

A STUDY OF THE CITY OF HUNTINGTON

by

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Introduction

This study had its origins in a suggestion from Marshall University's President, Stephen Kopp, that a study by the faculty could yield some insights and possibly useful considerations in addressing some of the problems that have confronted the operation of the government of the City of Huntington and have been the subject of concern in recent years. The initial idea was explored with members of the area business community and elected officials of the City of Huntington in the Fall of 2005. During the Winter of 2006 a Scope of Work was developed, sponsorship from the area business community was obtained through the efforts of the Chamber of Commerce, and the study team was assembled and began work in Spring 2006.

The study itself offers a good example of the kind of public/private cooperation that is essential in meeting and finding solutions to the problems and areas of concern before the City of Huntington. Beyond the technical expertise reflected in this report and the specific suggestions, we would like to emphasize that the solutions to the problems themselves, no matter what form they may take, will require a co-operative approach from all the stakeholders: elected city officials, members of the business community, union leadership and membership, and the citizenry. In addition, all of the stakeholders must deal with each other in a climate of respect and mutual support so that leadership can emerge beyond the boundaries of an individual stakeholder group. In one sense, the report contains nothing that is new or unexpected. On the other hand, the comprehensive and systematic portrayal and an analysis of these issues provide a sobering reminder that our problems are difficult and complex. There are answers, but these answers and solutions constitute a challenge to

stakeholder co-operation and leadership. We feel honored to be called upon to help address to address these vital issues pertaining to the operation of the municipal government of Huntington, and we are mindful of the burden and trust that has been vested in this study.

If there is one overarching conclusion that can be gleaned from this work, we respectfully suggest that it is this: There are solutions to the problems confronting the City of Huntington. However, their attainment will require a realization on the part of each and every member of each and every stakeholder group that we are ‘all in this together’. Solutions will not be found through finger pointing, processing the past, or attempts on the part of one stakeholder group to place all responsibility on another. The future sustainability of the City of Huntington itself as a place to live and work depends on the sustainability of its municipal government which, in turn, depends on the co-operation and understanding of all stakeholder groups and the exertion and emergence of leadership that is recognized by all of these constituencies. The development and work of this multi-stakeholder coalition will take time, there is time, but we must use it wisely and we must also realize that all of the gains will not come at once i.e., various improvements will not begin to translate into recognizable improvements in revenue enhancement and reductions in expenditures instantly or in the same time frame. The keys to the future are patient, steady effort, co-operation and mutual respect, and broad-based leadership. With this in mind we turn to the specific, technical recommendations.

Organization of this Report

Immediately following this summary, four (4) individual studies may be found by accessing them via the URL's given at the end of this report. The first study is benchmarking analyses comparing the City of Huntington to communities that we feel are appropriate comparison cities (counterparts) for Huntington. Also included in this study are comparisons of Huntington to the cities of Morgantown and Charleston, even though they are not, in our view, appropriate counterparts for comparison to Huntington. We have included these comparisons because Morgantown and Charleston are in West Virginia. The second study is an analysis of the major health and pension plans. The third study is a look at the fiscal operations of the City, while the fourth study reflects some of the ideas plus our own analysis of areas where improvement(s) may be realized. In carrying out the third and fourth studies we also interviewed members of the following groups: elected city officials and head administrators of municipal departments. A list of interviewees is attached to this report, along with a redacted summary of the principal points covered in these interviews.

These individual reports reflect the organization of our work. Each area had a lead faculty member who was responsible for the content, but assistance, ideas, and help was provided by all members of the study team.

Recommendations

1. The largest estimated savings are to be realized by restructuring the health and benefit plans of the three unionized employee groups. As study #2 indicates the savings in health plan costs to the city require a participating contribution from covered employees. The annual savings of our recommendation in this area would be approximately \$1.7 million per year.

By converting the pension plan from a *defined benefit plan* to a *defined contribution plan* annual savings in the range of \$3 million per year would be realized.

These savings add to \$4.7 million per year, but there are several *caveats* to be considered: vesting/grandfathering in conversion of the pension plan from defined benefit to defined contribution, contract obligations, and state law. All of these considerations suggest that these projected savings can only be realized at some future point, certainly not before the expiration of the current contracts.

2. The recommendation in item 1. above and contained in study #2 are reinforced by the results of the benchmark study, #1, which indicates (Table VI.A) that the expenditures for police and fire protection in Huntington per 1000 of population are substantially above those of the average of the benchmark cities. This finding also holds in the comparison of Huntington to Morgantown and Charleston (Table VI.B).
3. While carrying out study #3 the city began two commendable courses of action. One was increased enforcement and collection efforts for the B & O tax, and a re-examination of the accounting information system utilized by the city with an eye toward replacement and improvements in the flow of fiscal information. Study #3 recommends improved enforcement, identification, and collection procedures for the B & O tax including the use of student helpers (interns) from Marshall University in this endeavor. While revenues from the B & O tax comprise about 40% of the budget of the city, we feel there are significant additions to city revenue that can be realized from improved enforcement, identification and collection procedures and practices. The specific gains are difficult to estimate precisely because of under-reporting and because many smaller establishments cannot be identified presently (i.e. or 'matched' with annual tax returns)
4. A careful look at a variety of issues including privatization was carried out in study #3. In the specific study of trash collection fees, it is recommended that the City consider utilizing an enterprise accounting system to obtain a clearer picture of the balance of costs and revenues. The issue of the financial benefit of privatization v. current arrangements depends critically on the method of accounting, and no answer to this question can be provided without a reconsideration of accounting practice.

A further recommendation from study #3 is that an improvement in the collection of existing fees might result in an annual improvement in the City's budget of up to \$8M.

5. Table V. A. in the benchmarking study (#1) indicates that the revenues available to operate the City of Huntington are approximately \$2.5 million less than would be available in comparable cities i.e., revenue 'deficiency'. In addition, Table VI. A indicates that the expenditures of the City of Huntington for police and fire protection on a combined basis are approximately \$4.5 million greater than the average of the benchmark cities. This amount includes the *potential savings* which might be realized in the next several years through a combination of converting the pension plans from defined benefit to defined contribution, increasing the co-pay provision of the health plans, and affecting other savings contained in the recommendation of this report. This finding strongly suggests that the solutions to the fiscal operation of the City of Huntington cannot be found in efficiency gains alone for the foreseeable future.
6. We would urge moving away from specific user fees toward more general taxes that are less visible. (Tax visibility is an issue in terms of voter acceptance of tax burdens. For example, few discuss the tax on gasoline yet it is a significant cost component each time we purchase gasoline i.e., the gas tax has low visibility.) We urge Huntington to explore and substitute low visibility forms of taxation for its present higher visibility levies.
7. Before the longer term savings can be realized it would be advisable for the City to demonstrate its ability to utilize available (existing) resources as efficiently as possible by continuing its effort to improve revenue streams from the B & O tax (recommendations #3 above), to upgrade the computing hardware and increase the number of support personnel in this area of financial recording keeping and reporting (also recommendation #3), and to account for its use of current revenues by specific function rather than co-mingle these resources in the general fund. We also note some tendency to have cut personnel in enforcement (collection) and fiscal reporting areas in an effort to reduce expenditures. However, attention needs to be paid to the cost/benefit ratio of such personnel action.

The individual studies we prepared merit additional study and review by the interested reader.

No summary can provide a comprehensive overview of the complexity and specificity of each study and its findings. The above summary serves only as an introduction and overview of this work, and is not intended as a comprehensive picture. The operation of the municipal government is a complex organization in and of itself. It operates in a public arena and is circumscribed not only by the provisions of state law but by considerations and judgment

rendered by the citizenry through the political process. In the event that not everything may be understood by those who read the full report, we stand ready to attempt to answer or explain any aspects of our work.

Web Links To:

- [Executive Summary of A Study of The City of Huntington](#)
- Entire Report: [A Study of the City of Huntington](#)