



Auditor of State
Betty Montgomery

SWANTON LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

JULY 15, 2004



Auditor of State Betty Montgomery

To the Residents and Board of Education of the Swanton Local School District:

In October of 2003, the State Superintendent of Public Instruction placed the Swanton Local School District (SLSD) in fiscal caution. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit of SLSD was initiated. The four functional areas assessed in the performance audit were 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 SLSD in eliminating the conditions that brought about the declaration of fiscal caution.

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

An executive summary has been prepared which includes the project history, a discussion of the fiscal caution designation, a district overview, the scope, objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to SLSD and its contents discussed with the appropriate officials and District management. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 15, 2004

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the Ohio 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 a 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, the AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency and review any programs or areas of operation in which the AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved.

In accordance with ORC §3316.031(A), a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending fund balance less than or equal to 2 percent of the current year projected revenues. On October 6, 2003, Swanton LSD (SLSD) was placed in fiscal caution based on its forecast dated August 12, 2003. The District's ending general fund deficit was over \$1,189,000 for FY 2002-03. In addition, the forecast projected a FY 2003-04 ending fund deficit of \$2,396,000.

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

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

District Overview

SLSD operates under a locally-elected Board consisting of five members elected at-large for staggered four-year terms. The District was established in 1887 and serves an area of approximately 42 square miles. It is located in Fulton and Lucas Counties and includes all of the Village of Swanton and portions of Fulton, Harding, Spencer, Swan Creek and Swanton Township. It is located approximately 26 miles southwest of Toledo, Ohio.

According to the National Center for Education Statistics, the District's population of 9,378 residents included 8,228 family households and 957 non-family households. The average family size was 3.09 persons. Also, a significant percentage of the District's population (22.6 percent) was school aged (under 19 years old) while an additional 5.8 percent was less than 5 years old. In addition, 57 percent of the population had high school diplomas or equivalency, 19 percent had some college, and 14 percent had bachelor's degrees.

The District is the 354th largest in the State of Ohio (among 612 school districts) in terms of enrollment. SLSD operates an administration building and four school buildings: Crestwood elementary school (grades preschool-2), Park elementary school (grades 3-5) Swanton middle school (grades 6-8), and Swanton high school (grades 9-12). The District has 133.5 full-time equivalent (FTE) employees. There are 79.9 certificated teaching FTEs and 5 administrator FTEs who provide educational services to 1,512 students. Students with disabilities comprise 15 percent of the student population. The overall student to teacher ratio is 18.9:1. In FY 2002-03 the District met 15 of the 22 academic performance indicators established by ODE and was categorized as a district in continuous improvement. In FY 2002-03, the General Fund cost per pupil of \$8,364 was 16 percent higher than the peer average of \$7,163.

The District issued an \$18 million school improvement bond in June 2001 to build a new high school and renovate Crestwood and Park Elementary Schools. The District will use the \$18 million as a match for future Ohio School Facilities Commission (OSFC) funding. SLSD opened its new high school in April 2003. Township Elementary, an older elementary building, was closed and the 6th grade moved to the middle school at the beginning of FY 2003-04.

The District has experienced a declining fund balance, from \$846,724 in FY 1999-00, to \$76,111 in FY 2001-02, and to a projected deficit of \$1,189,052 in FY 2002-03. According to the District, the projected deficit resulted from a decrease in tangible personal property revenue; cuts in state funding increases; a 40 percent increase in health care costs; and a decline in enrollment.

While working in conjunction with ODE, the District took a proactive stance to reduce its deficit by not filling vacancies and through personnel cuts. Bus routes and drivers were reduced from 15 to 11 and the District stopped transporting high school students. Also, approximately 20 teaching and related position were eliminated or not filled during July and August 2003 and approximately twenty more cuts were made in the November 2003 reduction in force (RIF). Lastly, the District obtained concessions from all three bargaining units to reduce hours in some positions and postpone some negotiated costs to the District. All three bargaining agreements are open for negotiation in the spring of 2004. Custodians and cafeteria staff are not covered by an agreement.

During the course of this performance audit, the Local Government Services Section (LGS) of the Auditor's office started the process of certifying the District's operating deficit. However, in

March 2004 the District passed a 1.25 percent income tax after several failed attempts. In April 2004, the District applied for a \$265,000 catastrophic grant from ODE to help offset the projected deficit; passed a resolution to issue a \$1.1 million tax anticipation note against the anticipated income tax revenue, and formed a financial oversight committee. These actions greatly improve the District's likelihood of regaining financial solvency.

Given its financial outlook, Swanton LSD should consider implementing the recommendations in this performance audit to reduce current deficits and avoid future financial difficulties. See **R2.10** and **Table 2-6** in the financial systems section of this report for the proposed financial recovery plan and impact of performance audit recommendations on the General Fund ending balances.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between October 2003 and March 2004. The goal of the performance audit process was to assist Swanton LSD's management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declaration of fiscal caution. This performance audit assessed the key operations of SLSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's October and December 2003 five-year financial forecasts, its underlying financial data, along with their accompanying notes and assumptions were assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation operational statistics, such as staffing, and average costs per bus and student were reviewed to identify potential efficiency improvements and costs savings for the District's transportation operations.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with Swanton LSD personnel, and assessed requested information from the selected comparison (peer) districts. Throughout this report, comparisons are made to three similarly sized school districts. These districts include Archbold-Area Local School District (AALSD) in Fulton County; Ottawa-Glandorf Local School District (OGLSD) in Putnam County; and Pike-Delta-York Local School District (PDYLSLSD) in Fulton County. These districts were selected as peers based on their ranking as comparable districts as defined by ODE, reviews of various demographic information, and input from Swanton LSD personnel. Criteria

included in ODE's comparable district listings include geographic size, average daily membership (ADM), socioeconomic demographics, population density, and real property valuation. Best practice information was used from ODE, the State Employee Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and recommendations as they were developed. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered in framing the recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report. The District declined to provide a formal response.

The Auditor of State and staff express appreciation to the SLSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Swanton LSD's attention and responsiveness to its financial situation has helped the District realize a reduction in the negative ending fund balance previously projected. Additional noteworthy accomplishments were identified during the course of the performance audit.

Financial Systems

- In FY 2002-03 the District made significant transfers to both the food service and athletics funds. The District has taken several actions to eliminate the need for these transfers in FY 2003-04 and beyond. These actions included raising lunch prices and adjusting the work schedules of maintenance personnel to eliminate overtime pay for weekend sporting events.
- There are currently no debt repayments required from the General Fund. All debt is paid by the Permanent Improvement or the Bond Retirement Funds.

Human Resources

- The District was able obtain substantial savings and favorable rates by switching from a traditional to a preferred provider organization (PPO) health insurance plan while maintaining its benefit level.

- The District offers a retirement cash incentive and early retirement incentive to certified and classified employees respectively, which provides a cost savings when the replacement is hired at step zero to maximize the savings to the District.

Facilities

- SLSD purchased and is in the process of evaluating implementation of a preventive maintenance plan for its new high school and two elementary schools. The facility maintenance plans address issues related to the District's grounds, building exterior, mechanical systems, roofing, kitchens, electrical systems, fire alarms, structure, furniture and equipment, building interior and the plumbing system. A comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities and preventive maintenance is the cornerstone of any effective maintenance initiative.

Key Recommendations

The performance audit contains several recommendations pertaining to Swanton LSD. The following are the key recommendations from the report:

Financial Systems

- In an effort to increase the reliability of financial decision-making information, the treasurer should seek to improve the assumptions presented in the five-year forecast. The treasurer should obtain and use the most comprehensive and complete information available to revise the forecast assumptions in the areas of tangible personal property tax, unrestricted grants-in-aid, other operating revenue, and salaries and fringe benefits. For the line items of purchased services, supplies and materials, and capital outlay, the District should provide quantitative justifications for its forecasted expenditure reductions. (See also **R2.8**)
- To improve internal controls and budgetary compliance, the Board of Education should develop and implement policies and procedures to ensure the audit committee addresses the issues identified in financial audits and ensures that they are promptly and effectively resolved.
- SLSD should avoid borrowing against its future property tax revenue through the use of tax anticipation notes. As an alternative, the District should closely examine the cost savings identified throughout this performance audit to effectively reduce expenditures and gain better control over its finances.

- The District should develop a financial recovery plan that is specific, practical, and provides detailed actions the District will take to remove itself from fiscal caution status. The financial recovery plan should be developed in accordance with ODE guidelines and periodically reviewed following approval by the State Superintendent of Public Instruction. In addition, SLSD should consider the performance audit recommendations and financial recovery plan outlined in **R2.11** to help formulate its financial recovery plan.
- In developing its financial recovery plan, SLSD should adjust several assumptions to more accurately reflect likely future trends. In considering adjustments to forecasted line items, SLSD should include tangible property taxes, income taxes, unrestricted grants-in-aid, personal services, fringe benefits, and outstanding encumbrances.

Human Resources

- SLSD should consider eliminating the part-time printer position to bring its support staffing more in line with the peers. SLSD is the only district of the peer group that has a printer who works in a central copy room. These duties are fulfilled by clerical staff in the peer districts and shifting these functions to current clerical staff in SLSD will allow the district to redirect financial resources to educational services. During the course of the performance audit, the District indicated the printer position would be eliminated.
- SLSD should limit salary increases for all employees throughout the forecast period. Particularly with the passage of the March 2, 2004 levy, SLSD should be sensitive to the impact large salary increases will have on future district finances and community support for ballot initiatives.
- The District should work with its collective bargaining units, third-party health care administrator, and the consortium to renegotiate key benefits to help offset health insurance costs, and allow limited resources to be focused on the educational initiatives which directly benefit students. SLSD should also seek to modify its collective bargaining agreements to include a determination of order of benefits clause.
- During the next contract negotiations, SLSD should negotiate a provision requiring all employees to contribute to monthly health insurance premiums. SLSD should seek employee contributions of 10 percent for single and family health insurance coverage from all employees working 7 hours or more. The employee's contribution should be stated as a percentage rather than a fixed dollar amount to help offset anticipated annual health insurance cost increases. In addition, SLSD should communicate to its employees the advantages of its medical waiver option, which pays an incentive to those employees who do not use the District's health care benefits.

Facilities

- SLSD should reallocate a 0.5 FTE custodian from the Crestwood Elementary School to the high school. The reallocation would bring the square footage cleaned by the custodians in both schools more in line with the AS&U benchmark.
- The District should maximize use of the computerized energy management system located at the high school. The system could reduce expenditures by regulating temperatures, activating or deactivating blowers, and performing other heating, ventilation and air conditioning functions. Furthermore, SLSD should begin implementing additional energy management measures such as increasing cooling temperatures to 78 degrees and decreasing heating temperatures to 68 degrees. Manual overrides should be eliminated to help ensure SLSD realizes the maximum benefits of the system. SLSD should place lock boxes on the temperature control pads at the older schools to prevent employees from adjusting the temperature to levels inconsistent with the energy management goals of the District.

Transportation

- SLSD should develop policies and procedures to ensure special education transportation costs reported to ODE accurately reflect all special education transportation costs including bus maintenance, employee benefits, fuel, tires and insurance. Accurate reporting of special education transportation expenses should increase SLSD's special needs transportation reimbursement from ODE. The District is taking steps to ensure the accuracy of special education costs by contacting their ODE area coordinator for guidance.
- The District's transportation policy should be reviewed annually and amended when necessary to reflect current practices. Changes in the District's enrollment, pupil residence, and route configuration should be included as part of the annual review.
- SLSD should increase the number of students transported per bus by optimizing its routing. Single tier routing may be more practical due to the reduction in the number of students transported. Single tier routing would reduce the miles driven, wear and tear on the buses, and maintenance costs.
- The District should negotiate a reduction in the number of bus drivers' guaranteed five hours per day to allow the District to schedule bus drivers' hours as needed. Reducing bus drivers' guaranteed hours through contract negotiations will result in a cost-savings for the District.

- SLSD should reduce fuel costs for its school buses. The District should consider options that provide a lower pricing structure than the local gas station, such as setting aside funds to purchase fuel tanks and then purchasing fuel through a cooperative purchasing program, or obtaining fuel discounts through competitive bidding or negotiated agreement with the gas station.

Additional Recommendations

Financial Systems

- The District should prepare a financial forecast that adheres to the guidelines and format set forth by the Ohio Department of Education (ODE). In addition, the superintendent, treasurer, and representatives from the Board should seek formal training from ODE to ensure reviewers have appropriate knowledge of forecast requirements to ensure the reasonableness of the forecast and to help detect errors.
- SLSD should create specific policies and procedures to ensure reliability and consistency in the development and review of the five-year forecast. These policies and procedures should address key forecast factors, including parties responsible for information, periods covered, the development process, assumption development and evaluation, support for assumptions, presentation, and outside consultation. Prior to approval, the superintendent and Board should thoroughly review the forecast for adherence to these policies and amend the forecast as necessary before formal submission to ODE.
- In response to the District's current financial situation, the Board should require the treasurer to submit forecasts which illustrate various "what if" scenarios the District may encounter. The treasurer should identify revenue assumptions which are highly sensitive and modify these assumptions to present forecasts which show the best-case, worst-case, and most likely conditions the District will face during the forecast period. Developing multiple forecasts based on best, worst and most likely case scenarios will improve the District's planning functions, responsiveness, and level of consideration when making long-term decisions.
- SLSD does not currently have a long-range strategic plan. While the District does have a continuous improvement plan (CIP) to address academic goals, it does not have a centralized plan which links academic goals to its financial condition and other external events that may affect those goals. The District should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program. The strategic plan should consider the District's current financial issues in the context of its operational goals.

Human Resources

- SLSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the EMIS managed by ODE. SLSD should ensure that someone independent of the data gathering process reviews the information to ensure its accuracy. SLSD should consistently use the EMIS *Definitions, Procedures, and Guidelines*,

produced annually by ODE, to help ensure the accuracy of data entered. In addition, SLSD should seek training and assistance to meet these objectives, if needed.

- The District should review and update all position descriptions, as needed, to ensure that qualifications, responsibilities and work hours are accurate and current. This review should continue to occur as part of annual performance evaluations or when a position becomes vacant.
- During the next contract negotiations, SLSD should consider reducing the maximum number of sick leave days accrued and paid at retirement for newly hired certified and classified employees. SLSD authorizes a higher maximum number of days for accrual and payment at retirement which could potentially increase its financial liability.

Facilities

- SLSD should use a computerized maintenance management system (CMMS) or a computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. This would require authorized persons (i.e., building principal) to approve work requests and maintenance personnel to document the repairs and tasks completed each day. The superintendent should review a summary of work orders periodically to monitor productivity and maintenance expenditures. The superintendent should conduct random inspections of maintenance work to ensure that work is performed effectively and in a timely fashion.
- SLSD should implement its formal planned preventive maintenance program for each building in the District. The plan, recently prepared for SLSD by a private firm, outlines maintenance schedules for each building's heating, cooling, and plumbing systems. Preventive maintenance checklists, including task frequency, should also be developed for each building. Most preventive maintenance tasks should be scheduled according to manufacturers' suggestions.
- SLSD should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are completed in a timely manner. These procedures should specify the supplies used for each job duty, the frequency of tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure all District facilities are sufficiently and consistently cleaned.

Transportation

- SLSD should establish policies and procedures to ensure the accuracy of the information submitted on the transportation forms (T forms) to the Ohio Department of Education (ODE). This will help to ensure appropriate reimbursements in the future. The District is taking steps to ensure the accuracy of T forms by contacting their ODE area coordinator for guidance.
- The District should work to establish agreements with neighboring school districts that may have compatible bus runs for special needs and vocational students in order to reduce transportation costs.
- SLSD should re-allocate the transportation director's time based on his job description, directing 25 percent of his time to facilities and grounds-keeping and 75 percent to transportation. In addition, SLSD should monitor the salary rates offered to its transportation director and, in future years, maintain a salary rate more similar to the peers.
- SLSD should re-allocate 25 percent of the mechanic's time to facilities and groundskeeping and 75 percent to transportation. Re-allocating 25 percent of the mechanic's time to facilities and groundskeeping would assist in the implementation of preventative maintenance plan for school facilities. SLSD also should consider the option of outsourcing its bus maintenance and repair as the smaller fleet may not be able to support a full-time mechanic.
- SLSD should develop a formal preventative maintenance (PM) program for its bus fleet. A documented PM program will provide the transportation department and SLSD administrators a written management tool for monitoring and scheduling bus maintenance and the associated costs. The transportation director indicated the District intends to implement a preventative maintenance program.
- SLSD should establish a formal bus replacement plan to maximize fleet effectiveness. Criteria, such as mileage and chronological age should be included in the replacement plan to guide decision making when purchasing replacement buses. By reviewing and updating the plan annually SLSD will be able to plan for future costs while maintaining its fleet. During the course of the audit, the District indicated it will take steps to develop a formal bus replacement plan.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Swanton LSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (**R3.4, R3.5, R3.6 and R5.6**). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 1-1 Summary of Performance Audit Recommendations

Recommendation	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R3.3 Eliminate position of printer	\$0	\$16,200	\$17,100	\$18,200	\$19,200
R4.2 Implement an energy management program	\$0	\$61,600	\$61,600	\$61,600	\$61,600
R5.2 Increase reimbursements for special education	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
R5.4 Negotiate transportation contract with Anthony Wayne	\$0	\$38,000	\$38,000	\$38,000	\$38,000
R5.9 Purchase fuel through DAS	\$0	\$16,000	\$16,000	\$16,000	\$16,000
R5.9 Recoup state fuel tax	\$600	\$0	\$0	\$0	\$0
Total Recommendations Not Subject to Negotiation	\$4,600	\$135,800	\$136,700	\$137,800	\$138,800
R3.4 Limit salary increases	\$0	\$0	\$124,100	\$260,500	\$343,200
R3.5 Reduce key health benefits	\$0	\$11,000	\$13,000	\$15,300	\$18,000
R3.6 Require 10% employee share of premiums	\$0	\$80,200	\$94,700	\$111,700	\$131,800
R5.6 Reduce hours of bus drivers	\$0	\$37,800	\$40,000	\$42,400	\$45,000
Total Recommendations Subject to Negotiation	\$0	\$129,000	\$271,800	\$429,900	\$538,000
Total Recommendations Included in Forecast	\$4,600	\$264,800	\$408,500	\$567,700	\$676,800

Source: AOS Recommendations

Note: Where applicable financial implications have been adjusted for compounding factors over time.

Table 1-2: Implementation Costs

Recommendation and Implementation Cost	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R4.3 Purchase CMMS software	\$950	\$950	\$950	\$950	\$950
R5.9 Purchase Fuel Tank	\$0	\$40,000	\$0	\$0	\$0
R5.11 Implement Bus Replacement Plan	\$0	\$30,000	\$30,000	\$30,000	\$30,000
Total Recommendation Implementation Cost	\$950	\$70,950	\$30,950	\$30,950	\$30,950

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

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Financial Systems

Background

This section focuses on the financial systems within Swanton Local School District (SLSD or District). The objective is to analyze the current and future financial condition of SLSD, develop recommendations for improvements in the financial processes, and identify opportunities to increase cost efficiency. Furthermore, SLSD's five-year forecast is analyzed to ensure that the projections accurately represent future operational and financial conditions.

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 provide 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 the new category of fiscal caution. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

To help define fiscal caution, the Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school board, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school board has 60 days to provide a written financial recovery plan to ODE to correct the fiscal deficiencies.

In accordance with ORC §3316.031(A), a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending fund balance less than or equal to 2 percent of the current year projected revenues. On October 6, 2003, Swanton was placed in fiscal caution based on its forecast dated August 12, 2003. The forecast projected a FY 2003-04 ending fund deficit of \$2,396,413, not including the effects of a new levy which the District planned to put on the ballot in November 2003. This was substantially less than 2 percent of the projected revenues for FY 2003-04. As a result, the administration of SLSD consulted with ODE and resolved to place the District in fiscal caution.

Financial Operations

In an attempt to reduce its forecasted deficits, the District identified several areas for potential cost reductions prior to this performance audit. In making reductions, the District focused primarily on personnel costs, reducing staffing levels by approximately 36 FTEs (for more information see the **human resources** section). The treasurer estimated these staffing reductions will save the District approximately \$1,645,000 in FY 2003-04.

The following tables represent SLSD's operations in FY 2002-03 and could suggest areas for further reductions. **Table 2-1** compares SLSD's FY 2002-03 operational revenues and expenditures to peer districts.

**Table 2-1: Comparison of FY 2002-03
Revenues by Source and Expenditures by Object**

	SLSD	Archbold- Area LSD (AALSD)	Ottawa- Glandorf LSD (OGLSD)	Pike-Delta- York LSD (PDYLSLSD)	Peer Average
Property and Income Tax	\$4,615,412	\$5,864,567	\$4,231,055	\$3,136,033	\$4,410,552
Intergovernmental Revenues	\$5,031,629	\$3,081,116	\$5,366,754	\$6,549,988	\$4,999,286
Other Financing Sources	\$556,586	\$38	\$30,308	\$46,869	\$25,738
Other Revenues	\$405,373	\$1,877,068	\$493,460	\$1,842,724	\$1,404,417
Total Revenues	\$10,609,001	\$10,822,788	\$10,121,577	\$11,575,615	\$10,839,993
Wages	\$7,073,928	\$5,969,714	\$6,086,508	\$6,243,740	\$6,099,987
Fringe benefits	\$2,241,133	\$1,913,243	\$2,070,587	\$2,089,033	\$2,024,288
Purchased Services	\$735,400	\$903,607	\$625,507	\$2,247,978	\$1,259,031
Tuition	\$703,607	\$419,403	\$264,968	\$34,304	\$239,558
Supplies & Textbooks	\$434,284	\$545,700	\$456,091	\$474,557	\$492,116
Capital Outlay	\$183,856	\$282,882	\$151,784	\$193,802	\$209,489
Miscellaneous	\$162,259	\$717,415	\$579,937	\$142,697	\$480,016
Other Financing Uses	\$439,310	\$0	\$56,000	\$450	\$18,817
Total Expenditures	\$11,973,777	\$10,751,964	\$10,291,382	\$11,426,560	\$10,823,302
Revenues Over (Under) Expenditures	(\$1,364,776)	\$70,824	(\$169,805)	\$149,055	\$16,691

Source: FY 2002-03 Annual Financial Reports (4502's)

In FY 2002-03, SLSD experienced a significantly greater operating loss than any of the peers. SLSD's operating loss was approximately \$1,365,000, or 12.9 percent of total revenues. In comparison, the peers showed an average operating surplus of approximately \$17,000, or 0.2 percent of total revenues. The District's operating losses are primarily attributed to high expenditures in the categories of wages and fringe benefits. Due to the previously mentioned staffing reductions, the District is experiencing substantial decreases to these expenditures during FY 2003-04.

Table 2-2 presents total revenues and total expenditures from **Table 2-1** as percentages and amounts per pupil to determine which line items represent significant variances from the peers.

**Table 2-2: Comparison of FY 2002-03
Revenues and Expenditures by Cost per Pupil and Percentage**

Number of Students (ADM)	SLSD		(AALSD)		(OGLSD)		(PDYLSLSD)		Peer Average	
	1,432		1,464		1,557		1,516		1,513	
	\$ Per Pupil	%	\$ Per Pupil	%	\$ Per Pupil	%	\$ Per Pupil	%	\$ Per Pupil	%
Property and Income Tax	\$3,224	44%	\$4,006	54%	\$2,717	42%	\$2,068	27%	\$2,930	41%
Intergovernmental Revenues	\$3,515	47%	\$2,105	29%	\$3,446	53%	\$4,320	57%	\$3,290	46%
Other Financing Sources	\$389	5%	\$0	0%	\$19	0%	\$31	0%	\$17	0%
Other Revenues	\$283	4%	\$1,282	17%	\$317	5%	\$1,215	16%	\$938	13%
Total Revenue	\$7,410	100%	\$7,393	100%	\$6,500	100%	\$7,634	100%	\$7,175	100%
Wages	\$4,941	59%	\$4,078	55%	\$3,909	59%	\$4,118	55%	\$4,035	56%
Fringe benefits	\$1,565	19%	\$1,307	18%	\$1,330	20%	\$1,378	18%	\$1,338	19%
Purchased Services	\$514	6%	\$617	8%	\$402	6%	\$1,483	20%	\$834	11%
Tuition	\$491	6%	\$286	4%	\$170	3%	\$23	0%	\$160	2%
Supplies & Textbooks	\$303	4%	\$373	5%	\$293	4%	\$313	4%	\$326	5%
Capital Outlay	\$128	1%	\$193	3%	\$97	1%	\$128	2%	\$140	2%
Miscellaneous	\$113	1%	\$490	7%	\$372	6%	\$94	1%	\$319	5%
Other Financing Uses	\$307	4%	\$0	0%	\$36	1%	\$0	0%	\$12	0%
Total Expenditures	\$8,364	100%	\$7,344	100%	\$6,609	100%	\$7,536	100%	\$7,163	100%
Per Pupil Revenues Over (Under) Expenditures	(\$954)	N/A	\$49	N/A	(\$109)	N/A	\$98	N/A	\$12	N/A

Source: FY 2002-03 Annual Financial Reports (4502's)

Table 2-2 indicates that the District is receiving a slightly higher percentage of its revenues from property and income tax (local funding), intergovernmental revenues (state funding), and other financing sources than the peer average. In FY 2002-03 transfers-in from the District's permanent improvement fund comprised approximately 74 percent of SLSD's revenue in other financing sources. These transfers are directly related to debt for the construction of the District's new high school and are not representative of standard operations at SLSD. Based on **Table 2-2**, the peers appear to receive substantially more revenue than SLSD in the other revenues line-item. AALSD and PDYLSLSD both received over \$1,000,000 from tax abatements. Tax abatements are based on local economic development decisions and while they result in higher revenues in the other revenues line-item, they replace revenues which otherwise would have been classified as general property taxes. Therefore, SLSD's lower other revenues per student are offset by higher revenues in the property and income tax line-item.

SLSD's financial condition is primarily explained by a higher level of expenditures per pupil compared to the peer school districts. As shown in **Table 2-2**, SLSD's total expenditures per pupil were 16.8 percent greater than the peer average and were higher than the peer average in the following categories:

- Wages;
- Fringe benefits;
- Tuition; and
- Other financing uses.

In FY 2002-03, wages and fringe benefits were higher than the peer average. The District has since reduced these expenditures by reducing staffing levels by approximately 36 FTEs. Similar to the District's other financing sources; other financing uses exceeded the peer average due to transfers related to the debt for construction of the District's new high school. However, the District also transferred approximately \$56,800 and \$11,100 to the food service and athletics funds, respectively. In order to eliminate the need for these transfers in future years the District has taken several actions including increasing lunch prices and realigning maintenance staff to avoid overtime pay for weekend athletic events.

Table 2-3 shows selected FY 2002-03 discretionary expenditures, by account, as a percentage of total FY 2002-03 General Fund expenditures for SLSD and the peer districts.

Table 2-3: FY 2002-03 Discretionary Expenditures

	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average
Prof. and Technical Services	0.9%	0.1%	1.3%	13.2%	4.9%
Property Services	1.2%	2.5%	2.3%	1.9%	2.3%
Mileage/Meeting Expense	0.5%	0.4%	0.4%	0.3%	0.4%
Communications	0.3%	0.2%	0.3%	0.3%	0.3%
Contract. Craft or Trade Service	0.0%	0.3%	0.0%	0.0%	0.1%
Pupil Transportation Services	<0.1%	0.0%	0.1%	<0.1%	<0.1%
Other Purchased Services	0.0%	0.3%	0.0%	0.1%	0.1%
General Supplies	2.4%	2.4%	2.2%	1.2%	2.0%
Textbooks/ Reference Materials	0.5%	1.0%	0.3%	0.2%	0.5%
Food & Related Supplies/Materials	0.0%	0.0%	0.8%	0.0%	0.3%
Plant Maintenance and Repair	0.0%	0.7%	0.6%	1.2%	0.8%
Fleet Maintenance and Repair	0.8%	0.5%	0.5%	1.0%	0.7%
Land, Buildings and Improvements	0.0%	1.9%	0.0%	0.0%	0.6%
Equipment	0.7%	0.7%	0.9%	0.2%	0.6%
Buses/Vehicles	0.9%	0.1%	0.0%	1.5%	0.5%
Dues and Fees	1.1%	6.5%	5.6%	0.9%	4.4%
Insurance	0.1%	0.1%	<0.1%	0.3%	0.2%
TOTAL	9.4%	17.7%	15.4%	22.2%	18.6%

Source: FY 2002-03 Annual Financial Reports (4502's)

As shown in **Table 2-3**, SLSD's discretionary spending of \$1,122,614 as a percentage of all General Fund expenses (9.4 percent) was significantly lower than the peer average (18.6 percent). The largest portion of discretionary spending, general supplies, accounted for 2.4 percent of the District's total discretionary expenditures. The District was also above or equal to the peer average in mileage/meeting expense, communication, fleet maintenance and repair, and buses/vehicles, although variances in these areas were insignificant. The variance from the peer average for each of these items is explained below:

- **Mileage/Meeting Expense:** The District's expenditures in this category totaled approximately \$55,900 in FY 2002-03 compared to the peer average of \$37,700. Higher expenditures in this category can be attributed to the higher staffing levels maintained by the District through FY 2002-03. With the previously mentioned staffing reductions in place, these expenditures should decrease to levels more comparable to the peers in FY 2003-04.
- **Communications:** The treasurer indicated that the higher levels of expenditures in this classification were a direct result of one-time purchases associated with the construction of the District's new high school. This appears to be an accurate explanation as expenditures within this line item rose 38 percent in FY 2002-03. Prior to FY 2002-03 the District

maintained expenditure levels comparable to the peer districts and should return to these levels in FY 2003-04.

- **General Supplies:** Expenditures in the general supplies category totaled \$283,600 in FY 2002-03. The treasurer attributed the higher expenditures to one-time costs associated with the District's new high school. In FY 2001-02, these expenditures were approximately \$261,000, indicating that the treasurer's explanation for higher expenditures is only partially sufficient. The District has forecasted significant decreases to this line item in the future and is attempting to allocate supply expenditures to the permanent improvement fund whenever possible.
- **Fleet Maintenance and Repair:** The District's expenditures in this category are above the peer average due to differences in operations compared to two peers. SLSD and PDYLSLSD employ mechanics who complete most bus maintenance and repairs while OGLSD and AALSD outsource repairs (see **R5.8** in the **facilities section**).
- **Equipment:** Expenditures in this category totaled approximately \$78,000 in FY 2002-03. In comparison, AALSD's and OGLSD's expenditures were approximately \$73,000 and \$93,000 respectively. The difference between SLSD and the peer average is due to PDYLSLSD having expenditures substantially lower than SLSD or the other peers.
- **Buses/Vehicles:** SLSD purchased two new buses in FY 2002-03. One replaced a bus which was damaged in an accident. SLSD is above the peer average because AALSD and OGLSD either did not purchase any new buses in FY 2002-03, or chose not to purchase new buses from their respective General Funds.

Financial Forecast

The financial forecast presented in **Table 2-4** represents the treasurer's projections of SLSD's present and future financial condition as of December 2003. The treasurer has attempted to incorporate the effects of cost saving actions the District took after being placed in fiscal caution. The forecast and accompanying assumptions are the representations of SLSD and are presented without verification. However, this report evaluates the assumptions for reasonableness and accuracy. The projections, which incorporate the combined General, Disadvantaged Pupil Impact Aid (DPIA), and Permanent Improvement Funds, are accompanied by three years of comparative historical results, general assumptions and explanatory comments. Assumptions that have a significant impact on SLSD's financial status, such as property tax revenue, salaries and wages, and capital outlays, have been tested for reasonableness.

Table 2-4 SLSD Financial History and Forecast (in 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	\$4,083	\$4,676	\$3,965	\$3,985	\$3,573	\$3,160	\$3,160	\$3,160
Tangible Personal Property Tax	\$980	\$1,040	\$577	\$760	\$500	\$500	\$500	\$500
Unrestricted Grants-in-Aid	\$4,206	\$4,488	\$4,535	\$4,046	\$3,835	\$3,900	\$3,900	\$3,900
Restricted Grants-in-Aid	\$12	\$12	\$22	\$12	\$12	\$12	\$12	\$12
Property Tax Allocation	\$540	\$542	\$487	\$480	\$480	\$480	\$480	\$480
Other Revenues	\$435	\$753	\$479	\$390	\$380	\$380	\$380	\$380
Total Operating Revenues	\$10,256	\$11,511	\$10,065	\$9,673	\$8,780	\$8,432	\$8,432	\$8,432
Salaries & Wages	\$6,684	\$6,880	\$7,086	\$6,250	\$6,250	\$6,450	\$6,650	\$6,850
Fringe Benefits	\$1,934	\$1,952	\$2,241	\$1,900	\$2,050	\$2,200	\$2,350	\$2,500
Purchased Services	\$1,466	\$1,321	\$1,439	\$1,000	\$1,100	\$1,150	\$1,210	\$1,271
Supplies, Materials & Textbooks	\$472	\$524	\$434	\$350	\$368	\$386	\$405	\$425
Capital Outlay	\$141	\$170	\$184	\$125	\$131	\$138	\$145	\$152
Debt Service	\$0	\$19,308	\$2,059	\$2,044	\$0	\$0	\$0	\$0
Other Expenditures	\$122	\$219	\$162	\$150	\$150	\$150	\$150	\$150
Total Operating Expenditures	\$10,819	\$30,374	\$13,605	\$11,819	\$10,049	\$10,474	\$10,910	\$11,348
Net Transfers/ Advances	(\$34)	\$18,532	\$2,140	\$2,050	\$0	\$0	\$0	\$0
Other Financing Sources	\$27	\$4	\$36	\$10	\$10	\$10	\$10	\$10
Net Financing	(\$7)	\$18,536	\$2,176	\$2,060	\$10	\$10	\$10	\$10
Result of Operations (Net)	(\$570)	(\$327)	(\$1,364)	(\$86)	(\$1,259)	(\$2,032)	(\$2,468)	(\$2,906)
Beginning Cash Balance	\$1,162	\$592	\$265	(\$1,099)	(\$1,185)	(\$2,444)	(\$4,476)	(\$6,944)
Ending Cash Balance	\$592	\$265	(\$1,099)	(\$1,185)	(\$2,444)	(\$4,476)	(\$6,944)	(\$9,850)
Outstanding Encumbrances	\$92	\$115	\$89	\$0	\$0	\$0	\$0	\$0
Total Reservations	\$73	\$74	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$427	\$76	(\$1,188)	(\$1,185)	(\$2,444)	(\$4,476)	(\$6,944)	(\$9,850)
Renewal / Replacement Levies				\$0	\$620	\$1,860	\$3,100	\$4,340
New Levies				\$0	\$132	\$1,798	\$4,410	\$7,016
Ending Fund Balance	\$427	\$76	(\$1,188)	(\$1,185)	(\$1,692)	(\$818)	\$566	\$1,506

Source: SLSD Treasurer's Office

SLSD's financial forecast in **Table 2-4** presents projected revenues, expenditures and ending fund balances for the General Fund for each of the fiscal years including June 30, 2004 through June 30, 2008, with historical (un-audited) information presented for the fiscal years ended June 30, 2001, 2002, and 2003. Before considering new, renewal, or replacement levies, the District's treasurer has forecasted operating deficits for each year, leading to an ending fund deficit in excess of \$9.8 million at the end of FY 2007-08. However, the treasurer's forecast projects that the District will have an ending fund balance in excess of \$1.5 million in FY 2007-08 based on the approval of the new 1.25 percent income tax levy which was approved on March 2, 2004. The FY 2007-08 positive ending fund balance is also contingent on the renewal of a three year emergency operating levy in November 2004.

The assumptions disclosed herein were developed by the treasurer and used for **Table 2-4**. They are based on information obtained from SLSD. Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results. Major assumptions used to develop the five-year forecast were as follows:

Revenues

- Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals. These estimates are substantiated by information provided for the upcoming fiscal year from the county auditor. In addition, in February 2001, District's voters approved a three-year emergency renewal levy which generates \$825,000 annually. This emergency levy expires during FY 2004-05. The Board of Education will decide in 2003-04 whether to place a renewal or replacement on the November 2004 ballot. If the voters pass this issue, the levy will continue for the next 3 years.

The income tax and levies, including the 1.25 percent income tax passed March 2004, are not reflected in the property tax line item but rather in the new levies and renewal/replacement levies line items at the bottom of **Table 2-4**.

- In the 2003 collections of tangible property tax receipts, the district realized a reduction of over \$465,000 in revenue. This was due to decreasing commercial enterprises within District boundaries, as well as reduced inventories within remaining businesses. Information on the reduced collections was not available to the District until June 2003. The district must reimburse tangible property taxes to a business that paid taxes to SLSD in error during 2001. This amounts to approximately \$204,000.
- Revenue from State Foundation payments are expected to continue to remain relatively flat. This is based on the current state formula and anticipated enrollment figures. Also, the District has included the loss of \$75,000 in March 2003 but did not specify the reasons for the loss.
 - *The District's forecast appears to significantly understate expected revenues from State Foundation Aid. The treasurer referred to simulations of State Foundation Aid obtained from ODE but did not incorporate simulation data properly. The forecast does not account for yearly increases in parity aid as well as the per pupil allocation of basic aid. R2.9 shows the impact of appropriate adjustments to this assumption.*
- Property tax allocation revenues have been very volatile. Year-to-date information is included in the forecast and then decreased in the future years, due to the reporting changes enacted by the most recent State budget.

- Revenues from all other sources are based on historical patterns with two exceptions. The first is a one time receipt from the sale of Anthem Blue Cross/ Blue Shield stock. The District received this stock when Anthem changed from a private holding company to a publicly traded company in FY 2001-02. The second exception is a one time anticipated receipt from the Toledo-Lucas Port Authority, resulting from an agreement reached for the sale of Township Elementary Building during FY 2003-04. The District has learned that revenues from this sale when received will have to be placed within the Permanent Improvement Fund.

Expenditures

- The amounts for salaries and benefits are based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases have been used. The Board has already taken action in some areas of personnel and will continue to do so as union contracts expire and are re-negotiated. The district has also realized a large increase in medical insurance premiums for the upcoming year. The Board of Education has also taken action to reduce its staff due to the current financial situation facing the district. The total accumulated number of reductions is equivalent to approximately 40 positions²⁻¹.
- Purchased services, supplies and other expenditures are projected based on historical patterns. The District is expecting reductions in these areas in future periods as a result of its new and remodeled buildings. The District is also expecting an increase in all of the purchased services associated with special education. Currently, the District anticipates a funding shortfall which will force the District to reduce expenditures in this category. However, 15 percent of the student body falls within the special education category.
- Capital outlay expenditures are based on historical patterns. In November 2003, the voters of SLSD renewed a 5 year permanent improvement levy which generates \$357,229 annually for the purpose of acquisition, replacement, enhancement, maintenance and repair of permanent improvements. In 2000, voters in the District passed an \$18,000,000 bond issue to build a new high school and renovate Crestwood and Park elementary schools. These projects are now completed. The Township elementary building will be sold to the Toledo Port Authority.

Other Financing Sources/ Uses

- Anticipated expenditures in these areas are based on historical patterns. During FY 2002-03, transfers were made to the athletic department and cafeteria.

²⁻¹ Actual reductions are closer to 36 FTEs as calculated by the Auditor of State.

- Interest earnings from the investment of bond and note dollars were transferred to the General Fund.
- All debt service requirements will be paid on time. There is currently no debt issued against the General Fund. All debt is paid by the Permanent Improvement Fund or the Bond Retirement Fund.
- Estimated encumbrances are based on historical patterns and include the STRS advance.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, the following assessments were conducted which did not warrant any changes or yield any recommendations:

- **Operational Expenditures by Function:** The District was above the peer average in several expenditure categories within this analysis. However, the District's recent staffing reductions should bring its expenditures back in line with the peer average.
- **Debt Service:** The District does not have any debt obligations which are paid from the General Fund. The Debt service expenditures represented in **Table 2-4** are from the District's Permanent Improvement Fund.
- **General Property Taxes:** The District has created a reasonable forecast of general property tax revenue. The treasurer supported the forecast with sufficient information obtained from the county auditor and adequate consideration of historical trends.
- **Transfers and Advances:** In FY 2002-03 the District made significant transfers to both the food service and athletics funds. The District has taken several actions to eliminate the need for these transfers in FY 2003-04 and beyond. These actions included raising lunch prices and adjusting the work schedules of maintenance personnel to eliminate overtime pay for weekend sporting events.

Recommendations

Financial Forecast

R2.1 SLSD should prepare a financial forecast that adheres to the guidelines and format set forth by the Ohio Department of Education (ODE). In addition, the superintendent, treasurer, and representatives from the Board should seek formal training from ODE to ensure reviewers have appropriate knowledge of forecast requirements in an effort to assess the reasonableness of the forecast and to help detect errors.

The forecast SLSD submitted to ODE in December 2003 does not conform to the five year forecast guidelines established by ODE. In addition, the forecast was not submitted in the format ODE designated in the FY 2003-04 EMIS guide. A review of the five year forecast revealed the District's forecast includes funds which it should not. According to ODE's Center for School Finance and Accountability, the five year forecast should include the following funds:

- General Fund (001);
- DPIA Fund (447);
- Emergency Levy Fund (016);
- Debt Service Fund (002) payments paid from money that otherwise would have gone to the general fund; and
- Any other money that was diverted from the General Fund or designated by the Auditor of State.

The treasurer (who has since accepted a position with another District) created the forecast presented in **Table 2-4** and indicated that it reflects historical and projected financial activity for the following funds (fund number):

- General Fund (001);
- Disadvantaged Pupil Impact Aid Fund (447); and
- Permanent Improvement Fund (003).

As shown above, SLSD should not include its Permanent Improvement Fund in its five-year forecast. This appears to be a result of some confusion on the part of the treasurer. As stated by ODE, the forecast should include "those funds that may impact the General Fund balance". While the Permanent Improvement Fund has received transfers from the General Fund in the past, the effect these transactions have on the General Fund balance is shown in the other financing sources and debt service line items on the forecast. This

inflated these line items in the forecast by \$18 million in FY 2001-02 and by \$2 million in FY 2002-03 and FY 2003-04. It is not necessary to include the activity for the entire Permanent Improvement Fund. While this fund does contain significant debt payments, the debt is not paid from funds which would have otherwise come from general operations.

As a result, an incorrect forecast was approved by the Board of Education prior to its submission to ODE. In order to ensure that future forecasts are prepared properly and consistent with the requirements of ODE, the treasurer, superintendent, and at least one representative from the Board of Education should seek training on five-year forecasts from either ODE or an ODE approved organization, such as the Ohio Association of School Board Officials. This training will help to ensure that reviewers have appropriate knowledge of forecast requirements and can detect errors should they occur again.

R2.2 SLSD should create specific policies and procedures to ensure reliability and consistency in the development and review of the five-year forecast. These policies and procedures should address key forecast factors, including parties responsible for information, periods covered, the development process, assumption development and evaluation, support for assumptions, presentation, and outside consultation. Prior to approval, the superintendent and Board should thoroughly review the forecast for adherence to these policies and amend the forecast as necessary before formal submission to ODE.

The District does not have formal policies or procedures pertaining to the development and review of the five-year forecast. The treasurer is responsible for preparing the five-year forecast, which is then reviewed by the superintendent. After the superintendent reviews the forecast it is submitted to the board for approval, followed by submission to ODE. However, the treasurer is not required to submit supporting documentation or provide a comprehensive explanation of the forecast assumptions, and the review of the forecast by the superintendent and Board appears to be insufficient.

The American Institute of Public Accountants (AICPA) *Guide for Prospective Financial Information* identifies best practices for reviewing financial forecast information. These practices are listed and explained below:

- **Responsible party's experience:** An analysis of prior forecasts developed by the preparer compared to actual results may indicate the effectiveness of the process used by the preparer. The responsible party's experience is not necessarily indicative of the reliability of the forecast but it may help to identify areas where the preparer can improve. Gaining an understanding of significant variances will help in the development of future forecasts.

- ***Prospective period covered:*** The extent to which historical results are used to develop the forecast should be considered in relation to the length of the forecast period. When historical trends are used to forecast line-items, it must be determined if an adequate amount of historical data was used.
- ***Development process:*** Inquiry, observation, review of manuals, memoranda, instructions, examination of analysis models or statistical techniques, and review of documentation should be assessed to obtain a complete and comprehensive understanding of how the forecast was developed.
- ***Procedures to evaluate assumptions:*** Perform those procedures deemed necessary to determine whether the assumptions provide a reasonable basis for the forecast. These procedures can be as simple or complex as deemed necessary.
- ***Development of Assumptions:*** Using knowledge of operations and the economic environment, it should be determined whether assumptions have been developed for all key factors on which the District's financial results appear to depend.
- ***Support for Assumptions:*** Once all key factors have been identified and assumptions have been developed for each key factor, support for the assumptions should be formally documented. Documentation should be submitted to reviewers with the forecast so both can be properly evaluated.
- ***Presentation:*** In evaluating preparation and presentation of the financial forecast, procedures should be performed which will provide reasonable assurance that the presentation reflects the identified assumptions, computations are mathematically accurate, assumptions are internally consistent, and accounting principles are consistent with those used for historical data.
- ***Using the work of a specialist/consultant:*** Areas in which the forecast may be enhanced by input from outside sources should be identified and consultants or specialists used when necessary.

By establishing formal policies and procedures for reviewing the five-year forecast, the District can improve their reliability. As detailed in **R2.1** and **R2.4** the District's current methods of preparing and reviewing the five-year forecast have resulted in a forecast which does not conform to ODE requirements and is not based on the best possible assumptions. By using individuals who are properly trained (as recommended in **R2.1**) to thoroughly review the forecast, the District will be able to eliminate these problems and create a more reliable five-year forecast.

R2.3 In response to the District’s current financial situation, the Board should require the treasurer to submit forecasts which illustrate various “what if” scenarios the District may encounter. The treasurer should identify revenue assumptions which are highly sensitive and modify these assumptions to present forecasts which show the best-case, worst-case, and most likely conditions the District will face during the forecast period. Developing multiple forecasts based on best, worst and most likely case scenarios will improve the District’s planning functions, responsiveness, and level of consideration when making long-term decisions.

SLSD’s five-year forecast includes several items, such as tangible property taxes and state foundation revenue, which have displayed a history of high variability and can be particularly sensitive to factors outside the District’s control. However, SLSD’s five-year forecast does not specifically identify assumptions which have a relatively high probability of deviation.

According to the American Institute of Public Accountants *Guide for Prospective Financial Information*, the presentation of a financial forecast should indicate which assumptions disclosed appeared to be particularly sensitive at the time of preparation. Particularly sensitive assumptions are those which would significantly impact the financial forecast from either a high probability of a sizable variation or the probability that a small variation can have a significant impact. When these assumptions exist, forecasts may be supplemented by financial projections that indicate differences in results of operations and the resulting financial position. These projections should be considered in conjunction with a primary forecast that displays conditions expected to materialize based on the best information available.

Ohio Revised Code §5705.391(B) states that school districts are required to prepare a five-year forecast as part of their spending plans. The treasurer is required to update the spending plan with ODE if the actual revenue or expenditures deviate from the projections by 5 percent or more. In FY 2000-01 and FY 2001-02 financial audits, the District was cited for not updating the spending plan despite deviations in excess of the 5 percent standard. The board is permitted, and should request, additional and/or updated forecasts for internal review in order to monitor and update the District’s spending plans. SLSD does not require its treasurer to do so.

In light of the District’s current financial situation, the Board could benefit from having projections which identify sensitive assumptions and weigh their financial effects. Rather than develop additional projections for each assumption identified as particularly sensitive, the Treasurer should present these projections in the form of forecasts which show “best-case” and “worst-case” scenarios. This will give the Board of Education and Superintendent the opportunity to review potential changes proactively and on a

cumulative basis, thereby enhancing the District's planning function and allowing for appropriate caution when making long-term decisions.

R2.4 In an effort to increase the reliability of financial decision-making information, the treasurer should seek to improve the assumptions presented in the five-year forecast. The treasurer should obtain and use the most comprehensive and complete information available to revise the forecast assumptions in the areas of tangible personal property tax, unrestricted grants-in-aid, other operating revenue, and salaries and fringe benefits. For the line items of purchased services, supplies and materials, and capital outlay, the District should provide quantitative justifications for its forecasted expenditure reductions. (See also R2.10)

Several significant components of SLSDs five-year forecasts were not based on well substantiated assumptions. Each of these assumptions is examined individually below:

- **Tangible property taxes:** The former treasurer's assumption of tangible property tax revenues does not provide any detail concerning how the assumption was developed. In addition, the treasurer predicted revenue levels for FY 2004-05 through FY 2007-08 at \$500,000, well below the three-year historical average of \$865,000, without disclosing his reasoning for the conservative projections.
- **Unrestricted Grants-in-Aid:** The treasurer assumed that revenues will remain constant due to the current State foundation funding formula and the District's projected enrollment trend. While this prediction holds true for enrollment, the assumption does not adequately represent the State funding formula. The State Foundation formula currently allocates per student base funding increases of 2.2 percent per year. Also, the District has not properly accounted for scheduled increases in State Parity Aid. The District received approximately \$109,000 in Parity Aid for FY 2002-03 and Parity Aid is scheduled to increase at a rate of 18 percent per year in FY 2003-04 and FY 2004-05 and 24 percent in FY 2005-06. After 2005-06, Parity Aid is scheduled to be fully funded and revenues will no longer increase. Based on projections from ODE, unrestricted grants-in-aid, including Parity Aid, are understated by approximately \$79,000 in FY 2003-04 and \$193,000 in FY 2004-05. ODE does not provide projections beyond the first two years of the forecast; however, a revised forecast developed by AOS is compared to the District's forecast in **Table 2-5** (see **R2.10**).
- **Other revenues:** In his assumption, the treasurer detailed only one event that explains historical revenues in FY 2001-02 and listed another event which is unrelated to the funds in the forecast. The treasurer provided no other reasonable assumptions for the forecasted amounts.

- **Personal Services (salaries and wages):** The treasurer has not forecasted salaries with the precision allowable based on the available information. The assumption states that the forecast is based on the District's negotiated agreements; however this does not appear to be the case. The treasurer has forecasted no increase to this line item from FY 2003-04 to FY 2004-05 and only a \$200,000 increase per year for FY 2005-06 through FY 2007-08. Based on the negotiated agreements, a significant number of employees will receive salary increases in FY 2004-05.
- **Fringe Benefits:** Retirement benefits comprise a significant amount of the District's fringe benefits forecast. Since retirement benefits have a direct correlation to salaries and wages, the forecast for fringe benefits is in error based on the issues described in personal services.
- **Purchased Services, Supplies and Materials, and Capital Outlay:** The forecast assumptions do not present a clear representation of how the forecast was developed. The assumptions indicate that increases are based on historical trends; however, no reasonable trends could be identified. The forecast assumptions indicate that the District expects to reduce expenditures within these line items due to financial hardship and changes in operations, but the expected cost reductions are not quantified in the forecast notes.

Best practices in financial forecasting found in the AICPA Guide for Prospective Financial Information details several practices which the District should apply to the five-year forecast assumptions. These practices are detailed below:

- Forecasts should be based only on information which is reasonably available at the time the forecast is prepared.
- Forecasts should use an appropriate level of detail. The use of more detail may improve the reliability of financial forecast.
- Assumptions should be reasonable and suitably supported. Support should be persuasive, although there are times when a range of different assumptions may appear equally likely.
- It is necessary to identify explicitly the information that forms the basis for significant assumptions. Documentation should record underlying assumptions as well as summarize supporting evidence. Documentation should provide the ability to trace forecasted results back to the support for underlying assumptions.

The previously noted expenditure assumptions do not meet these recommended practices.

For example, the treasurer stated that the forecast for salaries and wages (as shown in **Table 2-4**) was developed with a high degree of uncertainty after significant staffing cuts were made in November 2003. However, the treasurer should have used the personnel information available to him, such as a revised roster of employees, their salaries, and future and historical negotiated salary increases, to develop salary and wage assumptions. This information is complete and thorough enough to create a precise forecast (a revised forecast of personnel service and fringe benefits is shown in **Table 2-6**). In other cases, such as tangible personal property taxes and other revenue sources, the treasurer has made arbitrary assumptions or calculations which are not substantiated in the forecast notes. For the purchased services, supplies and materials, and capital outlay line items the treasurer's assumptions simply do not provide an adequate level of supporting detail. Assumptions are incomplete and do not provide the reader with an understanding of the rationale behind them. In addition, the assumptions include contradictory information. For example, they state that forecasts are based on historical trends, but proceed to discuss budget reductions specific to the District's current financial situation.

Proper disclosure of significant assumptions is essential to the reader's understanding of the financial forecast. Improving the basis, rationale, and supporting level of detail for forecast assumptions will assist the Board in understanding the financial forecast presentation and allow them to make informed judgments about it.

Financial Management

R2.5 In an effort to improve internal controls and budgetary compliance issues, the Board of Education should develop and implement policies and procedures to ensure the Board's audit committee addresses the issues identified in financial audits and ensure that they are promptly and effectively resolved.

SLSD has not demonstrated initiative in remedying reoccurring budgetary noncompliance citations. The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission) has stated that audit committees can serve as "informed, vigilant, and effective overseers of the financial reporting process and internal controls." The primary functions of the Board's audit committee are to monitor and review the District's accounting and financial reporting practices, serve as a liaison between the Board and its auditors; and ensure that internal control and compliance issues identified in the audit are promptly and effectively resolved. However, it appears that the audit committee has not acted to rectify management letter comments disclosed in SLSD's annual financial audits.

The District's financial audits for the last four years, show the progression of material instances of budgetary noncompliance. These issues were required to be reported under Government Auditing Standards and may have contributed to the District falling into

fiscal caution. Listed below are several major citations that were not corrected in a timely manner, if at all.

Schedule of Findings – June 30, 1999

- ORC § 5705.41 – Failure to certify the availability of resources prior to the obligation, 24 percent of the expenditures tested were not properly certified.

In addition, the management letter issued to SLSD included the recommendation to establish an audit committee.

Schedule of Findings – June 30, 2000

- ORC § 5705.39 - Total appropriations exceeded the total estimated resources for several funds; \$215,451 in the general fund, \$68,901 in the permanent improvement fund and \$110,812 in the Title I fund.

In addition, SLSD’s management letter once again included the recommendation to establish an audit committee.

Schedule of Findings – June 30, 2001

- ORC § 5705.36 - Failure to certify the total amount available for expenditures; ORC § 5705.38 - Failure to pass any appropriation measures; and subsequently ORC § 5705.39 - Failed to obtain the certificate from the county auditor that total appropriations did not exceed the total estimated revenue.

In addition, this citation also noted that “not following the budgetary process and not monitoring budgetary information could result in a deficit condition occurring and not being detected in a timely manner. This could impact the future operations and the overall educational environment of the District.”

- ORC § 5705.391(B) - Failure to update the District’s five-year forecast when actual revenue or expenditures deviated from projections by five percent or more (actual expenditures exceeded estimated expenditures by 7.7 percent); failure to establish textbook and instructional materials reserves in the amount of \$70,229 and \$283,055 respectively; FY 1999-00 beginning and ending cash balances were overstated by \$73,378 and \$92,183 respectively.
- ORC § 3315.17(A) - Failure to establish textbook and instructional materials reserves, the General Fund did not reflect the required set aside of \$283,055 as of June 30, 2001.
- Material Weakness - Failure to reflect required budgetary actions and other pertinent actions taken by the board in minutes.

Once again, SLSD's management letter included the recommendation to establish an audit committee.

Schedule of Findings – June 30, 2002

Note: (*) Denotes citation repeated from the prior financial audits and (+) denotes citations that will be most likely be repeated in the FY 2002-03 financial audit.

- (*) (+) ORC § 5705.36 - Failure to certify the total amount available for expenditures by the required date, i.e. the June 30, 2001 balances were not certified to the County Auditor until May 10, 2002; ORC § 5705.38 - Failure to pass an appropriation measure by the required date, i.e. the permanent appropriations for FY 2001-02 were not passed until January 4, 2002, more than six months beyond the required date; and subsequently, ORC § 5705.39 - Failure to obtain the certificate from the county auditor that total appropriations did not exceed the total estimated revenue, i.e., appropriations exceeded total available resources by significant amounts for many funds and appropriations noted in the budgetary reports did not agree with the appropriations approved by the Board.
- (*) (+) ORC § 5705.391- Failure to update the District's five-year forecast when actual revenue or expenditures deviated from projections by five percent or more, i.e. textbook and instructional materials reserves were not shown in the amount of \$327,611 and FY 2000-01 ending cash balance was overstated by \$155,255. The accumulated effect resulted in a reduction of \$482,866 to the June 30, 2002 unreserved fund balance of \$217,821 for a deficit balance of (\$265,045).
- (*) (+) ORC § 3315.17(A) - Failure to establish textbook and instructional materials reserve in the general fund as of June 30, 2002 in the amount of \$327,611.
- (+) ORC § 5705.41(B) – Expenditures exceeded appropriations for several funds by significant amounts, i.e., general fund \$182,629, bond retirement fund \$1.1 million and permanent improvement fund \$34.2 million.
- (*) (+) Material weakness - Failure to reflect required budgetary actions and other pertinent actions taken by the board in minutes.

In addition, the FY 2002-03 financial audit will note the treasurer transferred \$148,000 from the Permanent Improvement Fund to the General Fund, in violation of ORC § 5705.14, so the General Fund cash balance as of June 30, 2003 will be reduced by \$148,000 increasing the actual deficit to approximately \$1,336,000 at the end of FY 2002-03.

SLSD created an audit committee after the FY 2000-01 financial audit and some improvements have been noted. However, the budgetary noncompliance issues identified in past financial audits have not been resolved. In February 2004, the Board passed a resolution refining the role of the audit committee and creating a financial oversight committee. However, the resolution did not provide any specific recommendations for improving the committees' effectiveness.

Although it is not uncommon for management to accept unsupported explanations of discrepancies by employees, the audit committee can only be effective if it maintains an attitude of professional skepticism. It should require that the treasurer provide evidence to show how audit issues are resolved and documented and, if necessary, any corrective action taken. Each year, the audit committee should present a written report to the full Board and the public detailing how it has met its duties and responsibilities. Ultimately, the audit committee should be used as a tool to increase the integrity of financial reporting and overall accountability.

R2.6 SLSD should avoid borrowing against its future property tax revenue through the use of tax anticipation notes. As an alternative, the District should closely examine the cost savings identified throughout this performance audit to effectively reduce expenditures and gain better control over its finances.

The forecast presented in **Table 2-4** does not identify any plans for the District to use tax anticipation notes to postpone potential deficits. In addition, the District's financial recovery plan does not indicate the use of tax anticipation notes. However, according to the treasurer, the District has made several attempts to issue these notes, but were refused approval by the Budget Commission. The District has issued tax anticipation notes in the past and fully intends to do so in the future, pending approval.

Borrowing against future revenue to pay current operating expenses will result in the District incurring additional interest costs and contribute to future deficits. Since the amount of any tax anticipation note has not been determined, potential interest costs can not be determined at this time. The practice of issuing debt to cover operating expenditures is a poor financial management practice and will further hinder the District's efforts to achieve financial stability.

R2.7 SLSD does not currently have a long-range strategic plan. While the District does have a continuous improvement plan (CIP) to address academic goals, it does not have a centralized plan which links academic goals to its financial condition and other external events that may affect those goals. The District should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program. The strategic

plan should consider the District's current financial issues in the context of its operational goals.

The CIP is an indicator of the District's commitment to improving the quality of the education it provides; however, the plan is limited to educational objectives and does not specify the source of funding needed to meet these goals. The CIP also fails to identify the action steps needed to improve the District's current financial standing and does not provide an overview of community events and actions which may impact the District.

The United States Department of Commerce established the Baldrige National Quality Program to provide a framework for educational institutions to assess performance on a wide range of key indicators. While many of the goals outlined in the Baldrige program may be too ambitious considering the District's limited financial resources, the criteria for strategic planning identified by the Baldrige program can provide a framework for the District to begin to develop a comprehensive strategic plan. The Baldrige program identifies the following key factors on which a strategic plan should collect and identify relevant data and information:

- Student, stakeholder, and market needs, expectations, and opportunities, including student achievement;
- Competitive environment and capabilities relative to competitors and comparable organizations;
- Educational reform, technological innovations, or other key changes that might affect programs, offerings, services, and how you operate;
- Strengths and weaknesses, including faculty and staff and other resources;
- Opportunities to redirect resources to higher priority programs, offerings, services, or areas;
- Capability to assess student learning and development;
- Budgetary, societal, ethical, regulatory, and other potential risks;
- Changes in the local, regional, or national economic environment; and
- Factors unique to the organization, including partners and suppliers needs, strengths, and weakness.

By developing a strategy consistent with the framework established by the Baldrige program the District can formalize its approach to planning for the future. The current academic and financial position of the District requires that resources be used as efficiently and effectively as possible. A strategic plan will help ensure that all of the District's priorities and goals are examined in relationship to its finances and that the appropriate cost trade-offs are considered. A comprehensive strategic plan will also serve to ensure that the Board, superintendent, and residents have a uniform

understanding of the District's priorities and goals, as well as the resources needed and currently available to the District.

Financial Recovery Plan

R2.8 SLSD should develop a financial recovery plan that is specific, practical, and provides detailed actions the District will take to remove itself from fiscal caution status. The financial recovery plan should be developed in accordance with ODE guidelines and periodically reviewed following approval by the State Superintendent of Public Instruction. In addition, SLSD should consider the performance audit recommendations and financial recovery plan outlined in R2.10 to help formulate its financial recovery plan.

On October 6, 2003, ODE placed SLSD in fiscal caution based on its forecasted deficits. The recovery plan submitted by SLSD did not comply with the financial recovery plan guidelines established by ODE, because the District's plans to eliminate forecasted deficits were dependant on levy revenue subject to voter approval.

The Financial Recovery Plan Guidelines from ODE state that "The plan may include a revenue enhancing strategy but must include an expenditure reduction plan sufficient to offset any deficit in the event that the revenue enhancing strategy is not completely successful." In other words, if a new levy is included in the recovery plan, the District must submit an alternate recovery plan which does not include new levy revenue. SLSD did not comply with this guideline; the financial recovery plan included revenue from an income tax and showed deficit ending balances.

According to ODE, the recovery plan should address the following areas:

- General strategy and timeline for addressing the financial crisis;
- Building closures;
- Program consolidations;
- Administrative realignment or other reorganizations;
- Central staff reductions;
- Building administrative staff reductions;
- Support staff reductions;
- Teaching staff reductions;
- Non-staff expenditure reductions;
- Plans for short term borrowing;
- Plans for enhancing revenue;
- Policies for sound accounting procedures; and
- Policies for controlling district-wide purchasing.

According to the former treasurer, the District's recovery plan was dependant on the results of the most recent levy initiative. In March of 2004 the District passed a new 1.25 percent income tax levy. Despite passing this levy, the District is still not forecasting a full financial recovery. In order to achieve full recovery, the District feels it will also need to pass a renewal of its three-year emergency levy and make additional reductions in expenditures.

By creating a financial recovery plan which recognizes the effects of the recently passed income tax levy and is not dependant on additional levy revenue, the District can begin to adequately assess changes which are needed in the future and clearly convey these changes to the public. By presenting a financial recovery plan approved by the state superintendent, the public will have a better understanding of any changes to the service level that the District currently provides its students. If these service levels are not acceptable to the public, then a clear financial recovery plan will also provide a better opportunity for taxpayers to evaluate any future levy requests made by the District.

R2.9 In developing its financial recovery plan, SLSD should adjust several assumptions to more accurately reflect likely future trends. In considering adjustments to forecasted line items, SLSD should include tangible property taxes, income taxes, unrestricted grants-in-aid, personal services, fringe benefits, and outstanding encumbrances.

SLSD's assumptions in several areas were evaluated as weak and in need of revision. The District assumptions and the revisions are detailed below and shown in **Table 2-5**.

- **Tangible Property Taxes** should be revised to accurately reflect the relationship between these revenues and the tax assessment valuations within the school District. Over the past three years tangible property tax revenues have been between 2.5 and 3.5 percent of the total assessed valuation. The District should attempt to forecast property valuation within the District and estimate revenues at 3.0 percent of the forecasted valuations. The forecast presented in Table 2-5 is based on the assumption that the valuation of public utility property will decrease by 18 percent per year and general personal property will decrease at a rate of 3 percent per year.
- **Income Taxes** should be revised to include the 1.25 percent income tax levy which was passed on March 2, 2004. In the previous forecast, this revenue was presented in the new levies line item. The District forecast should also reduce the new levies line item in conjunction with this change.
- **Unrestricted Grants-in-Aid** should be revised to include an increase of 2.2 percent per year in basic foundation aid as well as appropriate increases for Parity Aid.

SLSD should use ODE simulations for FYs 2003-04 and 2004-05, thereby increasing amounts in these years. The remaining forecast years should be calculated based on ODE's forecast simulation. In the adjustments shown in **Table 2-5**, ADM was assumed to be constant throughout the forecast period.

- **Personal Services (salaries and wages):** The treasurer has not forecasted salaries with the highest precision allowable based on the available information. The assumption states that the forecast is based on the District's negotiated agreements; however, this does not appear to be the case. The treasurer has forecasted no increase to this line item from FY 2003-04 to FY 2004-05 and only a \$200,000 increase per year for FY 2005-06 through FY 2007-08. Based on the negotiated agreements, a significant number of employees will receive salary increases in each year of the forecast due to experience increases. In addition, the forecast does not sufficiently account for staffing reductions made in FY 2003-04. The District did not receive the full financial benefit of many of these reductions in FY 2003-04 since the reductions were made after the school year was approximately 30 percent complete. While the treasurer did prorate savings for FY 2003-04, the additional savings were not recognized in FY 2004-05.
- **Fringe Benefits** should be forecasted using a blend of health insurance cost increases and retirement payment cost increases. By nature, retirement benefits hold a direct correlation to salary expenditures. Over the past three years, retirement benefits have been equal to 15 to 16 percent of salaries. This relationship should be reflected in the forecast. In addition, health insurance costs are predicted to increase at a rate of 15-20 percent annually and these costs comprise the largest portion of fringe benefits costs, assuming a rate of increase of 4-5 percent is unrealistic. Instead fringe benefits should be forecasted to increase at a known rate provided by the District's insurer. If this information is unavailable the District should forecast based on historical trends or the most recent statewide average as presented in the State Employee Relations Board's Annual Report on the Cost of Health Insurance in Ohio's Public Sector. **Table 2-5** forecasts fringe benefits costs to increase approximately 18 percent, the average reflected in the SERB report and projected salary increases.
- **Outstanding encumbrances** should be shown in the District's forecast. The District's outstanding encumbrances have been relatively consistent in the past three years, therefore a three year average is reflected in each year of the five year forecast.

Table 2-5 shows the original forecast amounts in these line items, the adjusted amounts, and the effect on the ending fund balance.

Table 2-5: Forecast Adjustments (in 000's)

Original Forecast					
	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08
Tangible Personal Property Tax	\$760	\$500	\$500	\$500	\$500
Unrestricted Grants-in-Aid	\$4,046	\$3,835	\$3,900	\$3,900	\$3,900
Total Operating Revenues	\$9,673	\$8,780	\$8,432	\$8,432	\$8,432
Salaries & Wages	\$6,250	\$6,250	\$6,450	\$6,650	\$6,850
Fringe Benefits	\$1,900	\$2,050	\$2,200	\$2,350	\$2,500
Total Operating Expenditures	\$11,819	\$10,049	\$10,474	\$10,910	\$11,348
Net Financing	\$2,060	\$10	\$10	\$10	\$10
Outstanding Encumbrances	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	(\$1,186)	(\$2,445)	(\$4,477)	(\$6,945)	(\$9,851)
Adjusted Forecast					
Income Tax	\$0	\$132	\$1,666	\$2,612	\$2,606
Tangible Personal Property Tax	\$760	\$592	\$550	\$513	\$480
Unrestricted Grants-in-Aid	\$4,737	\$4,805	\$4,950	\$5,054	\$5,160
Total Operating Revenues	\$10,365	\$9,975	\$11,198	\$12,211	\$12,279
Salaries & Wages	\$6,393	\$6,203	\$6,575	\$6,969	\$7,387
Fringe Benefits	\$1,977	\$1,911	\$2,107	\$2,334	\$2,595
Total Operating Expenditures¹	\$12,035	\$9,669	\$10,128	\$10,676	\$11,333
Net Financing	\$2,060	\$10	\$10	\$10	\$10
Outstanding Encumbrances	\$99	\$99	\$99	\$99	\$99
Ending Fund Balance	(\$977)	(\$494)	\$586	\$2,131	\$3,086
Unreserved Fund Balance²	\$0	\$126	\$2,446	\$5,231	\$7,426

Note: Totals may vary slightly due to rounding

¹Includes performance audit recommendations and implementation costs

²Includes performance audit recommendations, implementation cost, and renewal/replacement levies

R2.10 SLSD should analyze and use the proposed financial forecast outlined in Table 2-6 to evaluate the recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition. SLSD should also consider implementing the recommendations in this performance audit to improve its current and future financial situation. In addition, the District should update its forecast on an ongoing basis as critical financial issues are addressed.

Table 2-6 demonstrates the effect of the recommendations in this report and includes both the beginning fund balance for each year and the adjusted fund balance reflecting the effect of the recommendations.

Table 2-6: Revised Financial Forecast with Adjustments (in 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	\$4,083	\$4,676	\$3,965	\$3,985	\$3,573	\$3,160	\$3,160	\$3,160
Tangible Personal Property Tax- Adjusted	\$980	\$1,040	\$577	\$760	\$592	\$550	\$513	\$480
Income Tax				\$0	\$132	\$1,666	\$2,612	\$2,606
Unrestricted Grants-in-Aid- Adjusted	\$4,206	\$4,488	\$4,535	\$4,737	\$4,805	\$4,950	\$5,054	\$5,160
Restricted Grants-in-Aid	\$12	\$12	\$22	\$12	\$12	\$12	\$12	\$12
Property Tax Allocation	\$540	\$542	\$487	\$480	\$480	\$480	\$480	\$480
Other Revenues	\$435	\$753	\$479	\$390	\$380	\$380	\$380	\$380
Total Operating Revenues	\$10,256	\$11,511	\$10,065	\$10,364	\$9,974	\$11,198	\$12,211	\$12,278
Salaries & Wages- Adjusted	\$6,684	\$6,880	\$7,086	\$6,393	\$6,203	\$6,575	\$6,969	\$7,387
Fringe Benefits- Adjusted	\$1,934	\$1,952	\$2,241	\$1,977	\$1,911	\$2,107	\$2,334	\$2,595
Purchased Services	\$1,466	\$1,321	\$1,439	\$1,000	\$1,100	\$1,150	\$1,210	\$1,271
Supplies, Materials & Textbooks	\$472	\$524	\$434	\$350	\$368	\$386	\$405	\$425
Capital Outlay	\$141	\$170	\$184	\$125	\$131	\$138	\$145	\$152
Debt Service	\$0	\$19,308	\$2,059	\$2,044	\$0	\$0	\$0	\$0
Other Expenditures	\$122	\$219	\$162	\$150	\$150	\$150	\$150	\$150
Performance Recommendations	\$0	\$0	\$0	\$5	\$265	\$409	\$568	\$678
Implementation Costs	\$0	\$0	\$0	\$1	\$71	\$31	\$31	\$31
Total Operating Expenditures	\$10,819	\$30,374	\$13,605	\$12,035	\$9,669	\$10,128	\$10,676	\$11,333
Net Transfers/ Advances	(\$34)	\$18,532	\$2,140	\$2,050	\$0	\$0	\$0	\$0
Other Financing	\$27	\$4	\$36	\$10	\$10	\$10	\$10	\$10
Net Financing	(\$7)	\$18,536	\$2,176	\$2,060	\$10	\$10	\$10	\$10
Result of Operations (Net)	(\$570)	(\$327)	(\$1,364)	\$389	\$315	\$1,080	\$1,545	\$955
Beginning Cash Balance	\$1,162	\$592	\$265	(\$1,099)	(\$710)	(\$395)	\$685	\$2,230
Ending Cash Balance	\$592	\$265	(\$1,099)	(\$710)	(\$395)	\$685	\$2,230	\$3,185
Outstanding Encumbrances	\$92	\$115	\$89	\$99	\$99	\$99	\$99	\$99
Total Reservations	\$73	\$74	\$0	\$168	\$0	\$0	\$0	\$0
Ending Fund Balance	\$427	\$76	(\$1,188)	(\$977)	(\$494)	\$586	\$2,131	\$3,086
Renewal/Replacement Levies					\$620	\$1,240	\$1,240	\$1,240
Cumulative Balance of Renewal/Replacement					\$620	\$1,860	\$3,100	\$4,340
Unreserved Fund Balance					\$126	\$2,446	\$5,231	\$7,426

Source: Treasurers Office and AOS Recommendations

Note: Totals may vary slightly due to rounding

It should be noted that **Table 2-5** reflects the expected set-aside reserve for FY 2003-04 as estimated in the FY 2002-03 financial audit. The financial audit is currently ongoing, therefore the reserve amount shown in the forecast should be considered strictly an estimate until the FY 2002-03 financial audit is completed.

Table 2-7 details those performance audit recommendations reflected in the forecast in **Table 2-6**. Furthermore, the recommendations are divided into categories requiring negotiation and those which do not require negotiation.

Table 2-7: Summary of Performance Audit Recommendations

Recommendation	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R3.3 Eliminate position of printer	\$0	\$16,200	\$17,100	\$18,200	\$19,200
R4.2 Implement an energy management program	\$0	\$61,600	\$61,600	\$61,600	\$61,600
R5.2 Increase reimbursements for special education	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
R5.4 Negotiate transportation contract with Anthony Wayne	\$0	\$38,000	\$38,000	\$38,000	\$38,000
R5.9 Purchase fuel through DAS	\$0	\$16,000	\$16,000	\$16,000	\$16,000
R5.9 Recoup state fuel tax	\$600	\$0	\$0	\$0	\$0
Total Recommendations Not Subject to Negotiation	\$4,600	\$135,800	\$136,700	\$137,800	\$138,800
R3.4 Limit salary increases	\$0	\$0	\$124,100	\$260,500	\$343,200
R3.5 Reduce key health benefits	\$0	\$11,000	\$13,000	\$15,300	\$18,000
R3.6 Require 10% employee share of premiums	\$0	\$80,200	\$94,700	\$111,700	\$131,800
R5.6 Reduce hours of bus drivers	\$0	\$37,800	\$40,000	\$42,400	\$45,000
Total Recommendations Subject to Negotiation	\$0	\$129,000	\$271,800	\$429,900	\$538,000
Total Recommendations Included in Forecast	\$4,600	\$264,800	\$408,500	\$567,700	\$676,800

Source: AOS Recommendations

Note: Where applicable financial implications have been adjusted for compounding factors over time.

Table 2-8 summarizes the implementation costs associated with various recommendations contained within the performance audit. Each cost is dependent on SLSD's decision to implement the associated recommendation and the timing of that implementation.

Table 2-8: Implementation Costs

Recommendation and Implementation Cost	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R4.3 Purchase CMMS software	\$950	\$950	\$950	\$950	\$950
R5.9 Purchase Fuel Tank	\$0	\$40,000	\$0	\$0	\$0
R5.11 Implement Bus Replacement Plan	\$0	\$30,000	\$30,000	\$30,000	\$30,000
Total Recommendation Implementation Cost	\$950	\$70,950	\$30,950	\$30,950	\$30,950

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Human Resources

Background

This section of the report focuses on human resource functions within Swanton Local School District (SLSD or the District). Best practice data from the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), and peer school districts was used for comparisons throughout this section.

SLSD does not have a separate department dedicated to performing human resources functions. The primary responsibilities are completed by the superintendent, school principals, and the treasurer. The superintendent coordinates activities and programs used to recruit and select employees, and monitors compliance with minimum employment standards. The principals conduct interviews, complete evaluations, and address performance issues for staff in their buildings. The Treasurer's Office processes payroll and manages employee benefits. The Treasurer's Office also completes Educational Management Information System (EMIS) staffing reports.

Staffing

During FY 2002-03, SLSD employed approximately 170 full-time equivalent staff (FTEs). However, through attrition, reductions in force, and reductions in hours, SLSD reduced its staffing levels to approximately 134 FTEs by the beginning of 2004. During the school year, as staff resigned or retired, vacancies were not filled. After the school year ended, two teachers, one secretary, one part-time food service worker and four bus driver positions were eliminated. During FY 2003-04, SLSD implemented further staff reductions through a reduction in force (RIF) of 19 regular teachers and reduction in hours for 3 other teachers. SLSD also eliminated a guidance counselor, psychologist, and custodian. The effective date for the RIF was November 11, 2003. In addition, workday hours were reduced for office/clerical and technology staff, and salaries for administrative and supervisory staff were frozen. SLSD continues to not fill vacancies that occur through retirement or resignation.

Table 3-1 illustrates the actual full-time equivalent (FTE) staffing levels at SLSD and the peer districts during FY 2002-03 as reported to ODE through the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based on interviews with the districts' personnel. FTEs were calculated for staff based on an 8 hour working day. SLSD staffing levels as of November 2003 are also shown to illustrate the effect of the RIF.

Table 3-1: FTE Staffing Levels¹

Category	SLSD	SLSD After RIF	AALSD	OGLSD	PDYLSLSD	Peer Average ²
Administrators: Subtotal	8	8	5	10	12.00	9.00
Central Based Administrators	2.00	2.00	2.00	3.00	3.00	2.67
Site Based Administrators	6.00	6.00	3.00	7.00	9.00	6.33
Professional Education: Subtotal	106.25	79.92	94.91	106.51	98.41	99.94
Curriculum Specialists	0.00	0.00	1.00	0.00	0.00	1.00
Counseling	4.00	2.00	4.00	3.00	4.00	3.67
Librarian / Media	2.00	1.00	1.00	1.00	1.00	1.00
Remedial Specialists	2.00	1.00	0.00	4.00	0.00	4.00
Regular Education Teachers	82.25	61.42	67.13	77.99	76.17	73.76
Special Education Teachers	10.00	9.00	5.00	10.00	6.00	7.00
Vocational Education Teachers	1.00	0.00	3.00	1.00	3.00	2.33
Tutor / Small Group Instructor	0.00	0.00	0.78	1.00	0.00	0.89
Educational Service Personnel	5.00	5.50	12.00	8.52	8.24	9.59
Other Professional	0.00	0.00	1.00	0.00	0.00	1.00
Professional - Other	3.00	2.00	1.54	2.50	3.63	2.56
Technical: Subtotal	3.75	2.88	3.50	1.00	2.00	2.17
Computer Operator	1.00	0.50	0.00	0.00	0.00	0.00
Printer	0.75	0.38	0.00	0.00	0.00	0.00
Library Aide	2.00	2.00	2.50	0.00	2.00	2.25
Other Technical	0.00	0.00	1.00	1.00	0.00	1.00
Office / Clerical: Subtotal	15.32	12.94	8.75	18.17	18.50	15.14
Bookkeeping	2.00	1.50	0.00	0.00	1.00	1.00
Clerical	7.38	6.25	8.75	5.88	9.72	8.12
Records Managing	0.63	0.63	0.00	0.30	0.00	0.30
Teaching Aide	4.81	4.06	0.00	11.99	7.78	9.88
Other Office / Clerical	0.50	0.50	0.00	0.00	0.00	0.00
Crafts / Trades	1.00	1.00	0.00	0.00	2.00	2.00
Transportation	10.77	8.18	6.02	8.52	11.05	8.53
Custodial	12.00	11.00	11.00	10.75	9.50	10.42
Food Service	9.38	7.56	8.38	9.50	7.69	8.52
Monitoring	0.00	0.00	2.84	0.00	0.00	2.84
Grounds Keeping	0.00	0.00	0.00	0.00	1.00	1.00
Other Service Worker / Laborer	0.00	0.00	0.00	0.00	1.93	1.93
Total Adjusted FTEs	169.46	133.49	141.94	166.95	167.70	164.04

Source: FY 2002-03 EMIS Staff Summary Report, School Enrollment Report, and Staff Demographic Report from SLSD and the peer districts. Staffing data for SLSD as of November 2003 was taken from information provided by the treasurer on the RIF.

¹Figures are rounded and may differ slightly from summation totals.

²In cases where all peers do not employ individuals in a specific classification, the peer average is calculated using only the districts who count employees within that classification.

The staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 average daily membership (ADM) at SLSD and the peer districts for FY 2002-03 and SLSD as of November 2003. ADM represents the enrollment count for the first full week of October.

Table 3-2: FTE Staffing Levels Per 1,000 ADM¹

Category	SLSD	SLSD After RIF	AALSD	OGLSD	PDYLSLSD	Peer Average ²
ADM	1,535	1,512	1,439	1,599	1,596	1545
Administrators: Subtotal	5.21	5.29	3.47	6.25	7.52	5.75
Central Based Administrators	1.30	1.32	1.39	1.88	1.88	1.72
Site Based Administrators	3.91	3.97	2.08	4.38	5.64	4.03
Professional Education: Subtotal	69.22	52.80	65.96	66.61	61.66	64.74
Curriculum Specialists	0.00	0.00	0.69	0.00	0.00	0.69
Counseling	2.61	1.32	2.78	1.88	2.51	2.39
Librarian / Media	1.30	0.66	0.69	0.63	0.63	0.65
Remedial Specialists	1.30	0.66	0.00	2.50	0.00	2.50
Regular Education Teachers	53.58	40.62	46.65	48.77	47.73	47.72
Special Education Teachers	6.51	5.95	3.47	6.25	3.76	4.50
Vocational Education Teachers	0.65	0.00	2.08	0.63	1.88	1.53
Tutor / Small Group Instructor	0.00	0.00	0.54	0.63	0.00	0.58
Educational Service Personnel	3.26	3.58	8.34	5.33	5.16	6.28
Other Professional	0.00	0.00	0.69	0.00	0.00	0.69
Professional - Other	1.95	1.32	4.54	1.56	2.27	1.63
Technical: Subtotal	2.44	1.90	2.43	0.63	1.25	1.44
Computer Operator	0.65	0.33	0.00	0.00	0.00	0.00
Printer	0.49	0.25	0.00	0.00	0.00	0.00
Library Aide	1.30	1.32	1.74	0.00	1.25	1.50
Other Technical	0.00	0.00	0.69	0.63	0.00	0.66
Office / Clerical: Subtotal	9.98	8.56	6.08	11.36	11.59	9.68
Bookkeeping	1.30	0.99	0.00	0.00	0.63	0.63
Clerical	4.80	4.13	6.08	3.67	6.09	5.28
Records Managing	0.41	0.42	0.00	0.19	0.00	0.19
Teaching Aide	3.14	2.69	0.00	7.50	4.87	6.18
Other Office / Clerical	0.33	0.33	0.00	0.00	0.00	0.00
Crafts / Trades	0.65	0.66	0.00	0.00	1.25	1.25
Transportation	7.02	5.41	4.18	5.33	6.92	5.48
Custodial	7.82	7.28	7.64	6.72	5.95	6.77
Food Service	6.11	5.00	5.82	5.94	4.82	5.53
Monitoring	0.00	0.00	1.98	0.00	0.00	1.98
Grounds Keeping	0.00	0.00	0.00	0.00	0.63	0.63
Other Service Worker / Laborer	0.00	0.00	0.00	0.00	1.21	1.21
Total FTEs	110.40	88.29	102.11	104.41	105.07	106.09

Source: FY 2002-03 EMIS Staff Summary Report from SLSD and the peer districts.

¹Figures are rounded and may differ slightly from summation totals.

² In cases where all peers do not employ individuals in a specific classification, the peer average is calculated using only the districts who count employees within that classification.

As Illustrated in **Table 3-2**, prior to the staffing reductions SLSD had a higher FTE per 1,000 ADM staffing allocation as compared to the peers in the following classifications:

- Counseling;
- Librarian/Media;
- Regular education teachers;
- Special education teachers;
- Professional-other;
- Computer Operator;
- Printer;
- Bookkeeping;
- Record Managing;
- Other Office/Clerical;
- Transportation;
- Custodial; and
- Food Service.

However, after the staff reductions SLSD is 17 percent below the peer average in total staff per 1,000 ADM. SLSD is now also below the peer average in a number of areas that were identified as high staffing areas prior to the RIF. The categories in which SLSD remains significantly higher than the peer average are addressed below.

- *Technology*: SLSD was the only district to code its technology coordinator as a computer operator; however, all of the peers have a technology coordinator position on staff. If all of the technology coordinators were included in this category, the peer average would be 3.2 and SLSD would be below the adjusted peer average. SLSD is the only district to have a printer (see **R3.3**)
- *Regular Education Teachers*: The staffing level of regular education teachers was analyzed during this performance audit. Prior to the staffing reductions, SLSD had a lower student to teacher ratio indicating that it employed more teachers per student than the peer districts. After reducing 20.83 (FTE) regular education positions, the District's student to teacher ratio became 25 to 1 with the peer average being 21 to 1. As a result of the analysis, regular education teachers' staffing levels after the RIF were determined to be adequate when compared to the peers and state benchmarks, and did not warrant any staffing changes.
- *Special Education Teachers*: Additional analysis showed that in terms of the ratio of special needs students to special education teachers, SLSD's ratio is 24.6 to 1 and the peer average is 26 to 1. Given the unique needs that must be addressed in each child's IEP, this difference is not significant and no recommendations were made.

- *Bookkeeping*: SLSD codes the assistant treasurer and payroll clerk under this category. The peers have similar positions but they code them in different categories. AALSD codes its payroll clerk as clerical, OGLSD codes its staff under personnel, and PDYLSLSD codes its assistant treasurer under administrative assistant. Analysis of these positions as one group results in a peer average of 1.7 and SLSD is below this adjusted average.
- *Other office/clerical*: The other office/clerical for SLSD represents the playground aides. Including these positions with the other teaching aide staff category would still result in SLSD being below the peer average for teaching aide staff. SLSD is also below the peer average for number of clerical staff assigned to the school buildings, having 1.4 clerical staff per school building compared to the peer average of 1.6.
- *Custodial*: See the **facilities** section for an analysis of custodial staffing.

The following staffing assessments were also conducted and did not warrant any changes or yield any recommendations:

- *Site Based Administrators*: SLSD has four principals, one assistant principal and the director of transportation, building and grounds for site based administrators. This gives SLSD 3.97 site based administrators per 1,000 ADM which is below the peer average of 4.03.
- *Educational Service Personnel (ESP)*: As illustrated in **Table 3-2**, SLSD's ESP staffing level is lower than the peer average, even before the staffing reductions. After the RIF, SLSD's had a ratio of 7.25 ESP FTEs per 1,000 regular education student ADM and the peer average was 10.93. The only category in which SLSD is higher than the peers is in nursing as it is the only district to employ a full-time nurse.

Collective Bargaining Agreements/Policies and Procedures Manuals

Certificated personnel in SLSD are governed by a negotiated agreement between the Swanton Board of Education (the Board) and the Swanton Education Association (SEA). Classified employees (secretaries and teaching aides) are covered by a separate collective bargaining agreement between the Board and the School Support Staff Association at Swanton Local Schools (NWOEA/OEA/NEA). Lastly, the District has a separate collective bargaining agreement with the bus drivers represented by the Ohio Association of Public School Employees (OAPSE) Local #618. Custodians and cafeteria staff are not covered by a negotiated agreement. All of the agreements will be open for negotiation in the spring of 2004. Since contractual and employment issues directly affect the operating budget, many of the issues have been assessed and compared to the peer districts to show their financial implications for SLSD. The implementation of some of the recommendations would require negotiation. **Table 3-3** and

Table 3-4 illustrate key contractual issues in the certificated and classified employee's negotiated agreements.

Table 3-3: Certificated Contractual Agreement Comparisons

	SLSD	AALSD	OGLSD	PDYLSLSD
Length of work day	7.0 hours	7.25 hours	7.33	7.0 hours
Maximum class size	28 (K-4) & 31 (5 th -6 th)	Not specified	25:1 (K-4) 27-1 (all others)	25:1
Number of contract days	184	183	182	183
Instructional days	180	180	180	180
In-service days	4	3	2	3 (includes 1 coordination day)
Parent/teacher conferences	Not specified	Not specified	Not specified	Not specified
Professional development	Not specified	6 days per year	Not specified	Not specified
Maximum number of sick days accrued	235	205	220	208
Maximum number of sick days paid out at retirement	58.75	51.25	50	45 days minus the number of sick days used during last three years
Number of years required for severance pay	15 years	10 years	10 years	10 years
Number of personal days	3	3 maximum (1 at first year of service, 2 days after 3 years, and 3 days after 5 years)	3	3 but may be granted one or more days in emergency situations
Notice required	48 hours	Not specified	1 week	One day advanced Notice
Number of leave days for association business	4 days per year	Not specified	5 days per year	12 days
Sabbatical	1 year upon approval from the Superintendent	1 year leave of absence after 4 years of service.	2 semesters (maximum) after 7 years full-time employment	1 year unpaid leave after 5 years of service.
Professional leave	Upon approval of superintendent, number of days not stated	Maximum of 6 days	Upon approval of the Superintendent and BOE, number of days not stated	Flexible schedules for after regular school duties.
Retirement Incentive	\$15,000	Not specified	Not specified	\$750 if notified by Feb.1
Pick-up of Employee's STRS Portion by District	0%	2%	0%	0%
RIF restrictions	90 day notice	Advance notice	15 day notice	None
Annual Cost of living increases¹	FY 02-03 3.3% FY 03-04 3.3%	FY 04-05 3.0% FY 05-06 3.0%	N/A	FY 02-03 4.4% FY 03-04 3.6%

Source: SLSD certificated employee's union contract and peer districts certificated employee's union contracts.

¹ Annual cost of living increases represented by the average percent increase in salaries. OGLSD's contract was only effective for one year and no analysis was conducted on change from prior contracts.

Table 3-4: Classified Contractual Comparison

	SLSD ¹	SLSD Bus Drivers	AALSD ²	OGLSD	PDYLSLSD
Vacation time to accumulate	Only entitled to vacation time if the position becomes a 12 month contract	None	Twelve month employees may accumulate vacation at the following rate After 12 months, 2 weeks 10 plus years, 3 weeks 20 plus years, 4 weeks	Must be employed for eleven or more months each year 1-10 yrs. 10 days 11-19 yrs, 15 days 20 + years, 20 days	For 12 month employees 1-10 years, 10 days 10-19 years, 15 days 20 + years, 20 days
Sick/personal leave incentive	Accumulated but unused personal days will be converted to compensation at the employee's per diem rate of compensation	\$100.00 wellness incentive will be paid to the bus driver if he has not used any sick leave at the end of a semester of instruction	Accumulated but unused personal days may be converted to compensation at the approved substitute rate per day	Employees with 1 year without use of a sick leave day or restricted personal day will be credited with 2 additional days of sick leave.	Personal days not used will be reimbursed at the employee's daily rate
Maximum number of sick days accrued	240 days	240 days	205 days	200	213 (2001-2002) 214 (2002-2003) 215 (2003-2004)
Maximum number of sick days paid at retirement	60 days	48 days	51.25 days	20 yrs. = 50 days 15 yrs. = 45 days 10 yrs. = 35 days	79.87 (2001-02) 80.25 (2002-03) 80.62 (2003-04)
Retirement incentive	1 year of service credit	1 year of service credit	None	None	None
Number of required years for severance pay	10 years	10 years	10 or more years	10-20 years	5 years
Personal days received	3	3	Maximum of 3	3	3
Notice required	Prior approval	48 hours	Not specified	1 week	3 days
Paid Holidays for 12-month employees	7	N/A	8	12	10
Holidays for less than 12-month employees	7	6	6	7	8
Pick-up of Employee's SERS portion by District	None	None	None	None	None
Annual Cost of living increases³	FY 02-03 3.0% FY 03-04 3.0%	FY 02-03 3.0%	FY 04-05 3.0% FY 05-06 3.0%	FY 02-03 3.0% FY 03-04 3.0%	FY 02-03 4.0% FY 03-04 4.0%

Source: SLSD classified employee union agreement and peer district union agreements

¹ Positions included in SLSD's classified contract include secretaries, special needs secretary, and teacher aides. Other classified positions not included in contract are provided the same level of benefits.

² AALSD's classified employees are not unionized and therefore do not have a contractual agreement. The information for AALSD was taken from the AALSD Board of Education and AALSD Classified Staff Master Agreement (Policies and Procedures Manual) August 1, 2003 through July 31, 2006.

³ Annual cost of living increases represented by the average percent increase in salaries.

The following contractual assessments were conducted and did not warrant any changes or yield any recommendations:

- *Sick leave usage:* Teachers at SLSD have an attendance rate of 95.6 percent that is above the peer average of 95.3 percent and in line with the State average. Additional analysis found that SLSD's use of sick leave by all staff was comparable to peers and state average. In FY 2002-03, SLSD employees used an average of 7.2 sick days per FTE which is less than the peer average of 8.3 days.
- *Length of certificated workday:* While SLSD's certificated staff work fewer hours per day than the peers, the instructional time provided to the students meets the state minimum. Of the 7 hour work day (420 minutes), a middle school teacher, on average, provides 4.2 hours (252 minutes) of instructional time while a high school teacher on average provides 5.3 hours (320 minutes). Each middle school teacher is guaranteed a duty free 30 minute lunch and a 47 minute (duty free) planning period during the school day. Middle school teachers also have a 47 minute duty period. The high school teachers have a planning period after the students are dismissed. SLSD shortened the high school instructional day which helped offset the staff reductions made by the District.
- *Supplemental Salaries:* A review of a sample of SLSD's supplemental salaries found all were at or below the peer average with the exception of the senior class advisor position. As part of the budget cuts, several supplemental positions were not filled, including all of the class advisors. SLSD estimated a savings of over \$117,000 by not filling these supplemental positions.
- *Retirement Incentive:* SLSD provides both a Retirement Cash Incentive (RCI) of \$15,000 and a Early Retirement Incentive (ERI) of one year of service, to certified and classified employees respectively. These incentive plans are less than the cost of retaining the eligible employees based upon the review of salary schedules. In addition, SLSD has in the past hired replacement teachers at step zero to maximize the savings to the District. The District should monitor retirement eligibility of current employees and consider the impact on future salary expenses. Also, the district should begin formally tracking the costs and savings associated with the ERI to consistently demonstrate the viability of the program.

Recommendations

Policies and Procedures

- R3.1 SLSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to EMIS. SLSD should ensure that someone independent of the data gathering process reviews the information to ensure its accuracy. SLSD should consistently use the EMIS *Definitions, Procedures, and Guidelines*, produced annually by ODE, to help ensure the accuracy of data entered. In addition, SLSD should seek training and assistance to meet these objectives, if needed.**

The assistant treasurer is responsible for entering staff-related information into EMIS. Reports are generated and reviewed by the assistant treasurer to ensure that the data is correct; however, no one else at SLSD reviews the data for accuracy. A review of SLSD's Staff Summary Report found that some employees had been classified incorrectly. The District has 4 principals, but assigned only 2 of them the correct EMIS position assignment code of 108 and coded 2 of them as administrative assistants (code 101). A review of the FY 2004 EMIS guide finds that the description for code 101 is more of an assistant rather than a position with the responsibilities of the principals. SLSD's job descriptions for the four positions include the same responsibilities; however, it has two different job titles for these positions. The difference in job titles was the reason provided by the District for the differences in EMIS coding. In addition, a review of hours worked found several instances in which the FTEs are reported incorrectly. Teaching aides and food service employees were reported as 1 FTE when they worked on a part-time basis.

ODE developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel data and to ensure consistent reporting of data from district to district. All schools are required to provide specific student, staff, and financial data to ODE for processing. Entering data correctly helps to ensure comparability between school districts. The data entered into EMIS can be used by school districts when making management decisions, including required staffing levels. Improperly entering employee classifications and FTE counts can cause a district to over or under state the actual number of employees and the hours worked per employee.

R3.2 SLSD should review and update all position descriptions, as needed, to ensure that qualifications, responsibilities and work hours are accurate and current. This review should continue to occur as part of annual performance evaluations or when a position becomes vacant.

SLSD has recently undergone a number of changes that have impacted staff in terms of responsibilities and hours worked. While a number of the position descriptions have been updated to reflect the recent changes, the District has not updated job descriptions for all impacted positions. According to the superintendent, the procedure at SLSD is to review job descriptions annually during performance evaluations. A review of a sample of job descriptions found that a number of them had been revised in September, 2003. However, other job descriptions have not been revised and do not reflect current responsibilities. Examples include the job description for the assistant treasurer and fiscal secretary, which have not been updated to reflect the revised hours worked. The job description of the director of transportation, buildings and grounds was last revised in May 1999, and the listed responsibilities do not match his current duties. The position description of the treasurer has not been revised since 1992. As the treasurer position is currently vacant, the District should take this opportunity to ensure that it is accurate, up to date, and complete.

According to Business and Legal Reports, a job description is a written statement that describes the main objective of a job, its essential and nonessential functions, job qualifications, and other pertinent job information. Job descriptions clarify who is responsible for what within the organization. Because they help define relationships among individuals and among departments, they can be used to settle grievances, minimize conflicts, and improve communications. Complete and accurate job descriptions can also help determine which positions to eliminate when workforce reductions become necessary and assist in identifying which positions are suitable for outsourcing, telecommuting, or part-time or temporary staffing.

With outdated position descriptions, SLSD runs the risk of not having accurate information with which to evaluate workforce needs. In the absence of an up-to-date position description, SLSD does not have a reliable foundation for conducting performance evaluations or for determining an equitable wage and salary structure. Outdated information can contribute to communication problems between employees, confusion regarding job expectations, or conflict between positions or departments as to appropriate areas of responsibility and lines of authority.

Staffing

- R3.3 SLSD should consider eliminating the part-time printer position to bring this high staffing area more in line with the peers. SLSD is the only district of the peer group that has a printer who works in the central copy room. These duties are fulfilled by clerical staff in the peer districts and shifting these functions to current clerical staff will allow the district to redirect these resources. During the course of the performance audit, the District indicated the printer position would be eliminated.**

SLSD has a printer who is employed in the central copy room (see **Table 3-1**). The printer spends three hours a day making copies and performing other clerical duties, then works another hour as a lunch room aide and one hour as a mail courier. The peers indicated that the printing and courier duties are filled by clerical staff in the school buildings.

Financial implication: Based on the FY 2003-04 salary of \$11,551 and benefits calculated at 32 percent of salary, eliminating this position would result in annual savings of \$15,247.

Salaries

- R3.4 SLSD should limit salary increases for all employees throughout the forecast period. Particularly with the passage of the March 2, 2004 levy, SLSD should be sensitive to the impact large salary increases will have on future district finances and community support for future ballot initiatives.**

Salary increases should be in the form of an hourly wage increase or a lump-sum annual bonus payment, instead of increasing the base pay, and should be limited to a 1, 1, 2, and 2 percent increase for FYs 2004-05 through 2007-08 in order to assist the District in maintaining its fiscal stability.

Table 3-5 compares the average salaries within each classification group and shows the percentage difference between SLSD and the peers. This data reflects salaries at SLSD prior to staffing reductions.

Table 3-5: Comparison of FY 2002-03 Staff Salaries

Classification	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average	% Difference
Official/Administrative	\$60,080	\$76,700	\$64,980	\$48,291	\$63,324	(5.12%)
Professional – Educational	\$43,688	\$45,847	\$42,004	\$41,456	\$43,102	1.36%
Professional – Other ¹	\$44,596	\$41,384	\$29,668	\$44,989	\$38,680	15.29%
Technical	\$20,702	\$18,313	\$48,296	\$13,822	\$26,810	(22.78%)
Office/Clerical	\$22,262	\$23,469	\$16,350	\$19,292	\$19,704	12.98%
Crafts & Trades	\$36,358	N/A	N/A	\$38,746	\$38,746	(6.16%)
Operative (Transportation)	\$20,007	\$26,462	\$25,151	\$21,025	\$24,213	(17.37%)
Service Work/Laborer	\$22,874	\$23,412	\$20,610	\$21,110	\$21,710	5.36%

Source: EMIS Staff Summary Reports for FY 2002-03

¹SLSD staff in the Professional – Other includes a school psychologist (1.0 FTE), registered nurse (1.0 FTE) and speech/language therapist (1.0 FTE). For AALSD, this category includes a registered nurse (0.5 FTE) and a speech/language therapist (1.0 FTE). For OGLSD, this includes personnel (2.0 FTEs) and a registered nurse (0.50 FTE). For PDYLSLSD, this includes a registered nurse (0.6 FTE), speech/language therapist (1.0 FTE) and technology director and network technician (2.0 FTEs).

As illustrated in **Table 3-5**, SLSD has higher salaries in four categories: professional – educational, professional-other, office/clerical, and service work/laborer. Several factors at SLSD that may contribute to this difference include the overall level of education, experience, and longevity of several professional/educational staff.

The specific positions in which SLSD is higher than the peers include:

- regular teaching;
- special education teaching;
- educational service personnel teacher;
- registered nurse;
- clerical;
- teaching aides; and
- custodian.

Between FY 2002-03 and FY 2003-04, SLSD increased salaries by an average of 3 percent.

Table 3-6 displays the certificated salary schedules for a bachelor and masters level teachers for SLSD and the peers. This information is based on the current bargaining agreements for each district.

Table 3-6: FY 2003-04 Certificated Salary Schedules¹

	SLSD	AALSD ²	OGLSD	PDYLSLSD	Peer Average
Bachelor's Degree					
Beginning Step	\$27,313	\$27,447	\$26,652	\$26,809	\$26,969
Final Step	\$46,978	\$48,911	\$43,270	\$47,050	\$46,410
Average Step Increase	3.45%	3.27% ²	3.08%	3.58%	3.31%
Master's Degree					
Beginning Step	\$30,591	\$30,850	\$29,148	\$29,624	\$29,886
Final Step	\$54,626	\$54,180	\$49,800	\$53,913	\$52,631
Average Step Increase	3.69%	3.37%	3.40%	3.59%	3.45%

Source: District certificated negotiated agreements

¹This table only represents basic B.A. and M.A. salary schedules. Each district has different salary levels for additional educational credits (i.e. B.A. plus 30 credits, M.A. plus 30 credits, etc).

² AALSD has several steps in its B.A. and M.A. salary schedule; however, there are several steps which represent no salary increase. The average shown only contains the steps in which there was a salary increase.

SLSD's Bachelor's Degree base salary in FY 2003-04 and the average step increase are slightly higher than the peer averages. In addition the District's Master's Degree base salary in FY 2003-04 and the average step increase are higher than the peer averages. SLSD increased the FY 2003-04 salaries in all of the steps by 3.3 percent. A review of the District's FY 2002-03 salary data as reported by ODE found that SLSD's average teacher salary was slightly above the peer average. However, SLSD's average salary increased at the highest rate, 5.2 percent, over the previous year while the peer average salary increased just over 1 percent. SLSD's staff experience profile is similar to the peer average which indicates that longevity is not the reason for SLSD having higher average teacher salary.

Table 3-7 shows the average salaries for staff in the secretarial position and teaching aide positions.

Table 3-7 Comparison of Salaries for Clerical and Teaching Aide Positions

	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average
FY 2002-03					
Clerical	\$13.27	N/A ¹	\$11.15	\$10.54	\$10.85
Teaching Aide	\$11.66	N/A ¹	\$9.09	\$10.73	\$9.91
FY 2003-04					
Clerical	\$13.66	\$11.53	\$11.48	\$11.75	\$11.59
Teaching Aide	\$11.90	NA ²	\$9.36	\$11.16	\$10.26

Source: SLSD and peer negotiated agreements.

¹AALSD contract began with FY 04 and did not include FY 03 salary information.

² AALSD's agreement includes the salary for playground aides only. Including these salaries in the analysis raises the peer average for aides in FY 2003-04 to \$11.85.

SLSD's FY 2003-04 salaries for clerical and teaching aide positions are 18 percent and 16 percent above the peer average, respectively. Salaries in these areas have increased 3 percent from FY 2002-03 to FY 2003-04. Even prior to the increase, SLSD's average salary for these positions was above the peers.

Salary and wage expenditures projected for FY 2003-04 are approximately \$6.3 million. Each 1 percent increase in salaries costs the district approximately \$63,000, not including the increased cost of retirement benefits. By limiting increases during the next contract period, the District will be able to better protect its financial position and ensure that available resources are directed toward raising student achievement. See the **financial systems section** of the report for further discussion regarding salary and wage expenditures.

Financial Implication: Limiting the wage increases to 1, 1, 2, and 2 percent for FY 2004-05 through 2007-08 would result in savings to the district of \$536,490

Health Care Costs

R3.5 The District should work with its collective bargaining units, third-party health care administrator, and the consortium to renegotiate key benefits to help offset health insurance costs, and allow limited resources to be focused on the educational initiatives which directly benefit students. SLSD should also seek to modify its collective bargaining agreements to include a determination of order of benefits clause.

Currently the District's health care insurance premiums are higher than the peers and 10 percent higher than the SERB average for single coverage and 13 percent higher for family coverage. **Table 3-8** shows the health plans and corresponding premiums along with the employee share of these costs.

Table 3-8: FY 2003-04 Health Insurance Premiums Comparison

School	Type of Plan	Monthly Premium for Single Plan	Full-time Employee Share for Single Plan		Monthly Premium for Family Plan	Full-time Employee Share for Family Plan	
			Certificated	Classified		Certificated	Classified
SLSD	PPO Plan	\$334.30	\$0.00	\$0.00	\$839.46	\$0.00	\$83.94
AALSD	PPO Plan	\$290.43	\$5.00	\$5.00	\$764.35	\$15.00	\$15.00
OGLSD	PPO Plus Plan	\$283.79	\$0.00	\$0.00	\$731.95	\$0.00	\$36.59
	PPO Classic Plan	\$303.03	\$0.00	\$0.00	\$631.29	\$0.00	\$31.56
PDYLSLSD	PPO Plan	\$290.43	\$15.00	\$0.00	\$764.35	\$25.00	\$100
SERB Average	N/A	\$302.01	\$20.75	\$20.75	\$742.24	\$69.59	\$69.59

Source: Negotiated contracts and benefit plan books for SLSD, AALSD, PDYLSLSD, and OGLSD.

As is evident in **Table 3-8**, SLSD has the highest premiums for both single and family plans. Beginning in FY 2003-04, SLSD changed its health care provider and joined the Western Lake Erie Employers Coalition to obtain lower premiums and reduce its overall health care costs. Despite these efforts, SLSD is still paying 16 percent higher premium costs for a single plan and 11 percent higher premium costs for a family plan than the peer average. **Table 3-9** displays key provisions of the health insurance benefits for SLSD and the peer districts.

Table 3-9: FY 2003-04 Health Insurance Benefits Comparison

	SLSD	AALSD ¹	OGLSD	PLSD ¹
Description	PPO	PPO	PPO	PPO
Office Visits	100% after \$15 co-pay	In-network: 80% of covered charges above deductible Out of network: 70% of covered charges above deductible	100% after \$10 co-pay	In-network: 80% of covered charges above deductible Out of network: 70% of covered charges above deductible
Employee annual deductible	None	\$100 Single/ \$200 Family	\$100 Single/ \$200 Family	\$100 Single/ \$200 Family
Out-of-Pocket maximum	\$500 per covered person \$1,000 per covered family	In-network: \$500 per covered person \$1000 per covered family Out of network: \$1500 per covered person and \$3000 per family	\$400 per covered person \$800 per covered family	In-network: \$500 per covered person \$1000 per covered family Out of network: \$1500 per covered person and \$3000 per family
Prescription plan included	100% after co-pay \$8 Generic \$15 Brand Name	100% after co-pay \$5 Generic \$10 Brand Name	100% after co-pay \$8 Generic \$15 Brand Name	100% after co-pay \$5 Generic \$10 Brand Name
Need to choose primary physician	Must use in-network physician to receive maximum benefit	Must use in-network physician to receive maximum benefit	Must use in-network physician to receive maximum benefit	Must use in-network physician to receive maximum benefit
Maternity	100%	In-network: 80% of covered charges above deductible Out of network: 60% of covered charges above deductible	100%	In-network: 80% of covered charges above deductible Out of network: 60% of covered charges above deductible
Preventive Care Services	100% after \$50 co-pay ²	In-network: 80% of covered charges above deductible Out of network: 70% of covered charges above deductible	Not addressed	In-network: 80% of covered charges above deductible Out of network: 70% of covered charges above deductible
Inpatient hospital care	Unlimited after the first \$100	In-network: 80% of covered charges above deductible Out of network: 60% of covered charges above deductible	100% after deductible has been reached	In-network: 80% of covered charges above deductible Out of network: 60% of covered charges above deductible

Source: SLSD and peers Schedule of Medical Benefits FY 2003-04

¹ AALSD and PDYLSLSD belong to a health consortium through the Northern Buckeye Education Council. Twenty-nine area school districts belong to this consortium.

²SLSD's bargaining agreement for certificated staff indicate Outpatient Facility Services for Physical Medicine and Rehabilitation have a co-pay of \$15 and a limit of 60 visits.

Based on the health insurance benefits information in **Table 3-9**, SLSD offers more generous benefit coverage than the peers. SLSD is the only district that does not have an employee annual deductible. Furthermore, SLSD and OGLSD are the only two districts that pay 100 percent of maternity benefits. Also, SLSD'S inpatient hospital coverage is unlimited after the first \$100. Therefore, adjusting benefit levels to be more in line with the peers could help SLSD decrease the cost of premiums.

When a teacher's spouse or dependent is eligible for health care coverage through his or her own employer, the board of education may achieve a cost savings by shifting the burden of coverage for the teacher's spouse and/or dependents to the spouse's employer. Under ORC § 3902.13(A), a plan of health coverage determines the order of benefits and a plan that does not coordinate with other plans is always the primary plan when more than one plan covers the same dependent. One method of accomplishing this is through the waiver of coverage through the school district's plan. SLSD has a waiver of coverage in place. However, the current contractual agreements have no provisions for determination of benefits. Failure to provide for the possibility of multiple health insurance policies could result in the District providing primary coverage for all claims submitted by its employees. Alternatively, the District may indicate in its plan that, when a spouse has health insurance, the District's plan will serve as the secondary plan. ORC § 3902.13 provides additional guidelines for the determination of order of benefits and notes that, when a plan does not coordinate with other plans, it is always the primary plan. By modifying and/or changing the language in its contractual agreements with its employees, the District can ensure that the school district plan serves as the secondary plan when alternative insurance is available. Finally, by working with benefits administrators to reduce some benefit levels that appear to be above and beyond those typically offered, SLSD should achieve lower annual premium costs.

Financial Implication: If SLSD achieves lower annual premium costs that are in line with the peer averages, the total savings to district under both single and family coverage would be \$9,293.

R3.6 During the next contract negotiations, SLSD should negotiate a provision requiring all employees to contribute to monthly health insurance premiums. SLSD should seek employee contributions of 10 percent for single and family health insurance coverage from all employees. The employee's contribution should be stated as a percentage rather than a fixed dollar amount to help offset anticipated annual health insurance cost increases. In addition, SLSD should communicate to its employees the advantages of its medical wavier option, which pays an incentive to those employees who do not use the District's health care benefits.

Currently, SLSD does not require its certificated employees to contribute to their health care premiums. Classified full-time employees who are contracted to work a minimum of five (5) hours per day only contribute up to 10 percent to the family plan (see **Table 3-8**). This amounts to only 29 classified employees contributing to health insurance coverage costs. In addition the District pays 100 percent of the dental insurance premium for all eligible employees. Finally, only 13 employees take advantage of the District's wavier program which pays \$600 to employees who waive single coverage and \$1,500 to employees who waive family coverage.

According to the State Employment Relations Board's (SERB) 11th Annual Report on the *Cost of Health Insurance in Ohio's Public Sector* for 2002, "when employees pay a portion of the premium cost for medical coverage, their monthly contributions average \$35.44 and \$97.07 for single and family coverage respectively. These rates amount to 12 percent of the cost of a single plan and 13 percent of the monthly family premium. Seventy-two percent of public employees whose employers responded to the survey contribute to the cost of their medical insurance."

By not requiring employees to contribute to the costs of health care premiums, the District bears the full cost of this benefit which amounted to over \$1.2 million in FY 2002-03. Exercising cost containment practices, including instituting employee contributions, allows limited resources to be focused on educational initiatives that directly benefit students. The implementation of shared health care premiums may impact the employees' incentive to elect the wavier.

Financial Implication: By increasing the employee share for single and family coverage to 10 percent for all participating employees, SLSD could save approximately \$68,000 annually.

Collective Bargaining Agreements

R3.7 During the next contract negotiations, SLSD should consider reducing the maximum number of sick leave days accrued and paid at retirement for newly hired certified and classified employees. SLSD authorizes a higher maximum number of days for accrual and payment at retirement which could potentially increase its financial liability.

SLSD offers a sick leave payout benefit to certificated and classified employees that is higher than the peers. The high sick leave pay-out could increase the future financial risk to the District. (See **Tables 3-3** and **3-4**). The maximum number of sick days paid out at the time of retirement by the District is greater than the number paid by the peer school districts. It is also greater than the minimum stated in ORC §124.39(B) of 25 percent of the value of the employee's accrued but unused sick leave, not to exceed 30 days. ORC §124.39(C) allows a public entity to pay severance at percentages greater than 25 percent, for more than 30 days and for years of service less than 10 years at the time of retirement. However, SLSD's practice is potentially costly to the District and can add to its future financial liabilities.

SLSD should seek to negotiate a reduction of the maximum number of 235 days of accrued but unused sick leave paid out at retirement by approximately 24 days for newly hired certificated staff to be more in line with the peer benchmarks and ORC standards. Also, SLSD should seek to negotiate a reduction of the maximum number of 240 days of

accrued but unused sick leave paid out at retirement by approximately 33 days for newly hired classified staff to be more inline with peer benchmarks and ORC standards.

Reducing the maximum number of accrued but unused sick leave paid out at retirement will reduce the District's future liabilities in this area.

Financial Implications Summary

The following table is a summary of estimated annual cost savings. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiations would require agreement from the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.3 Eliminate the part time printer position.	\$15,247
Total	\$15,247

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.5 Limit salary increases to 1, 1, 2 and 2 percent for FY 2004-05	\$0
FY 2005-06	\$115,844
FY 2006-07	\$177,820
FY 2007-08.	\$242,826
R3.6 Revise key medical insurance benefits	\$9,293
R3.7 Require all employees to pay 10 percent of monthly health care insurance premium	\$68,000
Total	\$613,783

Facilities

Background

Swanton Local School District (SLSD) consists of an administration building and four school buildings: Crestwood Elementary School (grades preschool-2), Park Elementary School (grades 3-5) Swanton Middle School (grades 6-8), and Swanton High School (grades 9-12). During FY 2002-03, SLSD used a different grade configuration, as the new high school was not completed. Township Elementary School housed grade 6, and the Middle/High school building housed grades 7–12. The new high school opened in April 2003, and grades 9-12 moved from the middle/high school to the new high school. Township Elementary School closed at the end of FY 2002-03, and the middle school building was reconfigured to include grades 6-8 and provide additional storage for the District.

Organizational Structure and Function

The building engineers (head custodians) are responsible for day-to-day management of the custodial staff at their designated buildings. The chief engineer supervises the building engineers, approves leave requests, and oversees maintenance and custodial operations. The chief engineer also completes some custodial and minor maintenance and repair work. The custodial staff is responsible for providing a clean and safe environment for the students, staff, and public who use SLSD facilities as well as minor maintenance. The custodial staff consists of 10 full-time custodians; the chief engineer dedicates 60 percent of his time to custodial responsibilities.

SLSD does not have a separate maintenance department; however, the chief engineer allocates approximately 20 percent of his time for maintenance and repair work and 20 percent for administrative duties. Major maintenance work, such as electrical repair, boilers, and air handlers, is contracted to outside vendors. In addition, the chief engineer purchases necessary supplies for custodial and maintenance projects, inspects and directs most building repairs, and responds to emergency repair needs. The director of transportation and buildings and grounds supervises two seasonal groundskeepers who maintain the grounds surrounding the buildings.

Staffing

The number of custodial personnel assigned to a building at SLSD ranges from 2 to 3.6 FTEs. Currently there are 2 FTEs at Crestwood Elementary, 2 FTEs at Park Elementary, 3 FTEs at Swanton Middle School, and 3.6 FTEs at Swanton High School. Custodial staffing levels at SLSD have changed minimally over the last five years despite significant changes in buildings and facilities due to renovations and new construction. There was one additional custodian hired

in FY 2002-03; however, the position was eliminated in November 2003. SLSD also reduced 0.5 FTE substitute staff at the end of FY 2002-03.

Table 4-1a illustrates custodial staffing levels, and the number of FTEs responsible for maintaining SLSD's facilities for FYs 2002-03 and 2003-04.

Table 4-1a: Number of Positions and Full-Time Equivalents for FY 2002-03 & 2003-04

Classification	FY2002-03 Total Number of Positions	FY2002-03 Number of Full-Time Equivalents	FY2003-04 Total Number of Positions	FY2003-04 Number of Full-Time Equivalents
Chief Engineer ¹	1	1.00	1	1.00
Total Administration	1	1.00	1	1.00
Custodian	11	11.00 ²	10	10.00
Total Custodial	11	11.00	10	10.00
Total	12	12.00	11	11.00

Source: SLSD's Chief Engineer.

¹In FY 2002-03 the chief engineer allocated his time between administrative duties 0.6 FTE, maintenance duties 0.2 FTE, and custodial duties 0.2 FTE and in FY 2003-04 the allocation of time changed to 0.2 FTE for administrative, 0.2 FTE for maintenance and 0.6 FTE for custodial.

²In addition to the FTEs shown in the table, SLSD used 0.5 FTE substitute custodial staff until the end of FY 2002-03.

Table 4-1b shows the number of custodial positions and FTEs for FY 2003-04 for SLSD and the peers.

Table 4-1b: SLSD and Peer Staffing FY 2003-04¹

Classification	SLSD	Archbold Area Local School District (AALSD) ²	Ottawa-Glandorf Local School District (OGLSD) ³	Pike-Delta-York Local School District (PDYLSLSD) ⁴	Peer Average
Custodial					
Positions	11.00	11.00	12.00	11.00	11.33
FTEs	10.60 ⁵	9.72	9.18	10.49	9.80
Maintenance					
Positions	0.00	0.00	0.00	2.00	N/A
FTEs	0.00	0.00	0.90	2.12	1.01
Total Positions	11.00	11.00	12.00	13.00	12.00
Total FTEs	10.60	9.72	10.08	12.61	10.81

Source: SLSD and peer information requests.

¹ FTEs were calculated using an 8-hour workday (2080 annual hours).

² AALSD has nine custodial positions that work a full year, and two custodial positions that work nine-months at four hours per day.

³ OGLSD has nine custodians that work a full year with six of those positions dedicated to custodial work and the other three split between custodial (70 percent) and maintenance (30 percent). The 3 remaining positions work 9 months between 2 and 8 hours per day.

⁴ PDYLSLSD has 10 custodial positions that work a full year, and 1 position that works 3 hours for 188 days per year. The maintenance FTE figures include time spent by administrator on maintenance duties.

⁵ SLSD custodial staffing includes 0.6 FTE for the chief engineer who spends 60 percent of his time on custodial activities, as well as the 10 regular custodial positions.

Key Statistics

Key statistics related to facility maintenance and operations at SLSD are presented in **Table 4-2**. In addition, results from the 32nd Annual AS&U *Maintenance & Operations Cost Study*, released in April 2003, are included in **Table 4-2** and throughout the facilities section of the report. The AS&U mailed a detailed survey to 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 feet per FTE for custodial and maintenance employees and the mean for expenditures per square foot on a national level and by district enrollment.

According to the AS&U study, the median and mean scores dropped in each category from prior years because, "the economy has taken its toll on school district budgets, and it has been especially hard on maintenance and operations funding."

Table 4-2: FY 2002-03 & FY 2003-04 Key Statistics and Indicators

	FY 2002-03 Square Feet and FTE Statistics	FY 2003- 04 Square Feet and FTE Statistics
Number of School Buildings	5	5
- Park Elementary School	1	1
- Crestwood Elementary School	1	1
- Township Elementary School	1	n/a
- Middle School High School	1	1
- Administrative Building	1	1
- New High School	n/a	1
Total Square Feet Maintained	219,630	284,316
- Park Elementary School	44,084	44,084
- Crestwood Elementary School	33,926	33,926
- Township Elementary School Administrative Building ²	25,629	n/a
- Middle School/High School	115,991	n/a
- Middle School Administrative Building ³	n/a	91,234
- New High School	n/a	115,072
Square Feet Per FTE Custodial Staff Member	19,610	26,822
- Park Elementary School	22,042	22,042
- Crestwood Elementary School	16,963	16,963
- Township Elementary School	12,815	n/a
- Middle School High School Administrative Building	22,306	n/a
- Middle School Administrative Building	n/a	30,411
- New High School	n/a	31,964
AS&U 32nd Annual Cost Survey 1,000 – 3,499 Students	24,900	24,900
AS&U 32nd Annual Cost Survey National Median	24,167	24,167
Peer District FY 02-03 Average	27,904	27,904
Maintenance and Operations Expenditures Per Square Foot	\$4.95⁴	\$3.91⁵
- Custodial and Maintenance	\$3.37	\$2.46
- Utilities	\$1.58	\$1.45
AS&U 32nd Annual Cost Survey National Mean	\$4.48	\$4.48
Peer District FY 02-03 Average	\$4.21	\$4.21

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

¹Although SLSD distinguishes building engineers from custodians, both are included for the purpose of this analysis as both position descriptions include custodial responsibilities.

²The administrative building's square footage of 5,111 was included in with Township elementary school's square feet of 20,518 for a total of 25,629 square feet, because the day shift Township elementary school custodian was also responsible for cleaning this building.

³The administrative building's square footage of 5,111 is included with the middle school square feet of 86,123 for a total of 91,234 square feet, because the day shift middle school custodian is now responsible for cleaning this building.

⁴FY2002-03 reflects last year's actual expenditures based on the square footage of Crestview, Park, Township, and the middle/high school, and the administrative office. The square footage of the new high school was not included, as it did not open until April 2003.

⁵FY 2003-04 reflects budgeted expenditures.

Table 4-2 shows the changes that occurred in the SLSD school buildings between FY 2002-03 and FY 2003-04. The changes in configuration resulted in custodial staff at the Crestwood and Park Elementary Schools maintaining square footage below the national average while the custodial staff in the middle school and high school are responsible for higher square footage than the average (See **R4.1**). **Table 4-2** also shows that in terms of expenditures per square foot, SLSD was higher than the peers and national mean in FY 2002-03; however, FY 2003-04 budget is lower than the peers and the national mean.

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate SLSD's facilities for FYs 2001-02 and 2002-03 and budgeted amounts for FY 2003-04.

Table 4-3: General Fund Maintenance and Operations Expenditures

Accounts	FY 2001-02 Total	FY 2002-03 Total	FY 2002to FY 2003 Percentage Change	FY 2003-04 Budget	FY 2003to FY 2004 Budget Percentage Change
Salaries	\$417,322	\$428,998	2.8%	\$397,000	(7.5%)
Benefits	\$120,575	\$151,323	25.5%	\$180,705	19.4%
Purchased Services	\$158,864	\$117,518	(26.0%)	\$125,150	6.5%
Utilities	\$219,325	\$385,177	75.6%	\$457,000	18.6%
Supplies/ Materials	\$17,174	\$31,588	83.9%	\$34,000	7.6%
Capital Outlay	\$2,069	\$10,684	416.4%	\$4,500	(57.9%)
Other	\$0	\$218	218.0%	\$600	175.2%
Total	\$935,329	\$1,125,506	20.3%	\$1,198,955	6.5%

Source: SLSD's Treasurer's Office, Function 2700 for FY 2002, 2003 and budget 2004.

¹Expenditures for purchased services were not reported per building in FY 2001-02.

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

- *A 7.5 percent decrease in salaries budgeted for FY 2003-04:* the District reduced 0.5 FTE at the end of FY 2003-03 and plans to reduce the use of overtime in FY 2003-04.
- *A 25.5 percent increase in benefits for FY 2002-03 and a projected 19.4 percent increase in benefits for FY 2003-04:* medical insurance costs increased by 24 percent from FY 2001-02 to FY 2002-03. In addition, there was a 28 percent increase in the contribution to the State Employee Retirement System. The treasurer was not able to explain this increase but it is

likely due to additional staff hired by the District for the new high school and the District's retirement incentive program. For FY 2003-04, the cost of medical insurance was budgeted to increase by 37 percent based on estimates from the District's insurance carrier.

- *A 26 percent decrease in purchased services from FY 2001-02 to FY 2002-03:* most of this variance is attributable to the fact that costs for building repair and maintenance decreased by \$86,522 (58 percent) as these costs were paid out of the Permanent Improvement Fund in FY 2002-03 since they were related to renovations and new construction taking place in the District.
- *A 75.6 percent increase in utility costs from FY 2001-02 to FY 2002-03 and an 18.6 percent increase in budgeted utility cost for FY 2003-04:* SLSD experienced an increase in all utilities in FY 2002-03. Electric increased by 86 percent, water and sewage by 33 percent and gas by 69 percent. A review of the gas and electric expenditures found that the largest increases were in the high school, which was under construction during most of the year. According to the Treasurer, the budgeted 2004 increases are due to the new high school and the lack of historical data to project utility expenditures for this building.
- *An 83.9 percent increase in supplies and materials from FY 2001-02 to FY 2002-03:* The District reported that the increase in supplies and materials was attributed to purchases made to ready the new high school for occupancy, however this could not be verified as expenditures for supplies were not maintained by building in FY 2001-02.
- *A 416.4 percent increase in capital outlay from FY 2001-02 to FY 2002-03 and a 57.9 percent decrease in capital outlay budgeted for FY 2003-04:* SLSD updated the custodial cleaning equipment to accommodate the additional square footage related to opening of the new high school. FY 2003-04 capital outlay was appropriated at \$1,000 per building to address needs that might arise during the year.
- *A 218 percent increase in other expenses from FY 2001-02 to FY 2002-03 and 175 percent increase budgeted for FY 2003-04:* These costs were associated with inspections and licenses required as a component of the construction and renovations within the District's buildings. Upon inquiry, the district indicated its understanding that these expenses could not be paid from the Permanent Improvement Fund; however, future use of this fund will include facility maintenance and operation expenses.

Facilities-Related Expenditures

Revenue from the General Fund is used to support the maintenance and operation of SLSD's facilities. As shown in **Table 4-3**, the General Fund provided \$1,125,506 in FY 2002-03 for building operation expenses, including custodial and maintenance employees' salaries and benefits, supplies and materials, purchased services, utilities and capital outlay. In addition to the General Fund, the District has a Permanent Improvement Levy (PIL) that generated over \$300,000 in FY 2002-03. The majority of the PIL was used for facility acquisition and construction, and architecture and engineering expenditures. The District indicated that future use of the PIL would include facility maintenance and operation expenditures, which will reduce the reliance on the General Funds for these expenditures. **Table 4-4** compares SLSD's FY 2002-03 General Fund custodial and maintenance-related expenditures per square foot to the peers and AS&U national data for schools with populations between 1,000 and 3,499 students.

Table 4-4: FY 2002-03 General Fund Expenditures per Square Foot

Expenditure	SLSD ¹	AALSD	OGLSD	PDYLSLSD	Peer Average	AS&U 1,000 – 3,499 Students	AS&U National Mean
Custodial and Maintenance Salaries and Benefits	\$2.64	\$1.36	\$2.05	\$2.16	\$1.86	\$1.97	\$2.33
Purchased Services	\$0.54	\$0.47	\$0.32	\$0.52	\$0.44	\$0.23	\$0.17
Utilities	\$1.58 ²	\$1.41	\$0.91	\$1.61	\$1.31	\$1.23	\$1.43
Supplies/ Materials	\$0.14	\$0.24	\$0.35	\$0.51	\$0.37	\$0.43	\$0.46
Capital Outlay	\$0.05	\$0.62	\$0.03	\$0.02	\$0.22	N/A	N/A
Other	\$0.00	\$0.00	\$0.02	\$0.00	\$0.01	\$0.07	\$0.09
Total General Fund Expenditures	\$4.95	\$4.10	\$3.68³	\$4.82	\$4.21	\$3.93	\$4.48

Source: SLSD and peer district Treasurer's Offices, FY 2002-03 actual expenditure reports for the General Fund, 2700 function, and 4502 P & Q statements.

¹ These costs are based on the square footage of Crestview, Park, Township, and the middle/high schools, and the administrative office. The square footage of the new high school was not included, as it did not open until April 2003.

² Utility costs of \$38,287 were subtracted from the utilities line item for the three months the new high school was used to reflect a normal year's costs per square foot.

³ OGLSD had additional facility expenditures in their permanent improvement fund in the areas of purchased services and supplies and materials. Adding these additional expenditures increases the cost per square foot for purchased services to \$0.70 and increases supplies and materials to \$0.48. The total expenditures for OGLSD are \$4.19 per square foot. The peer average, reflecting these additional expenditures, is \$4.40

Overall, SLSD's total General Fund expenditures per square foot were higher than the AS&U national mean, the AS&U cost for districts with 1,000-3,499 students, and all the peers. SLSD was higher than the peer average in all expenditure categories except supplies and materials, capital outlay and other. SLSD's capital outlay cost per square foot (\$0.05) is higher than OGLSD's and PDYLSD's, but lower than AALSD's (\$0.62).

Table 4-5 shows SLSD's adjusted cost per square foot for FY 2002-03 and projected cost per square foot for FY 2003-04. The table shows how building reconfigurations affected the expenditures of the district. The FY 2002-03 adjusted costs per square foot column includes all the building square footages but excludes the new high school that opened in April 2003.

Table 4-5: General Fund Maintenance & Operations Expenditures per Square Foot

Expenditure	Reported Cost per Square Foot FY03 Adjusted ¹	Projected Cost per Square Foot FY04 Adjusted	Peer Average FY03	AS&U 1,000 –3,499 Students	AS&U National Mean
Custodial and Maintenance Salaries and Benefits	\$2.64	\$1.88 ²	\$1.86	\$1.97	\$2.33
Purchased Services	\$0.54	\$0.44	\$0.44	\$0.23	\$0.17
Utilities	\$1.58	\$1.45	\$1.31	\$1.23	\$1.43
Supplies/ Materials	\$0.14	\$0.12	\$0.37	\$0.43	\$0.46
Capital Outlay	\$0.05	\$0.02	\$0.22	N/A	N/A
Other	\$0.00	\$0.00	\$0.01	\$0.07	\$0.09
Total General Fund Expenditures	\$4.95	\$3.91	\$4.21	\$3.93	\$4.48

Source: SLSD and peer district Treasurer's Offices, FY 2002-03 actual expenditure reports for the General Fund, 2700 function, and 4502 P & Q statements.

¹Square footage does not include the new high school, as it was not opened until April 2003. Utility costs of \$38,287 associated with the operation of the new high school in April, May, and June 2003 were subtracted from the total FY 2002-03 utility charges.

²Salaries were adjusted by subtracting \$42,983 from the budgeted total in order to reflect the reduction of 1 FTE in November 2003.

Table 4-5, shows higher costs per square foot due to the many changes the district experienced during FY 2002-03. These changes included opening the new high school, shifting custodial staff and the hiring one additional staff person. Also, **Table 4-5** shows that utilities costs remained high when compared to the AS&U and the peer average (See **R4.2**).

In addition to the analyses presented in this section, some areas within the **facilities** section were assessed but did not warrant changes or did not yield any recommendations. These areas include the following:

- **Building use policy and fee schedule:** SLSD uses a fee schedule to determine costs for building usage by the community. The treasurer stated that all costs related to after-hours facilities use are tracked and charged back through facilities user fees. The party using the facilities is responsible for custodial staff overtime charges as a component of the rental fees for the building.
- **Building Capacity:** An analysis was completed and building utilization rates are reasonable. At this time, none of SLSD's facilities is large enough to accommodate other grade configurations.
- **Bulk Purchasing:** The District uses bulk purchasing but currently has a large inventory of cleaning supplies and therefore did not place any new orders for this school year.
- **Purchased Services Expenditures:** The District does not have a maintenance department and instead, contracts with outside vendors to complete major maintenance tasks.

Recommendations

Staffing

R4.1 SLSD should reallocate 0.5 FTE from the Crestwood Elementary School to the high school. The reallocation would bring the square footage cleaned by the custodians in both schools more in line with the AS&U benchmark. Presently each high school custodian FTE cleans 31,964 square feet and each elementary school custodian FTE cleans 16,963 square feet, amounts which are significantly different from the AS&U average of 24,900 square feet per FTE.

SLSD does not have a formal procedure or formula for determining custodial staffing needs. **Table 4-6** compares SLSD's cleaning staff by building level to the peer districts and AS&U cost survey for districts with 1,000-3,999 students.

Table 4-6: Comparison of School Facilities and FY 2003-04 FTE Cleaning Staff

Type of Facility	SLSD	Peer Average	Difference Between SLSD and Peer Average	AS&U 1,000-3,499 Students	Difference Between SLSD and AS&U
Elementary Buildings	2	1.67	0.33		
Total Sq. Footage	78,010	86,344	(8,334)		
Number of FTE Custodians	4.00	4.43	0.43		
Sq. Footage per FTE	19,503	19,961	(458)	24,900	(5,397)
Middle School Building	1	1 ²	0.00		
Total Sq. Footage	91,234 ¹	121,306	(30,072)		
Number of FTE Custodians	3.00	3.21	(0.21)		
Sq. Footage per FTE	30,411	37,191	(6,780)	24,900	5,511
High School Building	1	1	0.00		
Total Sq. Footage	115,072	104,474	10,598		
Number of FTE Custodians	3.60	3.23	0.37		
Sq. Footage per FTE	31,964	32,843	(879)	24,900	7,064
District Total ³	4	3.33	0.67		
Total Sq. Footage	284,316	273,462	10,854		
Number of FTE Custodians	10.60	9.80	0.80		
Sq. Footage per FTE	26,822	27,904	(1,082)	24,900	1,922

Source: Custodial staffing rosters and building inventories

¹Square footage includes the administration building because the afternoon custodian from the middle school is responsible for also cleaning this building.

²The peer averages for the middle school building include two peers, as OGLSD does not have a middle school building.

³The peer average district totals are based on the average of each peer's District total and do not reflect a summation of peer average building information.

SLSD is maintaining 458 less square feet per FTE in its elementary schools as compared to the peer average and 5,397 less than the AS&U national average for a similar size district. SLSD currently assigns 2 FTEs (a day shift and an evening shift) to Crestwood Elementary School. Based on the square footage of the building, each custodian only cleans 16,963 square feet compared to the AS&U average of 24,900 square feet per custodian.

The high school, on the other hand, has only 3.6 FTE custodians cleaning 115,072 square feet, or 31,964 square feet per FTE. This is significantly higher than the AS&U average of 24,900 square feet and may lead to lower levels of cleanliness over time.

Therefore, reallocating the 0.5 FTE of the elementary school evening custodian will help balance the workload across the district. The 0.5 FTE reduction in staff at the elementary level will increase the elementary school square footage cleaned to 22,617, and it will reduce the high school square footage cleaned to a more manageable 28,066 square feet per FTE.

Energy Management

R4.2 SLSD should maximize the use of its computerized energy management system located at the high school. The system could reduce expenditures by regulating temperatures, activating or deactivating blowers, and performing other heating, ventilation and air conditioning functions. Furthermore, SLSD should begin implementing additional energy management measures such as increasing cooling temperatures to 78 degrees and decreasing heating temperatures to 68 degrees. Manual overrides should be eliminated to help ensure SLSD realizes the maximum benefits of the system. SLSD should place lock boxes on the temperature control pads at the older schools to prevent employees from adjusting the temperature to levels inconsistent with the energy management goals of the District.

SLSD implemented a computerized energy management system to regulate heating and cooling functions at the new high school, as mandated by the OSFC. The system maintains building temperatures at pre-designated settings. However, the chief engineer indicated that teachers and staff could manually adjust each room temperature up to a four-degree variation from thermostat settings. In addition, SLSD does not have a formal energy conservation program at the older schools because the older buildings at SLSD do not have a centralized, computerized energy management system. In these buildings, the teachers can control the temperature settings in the classroom at their discretion.

Typical energy management programs are encompassed in formal written policies and used district-wide. Although several companies offer services to assist districts in developing plans, SLSD could develop its own plan, by implementing the following

energy saving techniques from the *School District Energy Manual* (Association of School Business Officials International, 1998):

- Adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating as a conservation guideline, (kindergarten and special education room temperatures should be set 70 to 72 degrees for heating).
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate.
- Instructing staff to keep doors closed whenever possible and keeping exit and entry to a minimum when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat when fans are running.
- Encouraging staff, faculty and students to use blinds as a means of controlling temperature; closing blinds on the south and west sides keeps buildings cool in the summer and opening blinds helps warm the building in the winter on sunny days.
- Developing policies that indicate water should not be kept running in the restrooms.

By implementing these practices, most districts with higher energy costs may realize as much as a 25 percent decrease in utility expenditures for buildings that have been upgraded or built to be energy efficient.

Because SLSD's utility costs are high, participating in energy conservation efforts will help the District achieve lower costs by providing a framework to control energy costs as they continue to rise in the future. The *Facilities Management Handbook* (Cotts, 1999) estimates potential energy savings of 16 percent by adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating. Therefore, if SLSD changes the thermostat settings to reflect the facility management guidelines, it could reduce utility expenditures and allow the reallocation of these funds to other operational areas.

Financial Implication: Adjusting thermostat settings to those recommended in the *Facilities Management Handbook* could save SLSD approximately 16 percent on its utility expenditures. Based on utility expenditures of approximately \$385,000 in FY 2002-03 (see **Tables 4-3**), SLSD could save approximately \$61,600 annually.

Long Range Planning and Facilities Use

R4.3 SLSD should use a computerized maintenance management system (CMMS) or a computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. This would require authorized persons (i.e., building principal) to approve work requests and personnel to document the repairs and tasks completed each day. The superintendent should review a summary of work orders periodically to monitor productivity and maintenance expenditures. The superintendent should conduct random inspections of maintenance work to ensure that work is performed effectively and in a timely fashion.

SLSD has a paper-driven work order system. The chief engineer is responsible for all work order requests submitted by teachers, custodians, and principals. As work order requests pass through the interoffice mail to the chief engineer, they are prioritized according to the superintendent's approval. Therefore, addressing work order requests is not an immediate process; more pressing issues, such as, boilers, air circulation fans, heating, and major plumbing problems receive first priority. If the work is beyond the chief engineer's abilities, then it is outsourced.

Also because of the manual nature of the work order system, comprehensive building repair records are not easily accessible. According to the chief engineer, in-house work orders are not retained--only outsourced work orders are kept on file. This practice makes the work order process ineffective. Without a CMMS system, historical data for work completed, repair costs and productivity are not easily accessible by the chief engineer or the superintendent. Therefore, installing a CMMS system would help SLSD identify increases in the number of building maintenance repairs and provide useful information regarding staff productivity, while reducing time spent on paper work. Sources for computerized work order systems are available online.

According to the *Planning Guide for Maintaining School Facilities* developed by the School Facilities Maintenance Task Force National Forum on Educational Statistics and the Association of School Business Officials International (ASBO), the purpose of a CMMS system is to manage work order requests as efficiently as possible and meet basic information needs of the district. A CMMS system includes the following:

- Acknowledges the receipt of a work order;
- Allows the maintenance department to establish work priorities;
- Allows the requesting party to provide feedback on the quality and timeliness of the work;
- Allows preventive maintenance work orders to be included; and
- Allows labor and parts costs to be captured for each building.

In addition, the CMMS system should include the date the request was received, the date approved, a job tracking number, and the job status (received, assigned, on going or completed).

Financial Implication: The cost of CMMS system would be approximately \$950 per year. Start up costs for the system should be minimal because it is Internet based and SLSD already has the infrastructure required to run the system. The ability to manage needed and preventive repairs well will offset the cost of the CMMS system.

R4.4 SLSD should implement its formal planned preventive maintenance program for each building in the District. The plan, recently prepared for SLSD by a private firm, outlines maintenance schedules for each building's heating, cooling, and plumbing systems. Preventive maintenance checklists, including task frequency, should also be developed for each building. Most preventive maintenance tasks should be scheduled according to manufacturers' suggestions.

After a task is completed, it should be recorded in the CMMS (see R4.3) or in a checklist or log book. A preventive maintenance report should be created for each building to track when each task is performed. This report should be reviewed by the chief engineer to ensure the work is being completed in a timely manner.

To effectively implement the preventive maintenance plan without incurring additional personnel costs, SLSD should consider reallocating staff time from the transportation director and mechanic functions to preventive maintenance tasks (See R5.7 and R5.8).

SLSD recently purchased a preventive maintenance plan as required by the Ohio School Facilities Commission. They received a draft copy of this plan in January 2004. As the District reviews the plan, any excess costs related to the implementation of the plan should be examined for feasibility. 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. The chief engineer changes filters and completes minor maintenance around the district. However, he has not formalized preventive maintenance tasks, and instead focuses on repairing breakdowns.

The *Planning Guide for Maintaining School Facilities* states a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Preventive maintenance is the cornerstone of any effective maintenance initiative. Regularly scheduled equipment maintenance prevents sudden equipment failures and increases the life of a building. Districts often overlook creating a formal

preventive maintenance plan because of the practice of breakdown maintenance, as is the case with SLSD. Other times, maintenance employees and custodians know when some preventive maintenance tasks should be completed and a formal plan is then overlooked.

The absence of a comprehensive preventive maintenance program increases the risk of incurring high emergency repair costs. SLSD could implement this recommendation at no additional cost by reallocating staff time from the transportation department (see **R5.7**). The preventive maintenance tasks could be included in the automated work order system (see **R4.3**).

R4.5 SLSD should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are completed in a timely manner. These procedures should specify the supplies used for each job duty, the frequency of tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure all District facilities are sufficiently and consistently cleaned.

SLSD does not have a standard operating procedures manual for custodial operations. The chief engineer provides the direct supervision, scheduling and task assignment for building custodial staff. Because each custodian has an assignment and is able to perform job duties without standardization, various techniques may be used throughout the buildings. Other school districts have achieved higher levels of custodial efficiency by establishing formal procedures for custodians.

The Association of School Business Officials International publishes the *Custodial Methods and Procedures Manual*, which contains guidelines 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. The manual outlines the importance of custodial employees understanding what is expected of them. The job descriptions, schedules and cleaning methods include the supplies, frequency, and the appropriate procedure for each task. However, it is intended only as a guide and should be adapted to meet specific district needs. Areas where standard operating procedures may be developed include the following:

- Floor finish application;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Scrubbing/stripping;
- Spray buffing/high speed burnishing;
- Wall washing;

- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Standardized procedures and supplies help to ensure the custodial staff is familiar with equipment, cleaning supplies and appropriate cleaning procedures. Likewise, standardization helps custodial staff increase efficiency. In the absence of standard procedures, there is a greater likelihood of inconsistency and inefficiency in SLSD's custodial operations. By allowing each custodian to determine the procedures and products they use to clean, SLSD runs the risk of not having all areas cleaned in the most efficient or effective manner.

SLSD can obtain resource materials, at little or no cost, to begin to formalize custodial and maintenance procedures from sources found on the internet. The manual mentioned above is available through the Ohio Link website.

Financial Implications Summary

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

Summary of Financial Implications

Recommendation	Annual Cost Savings	Annual Implementation Costs
R4.2 Fully implement energy management measures	\$61,600	
R4.3 Purchase a computerized maintenance management system		\$950
Total	\$61,600	\$950

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Transportation

Background

Swanton Local School District (SLSD) provided transportation to 1,286 public, parochial and community school students in FY 2002-03. The District is approximately 42 square miles and the bus fleet drove over 209,000 miles last year. In FY 2003-04, SLSD stopped transporting high school students and students within a two-mile radius from school, with the exception of one bus, which transports students living near a major thoroughfare.

Table 5-1 identifies SLSD's total riders in FY 2002-03 and those of the peers.

Table 5-1: FY 2002-03 Total Regular and Special Needs Riders

	SLSD	Archbold Area Local School District (AALSD)	Ottawa- Glandorf Local School District (OGLSD)	Pike-Delta- York Local School District (PDYLSLSD)	Peer Average
Regular Needs Riders					
• Public	1,111	1,184	1,323	1,268	1,257
• Non-Public	129	0	289	30	106
• Total	1,240	1,184	1,612	1,298	1,365
Special Needs Riders	46	14	N/A	37	25.5
Total Riders	1,286	1,198	1,612	1,335	1,382

Source: SLSD and peer T-forms

Note: Totals in **Table 5-1** have been rounded.

Organizational Structure and Function

The director of transportation, buildings and grounds (director) oversees the transportation department and has supervisory duties over bus drivers and a mechanic. The director's transportation duties include establishing routing plans and schedules, coordinating the purchase of vehicles, and maintaining transportation records. In addition, the director has maintenance responsibilities which include overseeing outside contractors, developing job descriptions for engineers and custodians, and coordinating the maintenance and operations of school buildings and grounds.

Table 5-2 compares Swanton LSD and peer transportation staffing levels for FY 2002-03 and also shows SLSD's staffing for FY 2003-04. In FY 2003-04, SLSD's staffing levels and number of students transported changed as the District discontinued high school bussing. This resulted in the

reduction of four bus drivers and resulted in the district transporting 422 fewer students. This reduced regular needs ridership to 822 and special needs ridership to 42, for a total of 864 students transported. The number of District bus drivers was reduced from 15 in FY 2002-03 to 11 in FY 2003-04.

Table 5-2: SLSD and Peer Transportation Staffing Levels

Positions	2003 SLSD		2004 SLSD		2003 AALSD		2003 OGLSD		2003 PDYLSLSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Coordinator/Assistant	1.0	1.0	1.0	1.0	1.0	.75	1.0	0.4	1.0	1.0	1.0	0.7
Bus Driver	15.0	9.4	11.0	6.9	14.0	5.3	21.0	6.6	11.0	8.3	15.3	6.7
Mechanic/Assistant	1.0	1.0	1.0	1.0	1.0	0.5	0.0	0.0	2.0	2.0	1.0	0.8
Administrative ¹	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.4	0.0	0.0	N/A	N/A
Total Staffing	17.0	11.4	13.0	8.9	16.0	6.5	23.0	7.3	14.0	11.3	17.7	8.4
Number of Students Transported	1,286		864		1,198		1,612		1,335		1,382	
Total Regular Needs Miles	209,340		141,480		142,020		170,820		186,480		166,440	
Students Transported per Bus Driver FTE	137		125		228		246		162		207	
Students Transported per Total FTE	113		97		184		221		119		165	
Miles per Bus Driver FTE	22,318		20,504		27,051		26,040		22,604		24,891	
District Square Miles	42		42		81		66		73		73	
District Square Miles per Total FTE	3.7		4.7		12.5		9.0		6.5		9.0	

Source: Form T-1, Form T-2 and T-11 reports submitted to ODE; interviews with district transportation personnel.

Note: Due to differences in reporting, FTE figures may not mirror EMIS reports. Totals in **Table 5-2** have been rounded.

¹ No peer average was calculated because only one peer has administrative support.

Because of the reduction in bus routes and drivers, SLSD's performance indicators changed between FY 2002-03 and 2003-04:

- Bus driver FTEs fell from 40 percent above the peer average to 6 percent above the peer average.
- Total FTEs fell from 36 percent above the peer average to 16 percent above the peer average.
- Students transported per bus driver FTE decreased from 34 percent to 41 percent fewer students than the peer average.
- Students transported per total FTE decreased from 32 percent to 46 percent fewer students than the peer average.

- Miles driven per bus driver FTE decreased from 10 percent to 20 percent fewer miles than the peer average.
- Square miles per total FTE increased from 58 percent to 52 percent fewer miles than the peer average.

Operating Statistics

In FY 2002-03, SLSD maintained a fleet of 15 active buses and 6 spare buses to transport all students, both public and non-public. The transportation director indicated that the District used 3 of the 15 active buses to transport special education students. In FY 2003-04, SLSD eliminated the use of 4 active buses, resulting in the District now maintaining 11 active buses and 10 spare buses. Although maintaining 10 spare buses appears excessive, the District may need these spare buses if it elects to institute single-tier routing or reinstates the transportation of high school students. In FYs 2001-02 and 2003-04, three of the active buses transported both special need and regular needs students.

The District has 20 diesel engine buses and one gasoline engine bus. SLSD does not operate vans to transport students. **Table 5-3** summarizes FY 2002-03 basic operating statistics and ratios for SLSD and the peers.

Table 5-3: FY 2002-03 Basic Operating Statistics

	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average
Students Transported					
Regular Needs	1,240	1,184	1,612	1,298	1,365
Special Needs	46	14	0	37	25.5
Total	1,286	1,198	1,612	1,335	1,382
Miles Traveled					
Regular Needs ¹	209,340	142,020	170,820	186,480	166,440
District Square Miles	42	81	66	73	73
Sites and Bus Types					
Public Sites	7	3	3	4	3.3
Non-public Sites	3	0	1	2	1.0
Active Buses	15	14	19	14	15.7
Active Buses (Special Needs)	3	2	0	4	2
Spare Buses	6	7	6	6	6.3
Cost					
Regular Needs	\$651,717	\$363,851	\$525,852	\$468,981	\$452,895
Special Needs	\$62,878	\$80,281	N/A	\$102,299	\$91,290
Total	\$714,595	\$444,132	\$525,852	\$571,280	\$513,755
State Reimbursements					
Regular Needs	\$309,423	\$250,703	\$311,798	\$318,452	\$293,650
Special Needs	\$15,704	\$21,776	N/A	\$56,828	\$39,302
Total	\$325,127	\$272,478	\$311,798	\$375,280	\$319,852
% of Regular Needs Costs Reimbursed	47%	69%	59%	68%	65%
% of Special Needs Costs Reimbursed	25%	27%	N/A	56%	43%
% of Total Cost	46%	61%	59%	66%	62%
Ratios					
Regular Needs					
Cost per Mile	\$3.11	\$2.56	\$3.08	\$2.51	\$2.72
Cost per Bus	\$43,448	\$25,989	\$27,676	\$33,499	\$28,847
Cost per Student	\$526	\$307	\$326	\$361	\$332
Students per Active Bus	83	85	85	93	87
Special Needs					
Cost per Student	\$1,367	\$5,734	N/A	\$2,765	\$3,580

Source: SLSD and peer T-forms and Ohio Department of Education (ODE) summary of settlement sheets.

Note: Totals in Table 5-3 have been rounded.

¹ Calculated by multiplying total daily miles by 180 student days.

In FY 2002-03, SLSD's fleet traveled 209,340 miles, exceeding the peer average by 26 percent, even-though the number of square miles within the District is substantially less the peers. SLSD ran multi-tier routes, similar to PDYLSLSD, while the other two peers ran single routes. SLSD's overall transportation costs (approximately \$700,000) also exceeded the peer average by 39 percent. The costs for regular needs student's (per mile, per bus, and per student) also significantly exceeded the peer average. SLSD's total costs included payments made to parents in lieu of transportation, a service not offered by the peers.

Additionally, SLSD transported 46 special needs students at a cost of \$63,000, while the peer average was 25 special needs students transported at a cost of \$91,000. SLSD's total reimbursement percentage of 46 percent was significantly less than the peer average reimbursement of 62 percent.

Table 5-4 provides a detailed analysis of SLSD's and the peers' reported regular needs costs. The table does not include payment in lieu of transportation or other non-reimbursable expenses.

Table 5-4: FY 2002-03 Regular Needs Transportation Cost Comparison

	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average	% SLSD Over (Under) Peer Average
Salaries and Benefits ¹	\$508,820	\$234,709	\$370,122	\$364,748	\$323,193	57%
<i>Cost per Bus</i>	\$24,230	\$11,177	\$14,805	\$18,237	\$14,691	65%
<i>Cost per Mile</i>	\$2.43	\$2.00	\$2.17	\$1.96	\$1.94	25%
<i>Cost per Student</i>	\$410	\$198	\$230	\$281	\$237	73%
Fuel	\$52,889	\$36,698	\$42,911	\$41,910	\$40,506	31%
<i>Cost per Bus</i>	\$2,519	\$1,748	\$1,716	\$2,096	\$1,841	37%
<i>Cost per Mile</i>	\$0.25	\$0.26	\$0.25	\$0.22	\$0.24	4%
<i>Cost per Student</i>	\$43	\$31	\$27	\$32	\$30	44%
Bus Insurance	\$28,341	\$27,152	\$26,652	\$14,014	\$22,606	25%
<i>Cost per Bus</i>	\$1,350	\$1,293	\$1,066	\$701	\$1,028	31%
<i>Cost per Mile</i>	\$0.14	\$0.19	\$0.16	\$0.08	\$0.14	0%
<i>Cost per Student</i>	\$23	\$23	\$17	\$11	\$17	38%
Maintenance and Repairs ²	\$37,519	\$52,170	\$75,289	\$31,730	\$53,063	(29%)
<i>Cost per Bus</i>	\$1,787	\$2,484	\$3,012	\$1,587	\$2,412	(26%)
<i>Cost per Mile</i>	\$0.18	\$0.37	\$0.44	\$0.17	\$0.32	(44%)
<i>Cost per Student</i>	\$30	\$44	\$47	\$24	\$39	(22%)
Utilities and Supplies	\$5,250	\$6,041	\$6,202	\$10,529	\$7,591	(31%)
<i>Cost per Bus</i>	\$250	\$288	\$248	\$526	\$345	(28%)
<i>Cost per Mile</i>	\$0.03	\$0.04	\$0.04	\$0.06	\$0.05	(45%)
<i>Cost per Student</i>	\$4	\$5	\$3.85	\$8	\$6	(24%)
Total ³	\$647,450	\$363,851	\$525,852	\$468,981	\$452,895	43%
<i>Cost per Bus</i>	\$30,831	\$17,326	\$21,034	\$23,449	\$20,586	50%
<i>Cost per Mile</i>	\$3.09	\$2.56	\$3.08	\$2.51	\$2.72	14%
<i>Cost per Student</i>	\$522	\$307	\$326	\$361	332	57%

Source: Swanton LSD and peer district FY 2002-03 T-forms

¹ Includes wages, retirement, workers' compensation, and health insurance.

² Includes maintenance, repairs, tires, and tubes.

³ Includes contract expenses with other districts, training expenses, and miscellaneous expenses.

Based on a ratio analysis (e.g., costs per bus, per mile and per student), SLSD is below the peer average for maintenance and repairs, and utilities and supplies. However, SLSD's overall regular needs costs for FY 2002-03 are 43 percent higher than the peer average. SLSD is above the peer average for salary and benefits, fuel and bus insurance. SLSD's salaries and benefits are 57 percent higher than the peers because the District's bus drivers work more hours and the District pays more for health benefits than peers. SLSD paid approximately \$35,000 more in health benefits for transportation employees than the peer average, even-though the District has approximately the same number of drivers. SLSD's bus drivers also work approximately 5 hours a day, and receive full benefits (see **human resources**). The District's bus drivers work more hours because they drive multi-tier routes that transport both elementary and middle school students (see **R5.5** and **R5.6**). Bus drivers, for two of the peers, OGLSD and AALSD, drive single routes, and average 2.75 hours a day. PDYLSLSD's bus drivers run multi-tier routes and average 6 hours a day.

In addition, SLSD has 31 percent higher fuel expenditures because it purchases fuel from a local gas station at retail prices less a minimal discount (see **R5.9**). SLSD's bus insurance cost was high because the District includes vehicles and equipment that do not transport students, such as a trailer and band bus on its T-forms. The District also does not break out special education transportation costs from regular needs costs for bus insurance (see **R5.2** for more on the correct methodology for reporting special education transportation expenditures for reimbursement).

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, the following assessments were conducted but did not warrant any changes or yield any recommendations:

- *Use of route optimizing software:* SLSD does not use route optimizing software. The small size of the bus fleet (11 active buses and 10 spare buses) reduces the utility and benefits of software use for the District. Peer districts also indicated that the small size of their districts did not justify purchasing routing software.
- *Competitive bidding for bus purchases:* SLSD has implemented a formal competitive bidding process for the purchase of school buses, pursuant to ORC § 3313.46.
- *Payments in Lieu:* SLSD entered into 17 contracts for payment in lieu of transportation with parents or guardians during FY 2003-04 pursuant to ORC § 3327.02 This methodology helped SLSD marginally reduce its transportation costs. SLSD should continue to promote the use of payments in lieu of transportation for special needs and vocational education students.

Recommendations

R5.1 SLSD should establish policies and procedures to ensure the accuracy of the information submitted on the transportation forms (T forms) to the Ohio Department of Education (ODE). This will help to ensure appropriate reimbursements in the future. The District is taking steps to ensure the accuracy of T forms by contacting the ODE area coordinator for guidance.

School districts are required to file transportation forms annually with ODE to receive State transportation reimbursements. The process used by school districts differs from district to district. The transportation director at SLSD completes a daily log of bus miles and the number of students transported for the T-1 form, and submits this information to the treasurer, who completes the cost data. The transportation director and treasurer do not meet on a regular basis to discuss and review the transportation forms to ensure the data is accurate.

SLSD's FY 2002-03 transportation forms T-1, T-2 and T-11 appear to contain inaccurate information on the number of students transported and costs. SLSD's Schedule of Expenditures by Function and Object Categories for the General Fund (Statement Q) of the Annual Financial Report (4502) does not reconcile to the District's transportation costs for regular education students report (Form T-2) and special education students report (Form T-11) reported to ODE. **Table 5-5** compares SLSD's Statement Q costs to reported costs on forms T-2 and T-11.

Table 5-5: FY 2002-03 4502 Statement Q and Form T-2 Costs

Expenditure	4502 Statement Q	Form T-2/T-11	Variance
Salaries and Benefits	\$504,047	\$508,820	1%
Purchased Services ¹	\$40,788	\$82,102	101%
Material and Supplies ¹	\$92,871	\$60,795	(35%)
Capital Outlay ²	\$113,945	N/A	N/A
Special Education ³	N/A	\$62,878	N/A
Total	\$751,651	\$714,595	(5%)

Source: SLSD 4502 Statement Q and Form T-2

¹ SLSD reported repairs and maintenance of approximately \$35,000 in the materials and supplies category on 4502 Statement Q instead of purchased services, when combined the variance would be insignificant.

² Capital outlay expenditures are not reported on Form T-2 and Form T-11.

³ Special education costs are reported on Form T-11. Statement Q does not have a line-item for special education. On the 4502 Statement Q, special education costs are spread over categories salaries and benefits, purchased services, and materials and supplies.

Statement Q reports the District's actual General Fund transportation expenditures for FY 2002-03. Statement Q includes expenditures of approximately \$105,728 (see **Table 5-5**) for

capital replacement of school buses, and equipment which are not included on Form T-2 for reimbursement purposes. If non-reimbursable school bus purchase expenditures are subtracted from the total General Fund expenditures, reimbursable expenditures in FY 2002-03 are \$646,000. However, SLSD reported approximately \$715,000 in reimbursable expenses on the transportation forms (\$652,000 for regular needs expenditures on Form T-2 and \$63,000 for special education on Form T-11), for a discrepancy of \$69,000 when compared to Statement Q. The District may have counted special education costs twice since the special education expenditures of \$63,000 are close to the \$69,000 variance. (See **R5.2** for additional information on reporting of special education costs.) In addition, insurance costs reported on Form T-2 are inaccurate because they included costs for vehicles and equipment not used to transport students, such as a trailer and a van. Furthermore, the transportation director did not report students transported within one mile on Form T-1 for FY 2002-03. The District transports students within one mile who live near a major thoroughfare.

According to a recent report issued by the Legislative Office of Education Oversight (LOEO), accuracy problems for transportation-related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. These inaccuracies impact the districts' state reimbursements and annual funding levels. In the case of district's experiencing financial hardships, ensuring accurate and full reimbursements is essential to supporting the transportation function. Without policies and procedures that identify the process for completing and meeting to review the T-Forms for accuracy and completeness, SLSD risks submitting incorrect information, which can potentially adversely affect its reimbursement from ODE.

R5.2 SLSD should develop policies and procedures to ensure special education transportation costs reported to ODE accurately reflect all costs including bus maintenance, employee benefits, fuel, tires and insurance. Accurate reporting of special education transportation expenses should increase SLSD's special needs transportation reimbursement from ODE. The District is taking steps to ensure the accuracy of special education costs by working with the ODE area coordinator.

In FY 2002-03, SLSD did not report all of its costs for special education transportation. The District reported approximately \$63,000 for special education transportation costs, based only on the bus driver hours multiplied by their hourly rate. Other costs that should be included are bus maintenance, employee benefits, fuel, tires and insurance. All of its special education transportation costs for trips to Toledo (136 miles round trip) and Wauseon (98 miles round trip), were not captured on Form T-11. The District reported using six buses for special education, but the transportation director indicated the District used only three.

The ODE transportation reimbursement is equal to the actual cost of special education transportation up to six dollars a day per student and 50 percent of its actual cost in excess of six dollars. This amount is then multiplied by the legislatively defined reimbursement percentage to arrive at actual district funding. The reimbursement rate was 55 percent in FY 2002-03.

Table 5-6 shows special needs transportation costs and reimbursement information for SLSD and the peers.

Table 5-6: FY 2003 SLSD and Peer Special Needs Transportation Costs and Reimbursement

	SLSD	AASLD	OGSLD ¹	PDYLSLSD	Peer Average
Number of Students	46	14	N/A	37	26
Special Needs Costs	\$62,878	\$80,281	N/A	\$102,299	\$91,290
Reimbursement	\$15,704	\$21,776	N/A	\$56,828	\$39,302
Percent of Reimbursement	25%	27%	N/A	56%	43%
Cost per Student	\$1,367	\$5,734	N/A	\$2,765	\$3,511

Source: T11-Forms and ODE summary of settlement sheets

¹ OGSLD did not submit Form T-11 in FY 2002-03.

Note: Totals in **Table 5-6** have been rounded.

SLSD transported 80 percent more special needs students than the peers but its cost per student is 61 percent less than the peer average and its reimbursement was 60 percent less than the peer average. SLSD's special needs transportation reimbursement is 42 percent lower than the peers. SLSD received approximately \$15,700 in reimbursement in FY 2002-03 for special education, which is 25 percent of reported special education costs. In contrast, PDYLSLSD received \$57,000 in special needs transportation reimbursement, which is 56 percent of total reported special needs transportation costs. SLSD's low reimbursement is predominately the result of not capturing total special needs transportations costs.

PDYLSLSD provided a spreadsheet showing a breakdown for special education transportation costs that includes personnel, maintenance, fuel, tires and insurance. If a district uses a bus for special education and regular needs routes, the district should pro-rate those costs. By implementing a cost tracking process similar to that used by PDYLSLSD, SLSD can capture a greater percentage of special education transportation costs and likely increase its reimbursement amounts.

Financial Implication: SLSD could have obtained approximately \$4,000⁵⁻¹ more in

⁵⁻¹ Special needs students comprise 3.5 percent of SLSD's students transported in FY 2002-03. This percentage was applied to operational costs and additional personnel costs, including fuel, repairs and maintenance, and insurance. Additional personnel costs included the salaries of the mechanic and transportation director.

reimbursement for special education in FY 2002-03 if it had included pro-rated operational costs and additional personnel costs on the T-forms submitted to ODE.

R5.3 SLSD’s transportation policy should be reviewed annually and amended when necessary to reflect current practices. Changes in the District’s enrollment, pupil residence, and route configuration should be included as part of the annual review.

SLSD and peer transportation policies should clarify the districts’ implementation of regulations stipulated in the Ohio Revised Code (ORC). The transportation policies generally list only the regulations in the ORC, without going into specific details on current district transportation practices. Each policy specifies the methods of transportation (e.g., school bus), the type of students transported (e.g., special education) and distance requirements for transporting students to school. For example, a school district is only required to transport students in grades K through 8 who reside two or more miles from school, while high school student transportation is optional, pursuant to ORC § 3327.01.

Although the District reviews bus routes annually, SLSD’s transportation policy has not been updated to reflect current practices. Sections of SLSD’s transportation policy are dated as far back as 1990. The policy currently states the district will furnish school bus transportation to all elementary and secondary school students to the extent determined by the administration and approved by the board. However, in FY 2003-04, SLSD stopped transporting high school students and students within a two-mile distance from school, with the exception of one bus, which transports students living near a major thoroughfare. The director of transportation indicated the safety of those students would be jeopardized if they had walk to school and cross a State Route.

The disparity between SLSD’s policy and practices may lead to confusion and poor controls over ridership. SLSD should ensure that its policy and practices are in agreement and that they are reviewed regularly. By ensuring the congruence of District practices and policies, future modifications of policy and changes in ridership levels will be easier to implement.

R5.4 SLSD should work to establish agreements with neighboring school districts that may have compatible bus runs for special needs and vocational students in order to reduce transportation costs.

Ohio Revised Code (ORC) § 3327.01 requires every school district to transport all special needs students who live in the District to the school or facility that if it is required by their Individual Educational Plan (IEP). SLSD uses three routes to transport special education students. Two of these routes are high mileage routes that transport relatively few students. One route transports 10 special education students 136 miles daily to Toledo and the other route transports 4 special education students 98 miles each day to the City of Wauseon. In

FY 2002-03, SLSD's special needs transportation cost per student was approximately 162 percent higher than regular needs transportation costs per student (see **Table 5-3**). The actual cost per student may be higher because SLSD did not report all costs for special education transportation (see **R5.2**).

A district which is also a member of a joint vocational school district may also provide transportation for its pupils to and from the joint vocational school. (See Anderson's Ohio School Law Guide § 9.26 (2003-04), and 1968 Ohio Atty. Gen. Op. 103). SLSD transports 23 vocational students to Penta Joint Vocational School, which is an 89 mile round trip. In FY 2002-03, the cost to transport vocational students was approximately \$50,000.

Boards of education are also authorized to enter into transportation contracts with each other, which may provide for sharing in the transportation of a child who resides in one district and attends school in another district. Under the agreement, one district may claim the total transportation subsidy for the child, which may be divided between the two districts in the proportions agreed upon pursuant to ORC § 3327.04 (A) and (B).

Although the District has entered into transportation contracts with neighboring districts in the past, the District should consider entering into the contracts to provide transportation to a broader spectrum of students. The District should consider sharing vocational education transportation services with neighboring districts. For example, Anthony Wayne LSD, similar to SLSD, transports students to Penta Joint Vocational School. By entering into an agreement with a neighboring school, SLSD should be able to reduce its services because it will be able to share the responsibility and costs. The cost to drop-off vocational students at Anthony Wayne LSD would be approximately \$12,000.

Financial Implication: Negotiating a contract with Anthony Wayne LSD to transport vocational students should allow SLSD to potentially avoid costs of approximately \$38,000.

R5.5 SLSD should increase the number of students transported per bus by optimizing its routing. Single tier routing may be more practical due to the reduction in the number of students transported. Single tier routing would reduce the miles driven, wear and tear on the buses, and maintenance costs.

SLSD reduced the number of students transported from 1,286 in FY 2002-03 to 864 in FY 2003-04, a 49 percent reduction, the number of miles driven from 209,340 to 189,180, and the number of active buses and drivers from 15 to 11 respectively, while maintaining multi-tier routing and the same hours worked by bus drivers.

According to the transportation director, routes are drawn on a map using highlighters, and are based on miles and number of riders, along with the time needed for the number of stops.

In FY 2002-03, the SLSD spent approximately \$651,000 to transport regular needs students 209,340 miles. **Table 5-7** shows SLSD and peers miles driven, occupancy per bus, cost per bus, percentage of state funding and cost per student.

Table 5-7: FY 2002-03 SLSD and Peer Operating Ratios

	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average
Number of Active Buses	15	14	19	14	16
Miles Driven	209,340	142,020	170,820	186,480	166,440
Occupancy per Bus	83	85	85	93	87
Cost Per Bus	\$43,448	\$25,989	\$27,676	\$33,499	\$28,847
Percentage of State Reimbursement	47%	69%	59%	68%	65%
Cost Per Student	\$526	\$307	\$326	\$361	\$332

Source: See **Table 5-3** FY 2002-03 Basic Operating Statistics

During FY 2002-03, **Table 5-7** indicates SLSD was higher than the peers and the peer average for the following indicators: miles driven, cost per bus and cost per student. These indicators were higher due to salaries and benefits, fuel and bus insurance as shown in **Table 5-4**, and multi-tier routing. AALSD and OGLSD have single tier routing, while PDYLSLSD has multi-tier routing. SLSD has the lowest percentage of State reimbursement when compared to the peers and peer averages. The percentage of state reimbursement was lower due in part to the inaccuracy of the information submitted to ODE on the T forms (see **R5.1** and **R5.2**).

Average bus occupancy, percentage of state reimbursement, cost per bus, and cost per student are important performance indicators that show the relative efficiency of a student transportation operation. The degree to which the District can arrange to accommodate more students on a bus reduces the need for buses and drivers, along with maintenance and repairs and overall operational costs. In addition the state reimbursement is partially contingent upon average bus occupancy and rewards districts that operate efficiently. Also, as the number of students riding the bus increases, operational costs per student will decrease.

To optimize bus routing, SLSD should perform a comprehensive review of the route sheets to ensure accurate mapping and to determine route efficiency. The number of bus stops and the time required for each stop should be reviewed in an effort to reduce overall route time and increase the number of students per stop and per bus. The size and type of bus assigned to each route should be appropriate for the route and the number of students transported, including the routes serving special needs students, i.e. trips to Toledo (136 miles round trip for ten students) and Wauseon (98 miles round trip for four students). Large capacity buses should be used in areas of higher student density for efficiency, while smaller capacity buses should be used in areas of sparse student density or areas with long distances between stops. Mapping of the District's routes could be accomplished using a county map and route sheets prepared and updated by drivers at least monthly. Bus routing consultants and computer

routing programs are also available to design and map route scenarios, but these options are often expensive and time consuming.

Single tier routing may require the addition of one or two additional buses and drivers, but should reduce to number of hours worked per bus driver. The cost savings achieved by reducing personnel costs, miles traveled, fuel costs, and maintenance and repair, while increasing occupancy per bus and state reimbursement should offset the cost of the additional buses and drivers.

R5.6 SLSD should negotiate a reduction in the number of bus drivers' guaranteed five hours per day to allow the District to schedule bus drivers' hours as needed. Reducing bus drivers' guaranteed hours through contract negotiations will result in a cost-savings for the District.

SLSD bus drivers work approximately 5 hours a day, and receive full benefits (see **human resources**). Per the negotiated contract, SLSD's bus drivers are guaranteed a minimum of 5 hours a day. The District's bus drivers work more hours because they drive multi-tier routes that transport both elementary and middle school students. Bus drivers for two of the peers, OGLSD and AALSD, drive single routes, and average 2.75 hours a day. PDYLSLSD's bus drivers run multi-tier routes and average 6 hours a day.

Reducing SLSD bus drivers' hours would allow the district to achieve staffing ratios similar to the peers. **Table 5-8** shows the proposed SLSD transportation staffing comparison, assuming bus drivers' hours are reduced to four.

Table 5-8: Proposed SLSD Transportation Staffing Comparison

Positions	Proposed SLSD		AALSD		OGLSD		PDYLSD		Peer Average ¹	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Coordinator/Assistant	1.0	1.0	1.0	.75	1.0	0.4	1.0	1.0	1.0	0.7
Bus Driver	11.0	5.5	14.0	5.3	19.0	5.9	14.0	10.5	15.7	7.3
Mechanic/Assistant	1.0	1.0	1.0	0.5	0.0	0.0	1.0	1.0	0.7	0.5
Administrative	0.0	0.0	0.0	0.0	1.0	0.4	0.0	0.0	N/A	N/A
Total Staffing	13.0	7.5	16.0	6.5	21.0	6.7	16.0	12.5	17.33	8.45
Number of Students Transported	864		1,123		1,205		1,130		1,153	
Total Miles	189,180		142,740		172,440		283,320		199,500	
Students Transported per Bus Driver FTE	157		214		203		108		159	
Students Transported per Total FTE	115		173		179		90		136	
Miles per Bus Driver FTE	34,396		27,189		29,030		26,982		27,599	
District Square Miles	42		81		66		73		73	
District Square Miles per Total FTE	5.6		12.5		9.8		5.8		9	

Source: Interviews with district transportation departments

¹ No peer average was calculated because only one peer has administrative support.

Note: Due to differences in reporting, FTE figures may not mirror EMIS reports. Totals in **Table 5-8** have been rounded.

If SLSD bus drivers' hours were reduced, the total FTEs would be less than the peer average. SLSD would transport 157 students per bus driver FTE and 115 students per total FTE, which is less than the peer average. To achieve this recommendation, the District would have to renegotiate bus driver hours and revise current bus routing to single-tier routes. Benefits of single-tier routing for SLSD include lower personnel costs and lower mileage on buses.

Financial Implication: Reducing bus drivers' guaranteed hours to four would result in approximately \$27,000 in salaries and \$8,640 in benefits for a total of \$35,650 in annual cost-savings for the District. Additional cost-savings may be realized through reductions in mileage and maintenance costs.

R5.7 SLSD should reallocate the transportation director's time and costs based on his job description, 25 percent to facilities and grounds-keeping and 75 percent to transportation. In addition, SLSD should monitor the salary rates offered to its transportation director and, in future years, maintain a salary rate more similar to the peers.

SLSD's transportation director allocates 75 percent of his time to transportation and 25 percent to facilities and grounds-keeping responsibilities. However, the District attributed 100 percent of his salary to USAS function codes for transportation. **Table 5-9** shows SLSD and the peers' transportation supervisor salaries, benefit costs, and time allocated to transportation duties.

Table 5-9: FY 2002-03 SLSD and Peer Transportation Supervisor Costs

	SLSD	AALSD	OGLSD	PDYLSD	Peer Average
Supervisor Salary	\$45,739	\$27,027	\$15,024	\$33,742	\$25,264
Supervisor Benefits	\$19,210	\$7,297	\$6,911	\$14,509	\$9,572
Total	\$64,949	\$34,324	\$21,935	\$48,251	\$34,837
Allocation to Transportation	100%	75%	40%	100%	72%

Source: SLSD, AALSD and OGLSD costs all taken from T-2. PDYLSD supervisor's salary was taken from EMIS in order to capture special education costs.

Note: Totals in **Table 5-9** have been rounded.

SLSD is 81 percent higher than the peer average for the total transportation supervisor costs, because 100 percent of his salary is allocated to transportation, even-though he works 25 percent of his time in facilities. However, 75 percent of his salary (\$34,300) is still 36 percent higher than the peer average.

PDYLSD's transportation supervisor works 100 percent of his time on transportation, at a salary 35 percent lower than SLSD's transportation director. AALSD's transportation supervisor works 75 percent of her time on transportation and 25 percent on administrative tasks, and OGLSD's transportation supervisor allocates 40 percent of his time to transportation and the rest of his time between custodial services and food service. AALSD and OGLSD transportation supervisor's salaries were pro-rated on the T-2 forms.

During FY 2003-04, SLSD reduced the number of active buses and drivers from 15 to 11, for a 26 percent reduction, but did not reduce the number of hours worked by its transportation director. Therefore, in accordance with the position description, SLSD should allocate 25 percent of the director's costs to facilities. In addition, SLSD should consider realigning the transportation director's function to perform preventive maintenance tasks during the 25 percent of his time dedicated to facilities (See R4.4). This would allow SLSD to implement the preventive maintenance plan without incurring additional personnel costs.

R5.8 SLSD should re-allocate 25 percent of the mechanic's costs to facilities and groundskeeping and 75 percent to transportation. Re-allocating 25 percent of the mechanic's costs to facilities and groundskeeping will assist with implementation of preventative maintenance plan for school facilities. SLSD also should consider the option of outsourcing its bus maintenance and repair as the smaller fleet may not be able to support a full-time mechanic.

In FY 2002-03, the District spent approximately \$35,000 on bus parts and repairs. **Table 5-10** shows SLSD and peer mechanic and repair costs. Repair costs include repairs and parts for repairs, performed either in-house or outsourced.

Table 5-10: SLSD and Peer Mechanic Personnel and Repair Costs

	SLSD	AALSD	OGLSD	PDYLSLSD	Peer Average
Number of Active Buses	15	14	19	14	16
Mechanic Salaries	\$39,076	\$20,735	\$0	\$33,685	\$27,210
Mechanic Benefits	\$16,412	\$5,599	\$0	\$14,485	\$10,042
Repairs	\$37,519	\$52,170	\$75,289	\$31,730	\$53,063
Total	\$93,007	\$78,503	\$75,289	\$79,900	\$77,897
Average Cost per Active Bus ¹	\$6,200	\$5,607	\$3,962	\$5,707	\$4,868

Source: SLSD, AALSD and OGLSD costs all are from T-2. PDYLSLSD repair costs and mechanics' cost are from T-2, but the supervisor's salary was taken from EMIS in order to capture special education costs.

Note: Totals in **Table 5-10** have been rounded.

SLSD and PDYLSLSD employ mechanics who complete most bus repairs. OGLSD and AALSD outsource repairs. SLSD is 19 percent higher than the peer average for total mechanic and repair costs and 27 percent higher than the peer average for the average cost per active bus.

During FY 2003-04 SLSD reduced the number of active buses to 11, a 26 percent reduction, but did not reduce the number of hours worked by its mechanic. Because it is unlikely that the smaller fleet will occupy the same amount of the mechanic's time, SLSD should reallocate 25 percent of the hours worked by the mechanic to facilities to assist in the implementation of the preventative maintenance plan.

Also, SLSD should evaluate the cost effectiveness of performing its maintenance and repairs by comparing its costs to those of private vendors. Factors that should be considered include the availability of warranties from private providers, the convenience and timeliness of the service, the need to rely on specialized equipment that would be needed infrequently by the District. In addition the District should consider participating in the Ohio Department of Administrative Services (DAS) Cooperative Purchasing Program or a similar cooperative purchasing program for bulk parts and supplies routinely used in its maintenance and repair of buses (e.g., tires and oil filters).

R5.9 SLSD should reduce fuel costs for its school buses by considering options that provide a lower pricing structure than the local gas station. Options include the following:

- **Setting aside funds to purchase fuel tanks in the future and purchasing fuel through a cooperative purchasing program;**

- **Obtaining fuel discounts through competitive bidding or negotiated agreement with the gas station; and**

The District should also take advantage of the new refund on State motor fuel taxes.

SLSD has purchased diesel fuel from the local gas station at retail prices for approximately four years. According to the transportation director the fuel vendor provides only a small fleet discount of less than 1 percent per gallon and has not been receptive to providing additional volume discounts. The District does not pay federal taxes on fuel purchases. The director also indicated that there are no other nearby gas stations from which SLSD could obtain bids for diesel fuel. There are two gas stations that sell diesel fuel 8 to 10 miles away from Swanton, but the transportation director indicated that driving the extra distance to gas stations outside of Swanton fuel would not be beneficial to the District because of additional travel costs. SLSD spent approximately \$53,000 on fuel in FY 2002-03, which is 31 percent higher than the peer average (see **Table 5-4**). Fuel prices and usage vary from month to month, due to travel for athletic events and field trips. In FY 2003-04, transportation costs for athletic events will be paid by private donations.

In the past, the District used underground tanks to store diesel fuel on-site, but removed the tanks because of problems with leaks. The transportation director indicated the cost of the tanks would exceed the cost of buying diesel fuel at the gas station, due to the excessive insurance costs and the cost to maintain the tank. In addition the director indicated, the Village of Swanton and other government agencies and businesses in the area also purchased fuel from the local gas station.

Option 1 – Setting Aside Funds to Purchase Tanks and Purchase Fuel through a Cooperative Purchasing Program

SLSD is not a member of Ohio Department Administrative Services (DAS) Cooperative Purchasing Program or a similar cooperative purchasing program. The State program offers members the opportunity to purchase diesel fuel and other goods and services through State contracts at a discounted price. Members are able to purchase goods in limited quantity at bulk rates. The annual membership cost for Ohio school districts is \$125. According to the cooperative purchasing program administrator, the fuel contract is bid out by districts. Fulton County is in Bid District 2, along with Lucas County and other Northwest Ohio counties, so SLSD should have no problem finding a source to deliver fuel to their location. For the time period May, 2003 to December, 2003, the average fuel price for diesel fuel under the DAS program was \$1.01 per gallon. A cooperative purchasing program offers a lower pricing structure than SLSD's current practice of purchasing gasoline from the local gas station at retail prices.

If SLSD chose this option, it would need to purchase tanks to store fuel. PDYLSLSD owns and maintains a 9,500 gallon storage tank to fuel buses. The PDYLSLSD transportation supervisor does not formally receive bids for fuel, but calls fuel suppliers throughout the year to obtain the lowest price. PDYLSLSD receives six loads of fuel a year (a load is 7,500 gallons). For one tank, the district pays approximately \$450 a year for insurance, and is required to keep \$11,000 in an account to cover the deductible. The PDYLSLSD transportation supervisor indicated a new tank costs around \$20,000. A petroleum company in Toledo estimated the cost of a 9,000 to 10,000 above ground tank to be approximately \$40,000 installed with a concrete base and an automated fuel dispenser.

OGLSD purchases fuel from a supplier (Phillips BP), who owns two tanks located on District property. Phillips BP purchased the tanks for the District; OGLSD does not pay for the tanks, only the fuel. In addition, OGLSD annually renews the contract with Phillips BP. Currently, this option is not feasible for SLSD because the District is outside Phillips BP's delivery area. AALSD also purchases fuel similar to SLSD, from a local gas station.

Owning tanks would allow the District to negotiate volume discounts with fuel suppliers and provide a central location to fuel school buses. With the current financial constraints of the District, SLSD may not be able to purchase a tank immediately, but should consider developing plans to set aside funds in the future to purchase the tanks.

Financial Implication: The cost to purchase a tank is approximately \$40,000. If SLSD owned a tank, the District would have the ability to negotiate discounts either through DAS or by calling vendors to receive the lowest price for fuel. Assuming negotiating fuel discounts results in 31 percent lower price, similar to the peer average (**Table 5-4**), the District would save approximately \$16,000 a year on fuel costs. The District would be able to make up the cost of purchasing the tank within three years.

Option 2 - Competitive Bidding or Negotiated Discount

Negotiating and executing a fuel purchase contract to provide additional volume discount for fuel could decrease the potential financial impact of increases in future fuel prices. Since diesel fuel prices fluctuate on a daily basis, a contract can provide SLSD the assurance of set delivery and pricing terms and conditions. A competitive bid process will allow SLSD to compare multiple supplier offers and select the terms and conditions that are most favorable. Developing a competitive bid process would be dependent on other gas stations locating in the area or the District receiving bids from gas stations further away. The District should continue to try to negotiate with the local gas station to obtain additional volume fuel discounts. Gas stations in Delta (7 miles away) and Whitehouse (9 miles away) also sell diesel fuel. SLSD should contact these locations to compare fuel prices and see if volume discounts on fuel are available.

Refund on State Motor Fuel Taxes

The SLSD transportation director indicated that the District plans to file an application with the Ohio Department of Taxation to receive the new State refund on motor fuel taxes. The District qualifies to receive a discount on motor fuel taxes of \$0.02 per gallon for the time period July 1, 2003 to June 30, 2004; and \$0.04 per gallon starting on July 4, 2004. In order to receive the refund, SLSD must submit the permit application and a claim form. Refunds may be filed for any length of time as long as the refund is for at least 100 gallons and is within 365 days of the time the fuel was purchased. The Ohio Department of Taxation recommends districts file refund claims monthly, quarterly or semiannually.

Financial Implication: The District can recoup \$600 in state fuel tax for FY 2003-04 fuel usage.

- R5.10 SLSD should develop a formal preventative maintenance (PM) program for its bus fleet. A documented PM program will provide the transportation department and SLSD administrators a written management tool for monitoring and scheduling bus maintenance and the associated costs. The transportation director indicated the District intends to implement a preventative maintenance program.**

SLSD should use its A-site's vehicle information system (VIS) to record and track all bus maintenance schedules, work-in-progress, completed maintenance jobs, and individual bus mileage. Recording the use of all parts, supplies, and associated labor information will provide a detailed maintenance history for each bus. Replacing the current manual log system with a computerized system will provide administrators with real-time information and will help the District better monitor transportation expenditures.

SLSD does not have a formal preventative maintenance program (PM) for its buses. According to the transportation director, the mechanic performs all bus repairs as they are needed, and does not have the time to complete regularly scheduled preventive maintenance for the buses. SLSD also does not use an up-to-date, automated vehicle maintenance program (VMP) to record, schedule and monitor bus maintenance and mileage. Currently, the transportation department manually records all bus repairs and maintenance. The transportation director tracks the cost of parts, but does not track the hours or labor costs for maintenance activities. As a result, information on costs for parts is available, but total costs which includes labor and parts costs can not be determined. In FY 2002-03, the District spent approximately \$37,000 on bus parts and repairs.

Included in the membership fees for the Northwestern Ohio Computer Association (NWOCA), Swanton has access to a VIS that tracks the maintenance and repairs and other pertinent information for each vehicle, and generates Section I of the T2 report. Automated fleet maintenance records help public entities maintain accurate records of repairs and the costs associated with each vehicle maintained. Preventive maintenance programs, usually based on manufacturer's specifications, help reduce the likelihood of large, costly repairs by ensuring the day-to-day upkeep of vehicles. Fleet maintenance computer software applications can be obtained for between \$2,000 and \$4,000. However, due to the size of the bus fleet, an in-house computer application could be used to establish and maintain individual bus records for all service work scheduled and completed.

Furthermore, no matter how well designed a preventive maintenance program may be, it depends ultimately on the primary vehicle operator for its success. Vehicle operators should perform vehicle inspections at least once a week, including checking the tire pressures when the tires are cold and checking engine oil, coolant levels, and all other fluids. The most important aspect of the plan is that vehicle inspections need to be completed.

Without thoroughly documented bus maintenance records, it is difficult for school administrators to thoroughly analyze transportation expenditures and bus performance for fleet maintenance. However, using automated records will enhance the transportation director's ability to report the cost to maintain the fleet, as well as special needs transportation costs. Also, the implementation of a preventive maintenance program will help SLSD ensure that the bus fleet continues to be operable until replacements are purchased.

R5.11 SLSD should establish a formal bus replacement plan to maximize fleet effectiveness. Criteria, such as mileage and chronological age should be included in the replacement plan to guide decision making when purchasing replacement buses. By reviewing and updating the plan annually SLSD will be able to plan for future costs while maintaining its fleet. During the course of the audit, the District indicated it would take steps to develop a formal bus replacement plan.

SLSD does not have a formal bus replacement plan. Although the District does not have a formal plan, the transportation director indicated that the District's policy for replacing buses is generally 150,000 to 200,000 miles. There are no state guidelines for bus replacement. As long as the bus can pass the state inspection, a district may continue to use the bus for transportation, regardless of age or mileage. According to ODE's bus purchase list, the average mileage of buses replaced in 2003 was approximately 210,000 miles. Currently SLSD has no active buses with mileage over 200,000 miles. In the future, to determine which buses to replace, other criteria, such as maintenance costs for each bus, need to be maintained and evaluated (see **R5.10**).

SLSD's bus fleet consists of 11 active buses and 10 spare buses. The average miles accrued on all of the buses is approximately 122,000. Nine of the spare buses are over 10 years old, with the two oldest buses being 15 years old. All six of the buses with mileage over 150,000 are spares except two buses. Three of these buses with the highest mileage are fully-funded. ODE approval is required to replace fully-funded buses. The District has purchased five buses in the last five years, at an average cost of \$52,093. In addition, in FY 2002-03, one bus was replaced due to damage from an accident. Although the District's normal procedure is to receive bids for the buses, the District purchased the replacement bus without bidding, because it was an emergency. According to the transportation director, one of the buses purchased in FY 2002-03 is now used as a spare bus because it is smaller in size than a standard bus. Designating an older bus as active instead of using a newer bus is inefficient because an older bus will be more costly to operate and maintain.

Bus replacement costs are shared by the State and the school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance. Swanton LSD received approximately \$20,000 in 2003 for bus replacement and \$25,000 in 2002. According to ODE, public subsidies are expected to decrease by at least 50 percent in FY 2003-04. In FY 2003-04, SLSD will receive approximately \$10,400 for bus replacement. Without a formal bus replacement plan, SLSD may not be able to ensure the availability of funds for future bus purchases.

Table 5-11 presents a schedule for bus replacement, based on a mileage forecast of assigned SLSD buses. These buses are expected to exceed 200,000 miles during the forecast period. The table assumes each bus travels approximately 17,000 miles per year based on miles per assigned bus completed on the District's Form T-1.

Table 5-11: Swanton Bus Mileage Forecast for Assigned Buses

Bus ¹	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
1	146,444	163,444	180,444	197,444	214,444
2	144,758	161,758	178,758	195,758	212,758
3	179,929	196,929	213,929	230,929	247,929

Source: SLSD Form T-1 and SLSD's transportation director.

¹ Does not refer to the official bus number as designated by Swanton LSD.

² Table does not include ODE fully-funded buses.

One bus is projected to exceed 200,000 miles in FY 2004-05, and two are projected to exceed 200,000 miles in FY 2006-07.

Without a formal bus replacement plan, Swanton LSD cannot maximize fleet effectiveness and ensure budgeted funds exist for bus purchases. Specifically, factors to consider with bus replacement include the number of buses to be replaced annually, the average age of the buses at the time of replacement, the estimated cost of replacement, and a financial plan for

how replacements will be purchased including an estimate for State bus reimbursements. Additionally, the plan should be reviewed for such issues as capacity and other efficiencies, including the use of smaller buses for special needs or field trips.

Financial Implication: Assuming ODE's bus replacement subsidy is reduced to \$10,400, and the District limits bus replacement purchases to \$53,000 per bus, SLSD will have the funds to purchase one bus in five years. However, three buses are projected to exceed \$200,000 miles within 5 years. SLSD would have to set aside approximately \$30,000 a year for bus replacement in order to replace all three buses within a five year timeframe. However, the District should continue to use buses that pass State inspections and do not chronically inflate maintenance and repair costs.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and implementation costs identified in recommendations presented in this section of the report.

Summary of Financial Implications for Transportation

Recommendation	Annual Costs Savings	Implementation Costs
R5.2 Ensure accurate and complete reporting of special education transportation costs	\$4,000	
R5.4 Develop agreements with neighboring district for transporting special needs and vocational students	\$38,000	
R5.6 Reduce bus driver's hours worked to four	\$35,640	
R5.9 Reduce fuel costs for buses by purchasing a tank to store diesel fuel and obtaining a refund on motor fuel taxes	\$16,600	\$40,000
R5.11 Implement a bus replacement plan		\$30,000
Total	\$94,240	\$70,000