table 15
 Health Department Expenditures - 2012,
 With Canton City Health Department Amounts Exclusive of
 Grants Passed Through to Other Entities

	<u>Canton City</u>	<u>% of Total</u>	<u>Stark County</u>	<u>% of Total</u>
Salaries	\$2,867,306	53.73%	\$3,276,502	52.64%
Benefits	1,059,527	22.52%	1,162,867	19.55%
Purchased Services	382,365	12.63%	227,293	6.74%
Maintenance	266,167	4.18%	623,604	10.31%
Equipment	115,384	2.25%	5,733	0.04%
State Remittances	181,763	3.94%	869,018	10.65%
Refunds / Others	140,000	0.75%	13,444	0.08%
Total Expenditures	<u>\$5,012,512</u>	<u>100.00%</u>	<u>\$6,178,461*</u>	<u>100.00%</u>

*Includes \$554,931 in grant funding passed through by the Canton City Health Department and reflected in the Stark County Health Department categories and total.