



**Auditor of State
Betty Montgomery**

NILES CITY SCHOOL DISTRICT PERFORMANCE AUDIT

APRIL 1, 2004



Auditor of State Betty Montgomery

To the Residents and Board of Education of the Niles City School District:

At the request of the Niles City School District (Niles CSD) Board of Education dated January 21, 2003, the Office of the Auditor of State performed an examination of the school district's financial forecast of the general fund as required under Section 3316.03 of the Ohio Revised Code (ORC). In conjunction with an examination of the financial forecast, the Auditor determined and certified an operating deficit for the fiscal year ending June 30, 2003 in the amount of \$2,927,000. The Auditor of State declared Niles CSD to be in a state of fiscal watch as defined by ORC §3316.03(A)(1) on March 10, 2003. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in the Niles CSD to assess financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declaration of fiscal watch.

The performance audit contains recommendations which, if implemented, would provide cost savings and efficiency improvements. The performance audit also provides an independent assessment of Niles CSD's financial situation and a framework for the District's financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist Niles CSD in developing and refining its financial recovery plan, the District is also encouraged to assess overall operations and develop other recommendations independent of the performance audit. During the course of the performance audit, Niles CSD worked diligently with its Board of Education and the community to decrease expenditures in a number of areas.

An executive summary has been prepared which includes the project history, a discussion of the fiscal watch designation, a district overview, the objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Niles CSD and its contents discussed with the appropriate District officials. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 1, 2004

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031 (A), the state superintendent of public instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC §3316.031 (B)(1) further stipulates that the state superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC §3316.042, AOS may conduct a performance audit of a school district in a state of fiscal caution, fiscal watch or fiscal emergency. It may review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced services can be achieved. At the request of the Niles City School District (Niles CSD) Board of Education, AOS examined the District's financial forecast of the General Fund. As a result, AOS certified an operating deficit of the General Fund in the amount of \$2,927,000 and subsequently declared the Niles CSD to be in a state of fiscal watch.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit on Niles CSD. Based on a review of Niles CSD information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities; and
- Transportation.

District Overview

Niles CSD is a largely urban school district in Trumbull County encompassing 8 square miles. In FY 2002-03, it had an Average Daily Membership (ADM) of 2,869 students and a total of 310 FTE employees, including 144.4 regular education teacher FTEs. Niles CSD has seven schools: five elementary schools (grades K-6), one junior high school (grades 7-8), and one high school (grades 9-12). Niles CSD constructed one new middle school that opened in FY 2003-04. This new facility houses grades 6-8.

In FY 2002-03, Niles CSD met 11 of the Ohio Department of Education's (ODE) 22 academic performance standards, resulting in a designation of Continuous Improvement as defined by ODE. This was comparable to the average number of standards met by the three school districts

used for peer comparisons in this report (Springfield Local School District, Struthers City School District, and Washington Court House City School District). Niles CSD's total per pupil operating expenses in FY 2001-02 was \$7,213 – approximately 2.6 percent lower than the peer pupil average of \$7,402.

Niles CSD developed a forecast that projects a negative ending fund balance of approximately \$504,000 in FY 2003-04, increasing to \$11.5 million by FY 2008 without increases in revenues or reductions in expenditures. This ending fund balance would represent 54 percent of projected revenues in FY 2008.

On May 7, 2003, a financial recovery plan was approved by the Niles CSD Board of Education and submitted to ODE. The plan outlined steps the District was prepared to take to help alleviate the deficit situation. Subsequently, the District has implemented certain portions of the recovery plan. However, considering that additional savings would be necessary to achieve financial solvency in future years, Niles CSD should consider implementing the recommendations in this performance audit to further reduce projected deficits and avoid placement into fiscal emergency. See **R2.6**, **R2.7**, and **Table 2-8** in the financial systems section of this report for the proposed financial recovery plan that includes the District's recovery plan and impact of the performance audit recommendations on the General Fund ending balances.

Objectives & Methodology

The goal of the performance audit process is to assist Niles CSD management in identifying cost savings, with the objective of eliminating conditions that brought about the declaration of fiscal watch. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. These recommendations comprise options that Niles CSD should consider in its continuing efforts to stabilize its financial condition. A second objective of this performance audit is to perform an independent assessment of the school district's financial condition, including development of a framework for a financial recovery plan.

To complete this report, the auditors gathered and evaluated a significant amount of data pertaining to the reporting areas, conducted interviews with various individuals associated with Niles CSD, and requested information from selected peer districts. Springfield Local School District (Springfield LSD), Struthers City School District (Struthers CSD), and Washington Court House City School District (Washington Court House CSD) were selected as peers based on comparable districts identified by ODE, a review of various demographic information, and input from Niles CSD personnel. Best practice data was also used from ODE, the State Employment Relations Board (SERB), various other industry standards, and other Mahoning Valley school districts for additional comparisons. Numerous interviews and discussions were held at many levels at Niles CSD and with groups of individuals involved internally and externally with the District.

Noteworthy Accomplishments

Niles CSD has been proactive in addressing its financial condition by independently developing a financial recovery plan that includes the following strategies:

- Close Garfield Elementary;
- Consolidate vocational education programs at the high school;
- Eliminate the following positions: 1 principal, 24 teaching, 2 bus monitors, 4 special education assistants, and 1 assistant treasurer;
- Discontinue contracts for library management, career center, and psychology services; and
- Eliminate costs for certain substitute positions and overtime, cell phones, and non-mandatory field trips.

The District has already implemented several of the cost reductions in the plan.

Key Recommendations

The performance audit report and executive summary contain a number of recommendations pertaining to Niles CSD. The following are key recommendations:

- Niles CSD should analyze and use the proposed financial forecast outlined in **Table 2-8** and consider implementing the recommendations in this performance audit to avoid future financial difficulties. However, the District would need to consider reducing operations to State minimum standards in transportation, regular education and education service personnel (ESP) staffing to achieve positive ending fund balances during the forecasted period. Therefore, if additional expenditure reductions cannot be made and the District and community decide to continue operating above State minimum standards for transportation, regular education, and ESP staffing, the District should consider placing a levy on the ballot. In doing so, Niles CSD should demonstrate accountability by sharing information with the public concerning how revenue will be spent and how the levy will benefit the District.
- Niles CSD should continue to implement strategies identified in its financial recovery plan. The District estimates cost savings for these additional strategies, where already determined, at approximately \$411,500 annually.
- Niles CSD should adjust the textbook and instructional, and capital set-asides for each year of the five-year forecast and include a discussion of the set-aside results in the forecast. The adjustments include increased expenditures of approximately \$676,000 in FY 2003-04, \$89,000 in FY 2004-05, \$74,000 in FY 2005-06, and reductions of approximately \$25,000 and \$45,000 in FY 2006-07 and FY 2007-08. By appropriately adjusting the textbook and instructional, and capital set-asides, the District would ensure compliance with the set-aside

requirements and present a more reliable projection of future set-aside expenditures from the General Fund.

- In addition to the teacher reductions identified in its recovery plan, Niles CSD should seek a reduction in force (RIF) of up to 10.0 FTE regular education teachers based on the financial condition of the District. However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time. By reducing 10.0 FTE regular education teachers, the District would save approximately \$582,700 in salaries and benefits.
- Niles CSD should review its staffing levels in the educational service personnel (ESP) classification for a potential reduction of up to 10.0 FTEs, resulting in an annual savings of approximately \$642,300. Classifications which should be reviewed for possible reductions include art teachers, music teachers, physical education teachers, and counselors.
- Niles CSD should consider reducing 3.0 FTE office/clerical positions. By doing so, Niles CSD would maintain clerical staffing levels comparable to the peer average, while realizing approximately \$124,000 in annual cost savings.
- Niles CSD should seek changes to its health insurance by pursuing one or more of the following options: require all full-time employees to pay a portion of the monthly premium costs; reduce benefit levels; and/or join the Trumbull County Schools Insurance Consortium (the Consortium). Assuming that Niles CSD required a full-time employee contribution equal to 10 percent for both single and family coverage, the District would save approximately \$425,000 annually.
- Niles CSD should implement a graduated scale for employee contributions to health care premiums based on the number of hours worked by employees. A graduated scale could reduce Niles CSD's health care premium costs by approximately \$159,000 annually.
- During future contract negotiations, Niles CSD should seek to remove the no reduction in force (RIF) clause from its classified contract. Doing so would enable the District to respond to changes in its financial condition and student enrollment.
- Niles CSD should reduce current custodial staffing by 6.45 FTEs, based on the District maintaining significantly less square footage per FTE than the peers. In addition, the District should reduce the hours of evening custodial helpers at Bonham and Jackson Elementary. By reducing 6.45 FTEs, the District would save approximately \$178,600 annually.
- During future negotiations, Niles CSD should reduce weekend building checks from one custodian at each building for one to two hours, to two custodians working two hours to check all buildings. This would save the District approximately \$47,000 annually in

overtime costs. In addition, the District should consider reassigning shifts to cover more after-hour activities.

- Niles CSD should consider adding 3.0 FTEs for maintenance. Maintenance staff should have the qualifications to meet the District's maintenance needs, including but not limited to plumbing, electrical, HVAC and other general maintenance. By hiring 3.0 FTE maintenance staff, the District could reduce its purchased service expenditures, resulting in a net annual cost savings of approximately \$19,000.
- During the course of the performance audit, the District decided to close Garfield for the 2003-04 school year. However, as part of this closure, the District should consider reviewing school building assignment boundaries to maintain optimal building utilization at each facility.
- Niles CSD should review its transportation policy regarding eligible distances to determine the appropriate level of service and associated costs. Niles CSD would realize cost savings of approximately \$158,000 annually by adjusting its transportation policy to more closely reflect State minimum transportation standards, as outlined in ORC § 3327.01. Before implementing any reduction in transportation service, however, Niles CSD should determine the effect of such a reduction on the safety of students.
- Niles CSD should adopt a formal bus replacement plan and include it in its five-year financial forecast. Only three buses will need to be replaced within the forecast period, resulting in a cost avoidance of \$30,000 each in FY 2004-05 and FY 2006-07.

Additional Recommendations

The remainder of this executive summary highlights additional recommendations from the audit report.

Financial Systems

- Niles CSD's five-year forecast and the accompanying assumptions or notes should be expanded to consistently present more detailed historic and projected information and explanatory comments. Furthermore, the treasurer should present a sound basis and rationale for projections to ensure reliability and a full understanding of the District's forecast.
- Niles CSD should disclose its reliance on Tax Anticipation Notes (TANs) for the forecasted period. The resulting interest should be forecasted and included in Interest on Loans. The increased amount of detail will enable all users of the financial statements to better understand the financial condition in the District.

- Niles CSD should adopt financial policies to help the District avoid borrowing to cover current operating expenditures and to ensure transfers to and from the General Fund are appropriate. Furthermore, Niles CSD should not include an annual transfer of \$270,000 from the Construction Fund in its financial forecast until it ensures full compliance with ORC Sections 5705.14, 5705.15 and 5705.16.
- Niles CSD should closely examine its spending patterns and consider reallocating monies toward those programs and priorities which have the greatest impact on improving the students' education and proficiency test results. Furthermore, Niles CSD should analyze the cost reductions recommended in the human resource, facilities, and transportation sections of this report to aid its efforts to regain financial stability.

Human Resources

- Niles CSD should review its special education teacher staffing levels to ensure they are consistent with the requirements stated in Ohio Administrative Code (OAC) 3301-51-09(G), Special Education Programs for Handicapped Children. If Niles CSD operates with special education teacher staffing levels below OAC requirements, the District should obtain the necessary Ohio Department of Education (ODE) waiver.
- During future contract negotiations, Niles CSD should seek to eliminate the paid vacation provided to employees working less than 11 months per year. This would save approximately \$51,000 annually.
- During future contract negotiations, Niles CSD should seek to eliminate one personal leave day for both certificated and classified staff. Eliminating one personal leave day would save approximately \$13,000 annually and still provide employees with more combined personal and emergency leave days than the ORC minimum and peer districts.
- During future contract negotiations, Niles CSD should seek to remove the bonus severance provision from the certificated and classified negotiated agreements. This would help the District's financial condition while providing a severance payment comparable to the peer districts.
- During future contract negotiations, Niles CSD should seek to reduce the number of paid holidays for classified employees. The District should align its number of paid holidays with the peer districts and reduce the number of paid holidays for 11 and 12 month employees to 12 days, and the 9 and 10 month employees to 7 days. As a result, Niles CSD could realize an annual cost savings of approximately \$28,000.

Facilities

- Niles CSD should develop job descriptions for custodians that outline the functions, duties, and qualifications for each position. In addition, Niles CSD should develop formal evaluation procedures for custodial employees, including performance standards.
- Niles CSD should formalize custodial and maintenance procedures to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. Furthermore, the District should provide training on custodial procedures and should periodically review custodial performance to ensure that all custodians are cleaning sufficiently and consistently.
- Niles CSD should develop and implement a formal, planned preventive maintenance program for each building in the District. Each building should maintain a preventive maintenance log where tasks are recorded after completion. The log book should be reviewed by the buildings and grounds supervisor to ensure the work is being completed in a timely manner.
- In conjunction with the preventive maintenance plan and maintenance staff, the District should invest in a work order tracking system and train staff accordingly. Annual costs are expected to be approximately \$1,700.
- Niles CSD should develop a formal facilities master plan to document its long-term facilities needs and requirements. Niles CSD should also adopt and implement a methodology for completing enrollment projections. Furthermore, building capacity and utilization should be reviewed periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations. Enrollment projections, building capacity and the facilities master plan are all essential to future planning for the District to ensure the optimal use of space.

Transportation

- Niles should add routes to accommodate the additional students requiring transportation in 2003-04. Transporting these additional students will result in a one-time cost of \$7,700.
- Niles CSD should adopt a written transportation policy that complies with Ohio Revised Code (ORC) 3327.01. Additionally, the policy should be reviewed annually and amended as necessary.

- Niles CSD should create formal written procedures for the appropriate allocation of costs associated with transportation for extra-curricular activities. This will ensure expenditures are properly classified by department, fund, and/or building.
- Niles CSD should contact ODE to ensure reimbursements from Trumbull County Educational Service Center (TCESC) for special needs students are accurate. Niles CSD should also work jointly with TCESC to ensure T-11 forms are completed accurately.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Niles CSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref No.	Recommendations	Estimated Annual Cost Savings	Estimated One-Time Cost Savings	Estimated Annual Costs	Estimated One-Time Costs
	<i>Financial Systems</i>				
R2.3	Exclude transfers from the construction fund			\$270,000	
R2.4	Adjust set-asides			\$154,000 ¹	
	<i>Human Resources</i>				
R3.1	Reduce regular education teachers by up to 10.0 FTEs	\$582,700			
R3.3	Reduce ESP staffing by up to 10.0 FTEs	\$642,300			
R3.4	Reduce 3.0 office/clerical FTEs	\$124,000			
R3.5	Require full-time employee contribution to health care	\$425,000			
R3.6	Implement graduated scale for part time employee contributions to health care	\$159,000			
R3.8	Eliminate paid vacation for 11 month employees	\$51,000			
R3.9	Eliminate one personal day	\$13,000			
R3.11	Reduce number of paid holidays for classified staff	\$28,000			
	<i>Facilities</i>				
R4.1	Reduce 6.45 custodial FTEs	\$178,600			
R4.2	Reduce building checks	\$47,000			
R4.5	Obtain custodial manual			\$60	
R4.8	Hire 3.0 FTE maintenance staff and reduce purchased services	\$19,000			
R4.9	Purchase a work order system			\$1,700	
R4.13	Close Garfield Elementary	\$50,000 ²			

<i>Transportation</i>					
R5.2	Reduce transportation services	\$158,000			
R5.3	Transport 450 middle school students for school year 2003-04				\$7,700
R5.6	Avoid purchasing two buses		\$60,000		
	Total Financial Implications	\$2,477,600	\$60,000	\$425,760	\$7,700

Source: Performance audit **financial systems, human resources, facilities, and transportation** sections.

¹ Represents annual average change over the forecasted period.

² This represents additional savings by closing Garfield identified in the performance audit.

The financial implications summarized above are presented on an individual basis for each recommendation. The magnitude of cost savings associated with some of the recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Financial Systems

Background

This section focuses on the financial systems within the Niles City School District (Niles CSD). The objective is to analyze the current financial condition of Niles CSD and develop recommendations for improvements and efficiencies. Comparisons will be made throughout the report to the following peer school districts: Springfield Local School District (Springfield LSD), Struthers City School District (Struthers CSD), and Washington Court House City School District (Washington Court House CSD).

The Auditor of State's Office (AOS) recommended the establishment of fiscal watch and emergency laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility, and technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316.03 establishes fiscal watch and emergency laws for Ohio school districts. ORC § 3316.031 created a new category of fiscal caution. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

The Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices that could lead to financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consults with the school board. The school board is then required to provide a written plan to ODE to correct the fiscal deficiencies and ODE may go on-site to provide technical assistance. Further examination by ODE and AOS that identify potential problems can initiate fiscal caution status. Niles CSD was placed in fiscal watch because of a certified operating deficit.

Financial Operations

Table 2-1 shows select discretionary expenditures by account and as a percentage of total General Fund expenditures in FY 2001-02 for Niles CSD and the peers.

Table 2-1: Discretionary Expenditures For FY 2001-02

	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
Prof. and Technical Service	1.3%	1.6%	1.0%	1.0%	1.2%
Property Services	1.9%	0.8%	1.9%	1.3%	1.3%
Mileage/Meeting Expense	1.1%	0.3%	0.1%	0.2%	0.2%
Communications	0.3%	0.3%	0.5%	0.8%	0.5%
Contract, Craft or Trade Service	0.6%	0.1%	0.0%	0.0%	0.0%
Pupil Transportations	0.0%	0.1%	0.8%	0.0%	0.3%
Other Purchased Service	0.0%	9.1%	0.0%	1.1%	3.4%
General Supplies	0.7%	1.4%	1.3%	1.8%	1.5%
Textbooks/Reference Materials	0.7%	0.7%	1.2%	0.7%	0.9%
Plant Maintenance and Repair	0.3%	0.6%	0.2%	0.8%	0.5%
Fleet Maintenance and Repair	0.3%	0.2%	0.1%	0.4%	0.2%
Other Supplies & Materials	0.0%	0.1%	0.0%	0.0%	0.0%
Land, Building & Improvements	0.1%	0.0%	0.0%	2.6%	0.9%
Equipment	0.4%	0.2%	0.4%	0.7%	0.4%
Buses/Vehicles	0.0%	0.0%	0.8%	0.7%	0.5%
Other Capital Outlay	0.0%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	0.7%	2.5%	0.9%	3.3%	2.2%
Insurance	0.3%	0.2%	0.1%	0.0%	0.1%
Awards and Prizes	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%	0.1%	0.0%
Total	8.6%	18.0%	9.3%	15.5%	14.1%

Source: FY 2001-02 4502 Report

As shown in **Table 2-1**, Niles CSD's percentage of total discretionary spending (8.6 percent) was notably lower than the peer average (14.1 percent). Therefore, Niles CSD appears to have effectively controlled its discretionary spending by closely monitoring expenditures. Although Niles CSD's expenditures for mileage/meeting expenses, and contract, craft or trade service are relatively high, these categories have been significantly reduced in FY 2002-03. By implementing new restrictions, mileage and meeting expenditures were reduced from \$210,000 in FY 2002 to \$14,000 in FY 2003. Due to budget constraints, contract craft or trade service spending was reduced from \$120,000 in FY 2002 to \$21,000 in FY 2003 by eliminating minor projects. In addition, **Table 2-1** shows that the percentage of property services at Niles CSD is higher when compared to the peer average. Niles CSD's property services includes cafeteria trash pick-up, which is normally included in food service. This action was taken to reduce the

deficit in food service operations. The peers do not include cafeteria trash removal in property services. In addition, altering the procedures for building checks would reduce property service expenditures (see the **facilities** section). Insurance is higher than the peers because Niles CSD has had claims against the Board's liability insurance. A higher insurance rate stays in effect for five years after a claim.

ORC § 3316.04(A) requires that within sixty days of the declaration of fiscal watch, a school district must submit a financial recovery plan, delineating the steps the Board will take to eliminate its operating deficit and avoid incurring operating deficits in the ensuing years. On May 7, 2003, a financial recovery plan was approved by the Niles CSD Board of Education and submitted to ODE. The financial recovery plan includes general strategies and a timeline for addressing the financial problems. The following summarizes the key strategies and estimated cost savings, cost avoidances, and revenue enhancements included in the recovery plan. The staff reductions and strategies which have already been implemented are captured in the District's financial forecast (see **Table 2-2** and corresponding assumptions).

- Close Garfield Elementary, thereby eliminating trash removal costs, supplemental contracts, custodial supplies, appropriations for maintenance equipment and grounds upkeep, and suspending leases for postage and copier machines (savings of approximately \$24,000 annually);
- Consolidate vocational education programs at the high school (savings not determined);
- Eliminate the following positions: 1 principal, 24 teaching, 2 bus monitors, 4 special education assistants, and 1 assistant treasurer (savings of approximately \$1.0 million annually);
- Discontinue contracts for library management, career center, and psychology services, and eliminate costs for certain substitute positions and overtime, cell phones, and non-mandatory field trips (savings of approximately \$415,000 annually); and
- Transfer in from the construction account of approximately \$300,000 (see **R2.3**) and consider an emergency levy for FY 2005.

In addition, Niles CSD plans to implement strict policies for purchasing and continue to work with ODE to use available technical assistance.

On November 1, 2003, Niles CSD submitted a five-year forecast to ODE, which is presented in **Table 2-2**, along with three years of comparative historical results. Revenues and expenditures do not reflect changes that may result from the Permanent Improvement Plan through the Ohio School Facilities Commission. The forecast and accompanying assumptions are the representations of Niles CSD. The projections incorporate the combined General and DPIA

Funds and that portion of the Debt Service Fund relating to General Fund obligations. The projections are accompanied by general assumptions and explanatory comments. Assumptions that have a significant impact on Niles CSD's financial recovery, such as tax revenue, unrestricted grants in aid, and salaries and wages, were tested for reasonableness.

Table 2-2: Niles City School District Five-Year Forecast (000's)

	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	2001	2002	2003	2004	2005	2006	2007	2008
Real Estate Property Tax	\$5,634	\$5,662	\$5,597	\$5,779	\$6,001	\$6,184	\$6,184	\$5,976
Tangible Personal Property Tax	\$1,329	\$1,155	\$1,251	\$1,261	\$1,273	\$1,276	\$1,276	\$1,227
Unrestricted Grants-in-Aid	\$10,029	\$10,473	\$10,286	\$11,090	\$11,148	\$11,438	\$11,794	\$12,109
Restricted Grants-in-Aid	\$615	\$1,407	\$1,627	\$874	\$891	\$909	\$928	\$946
Property Tax Allocation	\$722	\$664	\$806	\$838	\$871	\$906	\$942	\$946
Other Revenues	\$254	\$112	\$70	\$160	\$170	\$170	\$170	\$170
Total Operating Revenues	\$18,581	\$19,473	\$19,637	\$20,003	\$20,355	\$20,883	\$21,293	\$21,375
Salaries & Wages	\$11,081	\$11,371	\$11,946	\$11,729	\$12,186	\$12,661	\$13,155	\$13,668
Fringe Benefits	\$3,880	\$4,089	\$4,856	\$5,104	\$5,638	\$6,274	\$6,998	\$7,821
Purchased Services	\$3,731	\$4,159	\$3,240	\$3,021	\$3,119	\$3,221	\$3,325	\$3,433
Supplies, Materials & Textbooks	\$346	\$402	\$478	\$452	\$426	\$458	\$493	\$530
Capital Outlay	\$148	\$97	\$150	\$198	\$200	\$203	\$207	\$210
Other Expenditures	\$233	\$215	\$213	\$213	\$213	\$213	\$213	\$213
Debt Service: Principal - Other	\$0	\$0	\$502	\$36	\$293	\$286	\$279	\$271
Total Operating Expenditures	\$19,419	\$20,332	\$21,386	\$20,753	\$22,076	\$23,317	\$24,668	\$26,145
Proceeds From TAN Notes	\$0	\$0	\$1,800	\$0	\$0	\$0	\$0	\$0
Other Financing Sources/(Uses)	\$155	\$245	\$267	\$270	\$270	\$270	\$270	\$270
Net Transfers/Advances In/(Outs)	\$306	\$913	(\$734)	(\$417)	\$0	\$0	\$0	\$0
Net Financing	\$461	\$1,158	\$1,333	(\$147)	\$270	\$270	\$270	\$270
Result of Operations (Net)	(\$377)	\$298	(\$416)	(\$897)	(\$1,451)	(\$2,164)	(\$3,105)	(\$4,501)
Beginning Cash Balance	\$933	\$557	\$854	\$439	(\$459)	(\$1,910)	(\$4,073)	(\$7,178)
Ending Cash Balance	\$557	\$854	\$439	(\$459)	(\$1,910)	(\$4,073)	(\$7,178)	(\$11,679)
Bus Purchase	\$41	\$72	\$48	\$30	\$30	\$30	\$30	\$30
DPIA	\$22	\$187	\$0	\$0	\$50	\$50	\$50	\$50
"412" Textbook / Instructional	\$298	\$322	\$11	\$10	\$10	\$10	\$50	\$50
"412" Capital Reserve	\$161	\$115	\$5	\$5	\$5	\$5	\$50	\$50
"412" Budget Reserve	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$35	\$157	\$376	(\$504)	(\$2,005)	(\$4,168)	(\$7,358)	(\$11,859)
Property Tax- Renewal or Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$291
Unreserved Fund Balance	\$35	\$157	\$376	(\$504)	(\$2,005)	(\$4,168)	(\$7,358)	(\$11,568)

Source: Niles CSD Five-Year Forecast from ODE web site, as of November 1, 2003.

The assumptions disclosed herein are based on information obtained from Niles CSD. Differences between projected and actual results will occur because circumstances and conditions assumed in projections may not occur as expected.

Major assumptions used by Niles CSD to develop the five year financial forecast are as follows:

Revenues

- **Taxes:** Real estate property tax revenue projections are based on historical trends from 1998 to 2003. Although the County had a re-valuation during calendar year 2002, real estate collections decreased slightly in FY 2002-03. According to the County Auditor's Office, this decrease was due to increases in delinquencies. The increase in FY 2003-04 reflects the impact of the re-valuation in calendar 2002 and collections of delinquencies that occurred in FY 2002-03. In addition, actual collections for the first half of FY 2003-04 are higher than initial projections. The District is projecting real estate revenues for FY 2006-07 to remain constant at FY 2005-06 levels, similar to the change in actual collections from FY 2000-01 to FY 2001-02. The District shows a decrease in FY 2007-08 because an emergency levy is up for renewal in calendar year 2007, with the effect of the levy reflected in FY 2007-08 at approximately \$291,000 per year. The renewal is reflected below the ending fund balance.

Tangible personal property tax revenue decreased in FY 2002 due to the reduction of utility taxes and the loss of a power plant. Based on County Auditor projections, the District forecasts this revenue source to remain fairly constant during the forecasted period.

- **Unrestricted grants in aid (State):** District projections for FY 2003-04 and FY 2004-05 are based on ODE simulations as of October 15, 2002, and its recommendation to adjust the calculations based on the actions of state government budget reductions. From FY 2005-06 to FY 2007-08, the District appears to be projecting unrestricted grants in aid based primarily on changes in enrollment, the standard increase in State funding suggested by ODE of 2.8 percent per year, and the phase-in of parity aid funding. In FY 2002-03, the state legislature decreased the parity aid phase-in from 20 percent to 18 percent per year for FY 2003-04 and FY 2004-05. The remaining 24 percent will be phased in during FY 2005-06. The significant increase in FY 2003-04 in unrestricted grants in aid is due to a reclassification of parity aid from restricted grants in aid.
- **Restricted grants in aid:** The District is projecting annual increases of two percent in restricted grants in aid, based on historical trends and excluding parity aid. This appears to be appropriate since parity aid accounted for the majority of the significant increases in the past. For instance, the large increase in FY 2001-02 was due to the introduction of parity aid funding.

- **Property tax allocation:** Based on County auditor data and historical trends, the District is projecting the property tax allocation to increase four percent annually from FY 2003-04 to FY 2006-07. For instance, the average annual increase from FY 2000-01 to FY 2002-03 was approximately four percent. According to the treasurer, the decrease in FY 2001-02 was due to a recording error. However, the District lacks a sound basis for projecting property tax allocation to increase by only 0.4 percent in FY 2007-08 (see **R2.1**).
- **Other revenues:** This category includes interest and rental property income. The District is forecasting other revenues for FY 2003-04 based on the current level of activity. Because of the District's current and projected financial condition, it will have minimal funds available to set aside and invest in the future. As a result, the District is projecting other revenues to remain flat from FY 2005-06 to FY 2007-08. However, the District does not have a rationale for projecting other revenues to increase by \$10,000 in FY 2004-05 (see **R2.1**).

Expenditures

- **Salaries and Wages:** Since certificated staff agreed to a zero percent cost of living increase, the District is projecting teacher salaries to only increase two percent for salary step increases in FY 2003-04. For remaining salaries, the District is projecting a four percent increase for FY 2003-04, two percent each for cost of living and steps. The decrease from FY 2002-03 to FY 2003-04 is due to the following staff reductions:
 - Assistant to the treasurer,
 - Part-time clerical position in treasurer's office,
 - Fourteen teacher positions by not renewing eight contracts, implementing two reductions in force, and not filling four vacancies caused by retirements,
 - One principal position through attrition, and
 - Two bus monitor positions through non-renewal.

Further, the Supervisor of Pupil Services and Special Education job description was changed and the position will be paid out of Federal Individuals with Disabilities Education Act (IDEA) B funds, starting in FY 2003-04, which saves approximately \$73,200 in the General Fund. From FY 2004-05 through FY 2006-08, the treasurer is forecasting a two percent increase per year for cost of living increases and two percent per year for step increases for all staff. Although cost of living increases in the previous collective bargaining agreements were higher than two percent in two of the three negotiated years (see **human resources**), the District will need to control and limit future cost of living increases based on its projected financial condition (see **R2.7**). The forecast also includes benefit costs for attendance stipends, insurance waivers, professional growth stipends, extra-curricular pay, retention bonuses, and longevity pay.

- **Fringe Benefits:** Benefits reflect an increase in health insurance at 15 percent annually, based on historical trends. Other benefits are projected to increase at the same rate as salaries. Benefit projections also reflect savings related to the staff reductions in FY 2003-04 and include an additional \$30,000 for unemployment payments.
- **Purchased services:** From FY 2003-04 through FY 2007-08, the District projects a 3 percent annual increase in purchased services to account for inflation. This appears to be reasonable considering the significant fluctuations in purchased services from FY 200-01 to FY 2002-03. However, the forecasted decrease in FY 2003-04 is due to the following District actions and related savings:
 - Eliminate cell phones, \$5,000;
 - Terminate the contract for social worker position, \$21,500;
 - Withdraw from the Trumbull Academy, \$5,000;
 - Eliminate the contract with McKinley Memorial Library, \$30,000;
 - Eliminate copy and postage machine contract (\$5,000), maintenance and equipment upkeep (\$15,500), and trash pick-up (\$650) with the closing of Garfield Elementary; and
 - Close the Gordon D. James Career Center, \$250,000.
- **Supplies, Materials, and Textbooks:** The considerable increases in FY 2001-02 and FY 2002-03 were due to the construction of the new middle school and relatively large orders of new textbooks. Based on the new middle school opening in school year 2003-04 and delaying additional textbook purchasing, the District is forecasting reductions in supplies, materials and textbooks of approximately \$26,000 in FYs 2003-04 and 2004-05. However, the District's projections will not meet set-aside requirements for textbooks and instructional materials in FY 2003-04 (see **R2.4**). From FY 2005-06 to FY 2007-08, Niles CSD is projecting annual increases of 7.5 percent to account for inflation and the purchase of additional textbooks.
- **Capital Outlay:** The District is projecting capital outlay to increase 32 percent in FY 2003-04, due to a lease purchase of computers for the new middle school and school building renovations to accommodate new students because of grade reconfigurations (see the **facilities** section). From FY 2004-05 through FY 2007-08, the District is forecasting annual increases in capital outlay of between one and two percent. However, some of the expenditures in FY 2003-04 may not carry over into each ensuing year of the forecast (e.g., school building renovations) and the District is not accurately projecting set-aside expenditures for capital outlay (see **R2.4**). Therefore, projecting increases based solely on FY 2003-04 levels may not result in a reliable forecast of future capital outlay expenditures (see **R2.1** and **R2.4**).

- **Other Expenditures:** The District is forecasting other expenditures to remain constant based on FY 2002-03 actual expenditures, in an effort to control spending. Because other expenditures have steadily decreased in FY 2001-02 and FY 2002-03, this appears to be a reasonable and conservative projection.
- **Debt Service: Principal-Other:** This reflects the debt payment and interest on \$1.3 million borrowed in tax anticipation notes in FY 2002-03 to cover the year-end deficit in the health insurance fund.

Other Financing Sources and Uses

- **Proceeds from TAN Notes:** Proceeds include \$500,000 to meet the third payroll in January 2003 and \$1.3 million to fund self-insurance benefits in FY 2002-03.
- **Other Financing Sources:** This reflects \$270,000 in annual transfers from the construction account approved by the Board (see **R2.3**).
- **Net Transfers/Advances-In/Out:** This primarily reflects advances to the construction account in FY 2003-04 for outstanding building expenses related to the new middle school. Moreover, the General Fund has not historically transferred out monies to subsidize other funds. Based on this, and considering that advances out of the General Fund would be offset by advances in the following year, the District is not projecting future transfers or advances.
- **Bus Purchases:** The District is projecting a bus purchase in each year of the forecasted period. See the **transportation** section for an assessment on future bus purchases.
- **DPIA:** This reflects encumbrances for the DPIA fund. Although Niles CSD is not anticipating encumbrances in FY 2003-04, it is projecting encumbrances of \$50,000 annually from FY 2004-05 to FY 2007-08. While the District does not explain in its assumptions the basis for projecting \$50,000 annually in future DPIA encumbrances (see **R2.1**), the average annual encumbrances from FY 2000-01 to FY 2003-04 were approximately \$52,000. Consequently, forecasting \$50,000 annually appears to be a reasonable projection of future encumbrances.
- **Set-Asides for Textbook and Capital Purchases:** This reflects the funds the District needs to set aside for the following year because it spent less than the mandated levels for textbooks and capital. The treasurer is projecting minimal set-asides throughout the forecasted period in an attempt to balance the budget. However, the set-aside projections do not meet the State mandated levels for textbooks in FY 2003-04 and for capital from FY 2003-04 to FY 2007-08 (see **R2.4**).

Assessments Not Yielding Recommendations

Assessments of the following areas were conducted but did not warrant any changes or yield any recommendations:

- **Forecast:** While certain assumptions require some revision (see **R2.1**, **R2.3** and **R2.4**), the District's projections for categories comprising the majority of its revenues (real estate, tangible personal property, and unrestricted and restricted grants in aid) and expenditures (salaries, benefits and purchase services) appear appropriate and reliable.
- **Discretionary Expenditures:** Niles CSD's discretionary expenditures as a percentage of total spending is significantly lower than the peers. Subsequent spending has been further reduced in FY 2002-03 to address the District's fiscal problems.
- **Food Services:** By closing Garfield Elementary, the District would be able to reduce two food service positions, resulting in savings that would eliminate the deficit in the food service fund (see the **facilities** section). This should also allow the District to charge all appropriate costs, including cafeteria trash removal, to the food service fund.

General Recommendations

Financial Forecast

R2.1 Niles CSD's five-year forecast and the accompanying assumptions or notes should be expanded to consistently present more detailed historic and projected information and explanatory comments. In addition, the Niles CSD treasurer should ensure that the notes and assumptions adequately reflect what is reported in the five-year forecast. Furthermore, the treasurer should present a sound basis and rationale for projections to ensure reliability and a full understanding of the District's forecast.

A forecast is a management tool developed by the treasurer with the assistance of other management personnel within the school district. Assumptions are informed estimates developed by district management and communicated to the Board. Since assumptions can change based upon economic conditions, the forecast should be considered a working document that can be altered as the assumptions and conditions change. Although Niles CSD includes some assumptions and notes to its five-year financial forecast, it does not provide adequate disclosure regarding the following factors that have an impact on the forecast:

- Inflation rates - historic and projected;
- Internal financial objectives and comparable external averages;
- Enrollment and Average Daily Membership (ADM) - historic and projected, including open enrollment in and out of the District;
- Staffing by position - historic and projected;
- Expenditures for main components of purchased services, materials, supplies and textbooks, other expenditures, and specific amounts fulfilling minimum state requirements;
- Projected capital outlay expenditures with details identifying amounts related to routine maintenance, specific projects, and fulfilling minimum state requirements;
- Debt service obligation with detailed description; and
- Outstanding encumbrances at year-end and discussion of their impact.

Moreover, the District lacks a sound basis and rationale for the following projections in its forecast and corresponding assumptions:

- Projecting property tax allocation to only increase 0.4 percent in FY 2007-08;
- Forecasting other revenues to increase by \$10,000 in FY 2004-05;
- Basing future capital outlay expenditures on FY 2003-04 projections; and

- Projecting \$50,000 annually in DPIA encumbrances from FY 2004-05 to FY 2007-08.

While the above projections may not have a significant impact on the District’s overall five-year forecast, not indicating a basis and rationale to support its assumptions results in an insufficient understanding of its financial condition and potentially affects the accuracy and reliability of its projections. By supporting and explaining its projections with a sound basis and rationale, and providing more detail in the forecast and its supporting notes, the District would ensure the reliability and accuracy of its forecast and enable the Board and public to better understand its financial condition.

R2.2 Niles CSD should disclose its reliance on Tax Anticipation Notes (TANs) for the forecasted period. The disclosure would be appropriately placed in footnotes. The resulting interest should be forecasted and included in Interest on Loans. The increased amount of detail will enable all users of the financial statements to better understand the financial condition in the District.

The use of TANs and solvency assistance loans was not adequately disclosed for the forecasted period. For FY 2003-04, Niles CSD had proceeds from the Ohio solvency assistance loan of \$500,000 to meet the third payroll period in January 2003, and another loan of \$1.3 million in TANs issued in June 2003 to cover self-insurance claims. In addition, the District includes interest expenses from the TAN with the principal payments in its forecast.

Table 2-3 shows Niles CSD’s reliance on TANs during the forecasted period.

Table 2-3: Debt Service - General Fund

	Principal	Interest	Total
FY 2003-04		\$36,741	\$36,741
FY 2004-05	\$260,000	\$33,345	\$293,345
FY 2005-06	\$260,000	\$25,935	\$285,935
FY 2006-07	\$260,000	\$18,525	\$278,525
FY 2007-08	\$260,000	\$11,115	\$271,115
FY 2008-09	\$260,000	\$7,410	\$267,410
Total	\$1,300,000	\$133,071	\$1,433,071

Source: Niles CSD Schedule of principal and interest payments

By disclosing the use of TANs and including interest expenses in a separate category (i.e., interest on loans), the District would provide a more detailed presentation and allow users to better understand its financial condition. Niles CSD should also include a discussion of the reasons for issuing all types of debt in its forecast.

R2.3 Niles CSD should adopt financial policies to help the District avoid borrowing to cover current operating expenditures and to ensure transfers to and from the General Fund are appropriate. Niles CSD should also closely examine the cost savings identified throughout this performance audit to effectively reduce expenditures and gain better control of its overall finances. Furthermore, Niles CSD should not include an annual transfer of \$270,000 from the Construction Fund in its financial forecast until it ensures full compliance with ORC Sections 5705.14, 5705.15 and 5705.16.

In addition to incurring additional expenses related to interest payments (see **Table 2-3**), the practice of issuing debt to cover operating expenditures makes it very difficult for the District to regain financial stability and remove itself from fiscal watch status. Furthermore, Niles CSD lacks financial policies to aid decision making and planning activities, which could help the District avoid issuing debt to cover operating expenditures.

The Government Finance Officers Association (GFOA) recommends that financial policies be developed by professional staff and formally adopted by the governing board. The adopted financial policies should be used to frame major policy initiatives, summarized in the budget document, and include the following: financial planning policies, revenue policies, and expenditure policies. The GFOA also recommends policies for the following areas:

- **Balanced Budget** – The District should adopt a policy that defines a balanced operating budget, encourage commitment to the balanced budget, and provide disclosure when a deviation from a balanced operating budget is planned or when it occurs.
- **Long-Range Planning** – The District should adopt a policy that supports financial planning processes and assesses the long-term implications of current and proposed operating and capital budgets, budget policies, cash management, programs and assumptions.
- **Use of One-time Revenues** – The District should adopt a policy to discourage the use of one-time revenue for ongoing expenditures.

The Board approved an annual transfer of \$270,000 from the Construction Fund to the General Fund, as shown in the District's forecast (see **Table 2-2**). While transfers from the General Fund to other funds are allowed, transfers from other funds to the General Fund are prohibited unless the entity follows and adheres to specific procedures (see ORC Sections 5705.14, 5705.15 and 5705.16). Solely obtaining Board approval to transfer monies from the Construction Fund to the General Fund does not appear to meet

these procedures and requirements. As a result, the District should consult with its legal counsel to review proposed transfers from the Construction Fund to the General Fund to ensure compliance with the Ohio Revised Code.

Financial Implication: Until Niles CSD complies with the requirements stipulated in ORC Sections 5705.14, 5705.15 and 5705.16, the District should not be projecting annual transfers of \$270,000 from the Construction Fund to the General Fund.

R2.4 Niles CSD should adjust the set-asides for each year of the five year forecast and include a discussion of the set-aside results in the forecast.

To ensure funding for textbooks and instructional materials and funding for capital and maintenance, OAC Sections 3301.92.01(C) and 3301.92.02(C) require schools to annually reserve or set aside resources for these requirements. For FY 2003-04, the District is using the student population multiplied by the base foundation cost per pupil of the prior year to determine set-asides, as allowed by ORC Sections 3315.17 and 3315.18, and further defined in SB 345 (effective July 1, 2001).

Table 2-4 compares the District's forecasted set-asides to the required set-asides for FY 2004 through FY 2008, based on SB 345.

Table 2-4: SB 345 Set-Asides

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Textbook and Instructional					
Student Population ¹	2,772.21	2,794.42	2,804.42	2,814.42	2,824.42
Formula Aid	\$4,949	\$5,169	\$5,269	\$5,369	\$5,469
Total Available for Textbook and Instructional Set Aside	\$13,719,667	\$14,444,357	\$14,776,489	\$15,110,621	\$15,446,753
Set-Aside per SB 345 (3% of Total Available)	\$411,590	\$433,331	\$443,295	\$453,319	\$463,403
Cash Balance Carry Forward	\$368,483	\$0	\$0	\$0	\$0
Total Textbook and Instructional Funds Required	\$780,073	\$433,331	\$443,295	\$453,319	\$463,403
Projected Set-Aside Expenditures	\$452,000	\$426,000	\$458,000	\$493,000	\$530,000
Funds Reserved for Set-Asides	\$10,000	\$10,000	\$10,000	\$50,000	\$50,000
Additional Set Aside Spending Required	\$318,073	(\$2,669)	(\$24,705)	(\$89,681)	(\$116,597)
Capital					
Set-Aside per SB 345 (3% of Total Available)	\$411,590	\$433,331	\$443,295	\$453,319	\$463,403
Cash Balance Carry Forward	\$286,293	\$0	\$0	\$0	\$0
Total Capital Set-Aside Funds Required	\$697,883	\$433,331	\$443,295	\$453,319	\$463,403
Projected Set-Aside Expenditures ²	\$330,000	\$332,000	\$335,000	\$339,000	\$342,000
Funds Reserved for Set-Asides	\$10,000	\$10,000	\$10,000	\$50,000	\$50,000
Additional Set-Aside Spending Required	\$357,883	\$91,331	\$98,295	\$64,319	\$71,403
Total Additional Set-Asides Required	\$675,956	\$88,661	\$73,589	(\$25,363)	(\$45,195)

Source: AOS, Niles CSD and ODE

¹ Student populations for FY 2003-04 and FY 2004-05 are from available ODE projections, and student populations for FY 2005-06, FY 2006-07, and FY 2007-08 are increased by 10 students per year to account for limited increases in enrollment (see the **facilities** section).

² In addition to General Fund expenditures for capital outlay, includes expenditures from other capital funds that fulfill set-aside requirements.

Table 2-4 shows that the District needs to set aside approximately \$676,000 for FY 2003-04 in additional funds to fulfill the textbook and instructional, and capital set-aside requirements. Assuming that Niles CSD spends the full set-aside amounts in FY 2003-04, the District's projected set-aside expenditures and reserves for textbook and instructional materials from FY 2004-05 to FY 2007-08 would exceed the set-aside requirements. However, the District would still need to set aside additional funds to fulfill the capital set-aside requirements. By adjusting the textbook and instructional, and capital set-asides according to **Table 2-4**, the District would ensure compliance with the

set-aside requirements and present a more reliable projection of future set-aside expenditures from the General Fund.

Financial Implication: The net impact on the General Fund forecast by adjusting set-aside projections according to **Table 2-4** would be increased expenditures of approximately \$676,000 in FY 2003-04, \$89,000 in FY 2004-05, and \$74,000 in FY 2005-06, and reductions of approximately \$25,000 and \$45,000 in FY 2006-07 and FY 2007-08, respectively.

R2.5 Niles CSD should closely examine the spending patterns indicated in Table 2-7 and consider reallocating monies toward those programs and priorities which have the greatest impact on improving the students’ education and proficiency test results. Furthermore, Niles CSD should analyze the cost reductions recommended in the human resource, facilities, and transportation sections of this report to aid its efforts to regain financial stability.

Table 2-5 compares revenues and expenditures at Niles CSD to the peer districts for FY 2001-02.

Table 2-5: Revenue by Source & Expenditures by Object for General Fund

	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
Property & Income Tax	32.7%	57.5%	31.4%	32.5%	40.5%
Intergovernmental Revenues	66.8%	39.2%	66.8%	66.0%	57.3%
Other Revenues	0.5%	3.3%	1.7%	1.5%	2.2%
Total Revenue	\$17,324,771	\$21,614,753	\$12,397,705	\$12,759,145	\$15,590,534
Wages	54.4%	57.8%	58.1%	61.3%	59.1%
Fringe Benefits	21.4%	19.8%	24.4%	18.1%	20.8%
Purchased Service	20.8%	16.3%	12.4%	7.3%	12.0%
Supplies & Textbooks	2.0%	3.0%	2.9%	3.7%	3.2%
Capital Outlays	0.5%	0.2%	1.2%	3.9%	1.8%
Debt Service	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	1.0%	2.6%	1.0%	3.4%	2.3%
Other Financing Uses	0.0%	0.4%	0.1%	2.3%	0.9%
Total Expenditures	\$19,852,284	\$20,339,722	\$12,497,059	\$13,474,585	\$15,437,122

Source: 4502 Exhibit 2, Statement P General Fund FY 2001-02

Note: Niles CSD is a self funded health insurance plan. As a result, expenses for the benefits are accounted for in another special fund. For this analysis, the expenses from the other fund were added to achieve comparability.

As shown in **Table 2-5**, Niles CSD’s percentage of income from property and income tax, and intergovernmental revenues is similar to the peers, excluding Springfield LSD. Although Niles CSD’s percentage of expenditures for wages is lower than the peers, its percentage of expenditures for fringe benefits and purchased services are higher (see **human resources and facilities**).

Given the limited resources available, functions need to be evaluated and prioritized. Analyzing the spending patterns between the various functions should indicate where the priorities of the school board and management are placed. In addition, the number of ODE performance standards a school district achieves should correlate to the school district’s spending patterns. **Table 2-6** presents the number of performance standards met by Niles CSD and the peers in FY 2000 through FY 2003.

Table 2-6: ODE Performance Standards Comparison

	Niles CSD	Springfield CSD	Struthers CSD	Washington Court House CSD	Peer Average
FY 1999-2000	14	10	16	17	14.3
FY 2000-2001	15	15	20	19	18.0
FY 2001-2002	13	14	13	14	13.7
FY 2002-2003	11	10	13	9	10.7

Source: ODE Report Cards FY 2000 had 27 possible standards, while. FY 2001, FY 2002 and FY 2003 had 22 possible standards.

Niles CSD’s district report card score of 11 for FY 2002-03 is similar to the peer average. Additionally, the number of standards met by Nile CSD is comparable to the peer average in three of the four years. However, Niles CSD standards have declined in the past two years and the District is currently categorized in continuous improvement, which indicates that it could improve performance.

Table 2-7 show the amount of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Niles CSD and the peer districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-7** shows the operational expenditures per pupil and percentage of operational expenditures by function for all funds that are classified as governmental fund types.

Table 2-7: Governmental Funds Operational Expenditures by Function

USAS Function Classification	Niles CSD		Springfield LSD		Struthers CSD		Washington Court House CSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$4,769	66.1%	\$4,694	59.4%	\$5,052	66.1%	\$3,881	59.1%	\$4,537	61.3%
Regular Instruction	\$3,347	46.4%	\$3,548	44.9%	\$3,470	45.4%	\$2,996	45.7%	\$3,351	45.3%
Special Instruction	\$770	10.7%	\$964	12.2%	\$841	11.0%	\$803	12.2%	\$878	11.9%
Vocational Education	\$442	6.1%	\$118	1.55%	\$341	4.5%	\$25	0.4%	\$151	2.1%
Adult/Continuing Ed.	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$19	0.3%	\$6	0.1%
Other Instruction	\$209	2.9%	\$64	0.8%	\$401	5.2%	\$37	0.6%	\$150	2.0%
Support Service Expenditures:	\$2,181	30.2%	\$2,975	37.7%	\$2,295	30.0%	\$2,404	36.6%	\$2,602	35.2%
Pupil Support Services	\$323	4.5%	\$459	5.8%	\$315	4.1%	\$339	5.2%	\$380	5.1%
Instructional Support Svcs	\$196	2.7%	\$182	2.3%	\$212	2.8%	\$424	6.5%	\$267	3.6%
Board of Education	\$29	0.4%	\$138	1.8%	\$27	0.3%	\$7	0.1%	\$65	0.9%
Administration	\$577	8.0%	\$577	7.3%	\$618	8.1%	\$538	8.2%	\$576	7.8%
Fiscal Services	\$140	1.9%	\$192	2.4%	\$223	2.9%	\$187	2.8%	\$199	2.7%
Business Services	\$56	0.8%	\$30	0.4%	\$23	0.3%	\$0	0.0%	\$19	0.3%
Plant Op. & Maintenance	\$600	8.3%	\$758	9.6%	\$613	8.0%	\$626	9.5%	\$675	9.1%
Pupil Transportation	\$222	3.1%	\$627	7.9%	\$229	3.0%	\$222	3.4%	\$386	5.2%
Central Support Services	\$38	0.5%	\$12	0.2%	\$35	0.5%	\$61	0.9%	\$34	0.55%
Non-Instructional Services Expenditures	\$105	1.5%	\$0	0.0%	\$79	1.0%	\$6	0.1%	\$24	0.3%
Extracurricular Activities Expenditures	\$157	2.2%	\$232	2.9%	\$212	2.8%	\$272	4.1%	\$239	3.2%
Total Governmental Fund Operational Expenditures	\$7,213	100.0%	\$7,901	100.0%	\$7,639	100.0%	\$6,563	100.0%	\$7,402	100.0%

Source: Niles CSD, Springfield LSD, Struthers CSD, Washington Court House CSD 4502s FY 2002.

According to **Table 2-7**, Niles CSD’s overall average spending per pupil of \$7,213 is 2.6 percent lower than the peer average of \$7,402. In addition, the District allocates a much higher percentage of its expenditures to instruction than Springfield LSD and Washington Court House CSD. However, Niles CSD’s vocational instructional expenditures per pupil are the highest of the peers, which could be due to costs associated with the Gordon D. James Career Center and health care benefits (see the **human resources** section). As a result of the District’s recovery plan, the Gordon D. James Career Center has been closed. In addition, other instructional expenditures (e.g., crafts and trades) per pupil are much higher than two peers. However, the District has eliminated some of these ancillary services in FY 2002-03 to help address its financial condition. Although Niles CSD’s business service expenditures per pupil are higher than the peers, fiscal services are the lowest. Variances in these categories may be due to coding and classification differences from district to district. Furthermore, non-instructional services expenditures are higher than the peers due to Niles CSD charging cafeteria trash removal to the General Fund.

As discussed in the **human resources, facilities, and transportation** sections of this report, recommendations were made to reduce staffing, change the health care plan, optimize facility usage, and enhance transportation operations. These recommendations, if implemented, could potentially reduce expenditures.

Financial Recovery Plan

R2.6 Niles CSD should continue to implement strategies identified in its financial recovery plan.

While the District has implemented a number of strategies in its recovery plan to save costs, the following identified strategies have not been implemented.

- Negotiating with the City of Niles to reduce utility rates for the school district, savings not determined;
- Consolidating vocational education programs at the high school, savings not determined;
- Reviewing the possibility of an emergency levy for FY 2005;
- Eliminating nine teaching and four special education assistant positions;
- Eliminating overtime and a substitute bus mechanic position at the bus garage; and
- Reviewing the benefit of workbook fees at the elementary level.

The District estimates cost savings for these efforts, where already determined, at approximately \$411,500 annually. As Niles CSD works to implement its recovery plan, it should ensure that the quality of education and services provided to students is not adversely impacted.

R2.7 Niles CSD should analyze and use the proposed financial forecast outlined in Table 2-8 to evaluate recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. Niles CSD should consider implementing the recommendations in this performance audit to avoid future financial difficulties. Niles CSD should also update the financial forecast on an ongoing basis as critical financial issues are identified and addressed.

Furthermore, if additional expenditure reductions cannot be made and the District and community decide to maintain operations above State minimum standards for transportation, regular education, and education service personnel (ESP) staffing, the District should consider placing a levy on the ballot. In doing so, Niles CSD should demonstrate accountability by sharing information with the public concerning how revenue will be spent and how the levy will benefit the District.

Table 2-8 is being presented as a potential financial forecast for Niles CSD management to use to assess the financial condition of the District. It is a management tool to be used to assess the impact that implementation of the various performance audit recommendations will have on Niles CSD's financial condition. The forecast presented contains the same financial projections as presented in **Table 2-2** with additional lines presenting the financial implications and implementation costs associated with the performance audit recommendations and the District's estimated savings in its recovery plan. In addition, the impact of adjusting the set-aside projections is included (see **R2.4**) and the transfers from the construction account have been eliminated (see **R2.3** and other financing sources in **Table 2-8**).

Table 2-8: Proposed Financial Recovery Plan (000)s

	Actual 2000-01	Actual 2001-02	Actual 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08
Real Estate Property Tax	\$5,634	\$5,662	\$5,597	\$5,779	\$6,001	\$6,184	\$6,184	\$6,267
Tangible Personal Property Tax	\$1,329	\$1,155	\$1,251	\$1,261	\$1,273	\$1,276	\$1,276	\$1,227
Unrestricted Grants-in-Aid	\$10,029	\$10,473	\$10,286	\$11,090	\$11,148	\$11,438	\$11,794	\$12,109
Restricted Grants-in-Aid	\$615	\$1,407	\$1,627	\$874	\$891	\$909	\$928	\$946
Property Tax Allocation	\$722	\$664	\$806	\$838	\$871	\$906	\$942	\$946
Other Revenues	\$254	\$112	\$70	\$160	\$170	\$170	\$170	\$170
Total Revenues	\$18,583	\$19,473	\$19,637	\$20,002	\$20,354	\$20,883	\$21,294	\$21,665
Salaries & Wages	\$11,081	\$11,371	\$11,946	\$11,729	\$12,186	\$12,661	\$13,155	\$13,668
Fringe Benefits	\$3,880	\$4,089	\$4,856	\$5,104	\$5,638	\$6,274	\$6,998	\$7,821
Purchased Services	\$3,731	\$4,159	\$3,240	\$3,021	\$3,119	\$3,221	\$3,325	\$3,433
Supplies, Materials & Textbooks	\$346	\$402	\$478	\$452	\$426	\$458	\$493	\$530
Capital Outlay	\$148	\$97	\$150	\$198	\$200	\$203	\$207	\$210
Other Expenditures	\$233	\$215	\$213	\$213	\$213	\$213	\$213	\$213
Debt Service: Principal - Other	\$0	\$0	\$502	\$36	\$293	\$286	\$279	\$271
Niles CSD Recovery Plan					(\$412)	(\$412)	(\$412)	(\$412)
Performance Audit								
Additional Set-Aside Expenditures				\$676	\$89	\$74	(\$25)	(\$45)
Not Subject to Negotiations				\$0	(\$1,682)	(\$1,742)	(\$1,872)	(\$1,948)
Subject to Negotiations				\$0	(\$1,020)	(\$1,133)	(\$1,262)	(\$1,407)
Implementation Costs				\$9	\$2	\$2	\$2	\$2
Total Expenditures	\$19,419	\$20,333	\$21,385	\$21,438	\$19,052	\$20,104	\$21,101	\$22,335
Proceeds From TANs			\$1,800					
Other Financing Sources/(Uses)	\$155	\$245	\$267	\$0	\$0	\$0	\$0	\$0
Net Transfers/Advances In/(Outs)	\$306	\$913	(\$734)	(\$417)	\$0	\$0	\$0	\$0
Net Financing	\$461	\$1,158	\$1,333	(\$417)	\$0	\$0	\$0	\$0
Result of Operations	(\$377)	\$298	(\$416)	(\$1,853)	\$1,302	\$779	\$193	(\$670)
Beginning Cash Balance	\$933	\$557	\$854	\$438	(\$1,415)	(\$113)	\$666	\$859
Ending Cash Balance	\$556	\$855	\$438	(\$1,415)	(\$113)	\$666	\$859	\$189
Bus Purchase	\$41	\$72	\$48	\$30	\$30	\$30	\$30	\$30
DPIA	\$22	\$187	\$0	\$0	\$50	\$50	\$50	\$50
"412" Textbook / Instruct.	\$298	\$322	\$11	\$10	\$10	\$10	\$50	\$50
"412" Capital Reserve	\$161	\$115	\$5	\$5	\$5	\$5	\$50	\$50
"412" Budget Reserve	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$34	\$157	\$374	(\$1,460)	(\$208)	\$571	\$679	\$9

Source: ODE web site and financial implications identified throughout this report.

¹ The levy renewal shown under the Fund Balance line in Table 2-2 is shown in the real estate property tax revenue line.

Table 2-8 indicates that the District can achieve positive ending fund balances during the forecasted period as a result of the performance audit recommendations. However, the District would need to consider implementing the following significant reductions:

- Reduce up to an additional 10.0 FTE regular education teachers, resulting in a student-to-teacher ratio of 23:1 which is slightly less than the maximum allowable student-to-teacher ratio of 25:1 stipulated in OAC 3301-35-05(A)(3) (see **R3.1** in **human resources**);
- Reduce up to 10.0 FTE education service personnel (ESP) to maintain 5.0 FTEs per 1,000 ADM, which is the minimum number of ESP staff per 1,000 ADM identified in OAC 3301-35-05 (A)(4) (see **R3.3** in **human resources**); and
- Discontinue transportation services for regular needs students living within two miles of their respective schools, as allowed by ORC Section 3327.01 (see **R5.2** in **transportation**).

Furthermore, **Table 2-8** indicates that the District would not achieve a positive ending fund balance until FY 2005-06 and shows only a slight positive ending fund balance in FY 2007-08. Consequently, the District should continue to seek additional expenditure reductions throughout the forecast period. If additional expenditure reductions cannot be made and the District and community decide to continue operating above the State minimum standards for transportation and regular education and ESP staffing, the District should consider raising additional revenue by appealing to voters for a levy to achieve financial solvency in future years. One mill generates approximately \$300,000 in revenue per year for the District.

For Niles CSD to achieve and maintain financial stability, it will be necessary to make difficult management decisions. The ideas and recommendations included in this report should be considered for implementation by Niles CSD. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of Niles CSD.

Table 2-9A and Table 2-9B detail those performance audit recommendations reflected in the forecast requiring negotiation and those not requiring negotiation.

**Table 2-9A: Summary of Performance Audit Recommendations
Not Subject to Negotiation**

	Recommendations Not Subject to Negotiation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R3.1	Reduce regular education teaching staff by 10.0 FTE	\$654,362	\$696,570	\$743,036	\$792,354
R3.3	Reduce ESP Staffing by 10.0 FTE	\$721,333	\$767,861	\$819,081	\$873,447
R4.2	Reduce building checks	\$48,880	\$50,835	\$52,869	\$54,983
R4.8	Increase maintenance staffing and reduce purchased services	\$19,000	\$19,000	\$19,000	\$19,000
R4.13	Close Garfield Elementary ¹	\$50,000	\$50,000	\$50,000	\$50,000
R5.2	Reduce transportation services to ORC standards	\$158,000	\$158,000	\$158,000	\$158,000
R5.6	Reduce Bus Purchases	\$30,000	\$0	\$30,000	\$0
	Total	\$1,681,575	\$1,742,266	\$1,871,986	\$1,947,784

Source: Financial implications identified throughout this performance audit

Note: Savings related to staff reductions (salaries and benefits) are appreciated each year based on the District’s forecasted COLA and step increases of two percent, and health care increases of 15 percent. Since R4.2 only impacts salaries, it is appreciated by four percent annually.

¹ Although the District has recognized some savings by closing Garfield Elementary, this presents additional savings identified in the performance audit (see R4.13).

**Table 2-9B: Summary of Performance Audit Recommendations
Subject to Negotiation**

	Recommendations Subject to Negotiation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R3.4	Reduce clerical staffing by 3.0 FTE	\$139,258	\$148,240	\$158,129	\$168,624
R3.5	Require full-time employee health care contribution	\$425,000	\$488,750	\$562,063	\$646,372
R3.6	Implement part-time classified employee health care contribution	\$159,000	\$182,850	\$210,278	\$241,819
R3.8	Eliminate paid vacation for classified part-time employees	\$53,040	\$55,162	\$57,368	\$59,663
R3.9	Eliminate one personal leave day	\$13,520	\$14,061	\$14,623	\$15,208
R3.11	Reduce paid holidays for classified staff	\$29,120	\$30,285	\$31,496	\$32,756
R4.1	Reduce 6.45 custodial FTE's	\$200,576	\$213,514	\$227,756	\$242,874
	Total	\$1,019,514	\$1,132,862	\$1,261,713	\$1,407,316

Source: Financial implications identified throughout this performance audit

Note: Savings related to staff reductions (salaries and benefits) are appreciated each year based on the District’s forecasted COLA and step increases of two percent, and health care increases of 15 percent. Since R3.8, R3.9 and R3.11 only impact salaries, they are appreciated by four percent annually.

Table 2-9C summarizes the implementation costs associated with various recommendations contained within the performance audit. Each cost is dependent on Niles CSD’s decision to implement the associated recommendation and the timing of that implementation.

Table 2-9C: Implementation Costs

	Implementation Cost	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R4.5	Purchase Manual	\$60	\$60	\$60	\$60	\$60
R4.10	Purchase work order system	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700
R5.3	Transport 500 additional students for 2003-04 school year	\$7,700	\$0	\$0	\$0	\$0
	Total	\$9,460	\$1,760	\$1,760	\$1,760	\$1,760

Source: Financial implications identified throughout this performance audit

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Human Resources

Background

This section of the report focuses on human resources operations in the Niles City School District (Niles CSD). Peer district information, and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) will be used for comparisons throughout this section of the report.

Organizational Function

Niles CSD does not have a separate department dedicated to performing human resources functions. Instead, the superintendent and building principals complete the primary human resources responsibilities. These responsibilities include the following:

- Coordinating the activities and programs for the recruitment and selection of employees;
- Monitoring compliance with employment standards (criminal background checks and teaching certifications);
- Facilitating employee performance evaluations;
- Administering and monitoring grievance policies and procedures;
- Negotiating and administering union contracts;
- Conducting disciplinary hearings;
- Maintaining personnel files;
- Placing selected substitutes; and
- Participating in new employee orientation.

Assistance is also obtained from the treasurer's office which administers the health insurance plans for all Niles CSD employees and helps negotiate and manage collective bargaining agreements.

Staffing

Table 3-1 illustrates the actual staffing levels at Niles CSD and the peer districts during FY 2002-03 as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with appropriate district personnel. All positions are shown as full-time equivalents (FTEs), and assumes an eight-hour day for classified personnel.

Table 3-1: FTE Staffing Levels for FY 2002-03

Category	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
Administrators: Subtotal	15.0	14.4	12.3	13.4	13.4
Central Based Administrators	2.0	2.0	1.4	2.6	2.0
Site Based Administrators	13.0	12.4	10.9	10.8	11.4
Other Administrators	0.0	0.0	0.0	0.0	0.0
Professional Education: Subtotal	202.0	214.8	130.7	148.9	164.8
Counseling	5.0	7.0	3.0	6.0	5.3
Librarian / Media	2.0	2.0	1.0	2.0	1.7
Remedial Specialists	9.0	0.0	2.0	4.0	2.0
Regular Education Teachers	144.4	135.0	102.0	107.9	115.0
Special Education Teachers	21.5	31.6	12.0	19.0	20.9
Vocational Education Teachers	4.0	6.0	4.0	1.0	3.7
Tutor / Small Group Instructor	0.0	14.3	1.7	0.0	5.3
Educational Service Personnel ¹	16.1	18.9	5.0	8.0	10.6
Other Professional	0.0	0.0	0.0	1.0	0.3
Professional – Other	6.7	4.0	6.7	2.0	4.2
Technical: Subtotal	0.8	3.3	0.9	5.0	3.1
Library Technician	0.0	1.9	0.0	0.0	0.6
Printer	0.0	0.0	0.9	0.0	0.3
Library Aide	0.8	1.4	0.0	4.0	1.8
Other Technical	0.0	0.0	0.0	1.0	0.3
Office / Clerical: Subtotal	31.5	34.0	20.3	24.1	26.1
Bookkeeping	1.0	3.8	0.0	2.0	1.9
Clerical	17.8	13.0	10.6	8.7	10.8
Records Managing	1.0	0.0	1.0	1.0	0.7
Teaching Aide	11.7	16.4	7.8	12.4	12.2
Telephone Operator	0.0	0.8	0.0	0.0	0.3
Other Office / Clerical	0.0	0.0	0.9	0.0	0.3
Crafts / Trades	1.0	6.8	0.0	5.5	4.1
Transportation	6.5	17.0	5.4	7.0	9.8
Attendance Officer	0.0	0.0	0.5	0.5	0.3
Custodial	26.1	18.8	18.0	13.5	16.7
Food Service	13.2	12.4	7.0	7.4	8.9
Guard / Watchman	0.0	0.7	0.0	0.0	0.2
Monitoring	2.8	9.4	0.0	0.6	3.3
Groundskeeping	0.0	1.0	0.0	0.0	0.3
Attendant	4.4	0.0	1.8	0.0	0.6
Total FTEs	310.0	336.6	203.6	227.9	255.8

Source: FY 2002-03 EMIS Staff Summary Reports and interviews

¹ The educational service personnel classification only includes art, music, and physical education teachers in grades K-8. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** shows the staffing levels per 1,000 Average Daily Membership (ADM) at Niles CSD and the peer districts for FY 2002-03.

Table 3-2: FTE Staffing Levels for FY 2002-03 per 1,000 ADM

Category	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
ADM	2,869	2,973	2,038	2,239	2,417
Administrators: Subtotal	5.1	4.9	6.0	6.0	5.6
Central Based Administrators	0.6	0.7	0.7	1.2	0.8
Site Based Administrators	4.5	4.2	5.3	4.8	4.8
Other Administrators	0.0	0.0	0.0	0.0	0.0
Professional Education: Subtotal	70.3	72.3	64.2	66.5	68.1
Counseling	1.7	2.4	1.5	2.7	2.2
Librarian / Media	0.7	0.7	0.5	0.9	0.7
Remedial Specialists	3.1	0.0	1.0	1.8	0.8
Regular Education Teachers	50.3	45.4	50.0	48.2	47.6
Special Education Teachers	7.5	10.6	5.9	8.5	8.6
Vocational Education Teachers	1.4	2.0	2.0	0.4	1.5
Tutor / Small Group Instructor	0.0	4.8	0.8	0.0	2.2
Educational Service Personnel ¹	5.6	6.4	2.5	3.6	4.4
Other Professional	0.0	0.0	0.0	0.4	0.1
Professional – Other	2.3	1.3	2.3	0.9	1.7
Technical: Subtotal	0.3	1.1	0.4	1.4	0.9
Library Technician	0.0	0.6	0.0	0.0	0.2
Printer	0.0	0.0	0.4	0.0	0.1
Library Aide	0.3	0.5	0.0	1.0	0.5
Other Technical	0.0	0.0	0.0	0.4	0.1
Office / Clerical: Subtotal	10.9	11.5	10.9	10.7	10.8
Bookkeeping	0.3	1.3	0.0	0.9	0.8
Clerical	6.2	4.4	5.2	3.9	4.5
Records Managing	0.3	0.0	0.5	0.4	0.3
Teaching Aide	4.1	5.5	3.8	5.5	5.0
Telephone Operator	0.0	0.3	0.0	0.0	0.1
Other Office / Clerical	0.0	0.0	0.4	0.0	0.1
Crafts / Trades	0.3	2.3	0.0	2.5	1.7
Transportation	2.3	5.7	2.6	3.1	4.1
Attendance Officer	0.0	0.0	0.2	0.2	0.1
Custodial	9.1	6.3	8.8	6.0	6.9
Food Service	4.6	4.2	3.4	3.3	3.7
Guard / Watchman	0.0	0.2	0.0	0.0	0.1
Monitoring	1.0	3.2	0.0	0.3	1.4
Groundskeeping	0.0	0.3	0.0	0.0	0.1
Attendant	1.5	0.0	0.9	0.0	0.2
Total FTEs	107.7	113.3	99.7	100.9	105.4

Source: FY 2002-03 EMIS Staff Summary Reports and interviews

¹ The educational service personnel classification only includes art, music, and physical education teachers in grades K-8. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

As illustrated in **Table 3-2**, Niles CSD has higher FTE staffing levels per 1,000 ADM as compared to the peer average in the following classifications:

- Remedial specialist (see page 3-7);
- Regular teaching (see **R3.1**);

- Educational service personnel teacher (see **R3.3**);
- Professional – other (**R3.3**);
- Clerical (see **R3.4**);
- Custodial (see the **facilities** section);
- Food service (see the **financial systems** section); and
- Attendant (see page 3-7).

In an effort to reduce expenditures, Niles CSD's Board of Education (the Board) approved staffing reductions which occurred at the end of FY 2002-03. Reductions include the following:

- 1.0 FTE principal (achieved through closure of Garfield Elementary, see the **facilities** section);
- 1.0 FTE remedial specialist;
- 11.0 FTE regular education teachers;
- 3.0 FTE special education teachers;
- 4.6 FTE teaching aides; and
- 0.7 FTE monitors.

The approved staffing reductions are not reflected in **Tables 3-1** and **3-2**.

Collective Bargaining Agreements

Certificated and classified personnel within Niles CSD are governed by negotiated agreements. During this performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial impact on Niles CSD. The implementation of any contractual recommendations would require negotiation with the respective unions. **Tables 3-3** and **3-4** illustrate key contractual issues in the certificated and classified negotiated agreements. Washington Court House CSD does not have a negotiated agreement for its classified personnel.

Table 3-3: Certificated Contractual Agreement Comparisons

	Niles CSD	Springfield LSD	Struthers	Washington Court House
Length of work day	6 hrs, 55 minutes	7 hrs, 30 minutes	7 hrs, 20 minutes	7 hrs, 20 minutes
Maximum class size	K-12: 28	K: 30 1-2: 25 3-4: 28 5-6: 29 7-12: 26 ¹	K-4: 25 5-8: 30 9-12: 25	None stated
Number of Contract Days	183 days	184 days²	183 days	185 days
Instructional Days	180 days	178 days	180 days	180 days ³
In-Service Days	2 days	4 days	2 days	
Records Days	1 day	0 day	1 day	
Maximum number of sick days accrued	Unlimited	Unlimited	Unlimited	200 days
Maximum number of sick days paid out at retirement	50 days, plus an additional \$30 per day for all unused accumulated sick leave in excess of 200 days	50 days	60 days	50 days
Number of personal days	5 days ⁴	Unlimited (requires superintendent approval)	3 days	3 days
Notice required	3 days notice	2 days notice	3 days notice	3 days notice
Number of leave days for association business	6 days for official representative of NCTA	10 days	20 days	5 days
Sabbatical leave	None stated	1 year allowed after 5 years service, with requirement to return for 1 year	None stated	None stated
Pick-up of employee's STRS contribution by district	No	No	No	No
Cost of living increases each year of the contract	FY 2000-01: 2.5% FY 2001-02: 2.0% FY 2002-03: 4.5%	FY 2001-02: 5.1% ⁵ FY 2002-03: 5.1% ⁵ FY 2003-04: 5.1% ⁵	FY 2001-02: 3.5% ⁶ FY 2002-03: 3.0% FY 2003-04: 3.0%	FY 2003-04: 3.0% FY 2004-05: 3.0%

Source: Certificated negotiated agreements currently in effect

¹ Average of 26 students per class

² The remaining two days are used for parent / teacher conferences.

³ The remaining five days are used for parent / teacher conferences, teacher work days, and in-service days.

⁴ Includes one emergency leave day

⁵ Springfield LSD's certificated staff receive salary increases in August and January of each year covered by the negotiated agreement. The percent increase represents the increase from August of one year to August of the next year.

⁶ Struthers CSD's certificated staff received an additional 3.9 percent increase to compensate for removal of the STRS pickup provision.

Table 3-4: Classified Contractual Agreement Comparisons

	Niles CSD	Springfield LSD Local #530¹	Springfield LSD Local #179	Struthers CSD
Minimum call-in hours paid to employees for emergencies	2 hours	2 hours	None stated	2 hours
Vacation time to accumulate	1-8 years: 10 days 9-13 years: 15 days 14+ years: 20 days	1-7 years: 10 days 8-13 years: 15 days 14-20 years: 20 days 21-26 years: 25 days 27+ years: 30 days	1-7 years: 10 days 8-13 years: 15 days 14-20 years: 20 days 21-26 years: 25 days 27+ years: 30 days	1-5 years: 10 days 6-10 years: 15 days 11-20 years: 20 days 21+ years: 25 days
Sick / Personal leave incentive	Unused personal leave days and emergency leave days are annually credited to the employee's sick leave balance, which is used in calculating severance pay	None stated	None stated	Full-time employees who have not used any sick leave receive \$300 per half year, employees working less than 1,000 hours receive \$150 per half year
Maximum number of sick days accrued	350 days	Unlimited	Unlimited	Unlimited
Maximum number of sick days paid out at retirement	55 days, plus an additional \$30 per day for all unused accumulated sick leave in excess of 200 days	55 days ²	55 days ²	65 days
Number of personal days	5 days ³	Unlimited (requires superintendent approval)	Unlimited (requires superintendent approval)	3 days
Notice required	3 days notice	2 days notice	2 days notice	5 days notice
Number of holidays for 12-month employees	14 days	14 days	14 days	12 days
Number of holidays for 9-month employees	11 days	6 days	7 days	11 days
Number of leave days for association business	3 days to attend OAPSE Annual Conference for each of 3 elected / appointed delegates	4 days each for 2 delegates to attend the annual OAPSE Conference	3 days each for 3 delegates to attend the annual OAPSE Conference	Minimum of 1 day for the union president
Pick-up of employee's SERS contribution by district	No	No	No	No
Cost of living increases each year of the contract	FY 2000-01: 2.5% FY 2001-02: 2.0% FY 2002-03: 4.5%	FY 2002-03: 3.0% FY 2003-04: 3.0% FY 2004-05: 3.0%	FY 2001-02: 6.2% ⁴ FY 2002-03: 5.1% ⁴ FY 2003-04: 5.1% ⁴	FY 2002-03: 6.5% FY 2003-04: 3.0% FY 2004-05: 3.0%

Source: Classified negotiated agreements currently in effect

¹ This agreement covers only mechanics, bus drivers and bus monitors. All other classified staff members are part of Local #179.

² Bargaining unit members who leave active service with 10 or more years of service receive a severance payment for unused sick leave to a maximum of 45 days.

³ Includes one emergency leave day

⁴ Springfield LSD's classified staff receive salary increases in August and January of each year covered by the negotiated agreement. The percent increase represents the increase from August of one year to August of the next year.

In addition to the analyses in this report, assessments were conducted on several areas within the human resources section which did not warrant changes and did not yield any recommendations. These areas include the following:

- *Remedial specialist staffing level:* These positions are funded 100 percent with grants and are not subsidized by the General Fund.

- *Vocational education teacher staffing level:* Niles CSD was part of a consortium which funded the Gordon D. James Career Center. The Consortium disbanded and Niles CSD joined the Trumbull County Career Center (TCTC) in FY 2002-03. TCTC is supported by a local levy and does not rely on General Fund dollars. Additionally, the District has a lower staffing level per 1,000 ADM than the peer districts.
- *Attendant staffing levels:* Attendants assist special needs students with personal needs and are included in student IEPs.
- *Salaries:* Niles CSD's overall salaries are comparable to the peers.
- *Supplemental contracts:* Niles CSD's average supplemental contract per ADM is comparable to the peer average.
- *Sick leave usage:* Although Niles CSD's sick leave usage is slightly higher than the state employee and OEA averages, the District has provisions in both the certificated and classified agreements to detect and discipline employees who abuse sick leave. Niles CSD's teacher attendance rate is comparable to the peer districts and to the state average.
- *Length of certificated work day:* Although the length of Niles CSD's certificated work day is the lowest (**Table 3-3**), the time junior high school and senior high school teachers spend instructing students is comparable to the peer districts. Furthermore, they spend the highest percentage of their workday instructing students, supervising students, or preparing for class.

Recommendations

Staffing

R3.1 In addition to the teacher reductions identified in its recovery plan, Niles CSD should seek a reduction in force (RIF) of up to 10.0 FTE regular education teachers based on the financial condition of the District. However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.

Table 3-5 compares Niles CSD's regular education teacher staffing levels in FY 2002-03 to staffing levels by having an average of 25 regular education students per regular education teacher, the maximum student-to-teacher ratio stipulated in OAC 3301-35-05(A)(3).

Table 3-5: Regular Education Students per Teacher

	FY 2002-03	OAC 3301-35-05(3) Maximum Ratio
Regular education students ¹	2,530	2,530 ²
Regular education teacher FTEs	144.4	102.4
Student –Teacher Ratio	17.5	24.7

Source: ODE and Niles CSD

¹ Regular education students were calculated using the percentage of students with disabilities, as reported in the ODE district report card.

² Because the ODE district report card for the 2003-04 school year is not yet available and since student enrollment has historically been stable (see the **facilities** section), the regular student population from the 2002-03 school year is used.

As illustrated in **Table 3-5**, Niles CSD could reduce 42.0 FTE regular education teacher positions, including the 24 reductions proposed in the District's financial recovery plan (see the **financial systems** section), by adhering to OAC 3301-35-05(A)(3). However, the District may have difficulty achieving an average ratio of 25 students per teacher due to inconsistencies in enrollment from grade-to-grade and the corresponding impact on individual class sizes. Therefore, the District should consider reducing up to 10.0 FTE regular education teachers, in addition to the 24 proposed reductions in its recovery plan. This would result in a student-to-teacher ratio of 23:1.

Based on its future financial condition, the District needs to consider numerous options to reduce expenditures, such as additional teacher reductions. However, if Niles CSD and the community decide to maintain smaller class sizes than 23 students per teacher, additional revenue may be necessary for the District to achieve financial solvency in future years.

Financial Implication: If Niles CSD reduced regular education teaching positions by an additional 10 FTEs, it could realize a cost savings of approximately \$582,700. This is based on an average regular education salary of approximately \$42,800 and benefits equal to 36 percent of annual salaries.

R3.2 Niles CSD should review its special education teacher staffing levels to ensure they are consistent with the requirements stated in Ohio Administrative Code (OAC) 3301-51-09(G)(3), Special Education Programs for Handicapped Children. If Niles CSD operates with special education teacher staffing levels below OAC requirements, the District should obtain the necessary Ohio Department of Education (ODE) waiver.

In FY 2002-03, Niles CSD had 21.5 FTE special education teachers, 1.5 FTEs of which were dedicated to gifted education. As a result, the District had 20.0 FTEs allocated to the direct instruction of special education students. OAC 3301-51-04 details the student-to-teacher ratio required for each type of disability. Based on the number of special education students classified in each disability category in FY 2002-03 and the OAC requirements, the District should have a total of 20.7 FTE special education teachers devoted solely to special education students. Consequently, Niles CSD's staffing level of 20.0 FTE special education teachers is 0.7 FTEs below the staffing level required by OAC.

Due to the reduction of 3.0 FTE special education teachers at the end of the 2002-03 school year, the District's special education teacher staffing level for the 2003-04 school year will be 17.0 FTEs, which is 3.7 FTEs below the OAC required level. According to ODE, a district may have fewer special education teacher FTEs than required if the district has filed a waiver requesting an exemption from said requirements. Niles CSD does not have a waiver on file with ODE.

R3.3 Niles CSD should review its staffing levels in the educational service personnel (ESP) classification for a potential reduction of up to 10.0 FTEs. Classifications which should be reviewed for possible reductions would include art teachers, music teachers, physical education teachers and counselors.

Table 3-6 compares the FY 2002-03 ESP staffing levels at Niles CSD with the peer districts, which includes positions such as registered nurses and social workers classified in the professional – other category in **Tables 3-1** and **3-2**. Staffing levels are illustrated in actual FTEs and FTEs per 1,000 ADM.

Table 3-6: Comparison of ESP Staffing Levels

Classification	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
ESP Teacher ¹	16.1	18.9	5.0	8.0	10.6
Counselor	5.0	7.0	3.0	6.0	5.3
Librarian / Media Specialist	2.0	2.0	1.0	2.0	1.7
Registered Nurse	2.0	0.0	2.6	0.0	0.9
Social Worker	0.0	0.0	0.0	0.0	0.0
Totals	25.1	27.9	11.6	16.0	18.5
FY 2002-03 ADM	2,869	2,973	2,038	2,239	2,417
ESP Staff per 1,000 ADM	8.7	9.4	5.7	7.1	7.7

Source: District FY 2001-02 EMIS Staff Summary Reports and Staff Demographics Reports

¹ Includes those individuals who teach art, music or physical education in grades K-8.

As illustrated in **Table 3-6**, Niles CSD has 8.7 FTEs per 1,000 ADM in the ESP classification, which is greater than the peer average of 7.7 FTEs and the minimum standards identified in OAC 3301-35-05 (A)(4) of 5.0 FTEs per 1,000 ADM. Approximately 64 percent of Niles CSD’s ESP staff members are art, music and physical education teachers who have direct instructional contact with students throughout the day. If Niles CSD adjusts its ESP staffing ratio to the minimum standards identified in the OAC, it could potentially reduce 10.0 FTEs.

Financial Implication: Niles CSD could generate an estimated cost savings of approximately \$642,300 by reducing 10.0 FTEs from the ESP classification, assuming an estimated annual salary of approximately \$47,226 per ESP staff member and benefits equal to 36 percent of annual salaries.

R3.4 Niles CSD should consider reducing 3.0 FTE office/clerical positions. By doing so, Niles CSD would maintain clerical staffing levels comparable to the peer average. The District should ensure that office/clerical staffing resources are being used efficiently and effectively in relation to the needs of the District. For instance, Niles CSD could operate with fewer clerical staff by pooling and sharing employees across departments, while ensuring that reporting lines are clearly defined and job duties are prioritized. Furthermore, closing Garfield Elementary could allow the District to function with fewer clerical staff (see the facilities section).

Table 3-7 compares key ratios regarding clerical staffing levels at Niles CSD and the peer districts.

Table 3-7: Clerical Staffing Ratios

	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
Total Clerical Personnel ¹	19.8	16.8	12.5	11.7	13.7
Total Administrative Personnel	13.0	12.4	10.9	11.0	11.4
Total Clerical Personnel to Administrative Personnel	1.5 to 1.0	1.4 to 1.0	1.1 to 1.0	1.1 to 1.0	1.2 to 1.0
Total District Personnel ²	290.2	319.8	191.1	216.4	242.4
Total Clerical Personnel per 100 District Personnel	6.8	5.3	6.5	5.4	5.6
Total ADM	2,869	2,973	2,038	2,239	2,417
Total Clerical Personnel per 1,000 ADM	6.9	5.7	6.1	5.2	5.7

Source: FY 2002-03 EMIS Staff Summary Report, Staff Demographics Report, and Student Enrollment Report for Niles CSD and the peer districts

¹Includes individuals classified as bookkeeping, clerical, records managing, and other office / clerical.

²Excludes individuals classified as bookkeeping, clerical, records managing, and other office / clerical. As a result, these figures are not the same as the total FTEs reported in **Table 3-1**.

As shown in **Table 3-7**, Niles CSD allocates the highest number of clerical personnel per administrative staff, per 100 district employee, and per 1,000 ADM of the peers. A reduction of 3.0 clerical FTEs would decrease the District’s clerical personnel to administrative to 1.3 to 1.0, the clerical personnel per 100 district personnel to 5.8 FTEs, and clerical personnel per 1,000 ADM to 5.9 FTEs, which are comparable to the peer averages.

During FY 2002-03, three office/clerical staff members resigned or retired, 1.0 FTE exempt position in the treasurer’s office, 0.8 FTE classified position at Lincoln Elementary School, and 1.0 FTE classified position in the superintendent’s office. The District plans to either leave the positions vacant for one year or fill them with substitutes. However, Niles CSD could eliminate these positions by reassigning the corresponding job duties and sharing clerical resources across departments.

Financial Implication: Niles CSD could generate cost savings of approximately \$124,000 by reducing 3.0 clerical FTEs, assuming an average annual salary of approximately \$30,300 per clerical staff member and benefits equal to 36 percent of annual salaries.

Benefits Administration

R3.5 Niles CSD should seek changes to its health insurance. The District should pursue one or more of the following options:

- **Require all full-time employees to pay a portion of the monthly premium costs for medical and prescription insurance;**
- **Reduce benefit levels; or**
- **Join the Trumbull County Schools Insurance Consortium (the Consortium).**

If the District requires an employee contribution, it should seek a 10 percent contribution from employees working seven hours or more, which is in line with costs shared by employees state-wide. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs. Additionally, renegotiating plan benefits to levels more comparable to the peers or joining the Consortium could further lower the monthly premiums and assist Niles CSD in reducing costs.

Niles CSD’s full-time employees do not contribute toward their health insurance premiums. For the purposes of health care benefits, the District considers any classified employee who works a minimum of four hours per day to be full-time. **Table 3-8** compares the FY 2002-03 hospitalization and prescription monthly premiums for Niles CSD, the peer districts, and the SERB averages for like-sized districts.

Table 3-8: Health Insurance Premium Comparison for FY 2002-03

School District	Provider(s)	Monthly Premium for Single Plan ¹	Full-time Employee Share	Monthly Premium for Family Plan ¹	Full-time Employee Share
Niles CSD ³	Traditional Plan	\$404.27	\$0.00	\$892.08	\$0.00
	Non-Traditional (HMO) Plan	\$314.91	\$0.00	\$716.63	\$0.00
Springfield LSD	Hometown Hospital Plan	\$243.37	\$12.17	\$659.51	\$32.98
	Medical Mutual Super MedPlus	\$289.75	\$14.44	\$724.41	\$36.23
Struthers CSD	Mahoning County School Employee Insurance Consortium	\$486.38	\$0.00	\$1,173.83	\$0.00
Washington Court House CSD	United HealthCare	\$312.79	\$31.28	\$860.16	\$172.03
SERB School District Average (2,500 – 9,999 students) ²	N/A	\$275.55	\$16.17	\$680.08	\$50.96

Source: School districts and SERB

¹ Includes premiums for prescription coverage

² The SERB average is from the 2001 Report on the Cost of Health Insurance in Ohio’s Public Sector and has been adjusted for a 14 percent increase.

As illustrated in **Table 3-8**, Springfield LSD requires a 5.0 percent contribution, while Washington Court House CSD requires a 10.0 percent contribution for single coverage and a 20.0 percent contribution for family coverage. According to SERB's *2001 Report on Health Care Costs*, public employees' average monthly contributions are approximately 12 percent for single coverage and 14 percent for family coverage. Furthermore, the District's monthly premiums are higher than Springfield LSD's plans and Washington Court House CSD's single plan, as well as the SERB average for like-sized school districts.

The District's single coverage premium increased by 53 percent, to \$618.52, in May 2003. Family coverage increased by 67 percent, to \$1,491.29. These significant increases can be partially attributed to several large claims incurred by the District during FY 2002-03. Effective May 2003, both of Niles CSD's plans have the same monthly premium. Without an employee contribution, Niles CSD will pay approximately \$4.7 million for full-time employee health care benefits in FY 2003-04.

Table 3-9 compares key medical insurance benefits to those of the peer districts' plans.

Table 3-9: Key Medical Plan Benefits

	Niles CSD		Springfield LSD		Struthers CSD	Washington Court House CSD
	Traditional Plan	Non-Traditional Plan	SuperMed Plus	Hometown Hospital	Mahoning County School Employee Insurance Consortium	United Healthcare Plus Plan 238
Office Visits	100%	100%	100% after \$10 co-pay	100%	100% after deductible	100% after \$10 co-pay
Prescription Plan Included	Yes \$5 co-pay for short-term and no co-pay for long-term	Yes \$2 co-pay for short-term and no co-pay for long-term	Yes \$2 (generic) or \$7 (brand) co-pay for short-term and no co-pay for long-term	No	Yes \$2 co-pay, waived for generic	Yes \$5 (generic), \$10 (brand name on formulary), or \$15 (brand name not on formulary) for pharmacy and \$10, \$20, or \$50 for mail order 90 day supply
Employee Annual Deductible	\$150 S / \$300 F	None	\$125 S / \$200 F	None	\$150 S / \$300 F	None
Employee Out of Pocket Maximum	\$400 per plan member	None	\$500 S / \$1,000 F	None	\$1,250 S / \$2,500 F	\$500 S / \$1,000 F
Need to Choose Primary Physician	No	Yes ¹	No	Yes	No	No
Maternity	100%	100%	100%	100%	100% after deductible	100% after first \$10 co-pay
Well Child Care	80% (to max of \$500 per child)	100%	100% after \$10 co-pay (to max of \$500 per benefit period)	100%	100% after deductible	100% after \$10 co-pay
Inpatient Hospital Care	100%	100%	100% for first 120 days, additional days at 80% after deductible	100%	100%	100%

Source: Schedule of Benefits and Interviews

Note: Benefits are for in-network services only.

¹ Participants only need to obtain a referral for non-network services.

As illustrated in **Table 3-9**, Niles CSD’s benefit levels are fairly comparable to those of the peer districts. However, two peer plans (Springfield LSD’s SuperMed Plus and Washington Court House CSD’s United Healthcare Plus) require co-payments for office visits, which are not required by either of Niles CSD’s plans. Additionally, Washington Court House CSD requires a co-payment for both short-term and long-term prescriptions while Niles CSD only requires a co-payment for short-term prescriptions. While Niles CSD requires the same co-payment for brand name and generic prescription drugs, Springfield LSD and Washington Court House LSD require higher co-payments for brand name prescriptions. Furthermore, Niles CSD’s employee out of pocket maximum in the Traditional Plan is lower than Springfield LSD’s SuperMed Plus plan and Washington Court House CSD. These differences in plan benefits could contribute to the relatively high premiums costs at Niles CSD.

In addition to requiring full-time employee health care contributions, the District could join the Consortium. Starting January 1, 2004, all districts participating in the Consortium will be required to use the same plan, the One Plan, which offers a traditional plan, a preferred provider organization (PPO) plan, and a health maintenance organization (HMO) plan. Moreover, all participating districts will pay the same premium costs. However, the future rate is not yet known by the Consortium. Since the Consortium engages in group purchasing and cost sharing, joining it could limit the liability and drastic rate increases Niles CSD has historically experienced. Prior to joining the Consortium, the District should review the Consortium’s premium costs and plan benefit levels to ensure its health care costs will be reduced and effectively controlled.

Financial Implication: Assuming that Niles CSD required a full-time employee contribution equal to 10 percent for both single and family coverage, the District would save approximately \$425,000 annually. This savings is based on the District’s monthly premiums effective May 1, 2003.

R3.6 Niles CSD should implement a graduated scale for employee contributions to health care premiums based on the number of hours worked by employees. Currently, full benefits are available to all classified staff working a minimum of four hours per day with no employee contribution required. If the District uses a prorated scale based on the number of hours worked for employees working less than seven hours per day, each employee would contribute a maximum of 50 percent of the monthly premium. A graduated scale would decrease Niles CSD’s direct health care premium costs.

Niles CSD does not require employees who work at least four hours per day to contribute to the cost of health care. **Table 3-10** demonstrates a prorated scale for the health care premium cost per employee based on the number of hours worked per day.

Table 3-10: Prorated Health Care Premium Cost Scale

Number of Hours Worked	Percent of Health Care Premium Responsibility for Employee ¹	Monthly Cost to Employee for Single Coverage ²	Monthly Cost to Employee for Family Coverage
4 hours	50.0%	\$309.26	\$745.65
5 hours	37.5%	\$231.95	\$559.23
6 hours	25.0%	\$154.63	\$372.82

Source: Niles CSD Treasurer’s Office

¹ Percentages are based on a full-time day equivalent to eight hours.

² Based on monthly premiums effective May 1, 2003 of \$618.52 for single and \$1,491.29 for family

Niles CSD provides health care to 29 classified employees working less than seven hours per day. Using the District’s premium costs effective May 1, 2003, the cost of health

care for these employees is approximately \$456,000 per year. Springfield LSD and Struthers CSD both require part-time classified employees to pay a portion of health care costs.

Financial Implication: If Niles CSD implemented a prorated insurance benefit for its classified staff working less than seven hours per day, it would realize estimated annual cost savings of \$159,000. Additional cost savings could be realized if part-time employees opt out of the District's health care program.

Collective Bargaining Agreements

R3.7 During future contract negotiations, Niles CSD should seek to remove the no reduction in force (RIF) clause from its classified contract.

Niles CSD's classified negotiated agreement contains a provision which, during the life of the agreement, prevents the RIF of classified employees. None of the peer classified negotiated agreements contain a similar provision. Furthermore, the inclusion of such a provision in Niles CSD's classified agreement limits the District's ability to respond to changes in its financial situation and student enrollment. This inability to react to changes will exacerbate current and potential deficits.

R3.8 During the next contract negotiations, Niles CSD should seek to eliminate the paid vacation provided to employees working less than 11 months per year.

According to Niles CSD's classified agreement, employees working less than 11 months per year receive 10 paid vacation days each year, with each vacation day equal to the number of hours each employee is regularly assigned to work each day. The vacation days are not included in the contract year, but rather are used to extend the contract year. For example, bus drivers work 183 days during the school year, but the contract year is 204 days, which includes 10 paid vacation days and 11 paid holidays (R3.10). Springfield LSD and Washington Court House CSD do not provide paid vacation days to classified employees working less than 11 months per year. Additionally, ORC §3319.084 only requires districts to provide paid vacation days to non-teaching employees working at least 11 months per year, after service of one year with a board of education. If Niles CSD can eliminate this provision from future negotiated agreements, it could allocate more resources to the direct instruction of students.

Financial Implication: Using the daily rate for classified employees working less than 11 months per year, Niles CSD could realize a cost savings of approximately \$51,000 by eliminating paid vacation for these employees.

R3.9 During the next contract negotiations, Niles CSD should seek to eliminate one personal leave day for both certificated and classified staff.

Both certificated and classified employees of Niles CSD receive four personal leave days. For certificated staff, unused personal leave days are reimbursed by June 30 of each school year at the rate of \$65 per day. For classified staff, unused personal leave days are credited to the accrued sick leave days, which will be used in calculating severance pay at the time of retirement. In addition to the four personal leave days, certificated and classified employees also receive one paid emergency leave day each year, which can be used for the following:

- Observance of religious holidays;
- Attendance at graduation exercises;
- Dangerous weather conditions;
- Employee moving;
- Conduct business that cannot be done on Saturday;
- Accompany family member to or meet family member at a travel terminal; and
- Other situations approved by the Superintendent.

None of the peer district's negotiated agreements provide an emergency leave day in addition to personal leave days. Furthermore, unused emergency leave days are credited to each employee's sick leave bank to be used in calculating severance pay at the time of retirement (**R3.9**). ORC §3319.142 only requires districts to provide three personal leave days per year for non-teaching staff. Eliminating one personal leave day would help Niles CSD improve its financial condition while leaving employees with combined personal leave and emergency leave days above the ORC minimum and the peer districts.

Financial Implication: By eliminating one personal leave day, Niles CSD could realize a cost savings of approximately \$13,000 annually. This is based on the number of employees covered by the certificated negotiated agreement (204.0 FTEs) and the reimbursement rate of \$65 per unused personal leave day. The District could realize a greater cost savings due to the potential decrease in accrued sick leave days used for severance payment.

R3.10 During future contract negotiations, Niles CSD should seek to remove from the certificated and classified negotiated agreements the bonus severance provision, which pays employees who retire \$30 per day for unused accumulated sick days in excess of 200 days.

According to Niles CSD's negotiated agreements, certificated employees receive a maximum of 50 sick leave days paid out at retirement and classified employees receive a maximum of 55 days. Although these are comparable to the peers as illustrated in **Tables**

3-3 and **3-4**, Niles CSD employees receive an additional \$30 per day for all unused accumulated sick days in excess of 200 days. For the purpose of determining severance pay, the number of sick leave days for which an employee receives payment also includes all unused emergency leave days for certificated and classified employees, as well as all unused personal leave days for classified employees.

ORC §124.39(B) states sick leave payout shall not exceed the value of 30 days of accrued but unused sick leave. However, section (C) permits political subdivisions to compensate employees for more than 30 days. Eliminating the bonus severance provision would help Niles CSD improve its financial situation while providing a severance payment comparable to the peer districts, but nearly twice the maximum identified in ORC §124.39(B).

R3.11 Niles CSD should seek to reduce the number of paid holidays for classified employees. The District should align its number of paid holidays with the peer districts (Table 3-4) and reduce the number of paid holidays for 11 and 12 month employees to 12 days, and the 9 and 10 month employees to 7 days.

As shown in **Table 3-4**, the current Niles CSD classified negotiated agreement provides 12 month employees with 14 paid holidays per year and 9 month employees with 11 per year. Although Niles CSD's number of paid holidays for 12 month employees is comparable to Springfield LSD, Struthers CSD 12 month employees only receive 12 paid holidays. Furthermore, Niles CSD provides its nine month employees with a minimum of four more holidays than Springfield LSD.

ORC §3319.087 requires 11-12 month employees to be paid a minimum of seven holidays, and 9-10 month employees to be paid a minimum of six holidays. Niles CSD's current classified agreement provides significantly more paid holidays than the minimum established by the ORC.

Financial Implication: Using the average daily rate of classified employees, based on the number of months worked per year, Niles CSD could realize an annual cost savings of approximately \$28,000 by reducing the number of paid holidays for classified staff.

Financial Implications Summary

The following tables represent a summary of the annual cost savings for the recommendations in this section of the report. Recommendations are separated based on whether they require negotiations. Implementation of those recommendations subject to negotiation would require agreement of the affected bargaining units. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.1 Reduce regular education teacher staffing by up to 10.0 FTEs	\$582,700
R3.3 Reduce ESP staffing by up to 10.0 FTEs	\$642,300
Total	\$1,225,000

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.4 Reduce office/clerical staffing by 3.0 FTEs	\$124,000
R3.5 Require full-time employee contribution equal to 10 percent of monthly premium cost	\$425,000
R3.6 Implement graduated scale for part-time classified employee contributions towards health care costs	\$159,000
R3.8 Eliminate paid vacation for classified employees working less than 11 months per year	\$51,000
R3.9 Eliminate one personal leave day	\$13,000
R3.11 Reduce the number of paid holidays for classified staff	\$28,000
Total	\$800,000

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Facilities

Background

The facilities section focuses on custodial and maintenance operations in the Niles City School District (Niles CSD). The objectives are to analyze the building operations of Niles CSD and develop recommendations for improvements in efficiency and possible reductions in expenditures. Throughout the report, comparisons are made to the following peer school districts: Springfield Local School District (Springfield LSD), Struthers City School District (Struthers CSD), and Washington Court House City School District (Washington Court House CSD).

Organizational Structure and Function

Niles CSD consists of seven schools: five elementary schools (grades K-6), one junior high school (grades 7-8), and one high school (grades 9-12). Niles CSD constructed a new middle school that opened in FY 2003-04. This new facility will house grades 6-8. The junior high school will be demolished and the elementary schools reconfigured to house grades K-5 for the 2003-04 school year.

The custodial department is responsible for the operation and upkeep of the facilities. The goal of the custodial staff is to provide the students with a safe, attractive and clean place in which to learn, play and develop. The building principals are responsible for the supervision of the custodial staff assigned to their buildings.

The custodial staff is responsible for opening, closing and cleaning the buildings. During days when school is in session and it is not possible to enter classrooms to clean, the day custodians maintain common areas; perform minor maintenance; maintain grounds, including mowing and trimming; and perform other duties as assigned. During the winter, the custodial staff removes snow and ice from the walkways. Snow removal for large areas, such as parking lots, is contracted out.

The custodial staff consists of 24.73 full-time equivalents (FTEs). The number of custodians assigned to individual buildings ranges from 1.92 to 8.04 FTEs. Four of the five elementary buildings have one full-time head custodian who works the day shift all year long and one or two part-time evening custodians. The largest elementary school, Washington, has two FTEs during the day and three six-hour evening custodians. The current junior high school has one day shift head custodian and three evening custodians. The high school has a total of 8.04 FTEs, of which 4.35 FTEs are scheduled for day shift.

Custodians handle the maintenance on all facilities, if the task is within their abilities. All other maintenance is contracted out. Maintenance requests that require replacement parts or outside contractors are sent to the District treasurer. In addition to the custodial staff, the District has 1.35 FTEs to maintain control over warehouse inventory and make deliveries between buildings.

Table 4-1 illustrates the custodial staffing levels, and the number of FTEs responsible for maintaining Niles CSD's facilities and custodial operations.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2001-02

Classification	Total Number of Positions	Number of Full-Time Equivalents
Superintendent	1	0.10
Treasurer	1	0.10
Principal	8	1.25
Total Administration	10	1.45
Head Custodian	7	7.00
Assistant Custodian	5	5.00
Custodial Helper	16	12.73
Warehouse Delivery	2	1.35
Total Custodial	30	26.08
Total	40	27.53

Source: Niles CSD's Treasurer's Office

When custodial FTEs are adjusted to exclude the time spent on grounds the total District custodial FTE is 22.43, (2.10 FTEs for grounds) For the purpose of custodial analysis, the 22.43 custodial FTE will be used, unless otherwise noted.

Key Statistics

Key statistics related to the maintenance and operations of Niles CSD are presented in **Table 4-2**. In addition, results from the 32nd Annual American Schools & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2003, are included in **Table 4-2** and throughout the facilities section of the report. The AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. This year's report provides the median number for square foot per FTE for custodial and maintenance employees and the mean number for expenditures per square foot on a national level and by district enrollment.

According to the 32nd Annual AS&U study, "The economy has taken its toll on school district budgets, and it has been especially hard on maintenance and operations (M&O) funding. One of the first areas targeted for cuts is M&O, even as deferred maintenance and the effects of inadequate upkeep, such as mold and indoor environmental quality, continue to plague more and more institutions."

Table 4-2: Key Statistics and Indicators

Number of School Buildings¹	7
- Elementary Schools	5
- Middle School	1
- High School	1
Total Square Feet Maintained	369,842
- Elementary Schools	161,022
- Middle School	93,060
- High School	103,760
- Administration	12,000
Square Feet Per FTE Custodial Staff Member (22.43²)	16,489
- Elementary School (10.93)	14,732
- Junior High School (3.59) ³	25,922
- Senior High School (7.03)	14,760
- Administration (0.88 FTE)	13,636
AS&U 32nd Annual Cost Survey 1,000 – 3,499 Students	24,900
AS&U 32nd Annual Cost Survey National Median	24,167
Peer District Average	26,497
FY 2001-02 Maintenance and Operations Expenditures Per Square Foot	\$4.20
- Custodial and Maintenance	\$3.39
- Utilities	\$0.81
Peer District Average	\$3.69

Source: Niles CSD and peer districts; AS&U 32nd Annual Maintenance & Operations Cost Survey

¹ The District opened a new middle school in 2003-04. The current junior high closed in 2003-04 and will be demolished. For the purpose of comparison and analysis, the building totals and square footage will include the new facility and not the old junior high.

² The FTE excludes time spent on grounds duties.

³ It is assumed that the custodians in the current junior high will transfer to the new middle school. All analysis will be based on the square footage of the new middle school unless otherwise noted.

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate Niles CSD's facilities for FYs 2000-01, 2001-02, and 2002-03.

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2000-01 Total	FY 2001-02 Total	FY 2001 to FY 2002 Percentage Change	FY 2002-03 Total	FY 2002 to FY 2003 Percentage Change
Salaries	\$776,097	\$766,977	(1.18%)	\$781,458	1.89%
Benefits	127,111	127,747	0.50%	130,869	2.44%
Purchased Services	267,236	293,884	9.97%	343,669	16.94%
Utilities	339,759	284,545	(16.25%)	341,636	20.06%
Supplies/ Materials	53,372	64,358	20.58%	61,605	(4.28)%
Capital Outlay	32,132	18,884	(41.23%)	62,510	231.02%
Other	1,114	960	(13.76%)	1,008	4.97%
Total	\$1,596,821	\$1,557,356	(2.47%)	\$1,722,755	10.62%

Source: Niles CSD Treasurer's Office

Explanations for some of the more significant variances in **Table 4-3** are as follows:

- *A 9.97 percent increase in purchased service costs from FY 2000-01 to FY 2001-02 and an additional 16.94 percent increase in FY 2002-03:* Contracted services for the District vary from year to year. In FY 2001-02, large expenditures for care and upkeep of Jackson Elementary, Lincoln Elementary and the bus garage increased purchased services expenditures from the previous year. Copier rental expenditures have increased for FY 2002-03 in addition to care and upkeep for several of the buildings. Furthermore, trash removal was recoded in the FY 2001-02 and FY 2002-03 to the 2700 function (maintenance and operation expenditures) from food services. Half of the trash removal expenses in FY 2001-02 and all in FY 2002-03 were applied to the 2700 function, which also increased the purchased services costs.
- *A 16.25 percent decrease in utility costs from FY 2000-01 to FY 2001-02 and a 20.06 percent increase for the FY 2002-03 budget:* The severe winter in 2002-03 caused District expenditures for gas to increase and were exacerbated by the mild winter the previous year.
- *A 20.58 percent increase and a 4.28 percent decrease in supplies and materials in FY 2001-02 and FY 2002-03, respectively:* Niles CSD orders janitorial supplies in bulk and replaces them only as needed. According to the Treasurer, the District has a large

warehouse and did not purchase as much in FY 2000-01 as it needed in FY 2001-02. The District tried to reduce expenditures in FY 2002-03 and ordered fewer supplies because of the stock in the warehouse.

- *A 41.23 percent decrease in capital outlay from FY 2000-01 to FY 2001-02 and a 231.02 percent increase for the FY 2002-03:* The District purchased new equipment, a tractor and furniture, in FY 2000-01 and purchased additional furniture in FY 2002-03.

Revenue from the General Fund is used to support the maintenance and operation of Niles CSD’s facilities. **Table 4-4** illustrates Niles CSD’s and the peer districts’ FY 2001-02 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

Table 4-4: FY 2001-02 General Fund Expenditures per Square Foot

Expenditure	Niles CSD	Springfield LSD	Struthers CSD	Washington CH	Peer Average	AS&U Mean	1,000-3,499 Students
Custodial and Maintenance Salaries and Benefits	\$2.42	\$2.60	\$2.45	\$1.57	\$2.21	\$2.33	\$1.97
Purchased Services	\$0.75	\$0.51	\$0.40	\$0.26	\$0.39	\$0.17	\$0.23
Utilities	\$0.81	\$1.20	\$0.85	\$0.60	\$0.88	\$1.43	\$1.23
Supplies/ Materials	\$0.17	\$0.27	\$0.06	\$0.21	\$0.18	\$0.46	\$0.43
Capital Outlay	\$0.05	\$0.00	\$0.02	\$0.07	\$0.03	NA	NA
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.09	\$0.07
Total General Fund Expenditures	\$4.20	\$4.59	\$3.78	\$2.71	\$3.69	\$4.48	\$3.93

Source: Niles CSD Treasurer’s Office; peer districts

Niles CSD overall cost per square foot is \$0.51 higher than the peer average, slightly lower than the AS&U national mean, and \$0.27 higher than the AS&U mean for school districts with comparable student populations. Salaries and benefits, and purchased services are both higher than the peer average and AS&U means.

In addition to the analyses presented in this report, assessments were conducted on other areas within the facilities section which did not warrant changes and did not yield any recommendations. These areas include the following:

- *Energy conservation:* Niles CSD’s expenditures are in-line with the peer average and well below AS&U benchmarks. Temperature controls are centrally located in the buildings and custodians try to maintain temperatures at the appropriate level.
- *Supplies and materials expenditures:* The District orders custodial supplies in bulk and its expenditures per square foot are below two of the three peers and well below AS&U.

General Recommendations

Custodial and Maintenance Operations

R4.1 Niles CSD should reduce current staffing by 6.45 FTEs. This should include reducing positions at Garfield Elementary, Lincoln Elementary, Washington Elementary, McKinley High School and the warehouse. In addition to reducing positions, the District should reduce the hours of evening custodial helpers at Bonham and Jackson Elementary. Refer to Table 4-7 for a detailed description of possible reductions.

Niles CSD does not have a formal procedure or formula to determine custodial staffing needs. **Table 4-5** illustrates the average square footage maintained by each FTE custodial employee in FY 2002-03 for Niles CSD, the peer districts, as well as the AS&U national median.

Table 4-5: FY 2002-03 Square Footage per FTE Custodial Employee

	Square Footage
Niles CSD	16,489
Peer Districts:	
- Springfield	18,371
- Struthers	24,014
- Washington Court House	37,105
Peer District Average	26,497
Difference	(10,008)
AS&U 32nd Annual Cost Survey National Median	24,167
Difference	(7,678)

Source: Custodial staffing rosters and building inventories

Niles CSD’s custodial staff maintains a significantly smaller square footage per FTE than the peer districts or the national median. **Table 4-6** compares Niles CSD’s school buildings and cleaning staff to the peer districts’ school buildings and cleaning staff.

Table 4-6: Comparison of School Facilities and FY 2002-03 FTE Cleaning Staff

Type of Facility	Niles ³	Springfield	Struthers	Washington Court House	Peer Average	Difference Between Niles and Peer Average
Elementary Buildings¹	5	5	1	5	3.67	1.33
Total Sq. Footage	161,022	186,091	89,000	131,823	135,638	25,384
Number of FTE Custodians	10.93	10.25	4.31	6.00	6.85	4.08
Sq. Footage per FTE	14,732	18,155	20,654	21,971	20,260	(5,528)
Middle School Building²	1	1 ⁶	1	1	1	0
Total Sq. Footage	93,060	62,570	79,677	219,933	120,727	(27,667)
Number of FTE Custodians	3.59	2.50	5.16	4.00	3.89	(0.30)
Sq. Footage per FTE	25,922	25,028	15,440	54,983	31,817	(5,895)
High School Building	1	1 ⁷	1	1	1	0
Total Sq. Footage	103,760	224,170	143,000	120,456	162,542	(58,782)
Number of FTE Custodians	7.03	6.00	7.50	3.00	5.50	1.53
Sq. Footage per FTE	14,760	37,362	19,076	40,152	32,197	(17,437)
District Total	7	7	3	7	5.67	1.33
Total Sq. Footage	369,842 ⁴	472,831	311,677	497,212 ⁸	427,240	(57,398)
Number of FTE Custodians	22.43 ⁵	18.75	16.97	13.50 ⁹	16.41	6.02
Sq. Footage per FTE	16,489	25,218	18,371	36,831	26,806	(10,317)

Source: Niles CSD and peer districts staff demographics and district building inventories

¹ Includes all current elementary buildings in operation as of FY 2002-03

² Square footage is for new middle school and custodian FTE assumes the same staffing level as the current junior high school

³ Custodial FTE excludes only grounds work

⁴ Includes 12,000 square feet for the administration building

⁵ Includes 0.88 FTE for administration building

⁶ Springfield has a junior high school

⁷ Includes administration and bus garage buildings

⁸ Includes 25,000 square feet bus garage/administration building

⁹ Includes 0.50 bus garage/administration building FTE

Niles CSD is maintaining significantly less square footage per FTE than the peers in the elementary and high school buildings. As a result, there is potential for Niles CSD to reduce its custodial staffing levels. To achieve a level comparable to the national median and the peer average, the District will need to reduce custodial helper positions and hours worked in some of the buildings. Because a straight reduction in positions was not possible in all buildings and would not bring the District to the level of peers and the national average, the number of hours each custodian worked was also examined. Three of the elementary buildings only have two custodians assigned to the facility and therefore, the only reduction possible is in the hours that the evening custodian is assigned to work. By reducing the hours worked, the evening and day custodian will still be able to maintain the facility, using the proper procedures defined by the District (see **R4.3**).

Table 4-7 outlines one way to achieve the proposed staffing reductions, including position and hour reductions.

Table 4-7: Summary of Custodial Staffing Adjustments

Building	Current FTE¹	Proposed FTE	Difference	Description
Administration	2.23 ²	1.50	(0.73)	Reduce custodial helper from 7 hours per day to 4 hours and 0.35 FTE warehouse custodial helper
Bonham ES	1.92	1.69	(0.23)	Reduce evening custodial helper from 8 hours to 6 hours for 240 days
Garfield ES	1.92	0	(1.92)	Eliminate both positions, custodial helper and head custodian, with the closure of Garfield (see R4.12)
Jackson ES	1.69	1.46	(0.23)	Reduce evening custodial helper from 6 to 4 hours for 240 days
Lincoln ES	2.38	1.92	(0.46)	Eliminate a 0.69 FTE, custodial helper, and increase the remaining custodial helper position from 6 to 8 hours for 240 days. Eliminating one position provides the District with the potential to reduce benefit costs. Two hours are added to the remaining custodial helper to ensure that there is sufficient time to complete tasks. This provides a larger financial benefit to the District than just reducing two employees to four hour employees.
Washington ES	4.07	3.38	(0.69)	Eliminate an evening custodial helper and shift the day assistant custodian to a later day shift
Middle School	3.84	3.84	-	No change.
High School	8.03	5.84	(2.19)	Eliminate two 0.92 FTEs, custodial helpers, from evening shift, one 0.35 FTE, custodial helper, from day shift, move one day FTE to evening.
District Total	26.08	19.63	(6.45)	

¹ Includes all time spent on custodial, grounds and maintenance duties.

² Includes the 0.35 warehouse custodial helper FTE and the 1 FTE warehouse/delivery.

The staffing reductions at each of the school buildings includes the reduction of three custodial helper positions at the elementary level, three at the high school and a head custodian at Garfield Elementary.

In addition to the staffing reductions in the buildings, an additional custodial helper position should be eliminated from the warehouse. This FTE reduction is not accounted for in **Table 4-8**, but is reflected in the total staffing reduction outlined in **Table 4-7**. The District’s buildings are located in close proximity to one another. Moreover, the warehouse currently has a full-time employee and the part-time (0.35 FTE) employee. The delivery of materials from one building to another and the upkeep of the warehouse could be accomplished by one FTE, considering the close proximity of the buildings. As

a result, the District should consider reducing staffing in the warehouse from 1.35 FTEs to 1 FTE.

Table 4-8 compares the current custodial staffing levels, the recommended custodial staffing reductions and the impact of the reductions on the square footage per FTE.

Table 4-8: Comparison of Current to Recommended Custodial Staffing Levels

Type of Facility	Current Staffing Level ³	Recommended Staffing Level	Difference in FTEs and Square Footage Maintained	Peer Average	Difference Between Niles and Peer Average	AS&U National Median	Difference Between Niles and National Median
Elementary Buildings¹	5	4		3.67			
Total Sq. Footage	161,022	137,742 ⁶		135,638			
Number of FTE Custodians	10.93	7.40	(3.53)	6.85	0.55		
Sq. Footage per FTE	14,732	18,614	3,882	20,260	(1,646)	24,167	(5,553)
Middle School Building²	1	1		1.00			
Total Sq. Footage	93,060	93,060		120,727			
Number of FTE Custodians	3.59	3.59	-	3.89	(0.30)		
Sq. Footage per FTE	25,922	25,922	-	31,817	(5,895)	24,167	1,755
High School Building	1	1		1.00			
Total Sq. Footage	103,760	103,760		162,542			
Number of FTE Custodians	7.03	4.84	(2.19)	5.50	(0.66)		
Sq. Footage per FTE	14,760	21,438	6,678	32,197	(10,759)	24,167	(2,729)
District Total	7	6		5.67			
Total Sq. Footage	369,842 ⁴	346,562		418,907			
Number of FTE Custodians	22.43 ⁵	16.33	(6.10)	16.24	0.09		
Sq. Footage per FTE	16,489	21,222	4,734	26,637	(5,415)	24,167	(2,945)

Source: Niles CSD and peer districts staff demographics and district building inventories

¹ Includes all current elementary buildings in operation as of FY 2002-03

² Square footage is for new middle school and custodian FTE assumes the same staffing level as the current junior high school

³ Custodial FTE does not include grounds work hours. The total District FTE including grounds work is 24.73 FTEs excluding warehouse/delivery 1.35 FTEs.

⁴ Includes 12,000 square foot administration building

⁵ Includes 0.88 FTE for the administration building and excludes 1.35 warehouse/delivery FTEs since they do not maintain building square footage

⁶ See **R4.13** for closure of Garfield Elementary, 23,280 square feet

Although the square footage per FTE increases by 3,882 and 6,678 square feet in the elementary and high school buildings, respectively, with the proposed reductions, Niles CSD custodians would still be cleaning less square footage per FTE than the peer average and AS&U benchmarks. Consequently, Niles CSD should have adequate staffing to ensure the buildings are appropriately cleaned and maintained.

Financial Implication: If Niles CSD reduces its custodial staff by 6.45 FTEs, the District could save approximately \$178,600 annually in salary and benefit costs based on the average hourly rate of the lowest paid custodial helpers and the average hourly rate of the head custodian.

R4.2 During future negotiations, Niles CSD should reduce weekend building checks from one custodian at each building for one to two hours, to two custodians working two hours to check all buildings. In addition, the District should consider reassigning shifts to cover more after-hour activities.

Niles CSD’s FY 2001-02 overtime expenditures were 13 percent of the District’s total custodial salary expenditures. Some of the buildings in the District had higher overtime expenditures than others. **Table 4-9** outlines the overtime expenditures by building.

Table 4-9: Niles CSD’s Custodial Overtime Expenditures

Building	FY 2001-02 Overtime Expenditures	FY 2001-02 Total Custodial Salary ¹	Percentage of Salary
McKinley High School	\$35,352	\$193,571	18%
Edison Junior High School	\$5,699	\$98,810	6%
Washington Elementary	\$10,501	\$95,976	11%
Bonham Elementary	\$2,690	\$47,659	6%
Garfield Elementary	\$2,970	\$46,935	6%
Jackson Elementary	\$3,570	\$34,278	10%
Lincoln Elementary	\$8,670	\$53,049	16%
Administration Building	\$5,431	\$24,486	22%
District Total	\$74,823	\$594,764	13%

Source: Niles CSD

¹ Total custodial salary includes on the regular custodial salary.

Custodial overtime is attributed to the one hour call-in provision for Saturday and Sunday in the classified negotiated agreement and after-hour building use. The agreement states that custodians shall be paid a minimum of one hour at one and one-half his/her regular hourly rate for building checks. Custodians at McKinley High School, Edison Junior High School and Washington Elementary receive a maximum of two hours to conduct the check.

Assuming the custodians at McKinley, Edison and Washington work the maximum of two hours, the District spends 22 hours of overtime each weekend for building checks. Based on the close proximity of the buildings, Niles CSD could use two custodians for two hours to complete building checks on the weekend rather than assigning a custodian to each facility. By using two custodians to conduct building checks resulting in eight hours of overtime, the District would reduce weekend call-in overtime by 63 percent.

In addition to the weekend building checks, the District pays overtime to ensure that there is coverage in the building for after-hour activities. The District should adjust custodial shifts so buildings have coverage during after-hour events to reduce custodial overtime costs. Staggering the evening custodial shifts should allow the District to have building coverage and provide custodians with ample time to complete assigned tasks.

Financial Implication: Reducing the building check call-in to two custodians for two hours each on the weekend, would save the District approximately \$47,000 in overtime costs annually based on FY 2001-02 overtime expenditures.

- R4.3 Niles CSD should develop job descriptions for custodians that outline the functions, duties and responsibilities, and qualifications for each position. In conjunction with job descriptions, the District should create job schedules for each employee to follow. The schedule should include a brief description of scheduled activities, the time allocated to complete the activities, and the number of square feet for each area.**

Custodial employees at Niles CSD do not have job descriptions. The negotiated agreement for classified employees states that employees should be evaluated based on their job descriptions. Since the custodial staff does not have job descriptions, building principals are unable to complete annual evaluations. Job descriptions provide employees with a description of what is expected from them and forms the basis for employee performance reviews. The *Custodial Methods and Procedures Manual* published by the Association of School Business Officials International provides samples of job descriptions and schedules. A job schedule for each employee could reduce the risk of routine duties not being completed. In addition, it would help the District to increase efficiency and provide guidance for substitute custodians.

- R4.4 Niles CSD should formalize custodial and maintenance procedures to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of job tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure that all District facilities are sufficiently and consistently cleaned.**

Custodians in each of the buildings report to their respective principals. The principals provide the direct supervision, scheduling and task assignment for building custodial staff. However, the District does not have a standard operating and procedure manual for custodial operations. Since the District does not have custodial job descriptions (see **R4.3**) or procedures, building principals are unable to evaluate custodians on whether or not they are appropriately performing their jobs. In addition, various cleaning techniques are used throughout the District due to a lack of procedures to standardize activities. By allowing each custodian to determine the procedures and products they use to clean, the District runs the risk of not having all areas cleaned in the most efficient or effective manner. Standardized procedures and supplies ensure that custodial staff is familiar with equipment, cleaning supplies and appropriate cleaning procedures. Likewise, standardization helps custodial staff increase efficiency.

The Association of School Business Officials International publishes the *Custodial Methods and Procedures Manual*, which was designed as a guideline for developing policies and procedures for custodial and maintenance personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. This may prove to be a beneficial resource for the District in developing schedules, and standardizing procedures among custodians.

R4.5 In addition to standardizing procedures, the District should provide training on custodial procedures and should periodically review custodial performance to ensure that all custodians are cleaning sufficiently and consistently. The District should also budget funds to ensure that the custodial staff receives training on products, equipment and cleaning methods on an annual basis, especially on any new equipment or procedures.

The District does not provide formal training for custodians. The International Sanitary Supply Association (ISSA) has developed a training program manual designed to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines and suggestions on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Rotary floor machines;
- Scrubbing/stripping;
- Spray buffing/high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

This training manual was developed so that districts could conduct in-house training on various custodial procedures. One way to minimize training costs would be to schedule

monthly one-hour training sessions that are incorporated into the staffs' work schedule. Another option is to provide training during an in-service day.

Financial Implication: The cost of the ISSA manual is \$60 for non-members and \$45 for members. In addition to this manual, ISSA has several other training programs for custodial staff. This manual may provide information to the District so it can develop its own in-house custodial training program aimed at increasing efficiency and improving effectiveness. Additional costs of providing training to custodial employees include time to complete the training. These costs would need to be determined by the District depending on how it decides to conduct the in-house training.

R4.6 Niles CSD should develop formal evaluation procedures for custodial employees, including performance standards. Evaluation of custodial staff is important to ensure that facilities are being maintained at the level necessary to provide a clean, safe, and functioning environment.

Niles CSD does not evaluate its custodial staff. Without a formal evaluation procedure, it is difficult for principals to ensure custodial operations are effective. In order for the District to begin evaluating custodial staff, it must establish performance standards and evaluation criteria. Examples of such performance measures may include: amount of floor space maintained, number of rooms cleaned, cleanliness of the facilities, or attendance. Establishing performance measures should be a joint task between custodians and supervisors, since an employee is able to identify areas of the facility that require additional care and time. Once performance standards are set, principals should review the attainment of expectations annually. Since custodians report to individual principals, a representative sample of staff from each of the facilities should work on establishing evaluation procedures that each of the buildings will follow to ensure a common standard throughout the District.

R4.7 Niles CSD should develop and implement a formal, planned preventive maintenance program for each building in the District. Preventive maintenance schedules for each building's heating, cooling, and plumbing systems should be developed. After determining which components will be included, preventive maintenance checklists, including task frequency, should be developed for each building. Most preventive maintenance tasks should be scheduled according to manufacturers' suggestions.

Each building should maintain a preventive maintenance log where tasks are recorded after completion. The log book should be reviewed by the buildings and grounds supervisor to ensure the work is being completed in a timely manner.

Currently, Niles CSD does not have a formal, planned preventive maintenance program for each building in the District. As part of the Ohio School Facilities Commission (OSFC) construction project, a preventive maintenance plan is being developed for the new middle school. The District can build upon this plan to ensure that all buildings are maintained at a similar level. An effective preventive maintenance program can extend equipment life, decrease energy consumption, reduce maintenance and capital expenditures, reduce the number of work orders, and improve work productivity by proactively maintaining equipment, rather than responding to breakdowns and emergencies. A comprehensive preventive maintenance program decreases the risk of incurring high emergency repair costs.

R4.8 Niles CSD should consider adding three FTEs for maintenance. Maintenance staff should have the qualifications to meet the District's maintenance needs, including but not limited to plumbing, electrical, HVAC and other general maintenance. This staff should be responsible for emergency, routine, and preventive maintenance for all of the District facilities. Custodial staff should continue to assist with minor maintenance, such as changing light bulbs, replacing pencil sharpeners, repairing desks and performing other minor tasks.

Building maintenance is currently handled by day shift custodial staff; however, many of the repairs are beyond their capabilities. In FY 2001-02, Niles CSD spent approximately \$223,000 on contracted services for building and furniture maintenance, comprising the majority of its purchased services costs. As indicated by **Table 4-4**, purchased services expenditures per square foot (\$0.75) are significantly higher than the peer average (\$0.39), AS&U national mean (\$0.17) and AS&U mean for similar sized school districts (\$0.23).

If the District had staff dedicated to maintenance, purchased service expenditures would decrease. Previous performance audits have shown school districts' ratios of square footage per maintenance FTE ranging from 90,000 to 120,000 square feet. For instance, Springfield LSD employs maintenance personnel, maintaining approximately 91,000 square feet per FTE. In addition, AS&U reported an average of 116,660 square feet per maintenance FTE for districts similar in size to Niles CSD. Washington Court House employs two full-time maintenance staff and a supervisor, resulting in 166,000 square feet per maintenance FTE. While the relatively high square footage per FTE is partially attributed to Washington Court House contracting for HVAC services, its purchased service expenditures per square foot are much lower than Nile CSD (see **Table 4-4**). Washington Courthouse also uses a permanent improvement levy fund to repair building roofs as needed.

If Niles CSD employed 3.0 FTE maintenance staff, the subsequent square footage per FTE would be approximately 123,000, which is slightly higher than the AS&U average.

Based on the salary of maintenance personnel at Springfield LSD, the cost of three maintenance employees would be approximately \$114,000, including salaries and benefits. Assuming the District could reduce purchased services to the peer average, the cost savings based on Niles CSD's square footage would be \$133,000 annually, resulting in net savings of approximately \$19,000 annually. However, potential savings in purchased services could be greater considering that \$133,000 comprises only 60 percent of the District's expenses for maintenance contracted services in FY 2001-02.

Furthermore, maintenance staff would provide the District the opportunity to begin focusing on preventive maintenance. Staff that are able to keep up with much needed preventive and routine maintenance should result in fewer emergency events.

Financial Implication: Niles CSD could save approximately \$19,000 annually by hiring 3.0 FTE maintenance staff.

R4.9 In conjunction with the preventive maintenance plan (R4.7) and maintenance staff (R4.8), the District should invest in a work order tracking system. This could be a manual or computer-based system. At a minimum, this system should account for: date the request was received, date approved, job tracking number, job status, priority, location, person requesting maintenance, staff member assigned, supplies and cost for job, and completion date and time. In addition to acquiring the system, the District should ensure that the appropriate staff are trained on the use of the software.

Niles CSD does not have a system to track work order requests. If the District implements **R4.8** to hire maintenance staff and **R4.7** to implement a preventive maintenance plan, a work order system will help it track all requests and costs. A work order system can assist with scheduling and budgeting for needed repairs. If needed repairs are not tracked, they can eventually turn into emergency repairs costing more than the initial repair.

A web-based system, just one example of a computerized work order system, would allow school administrators to input all requests and provides maintenance personnel with timely information to prioritize tasks. K12USA.com provides a web-based system that charges an annual subscription fee based on the number of students in a district. The District should review various system options and select the one that best meets its needs.

Financial Implication: If Niles CSD invests in a web-based work order system, the annual cost would be approximately \$1,700, plus applicable training costs.

Long Range Planning and Facilities Use

R4.10 Niles CSD should develop a formal facilities master plan to document its long-term facilities needs and requirements. The master plan should include a 10-year enrollment history; enrollment projections and the methodology used for their calculation; building capacity and the methodology used; a list of the cost estimates for needed capital improvements; and a description of the District’s educational plan.

Niles CSD does not have a formal facilities master plan. Prior to developing a plan for future facility use, basic information such as enrollment history, enrollment projections, and building capacity data need to be compiled. **Table 4-9** provides a 10-year enrollment history for Niles CSD.

Table 4-9: Niles CSD Historical Enrollment

School Year	Head Count	Percentage Change From Previous Year
2002-2003	2,887	0.24%
2001-2002	2,880	-1.64%
2000-2001	2,928	-1.18%
1999-2000	2,963	-0.77%
1998-1999	2,986	-0.93%
1997-1998	3,014	0.57%
1996-1997	2,997	-0.73%
1995-1996	3,019	0.40%
1994-1995	3,007	-1.02%
1993-1994	3,038	N/A

Source: Ohio School Facilities Commission (OSFC), 2001 Facilities Assessment Report, Enrollment Projections

Since 1993, the student head count has decreased by 151 students to 2,887 in 2003. Developing a formal facilities master plan by using important data, such as enrollment history, enrollment projections (see **R4.10**) and building capacity (see **R4.11**), will allow Niles CSD to effectively plan for future facility use.

The District has been working with the Ohio School Facilities Commission (OSFC) to complete this plan. A preliminary study suggested that the District should abandon all elementary facilities and build two new 67,000 square foot facilities. In addition, the plan suggested that the District should renovate and add 92,000 square feet to the existing high school. The District should continue to work closely with the OSFC and the community to ensure that plans set forth in such a proposal are appropriately addressed. Updating the plan will ensure that the District is making decisions on the most up-to-date information.

R4.11 Niles CSD should adopt and implement the use of a methodology for completing enrollment projections. Because enrollment projections are a valuable planning tool, they should be updated annually. Niles CSD could use the enrollment projections to help project future state funding allocations, to complete financial forecasts, to determine the appropriate number of teachers to hire, and to evaluate building capacity and usage.

In 2001, DeJong & Associates, Inc. developed Niles CSD's most recent enrollment projection as part of the Ohio School Facilities Commission (OSFC), 2001 Facilities Assessment Report. The projections were developed analyzing live birth data, historical enrollment and housing information. **Table 4-10** presents DeJong & Associates' 10-year enrollment projection.

Table 4-10: Niles CSD Enrollment Projection

School Year	Projected Enrollment	Percentage Change From Previous Year
2001-2002	2,943	N/A
2002-2003	2,913	-1.02%
2003-2004	2,904	-0.31%
2004-2005	2,948	1.52%
2005-2006	2,949	0.03%
2006-2007	2,916	-1.12%
2007-2008	2,914	-0.07%
2008-2009	2,886	-0.96%
2009-2010	2,821	-2.25%

Source: OSFC, 2001 Facilities Assessment

According to DeJong & Associates' projection, enrollment is expected to decrease by 122 students by 2010, while enrollment is expected to reach its peak in 2006 at 2,949 students. The enrollment projections completed by DeJong & Associates do not correlate with the steadily decreasing trend indicated in the historical enrollment. For instance, the large increase in 2004-05 does not correlate with the small historical swing in enrollment. Historically, if the District's enrollment increased, it was below 0.5 percent. Moreover, Niles CSD enrollment from 1999 to 2002 decreased each year, while it only increased by seven students in 2003 (see **Table 4-9**).

Table 4-11 compares Niles CSD's actual head count for the last two years to the enrollment projections developed by DeJong & Associates, Inc.

Table 4-11: Actual Student Head Count vs. Projected Enrollment

School Year	Actual Student Head Count	Number of Projected Students	Difference Between Actual and Projected Figures
2001-02	2,880	2,943	(63)
2002-03	2,887	2,913	(26)

Source: OSFC, 2001 Facilities Assessment Report, Enrollment Projections and Historical Enrollment, and Ohio Department of Education Enrollment History (2001-02, 2002-03)

Table 4-11 indicates that the enrollment projections were higher than actual enrollment. Therefore, the enrollment projections in **Table 4-10** may be overstated. Conducting enrollment projections on a more frequent basis will allow Niles CSD to make appropriate adjustments to prior projections. In addition, periodically updating enrollment projections will provide important planning and management information for Niles CSD.

R4.12 Building capacity and utilization should be reviewed periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations. A methodology that accounts for Niles CSD’s needs, educational programs and philosophy should be adopted by the District and used to determine school building utilization annually. The building capacity calculations should be reviewed and updated at least once every five years or when a change in building structure or educational philosophy occurs. While monitoring building utilization rates, the District should use the facilities master plan to investigate other alternatives, such as consolidating buildings, if enrollment continues to decline. Enrollment projections, building capacity and the facilities master plan are all essential to future planning for the District to ensure the optimal use of space.

While building capacity is a key component when planning for future facility needs, Niles CSD has not established student capacity for any of its school buildings. The Auditor of State (AOS) calculated the buildings’ capacities using a standard methodology often employed by educational planners. The capacity for the elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students to arrive at the total capacity for the building. Classrooms used for gym, music, art, library and computer labs are set-aside and excluded from the number of rooms used in the calculation. All special needs rooms were also set-aside and excluded from the capacity calculation since the District uses an inclusion model and mainstreams special needs students. The capacity in the junior and senior high schools is calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor. The building capacity is an approximate number and may fluctuate depending on the District’s program and educational needs. **Table 4-12**

compares the current school building's student capacity to the 2003 student head count to determine the building utilization rate.

Table 4-12: FY 2003 Building Capacity and Utilization Rate

Building	Building Capacity	2003 Head Count	Over/(Under) Capacity	Building Utilization Rate
Bonham Elementary	300	255	(45)	85%
Garfield Elementary	175	154	(21)	88%
Jackson Elementary	225	200	(25)	89%
Lincoln Elementary	335	290	(45)	87%
Washington Elementary	675	656	(19)	97%
Elementary Total	1,710	1,555	(155)	91%
Edison Junior High Total	574	463	(111)	81%
McKinley High School Total	900	819	(81)	91%
Total For All Buildings	3,184	2,837	(347)	89%

Source: Niles CSD building floor plans; 2003 actual student head counts as of April 2003, Niles CSD Superintendent's Office

Niles CSD is working with the OSFC to build a new middle school facility that will house grades 6-8. **Table 4-13** compares each school building's student capacity to the 2003 student head counts and takes into account moving grade six from the elementary schools into the new middle school. In addition, the current junior high school will be demolished.

Table 4-13 FY 2003 Building Capacity and Utilization Rate Including New Middle School and Grade Reconfiguration as Determined by Niles CSD

Building	Building Capacity	2003 Head Count	Over/(Under) Capacity	Building Utilization Rate
Bonham Elementary	300	202	(98)	67%
Garfield Elementary	175	136	(39)	78%
Jackson Elementary	225	165	(60)	73%
Lincoln Elementary	335	262	(73)	78%
Washington Elementary	700	553	(147)	79%
Elementary Total (K-5)	1,735	1318	(417)	76%
Niles Middle School Total (6-8)	761	700	(61)	92%
McKinley High School Total	900	819	(81)	91%
Total For All Buildings	3,396	2837	(559)	84%

Source: Niles CSD building floor plans; 2003 actual student head counts as of April 2003, Niles CSD Superintendent's Office

The grade reconfiguration will decrease all of the District elementary buildings' utilization rates. All of the elementary buildings will be under 80 percent utilization, indicating the potential for redistricting and closing elementary buildings.

The District enrollment trend has decreased steadily over the last ten years. If that trend continues, the District may be able to consolidate additional elementary schools. The District has three (after Garfield closure) small elementary buildings. The District may want to consider a classroom addition to one of the current elementary buildings in order to consolidate facilities and operate with fewer school buildings. By consolidating smaller buildings into one, the District is able to reduce maintenance and operational costs. This includes staffing levels at the administration, teaching, and custodial levels. The District has several aging facilities and planning for future facility use will aid the District in gaining community support for future endeavors.

R4.13 Niles CSD should close Garfield Elementary. During the course of the audit, the District decided to close Garfield for the 2003-04 school year. However, as part of this closure, the District should consider reviewing school building assignment boundaries to maintain optimal building utilization at each facility.

Niles CSD decided in April 2003 that when the new middle school opened, it would close Garfield Elementary and move Garfield students to Washington Elementary. The District went forward with these plans at the end of the 2002-03 school year. **Table 4-14** shows the building utilization rates given redistricting and building closure, as determined by Niles CSD.

Table 4-14: FY 2003 Building Capacity and Utilization Rate Including New Middle School and Closure of Garfield ES as Determined by Niles CSD

Building	Building Capacity	2003 Head Count	Over/(Under) Capacity	Building Utilization Rate
Bonham Elementary	300	202	(98)	67%
Garfield Elementary	0	0	0	0%
Jackson Elementary	225	165	(60)	73%
Lincoln Elementary	335	262	(73)	78%
Washington Elementary	700	689	(11)	98%
Elementary Total (K-5)	1560	1318	(242)	84%
Niles Middle School Total (6-8)	761	700	(61)	92%
McKinley High School Total	900	819	(81)	91%
Total For All Buildings	3221	2837	(384)	88%

Source: Niles CSD building floor plans; 2003 actual student head counts as of April 2003, Niles CSD Superintendent’s Office

The closure of Garfield Elementary, the smallest building in the District, increases the overall elementary building utilization rate from 76 percent to 84 percent once sixth grade students are moved to the middle school. However, the utilization rate for Washington increases to 98 percent. This does not provide the District with optimal space for students and educational programs and may cause overcrowding at Washington. As a result, the District should consider moving additional students into Bonham and Jackson to equalize building utilization, thereby addressing crowding at

Washington. **Table 4-15** shows the result of equally distributing the Garfield student population among the remaining four elementary buildings. When the District considers the school assignment boundaries, it should consider keeping students as close as possible to their home school rather than busing students across the District.

Table 4-15: FY 2003 Building Capacity and Utilization Rate Including New Middle School and Closure of Garfield Elementary

Building	Building Capacity	2003 Head Count	Over/(Under) Capacity	Building Utilization Rate
Bonham Elementary	300	236	(64)	79%
Garfield Elementary	0	0	0	0%
Jackson Elementary	225	199	(26)	88%
Lincoln Elementary	335	296	(39)	88%
Washington Elementary	700	587	(113)	84%
Elementary Total (K-5)	1560	1318	(242)	84%
Niles Middle School Total (6-8)	761	700	(61)	92%
McKinley High School Total	900	819	(81)	91%
Total For All Buildings	3221	2837	(384)	88%

Source: Niles CSD building floor plans; 2003 actual student head counts as of April 2003, Niles CSD Superintendent's Office

Currently, the District does not have rooms set aside for art and music in the elementary buildings; however, if the population continues to decrease, it will be able to set aside a room for art and music. Setting aside rooms for music and art will reduce building capacity by 25 to 50 students depending on whether one or two rooms are used. The District's enrollment projections show a K-5 student population of 1,167 students in 2006-07. If the District continues to use elementary buildings in the same manner, the building utilization rate for the elementary buildings in 2006-07 will be 75 percent (excluding Garfield Elementary).

Financial Implication: Based on the FY 2002-03 budget for purchased services and utility costs for Garfield Elementary, the District would save approximately \$43,000 in maintenance and operations costs by closing the school. In addition to the custodial staffing reductions discussed in **R4.1**, the District should also reduce two food service positions (0.84 FTEs) and four morning/afternoon assistant positions (0.55 FTEs). These reductions would result in cost savings of approximately \$31,000 annually. See the **human resources** section for additional discussion of staffing recommendations related to the building closure (principal and clerical positions).

Financial Implications Summary

The following table represents a summary of estimated annual costs and savings. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Costs	Annual Cost Savings
R4.1 Reduce 6.45 custodial FTEs		\$178,600
R4.2 Reduce building checks from one custodian per building to two custodians for all buildings		\$47,000
R4.5 Invest in a custodial training procedures manual	\$60	
R4.8 Hire three skilled maintenance employees and reduce purchased services expenditures		\$19,000
R4.9 Purchase a work order system	\$1,700	
R4.13 Close Garfield Elementary		\$74,000
Total	\$1,760	\$318,600

Transportation

Background

This section focuses on the transportation operations within Niles City School District (Niles CSD). The objective is to analyze the transportation operations of Niles CSD and develop recommendations for improvements in operations and/or reductions in expenditures.

Niles CSD provided transportation to 1,529 regular needs students in FY 2001-2002 using District-owned yellow buses. Transportation was provided to public school students attending school in the District, as well as to students attending three different non-public schools. Niles CSD provides transportation for all students in kindergarten through twelfth grade and for those students with physical or mental disabilities, regardless of the distance. The Board of Education has not adopted a formal written transportation policy. **Table 5-1** identifies the total ridership for Niles CSD and the peer districts, with a breakdown of where the students attend school.

Table 5-1: Total Regular & Special Needs Riders

	Niles CSD	Springfield LSD ³	Struthers CSD	Washington Court House CSD	Peer Average
Public	1,264	2,376	541	1,377	1,431
Non-Public	265	151	0	0	50
Total Regular Needs Riders	1,529	2,527	541	1,377	1,482
Total Special Needs Riders	48 ²	104	68	24	65
Total Riders¹	1,577	2,631	609	1,401	1,547

Source: FY 2001-02 District's T-1 and T-11 Forms

¹ Includes pupils provided with payment-in-lieu of transportation.

² Trumbull County Educational Service Center (TCESC) transports Niles CSD's special needs students.

³ Springfield LSD contracts out its transportation.

While Niles CSD transports fewer public students when compared to the peer average, the District transports a significantly higher number of non-public students. Further, Niles CSD transports fewer special needs riders than the peer average, while the total number of riders is comparable to the peer average.

Organization Structure and Function

The transportation supervisor at Niles CSD oversees the transportation department and supervises the drivers and mechanics. Niles CSD currently employs one full-time mechanic responsible for the on-site maintenance and repair of the bus fleet and all other District-owned vehicles. **Table 5-2** depicts Niles CSD’s transportation department staffing level in comparison to the peer districts.

Table 5-2: Transportation Department Staffing Levels FY 2003

Staffing	Niles CSD		Springfield LSD		Struthers CSD		Washington Court House CSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	1.0	1.0	1.0	1.0	0.5	1.0	0.5	1.0	.7
Bus Driver	11.0	5.5	37.0	17.0	8.0	4.0	12.0	6.5	19.0	9.2
Mechanic/Assistant	1.0	1.0	2.0	1.8	1.0	0.2	1.0	1.0	1.3	1.0
Van Drivers	NA	NA	NA	NA	NA	NA	3.0	1.6	1.0	.5
Aides	NA	NA	5.0	2.1	2.0	0.5	NA	NA	2.3	.9
Total	13.0	7.5	47.0	19.8	12.0	5.2	15.0	9.6	24.7	12.3
Students Transported per Bus Driver FTE	278.0		154.8		152.3		171.5		159..5	
Students Transported per Total FTE	203.9		132.9		117.1		144.7		131.6	
Square Miles per FTE	1.07		.96		0.77		0.45		.73	
Active Buses	11		28		7		11		15.3	

Source: District Transportation Departments

Niles CSD’s transports 74.3 percent more students per bus driver FTE and 54.9 percent more students per total FTE than the peers. In addition, Niles transports 154 extra riders beginning in the 2003-04 school year, due to a building closure (see **R5.3**).

Niles CSD guarantees bus drivers four hours of pay per day, which is similar to peers, for regular routes as outlined in the Master Contract Agreement between the Board and the Ohio Association of Public School Employees (AFSCME) Local #4 and #365. Drivers receive pay for all extra duty driving in excess of the guaranteed hours for each type of bus route. Drivers are paid at regular rates unless they work over eight hours per day.

Operational Statistics

Niles CSD uses a fleet of 11 active and 4 spare buses to provide transportation to its regular needs students, both public and non-public. Niles CSD contracts for special needs transportation through the Trumbull County Educational Service Center (TCESC). In FY 2001-02, TCESC transported 48 special needs students at a cost of \$186,851. According to TCESC, these 48 students were transported approximately 72,810 miles for the year.

Overall, Niles CSD transported 1,529 regular needs students on 11 active buses traveling approximately 92,880 miles for the year. The total cost of the transportation program at Niles CSD was \$483,977, of which 67 percent was reimbursed by the State. **Table 5-3** provides basic operating statistics and ratios for Niles CSD and the peer districts.

Table 5-3: Basic Operating Ratios and Statistics FY 2002

	Niles CSD	Springfield LSD	Struthers CSD	Washington Court House CSD	Peer Average
Operational Statistics					
Students Transported					
- Regular students	1,529	2,527	541	1,377	1,482
- Special needs	48	104	68	24 ¹	65
- Total	1,577	2,631	609	1,401	1,547
Miles Traveled					
- Regular students	92,880	276,660	61,020	81,900	139,860
Special Needs	72,810	71,280	N/A ²	6,300	38,790
Total	165,690	276,660	61,020	88,200	155,370
Square Miles in district	8.0	19.0	4.0	4.3	9.1
Expenditures					
- Regular students	\$483,977	\$1,521,100	\$205,534	\$374,350	\$700,328
- Special needs	\$186,851	\$263,723	\$121,081	\$35,966	\$140,2557
- Total	\$483,977	\$1,784,823	\$326,615	\$410,316	\$840,5855
State Reimbursements					
- Regular students	\$321,871	\$464,736	\$146,802	\$233,307	\$281,615
- Special needs	\$98,159	\$128,799	\$51,156	\$10,962	\$63,639
-Total	\$321,871	\$593,535	\$197,958	\$244,269	\$345,2554
Operational ratios:					
Regular students:					
Yellow Bus					
- Cost per mile	\$5.21	\$5.50	\$3.37	\$4.57	\$4.48
- Cost per bus	\$43,998	\$54,325	\$29,362	\$34,032	\$39,240
- Cost per student	\$317	\$602	\$380	\$272	\$418
- Students per bus	139	90	77	125	97
- Fuel Costs	\$21,250	\$39,454	\$10,218	\$21,473	\$23,715
					\$15.70
Special Needs Students:					
- Cost per student all methods	\$3,893	\$2,536	\$1,781	\$1,499	\$1,939
School Sites:					
- Public	8	7	5	7	6.3
- Non-public	3	2	5	0	2.3
Active buses(regular buses)	11	28	7	11	15.3
Special needs buses		5	1	1	23
Spare buses	4	4	3	5	4

Source: District T-1, T-2 and T-11 Forms

¹ Buses transport twelve of these 24 students and vans transport 12.

² Struthers CSD intermixes special needs students with regular students. Therefore, the number of special needs miles could not be computed. The peer average is computed based on the average of Springfield LSD and Washington Court House CSD.

As illustrated in **Table 5-3**, Niles CSD's cost per mile and cost per bus are the second highest of the peers and approximately 16 percent and 12 percent higher than the peer average, respectively. However, the District's cost per student and students per bus ratios are favorable when compared with the peers. Factors contributing to the relatively high cost per mile and per bus include the age and mileage of the current fleet (see **R5.6**), health care costs (see **human resources**), the number of vacation days and holidays for bus drivers and other classified staff (see **human resources**), and bus garage roof repair costs. Moreover, while special needs costs per student are the highest of the peers, Niles CSD participates in the TCESC consortium, which negotiates the special needs busing requirements for districts in Trumbull County. The District accepted the recently renegotiated contract with the TCESC for special needs busing, which is in effect until September 2008.

In addition to the analyses in this report, assessments were conducted on several areas within the transportation section that did not warrant changes or yield recommendations. These areas include the following:

- **Staffing:** Niles CSD's transportation department seems to be adequately staffed (see **Table 5-2**).
- **Routing:** Niles CSD operates with a two tier bell schedule twice per day. Niles CSD does not use routing software. While discussions with transportation software companies reveal that school districts with approximately 1,000 students and/or at least 10 buses could benefit from transportation software, the favorable students per bus ratio would suggest that the District would realize little benefit by implementing such software.
- **Fuel Costs:** Niles CSD has a central fuel tank and purchases fuel in bulk. In addition, the District's fuel cost per gallon is comparable to the Ohio Department of Administrative Services (ODAS) cost per gallon.

General Recommendations

R5.1 Niles CSD should adopt a written transportation policy that complies with Ohio Revised Code (ORC) 3327.01. The District transportation policy should be documented and formally approved by the Board. Additionally, the policy should be reviewed annually and amended as necessary. Changes in Niles CSD enrollment and pupil residence should be included as part of the annual review of the policy. An annual policy review will aid in reviewing transportation expenditures.

Niles CSD does not have a written transportation policy. Rather, the District transports students based on past practices. A written transportation policy that has been formally adopted by the Board prompts District officials to review and periodically revise the policy to suit its needs. In addition, a formal written policy can be used to defend Board actions or in the event of litigation.

R5.2 Niles CSD should review its transportation policy regarding eligible distances to determine the appropriate level of service and associated costs. Niles CSD should realize increased cost savings by adjusting its transportation policy to more closely reflect State minimum transportation standards as outlined in ORC § 3327.01. The savings realized through reduction in transportation services could be reallocated to support direct instructional activities. Before implementing any reduction in transportation service, however, Niles CSD should determine the effect of such a reduction to the safety of students.

ORC §3327.01 requires a school district to provide transportation for resident elementary students (Grades K-8) who live more than two miles from their assigned school, or who have physical or mental disabilities that make walking impractical or unsafe. The transportation of high school students or intra-district open enrollment is optional. By including the 150 additional students that will be transported with the closure of Garfield (see **R5.3**), Niles CSD transports approximately 1,500 regular needs students who live within two miles of their respective schools. Therefore, the District would eliminate almost all of its transportation services for regular needs students by adhering to the two mile requirement in ORC § 3327.01. The majority of the District is comprised of residential neighborhoods that have concrete sidewalks, paved streets and stop signs. However, safety concerns and construction issues may be a reason for transporting elementary and middle school students within one mile. Additionally, the District provides transportation to approximately 466 high school students who are not required to be transported. Struthers CSD does not transport students living less than one mile from its schools.

Financial Implication: If transportation services to regular needs high school students were discontinued, based on the average cost per rider (\$317), the District could save

approximately \$148,000. The net cost savings less ODE reimbursement of 67 percent of the actual cost would be approximately \$49,000. If transportation services to regular needs students living within two miles of their respective school were discontinued, based on the average cost per rider (\$317), the District could save approximately \$476,000. The net cost savings less ODE reimbursement of 67 percent of the actual cost would be approximately \$158,000 annually.

R5.3 Niles should add routes to accommodate the additional students requiring transportation in 2003-04.

According to the transportation supervisor, Niles CSD will provide transportation services to approximately 450 additional students in 2003-04. Approximately 300 middle school walkers require transportation due to the closure of a major viaduct for refurbishing. With the closure of Garfield, 154 students also need to be transported to newly assigned schools. To accommodate these students, Niles CSD should add additional routes if the District maintains the current level of transportation services. Upon completion of the viaduct, the middle school students should return to being walkers.

Financial Implication: For the 2003-04 school year, Niles will incur the cost of transporting approximately 450 students. Based on the average cost per student by including the additional 450 students, less salaries and benefits, Niles will incur additional costs of approximately \$23,500. This assumes that Niles CSD can accommodate these additional students without adding staff or buses. The net cost, after ODE reimbursement would be approximately \$7,700. For the 2004-05 school year, Niles should only provide transportation to about 150 students, resulting in an annual net cost of approximately \$2,600. However, since these costs would be avoided by reducing transportation services to State minimum standards (see **R5.2**), they have been excluded from the District's recovery plan (see **financial systems**).

R5.4 Niles CSD should create formal written procedures for the appropriate allocation of costs associated with transportation for extra-curricular activities. These procedures should include the criteria for billing at different rates and for total hours of service. Further, these procedures should be structured in a manner that would allow the District to recover the entire transportation cost associated with each field trip. For example, Niles CSD should charge back all field trip costs to the appropriate departments. This will ensure expenditures are properly classified by department, fund, and/or building. In addition, by billing for field trips that occur during the school day, the transportation department may encourage consolidation of groups on field trips, thereby saving costs.

Niles CSD uses its regular buses to provide transportation for after-school athletic contests and other extracurricular activities. There are no formal written procedures on the billing of extra runs and transportation for athletic events is charged to the General Fund. Moreover, Niles CSD does not charge other departments for the cost of classroom field trips and special trips. According to the transportation director and the secretary responsible for these billings, athletic events encompass approximately two thirds of the total extra field trips while classroom field trips and other transportation make up the remaining one third. By not recovering the entire cost of all field trips, the District can not account for regular transportation department expenditures separately from field trip expenditures, and the General Fund may be incurring avoidable costs.

GAO suggests that programs follow a reasonable cost allocation principle and when possible, be fully charged for services provided in order to determine if programs are truly operating in a cost efficient manner. One of the peers, Washington Court House CSD, charges other departments a fee for extra trips. It bases this fee on recouping the cost of the driver's salary and respective fuel costs based on the number of miles traveled for each trip. The transportation supervisor at Washington Court House CSD commented that since it started charging other departments a fee for bus transportation associated with extra field trips overall transportation costs seem to be decreasing. The supervisor stated that departments are being charged for these costs and are more willing to consolidate groups onto buses that are headed to the same destination and accommodate schedules of bus drivers to minimize costs.

R5.5 Niles CSD should contact ODE to ensure reimbursements from Trumbull County Educational Service Center (TCESC) for special needs students are accurate. Further, Niles CSD should work jointly with TCESC to ensure T-11 forms are completed accurately.

While Niles CSD contracts with TCESC to provide and coordinate transportation services for special needs students, it does not verify that costs and reimbursements reported by TCESC are accurate. TCESC submitted one T-11 form to ODE for FY 2002 for Niles CSD and 18 other Trumbull County school districts. TCESC receives reimbursements directly from ODE and distributes portions of the reimbursement to the participating districts.

R5.6 Niles CSD should adopt a formal bus replacement plan and include it in its five year financial forecast. The Board should review and formally approve the plan. Niles CSD should use the amount of mileage each bus accumulates during the school year as a basis for replacement decisions, as well as for monitoring individual bus performance and determining the appropriate time for bus maintenance.

Niles CSD does not have a formal bus replacement plan. The administration stated that buses are replaced as needed, when funding is available. Niles CSD uses the services of the TCESC to procure district buses. Niles CSD advises TCESC of the type of bus to purchase and provides a price range. TCESC prepares the bid advertising and collects the submitted bids. TCESC then forwards the bids to the District for its review and final processing.

All of the District’s buses are diesel and the current bus fleet includes eleven buses manufactured prior to 1995. Six of those buses were manufactured in 1983, with two of the six buses inactive. Current replacement practices are not based upon a needs assessment that adequately considers key factors such as maintenance history and mileage. A formal replacement would allow the District to better plan for its future transportation needs.

There are no state guidelines for bus replacement beyond the requirement that the bus pass an annual inspection. As long as a bus can pass the annual inspection, a district may continue to use it for transportation, regardless of age or mileage. However, in practicality, the general consensus among ODE, private bus contractors, and school transportation departments is that a bus should be replaced at 12 years of age or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. Currently, Niles CSD monitors miles monthly during vehicle inspections. Based on the last vehicle inspection, Niles CSD’s average bus mileage is approximately 113,000. **Table 5-4** illustrates the current and average mileage per active bus and forecasts additional mileage over a five year period for Niles CSD’s 11 active buses.

Table 5-4: Bus Mileage

Bus #	Age	Mileage	Avg. Miles per Year	2004	2005	2006	2007	2008
3	6	78,471	13,079	91,550	104,628	117,707	130,785	143,864
4	6	61,875	10,313	72,188	82,500	92,813	103,125	113,438
5	15	169,070	11,271	180,341	191,613	202,884	214,155	225,427
6	15	156,452	10,430	166,882	177,312	187,742	198,173	208,603
12	18	184,095	10,228	194,323	204,550	214,778	225,005	235,233
13	18	184,188	10,233	194,421	204,653	214,886	225,119	235,351
14	8	91,127	11,391	102,518	113,909	125,300	136,691	148,081
15	4	31,414	7,854	39,268	47,121	54,975	62,828	70,682
16	4	40,150	10,038	50,188	60,225	70,263	80,300	90,338
17	2	18,372	9,186	27,558	36,744	45,930	55,116	64,302
18	1	11,325	11,325	22,650	33,975	45,300	56,625	67,950

Source: Niles CSD and AOS

Based on **Table 5-4**, four of the District’s fleet will exceed the 200,000 mile threshold over the next five year forecast period.

Niles CSD funds bus replacement entirely through reimbursements provided by ODE. ODE uses a complex formula to calculate reimbursements for individual districts' bus purchase allowances. The ODE bus purchase reports for FY 2002 and FY 2003 show Niles received \$30,724 and \$25,917, respectively, for regular school bus replacements. After a bus purchase in FY 2003, Niles' current balance for school bus funding is approximately \$47,500. The cost of a new bus is approximately \$51,000. **Table 5-5** shows Niles' estimated school bus replacement fund balance for the forecasted period by assuming the District will receive the average of FY 2002 and FY 2003 reimbursements from ODE (\$28,321) and considering future bus purchases.

Table 5-5: Niles School Bus Replacement Fund Balance

	2003	2004	2005	2006	2007	2008
Balance¹	\$47,594	\$75,915	\$104,236	\$30,556	\$58,877	\$36,197
Balance with Bus Purchase²	\$47,594	\$75,915	\$2,236	\$30,556	\$7,877	\$36,197

Source: Niles CSD and AOS

¹ Balance increase is based on the average of FY 2002 and FY 2003 reimbursements.

² Assumes bus will be purchased when sufficient funds are available.

According to **Table 5-5**, Niles could purchase three buses funded entirely by ODE reimbursements: two in FY 2005 and one in FY 2007. However, the District is forecasting a bus purchase each year, from FY 2004 to FY 2008. Although the fourth bus is projected to reach 200,000 miles in FY 2008, the District could delay replacing this bus until FY 2009 when sufficient ODE reimbursements would be available. To extend fleet life, Niles CSD could implement a fleet rotation system in which it alternates older buses with spare buses. Furthermore, Niles CSD should consider individual bus maintenance costs and conduct a cost benefit analysis in developing a bus replacement plan and determining when to replace buses.

In addition to the current method of paying for buses, another viable option could be to participate in the Ohio School Bus Pooled Financing Program. The program was created by the Ohio Association of School Business Officials and companies in the private sector. The program allows school districts to do the following:

- Finance school bus purchases over a 2 to 10-year repayment period at the election of each school district.
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and
- Start immediately to replace bus fleets without making a large lump sum capital outlay.

Financial Implication: Since only three buses need to be replaced during the forecasted period and based on the District annually forecasting \$30,000 in bus purchases from the General Fund, the District could avoid spending \$30,000 in FY 2005 and FY 2007, respectively, on new buses.

Financial Implications Summary

The following table represents a summary of implementation costs and annual cost savings. For the purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Transportation

Recommendation	One-Time Cost	Annual Cost Savings	One-Time Cost Savings
R5.2 Reduce transportation services		\$158,000	
R5.3 Transport 300 middle school students for 2003-04 school year	\$7,700		
R5.6 Avoid purchasing buses in FY 2005 and FY 2007			\$60,000
Total	\$7,700	\$158,000	\$60,000

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