



Mary Taylor, CPA
Auditor of State

SPRINGBORO COMMUNITY CITY
SCHOOL DISTRICT
PERFORMANCE AUDIT

JULY 7, 2009



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Auditor of State

To the Residents and Board of Education of the Springboro Community City School District:

Pursuant to Amended Substitute House Bill 119, a performance audit was initiated for the Springboro Community City School District (Springboro CCSD) beginning in August 2008. The five functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, and food service. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in improving its financial situation.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Springboro CCSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a discussion of the financial condition of the District; a District overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study and financial implications. This report has been provided to Springboro CCSD, and its contents discussed with the appropriate officials and District administrators. The District has been encouraged to use the results of the performance audit as a resource for further 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 "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 7, 2009

Executive Summary

Project History

As authorized under House Bill (HB) 119, the Auditor of State (AOS) conducted a performance audit of the Springboro Community City School District (SCCSD or the District). The performance audit began in October, 2008. Prior to the commencement of the audit, SCCSD submitted its October 2008 forecast to the Ohio Department of Education (ODE) which showed a year-end cash deficit of \$2.1 million in FY 2008-09 and growing to a \$65.2 million cash deficit at the end of the forecast period. The audit included a review of any programs or areas of operation in which the AOS believed greater operational efficiency, effectiveness, and accountability may be achieved.

Based on AOS research and discussions with SCCSD officials, the following areas were assessed in the performance audit:

- Finance and Strategic Management;
- Human Resources;
- Facilities;
- Transportation; and
- Food Service.

Audit work concluded in February 2009. The goal of the performance audit process was to assist SCCSD administrators and the SCCSD Board of Education by identifying cost savings opportunities and options for improving management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

SCCSD is located in Warren County. In FY 2007-08, the District provided educational services to an average daily membership (ADM) of 4,973¹ students, kindergarten through twelfth grade. In FY 2007-08, the District's per pupil governmental expenditures were \$8,680 and its revenues per pupil were \$8,456.

¹ The source for this formula average daily membership is the Final Version #3 enrollment data contained in the Ohio Department of Education (ODE) SF-3 report.

In FY 2007-08, the District employed approximately 549 full-time equivalent (FTE) staff consisting of 25 FTE administrators, 308 FTE educational personnel, 30 FTE professional/technical personnel, 70 FTE office/clerical staff, and 117 FTE operations and other staff. The regular education student-to-teacher ratio in FY 2007-08 was approximately 20:1. In FY 2006-07, the District met 29 out of 30 academic performance indicators established by ODE and was categorized as an excellent district.

SCCSD operates seven schools: four elementary schools, one intermediate school, one junior high school, and one high school. The District also operates an administration building, support services building, and a transportation facility/bus garage. The District provided transportation services to 4,018 riders using 62 active buses in FY 2007-08. For FY 2008-09, the District eliminated transportation for high school students, reducing the number of students transported to 3,692 on 61 active buses.

At the time of this audit, SCCSD projected its FY 2008-09 expenditures would exceed revenues by approximately \$5.9 million, resulting in a deficit of approximately \$2.1 million. The District implemented several expenditure reductions in an attempt to eliminate the projected deficit. These reductions included personnel changes, effective in February 2009, and the elimination of high school transportation.

Overall, SCCSD is a high functioning District operating with solid management practices. Administrators have exhibited prudent fiscal and operational decision-making in managing its projected General Fund deficit. Prior to this performance audit, the Board of Education and District administrators were proactive in making difficult decisions to reduce overall expenditures and lessen future operating deficits. Based on projections and assumptions contained in the District's October 2008 five-year forecast, coupled with the recommendations outlined in this report, the District can avoid future operating deficits and sustain positive fund balances through FY 2012-13. However, in order to achieve a positive fund balance, SCCSD will have to make many difficult management decision, some of which may have an impact on its programs. In its response to the audit, SCCSD noted that several recommendations bring District operations to the lowest operating standards permitted by the State of Ohio. SCCSD administrators also note that no districts in Ohio operate at this level; however, recent financial circumstances have resulted in a small number of Ohio districts reducing operations to State minimum standards.

Subsequent Events

The following are events that occurred after the completion of audit work but before the release of the report which have an impact on the findings and recommendations contained herein:

- During the course of the audit, the SCCSD Board began plans to close the Jonathan Wright Elementary School for FY 2009-10

- Prior to the completion of the audit, SCCSD negotiated a zero percent increase on wages that the Board believes will help equalize the District's salaries relative to surrounding districts and provide needed financial relief for its General Fund.
- During its last round of collective bargaining, SCCSD made some additional negotiated changes to its health insurance benefits, which will generate cost reductions in future years.
- In its response to the audit, SCCSD noted that it had rehired two custodians to reduce the need for overtime in its custodial operations.
- Finally, in the May 2009 forecast, the Treasurer presented the effect of SCCSD's cost reduction efforts. Based on its most recent projections, SCCSD will maintain a positive fund balance of \$1.9 million in FY 2008-09, \$2.2 million in FY 2009-10, and \$456,169 in FY 2010-11. The District is projected to experience deficits in FY 2011-12 and 2012-13 of \$3.2 million and \$8.7 million, respectively.

Objectives, Scope and Methodology

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.²

The overall objective of this performance audit is to assist the District in identifying strategies to improve its financial condition. The following presents the major assessments conducted in this performance audit:

- Expenditures, forecasting, budgeting, purchasing, and strategic planning were reviewed in **finance and strategic management**.
- District-wide staffing levels, collective bargaining agreements, salary levels, benefit costs and special education expenditures were assessed in **human resources**.

² As defined in *Government Auditing Standards* (U.S. Government Accountability Office, 2007).

- Custodial and maintenance staffing, facility-related expenditures, building capacity, policies and procedures, preventative maintenance, energy management, and the work order system were examined in **facilities**.
- Transportation staffing and expenditures, reporting, and policies and procedures were reviewed in the **transportation section**.
- Food service staffing, pricing and operating procedures were reviewed in **food service**.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations in the performance audit comprise options that SCCSD can consider in the continuing effort to stabilize its financial condition.

The performance audit of SCCSD was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives. Transportation data³ gathered for the audit was found to have several errors and adjustments were made to the data to mitigate these errors. The adjusted data was used in the transportation analysis. In addition, it was found that some employees were erroneously recorded in the Education Management Information System (EMIS). Staffing data used for the analysis was adjusted to ensure the accuracy of the staffing comparison.

In its comments on the audit report, SCCSD noted the criteria used in some recommendations were selected from a single source. Readers should be aware that while some benchmarking criteria are derived from a single source, these sources represent industry recommended practices or national or State averages comprising a large number of individual entities. These sources are commonly recognized as authoritative sources.

The performance audit process involved significant information sharing with SCCSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to share proposed recommendations to improve or enhance operations. Throughout the audit process, input from SCCSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, the report

³ Transportation data used in the audit was taken from the T-1 and T-2 forms submitted by SCCSD to ODE.

was modified based on the District's comments. In addition to the report, Auditors also communicated less significant issues separately to District administration.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from SCCSD and other school districts. AOS developed a composite of ten school districts that was used to provide benchmark comparisons for the areas assessed. The selected districts were Beaver Creek CSD (Greene County), Centerville CSD (Montgomery County), Copely-Fairlawn CSD (Summit County), Forest Hills LSD (Hamilton County), Granville EVSD (Licking County), Kings LSD (Warren County), Loveland CSD (Hamilton County), Mason CSD (Warren County), Perrysburg EVSD (Wood County), and Sugar Creek LSD (Greene County).⁴ Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They included ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National Center for Education Statistics (NCES), the United States Government Accountability Office (GAO), and other related best practices. Information used as criteria (benchmarks or leading practices) was not tested for reliability although the information was reviewed for reasonableness.

The Auditor of State and staff express their appreciation to the Springboro Community City School District for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes SCCSD noteworthy accomplishments identified throughout the course of the audit.

- The Treasurer creates separate scenarios for the Superintendent and Board to depict the District's financial situation depending on various District outcomes. The Treasurer also creates a spending plan, which is directly linked to the District forecast and compares how the District's actual revenues and spending compares with the forecasted estimated amounts. This enables the District administration to view the District's future financial conditions and make well informed decisions based on anticipated outcomes.
- SCCSD created a 2008 Operational Plan, which provided District information to the community. The Operational Plan included a letter from the Board President, the District report card, background information regarding the District's financial information, current District financial information with how the proposed levy would impact the District finances, a comparison with surrounding school districts, community history and

⁴ The ten selected peers are classified by ODE as Type 7 districts. These districts were selected because they are districts that are high performing and low cost with very high income levels and almost no poverty.

historic growth, frequently asked questions and answers, and strategic plan information. The 2008 Operational Plan provides relevant District information for the District community as well as provides accountability and transparency into the District's operations and financial information.

- SCCSD is undergoing a performance evaluation of its educational programs. The District is determining significant benchmarks, costs, efficiencies, and program information to help in future planning and decision-making. By assessing educational program performance, the District is able to better understand each program, the number of staff involved, the number of students involved, the cost of the program, and how efficient the program. In addition, the performance evaluation will enable the District to ascertain program benefits. Once the program assessment is complete, it will give the District a guide to use for future decision making and planning as well as methods to make the District more efficient while reducing costs.
- SCCSD successfully uses electronic techniques to communicate with stakeholders and obtain feedback from students, parents, and the community. SCCSD's website provides information on a variety of issues including financial data, levy information, weekly newsletters, Board meeting minutes, District policies, program information, community flyers, and a variety of other information. The District uses a computer survey program, Zoomerang, to obtain feedback from students, staff, and parents. This tool allows the District to target specific populations and obtain feedback in an effort to improve operations.
- The Board has an effective tool to ensure sound decision making for the District. The Board extends its regularly scheduled meetings to include a timeframe, referred to as a "work session", dedicated to examining upcoming topics and agenda items. During the work sessions, District administrators and department managers present background information to the Board on issues that are planned for future agendas. This allows the Board to review detailed background on upcoming issues, giving them time to prepare before making fundamental decisions for the District.
- In 2001, construction on the SCCSD central office building was completed primarily through the use of student labor from the Warren County Career Center. Students were able to gain real-life experience in building trades while providing the District with no-cost labor. In addition, several area businesses donated materials and supplies for construction. After completion, the District placed the cost of construction at approximately \$650,000. At the time, SCCSD noted that the payments on the debt incurred for construction were lower than the rent paid for the previous office space due to the costs saved by using career center student labor.

- In 2007, SCCSD formed a partnership with Miami Valley Hospital (Hospital) for the construction a 40,000 square foot facility adjacent to Springboro Junior High School. Under the terms of this agreement, the Hospital will lease 27,000 square feet of the building for a period of 22 years. The payments from this lease will be used to cover, in its entirety the approximately \$9 million borrowed for construction from the Columbus Port Authority. This agreement, the first of its kind in Ohio, will allow the District to construct this facility without the use of tax payer fund. SCCSD will use its portion of the building for locker rooms and athletic offices. In addition, the Hospital donated \$2 million for naming rights to the football stadium. These funds will be used to install artificial turf and new stadium seating.
- SCCSD installed technology in the transportation building that allows the District to use used motor oil from buses to heat the facility. This process results in decreased energy expenditures for the District. In addition, it allows the District to avoid going through the recycling process.
- SCCSD's agreement with the City of Springboro and Clearcreek Township to purchase fuel provides two benefits for the District. Primarily, it allows the District to obtain bulk pricing on fuel purchases, providing significant annual savings. Secondly, it provides SCCSD with priority delivery of fuel, as the city and township emergency response vehicles share the fueling facility with the District.
- SCCSD developed an effective process to identify optimal transportation methods for its students with special needs. The IEP team determines if a student needs modified transportation and notes a request for modified transportation in the IEP. On a separate form, the IEP requests modified transportation from its Transportation Department based on the suggestions of the IEP team. The Transportation Supervisor reviews the request and determines the best available method of transportation for the student with special needs. Using a separate form that recommends modified transportation gives the District the flexibility in determining the most effective method of transportation on a practical basis without having to modify the student's IEP.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide SCCSD with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report:

In the area of finance and strategic management, SCCSD should:

- Develop a policy and written procedures for the preparation of its five-year financial forecast. Included in this policy, should be steps outlining the development, review, and approval of the forecast. In addition, the procedures should include preparation timetables, forecast assumptions and methodology, the process for updating an existing forecast, and all participants involved in the forecasting process.

In the area of human resources, SCCSD should:

- Significantly reduce staffing in all nonessential areas identified in order to eliminate the projected General Fund deficit in FY 2012-13. The District should review all staffing areas to ensure that reductions that will directly affect the quality of education are made as a last resort. In addition to several specific classifications, SCCSD would need to make reductions in its ESP and regular teacher classifications to ensure a balanced budget at the end of the forecast period.
- Consider negotiating a lower base rate for those classified positions with higher than average salaries. Specifically, negotiating lower base rates for teacher aides, custodians, bus drivers, and food service employees hired after FY 2008-09 would gradually help the District decrease average salary expenditures to a level comparable with surrounding districts.
- Consider eliminating the retirement pick-up benefit offered to its administrative staff. Covering the required employee retirement contribution for 23 administrators is costly to the District and is a form of compensation the Board is not required to provide. Eliminating or reducing this benefit will reduce expenditures and may help the District to avoid a reduction in direct instruction personnel.
- Renegotiate employee health care contributions with the goal of increasing the single and family contributions from 10 percent to a level more in line with the SERB and Kaiser averages. Increasing employee contributions to 15 percent would help SCCSD to reduce expenditures by lowering District insurance costs while maintaining a contribution percentage comparable to industry standards.

In the area of facilities, SCCSD should:

- Develop a facilities master plan and capital plan in order to meet recommended practices in long-term facility planning. The District should link these plans to the overall strategic plan in order to ensure they coincide with the District's goals and support its mission.

- Develop a formal five-year capital plan that reflects a timeline of capital projects and maintenance needs, as well as historical expenditures by project. The plan should be updated on a regular basis and linked to the facilities master plan. SCCSD should also conduct annual facilities audits to assess the condition of each building. The audits should track building condition and be updated to help the District better plan for capital improvements and preventive maintenance.
- Create a formal energy conservation plan that contains procedures designed to reduce energy consumption; outlines formal building audits; and communicates methods to educate staff and students on energy conserving behavior. As part of the plan, the District should incorporate an educational plan for students and faculty to become involved in energy conservation efforts.
- Consider temporarily closing one school building and reconfiguring grades to achieve optimal capacity levels. Based on enrollment projections, the District could close a building for up to three years before it would need to revisit its capacity levels, assuming its rate of growth continues to follow historical trends. The temporary closure of a building would bring the District's utilization rates more in line with the benchmark used by industry experts while eliminating excess expenditures associated with the day-to-day operations.

During the course of the audit, the Board identified Jonathan Wright Elementary School for closure in FY 2009-10.

In the area of transportation, SCCSD should:

- Eliminate 16 regular needs buses to bring its public ridership capacity closer to the target efficiency levels. To achieve this ridership level, SCCSD should conduct frequent ridership counts and recalibrate routes to achieve maximum ridership levels on existing routes. In addition, SCCSD should consider changing bell schedules to enable the District to shift to a three-tiered transportation system. Finally, it should consider eliminating transportation to students living within one mile of their assigned building, particularly those living in neighborhoods with safe walking areas. In order to increase ridership for non-public yellow bus service, SCCSD should identify schools that can be clustered and served by single routes, request that non-public schools tailor their bell schedules to accommodate transportation service, and increase the use of shuttles. In instances where the District determines that transportation is impractical or inefficient, it should offer payment-in-lieu of transportation or contract for services with other districts. These measures may allow SCCSD to eliminate inefficient routes.
- Ensure accuracy in reporting by developing effective internal controls over T-Form data collection and reporting. Specifically, the District should ensure that it develops a process

which separates costs used for special needs expenditures and adjusts its costs to exclude non-routine miles before reporting data to ODE.

In the area of food service, SCCSD should:

- Charge all related expenses to the Food Service Fund, regardless of the fund's ability to maintain a positive balance without transfers from the General Fund.
- Consider raising lunch prices at Springboro Junior High School and Springboro High School to keep SCCSD in line with the surrounding district average while providing an increase in revenue for the Food Service Fund.
- Consider reducing 18.6 labor hours per day to increase the number of meals per labor hour (MPLH) to bring staffing levels more in line with national benchmarks.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. Those issues may not be directly related to the audit objectives or may be issues that were outside the scope of the audit. AOS has identified the following as an issue requiring further study.

- **Electronic Pay Stubs:** The District should determine the benefits of enhancing its requirement for new and classified staff to use direct deposit with mandating employees to enroll in using electronic pay stubs. The District should evaluate potential cost savings from printing and mailing out pay stubs and determine if requiring staff to use electronic pay stubs would be beneficial. In its response to the audit, SCCSD noted that it was implementing an online HR Kiosk, which will eliminate the need for hard copy or emailed pay stubs.
- **Educational Service Center (ESC) Contract:** The District should review its ESC contract and determine the cost/benefit of contracting services through the ESC. It should also evaluate the cost of bringing these services in-house or sharing services with another district versus continuing to use the ESC. Contorting cost analyses of professional services might help SCCSD reduce its costs for special education and other professional education-related services. In its response to the audit, SCCSD noted that it was working with its ESC to identify ways to reduce costs.
- **Purchased services:** SCCSD has historically contracted-out a majority of its maintenance operation. This allows the District to receive specialized professional maintenance and repairs without having to maintain staff with specific expertise or

licensure in certain trades. The District should periodically assess the feasibility of purchasing these services versus staffing them in house, particularly if enrollment continues to increase. Should enrollment continue to increase, SCCSD may find it more cost effective to staff licensed professionals as opposed to contracting these services. In its response to the audit, SCCSD noted that it would conduct reviews of purchased services on an annual basis.

- **Substitute expenditures:** SCCSD's reduction of 12 FTE custodial employees may cause a rise in overtime costs as square footage maintained has increased above benchmark levels. The District should periodically assess the cost effectiveness of incurring overtime costs versus staffing additional full time employees. In its response to the audit, SCCSD noted that it had rehired two custodians to reduce the need for overtime in its custodial operations.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that SCCSD should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Performance Audit Financial Implications

Recommendation	Estimated FY 2009-10 Impact
Recommendations Not Subject to Negotiation	
R3.2 Reduce staffing in selected areas	\$4,824,000
R4.6 Implement additional energy conservation measures	\$177,000
R4.8 Temporarily close one school building (at least three years)	\$531,000
R5.1 Eliminate 16 active buses and implement three-tiered routing	\$349,000
R6.3 Increase lunch participation to the peer average	\$28,000
R6.4 Increase lunch prices at Springboro Junior High and High Schools	\$5,000
R6.5 Reduce food service labor hours	\$46,000
Recommendations Subject to Negotiation	
R3.3 Eliminate pick-up retirement benefit	\$170,000
R3.4 Increase employee contribution for health insurance to 15 percent	\$235,000
Total Recommendations Included in Forecast	\$6,365,000

Source: AOS recommendations

Finance and Strategic Management

Background

This section focuses on the financial systems and strategic management in the Springboro Community City School District (SCCSD, or the District). This section analyzes the current and future condition of SCCSD for the purpose of developing recommendations to improve financial management and identify opportunities for greater efficiency as well as the District's five-year forecast to ensure that the projections were reasonably indicative of future operational and financial conditions. Operations were evaluated against leading practices and industry standards including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), Ohio Ethics Commission (OEC), the Institute of Internal Auditors (IIA), and selected peer districts¹ in order to develop recommendations that could improve business practices.

Management Structure

SCCSD is governed by the five-member SCCSD Board of Education (the Board). Board members are elected to serve a four-year term which commences on the first day of January following the election of the member. The terms of three members expire in January 2010 and terms of the remaining two members expire in January 2012. The Board serves as the policy making body for regulating operation of the District. Pursuant to Ohio Revised Code (ORC) § 3319.01, the Superintendent serves as the chief executive officer for the Board and is responsible for directing and assigning teachers and other employees of the District, assigning pupils to the proper schools and grades, and performing other duties (e.g. developing administrative procedures) as determined by the Board.

The duties of the Treasurer, who serves as the chief fiscal officer and responsible for all District financial affairs, are outlined in ORC § 3313.31. The Treasurer oversees accounting and payroll functions and is responsible for meeting financial reporting requirements of the District. The Treasurer is also responsible for preparation of the annual budget, publication of the annual report, creation of the operational plan (see *noteworthy accomplishment* in the **executive summary**), and creation of the financial forecast.

The Treasurer's Office is guided by Board-approved policies that address various day-to-day activities, such as purchasing, competitive bidding procedures, and payroll processes (see *issue for further study* in the **executive summary**). The Board policy, however, only includes Board members in the District ethics policy (see **R2.3**). SCCSD publishes its Board policies on its

¹ See the **executive summary** for a list of the peer districts.

website along with its strategic plan. Although the Board's financial policies contain the elements of recommended practices, the District does not have written financial forecasting procedures (see **R2.1**).

Mission Statement and Board Goals

Ohio Administrative Code (OAC) 3301-35-02 states the following:

The board of education, superintendent, and treasurer establish and communicate the district's mission, philosophy, direction, priorities and strategies for addressing stakeholder needs, especially those of students.....

SCCSD's mission statement published within its strategic plan is to "motivate and empower all students to become life-long learners, productive citizens and future leaders." The District strategic plan follows industry standards and recommended practices and includes the following District goals:

- Graduate 100 percent of District students;
- Ensure that 100 percent of students are either enrolled in post-secondary education or gainfully employed within 6 months after graduation;
- Increase the annual percentage of graduating seniors who receive scholarships;
- Have 100 percent of students meet or exceed the proficient level on the Ohio Achievement Tests; and
- Increase the annual average composite scores of students on ACT/SAT scores.

Financial Condition

Prior to submitting the five year forecast, the District Treasurer created several scenarios depicting the District's financial condition, depending on the outcomes of several variables (see *noteworthy accomplishment* in the **executive summary**). The financial forecast in **Table 2-1** presents the Treasurer's projections of SCCSD's present and future condition as of December, 2008. The projections are accompanied by three years of comparative historical results, general assumptions (see **R2.2**), and explanatory comments. Assumptions that have a significant impact on SCCSD's financial status were reviewed for reasonableness. The forecast assumptions were submitted to ODE and can be viewed on its web site.²

² <http://fyf.oecn.k12.oh.us/fyforecast/>

Table 2-1: SCCSD Five-Year Forecast (in 000's)

	Actual			Forecast				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenues:								
Real Estate Property Tax	\$16,457	\$21,693	\$24,637	\$25,183	\$25,687	\$26,362	\$27,041	\$28,104
Tangible Personal Tax	\$2,863	\$1,051	\$830	\$682	\$624	\$572	\$572	\$572
Unrestricted Grants-in-Aid	\$11,067	\$11,160	\$11,133	\$11,283	\$11,502	\$11,709	\$12,021	\$12,161
Restricted Grants-in-Aid	\$183	\$48	\$74	\$27	\$27	\$27	\$27	\$7
Property Tax Allocation	\$2,651	\$3,451	\$3,905	\$4,176	\$4,093	\$4,054	\$4,056	\$4,107
Other Revenues	\$2,460	\$1,063	\$887	\$1,246	\$1,259	\$1,271	\$1,284	\$1,297
Total Other Fin. Sources	\$2,804	\$28	\$279	\$25	\$25	\$25	\$25	\$25
Total Rev. and Other Fin. Sources	\$38,486	\$38,494	\$41,745	\$42,622	\$43,217	\$44,019	\$45,026	\$46,272
Expenditures:								
Personal Services	\$19,216	\$22,434	\$24,859	\$25,868	\$27,897	\$29,822	\$31,788	\$33,998
Fringe Benefits	\$5,940	\$7,324	\$8,692	\$9,536	\$10,545	\$11,613	\$12,770	\$14,056
Purchased Services	\$3,507	\$5,088	\$5,289	\$5,511	\$5,620	\$5,731	\$5,845	\$5,962
Supplies and Materials	\$864	\$1,821	\$1,874	\$1,826	\$1,844	\$1,863	\$1,882	\$1,900
Capital Outlay	\$93	\$947	\$214	\$221	\$228	\$278	\$283	\$289
Debt Service:								
All Principal (Historical)	\$1,705	\$194	\$194	\$0	\$0	\$0	\$0	\$0
Principal – HB 264 Loan	\$0	\$0	\$0	\$166	\$166	\$166	\$166	\$166
Principal - Other	\$0	\$0	\$0	\$158	\$158	\$158	\$158	\$158
Interest & Fiscal Charges	\$192	\$203	\$199	\$205	\$205	\$205	\$205	\$205
Other Expenditures	\$469	\$608	\$636	\$650	\$682	\$716	\$752	\$790
Total Operating Expenditures	\$31,987	\$38,619	\$41,957	\$44,140	\$47,344	\$50,551	\$53,849	\$57,524
Total Other Fin. Uses	\$863	\$1,904	\$3	\$113	\$45	\$45	\$45	\$45
Total Exp. and Other Fin. Uses	\$32,850	\$40,523	\$41,960	\$44,253	\$47,389	\$50,596	\$53,894	\$57,569
Result of Operations	\$5,636	(\$2,029)	(\$215)	(\$1,631)	(\$4,173)	(\$6,577)	(\$8,869)	(\$11,298)
Beginning Cash Balance	\$990	\$6,626	\$4,596	\$4,381	\$2,751	(\$1,422)	(\$7,999)	(\$16,868)
Ending Cash Balance	\$6,626	\$4,596	\$4,381	\$2,751	(\$1,422)	(\$7,999)	(\$16,868)	(\$28,165)
Budget Reserve	\$1,306	\$839	\$1,015	\$1,008	\$1,008	\$1,008	\$1,008	\$1,008
Ending Fund Balance	\$5,319	\$3,757	\$3,366	\$1,742	(\$2,430)	(\$9,007)	(\$17,876)	(\$29,173)

Source: SCCSD and ODE

Note: Totals may not sum due to rounding.

SCCSD's five-year forecast presents the projected revenues, expenditures, and ending fund balances for the General Fund for each of the fiscal years ending June 30, 2009 through June 30, 2013. As shown in **Table 2-1**, SCCSD shows a potential deficit beginning during FY 2009-10. By its nature, forecasting requires estimates of future events. As a result, differences between projected and actual results are common because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared.

SLSD's December 2008 forecast and accompanying assumptions were analyzed for reasonableness and AOS determined that the forecasting methodology was appropriate. Due to the projected deficit, the District is conducting an internal performance evaluation of its educational programs in order to determine costs of educational programs as well as determine additional potential efficiencies within the programs (see *noteworthy accomplishment* in the **executive summary**).

Financial Operations

Tables 2-2 and **2-3** compare SCCSD's FY 2007-08 operating revenues and expenditures to peer averages to illustrate resource levels and allocation of resources. Differences in how a district structures its expenditures may exist, causing variances in how expenditures are categorized and recorded.

Table 2-2 compares SCCSD's FY 2007-08 expenditures per pupil to the peer average, using ODE's expenditure flow model (EFM). The EFM is designed to categorize and report expenses pertaining to direct instruction in a comparable manner among school districts. The EFM categorizes and reports expenses related to the education of students and does not include all the funds accounted for by a school district.

Table 2-2: FY 2007-08 Expenditure Flow Model Comparison

Expenditure	SCCSD Per Pupil	Peer Avg. Per Pupil	Per Pupil Difference	% Difference
Administrative	\$863	\$995	(\$132)	(13.3%)
Building Operations	\$1,841	\$1,961	(\$120)	(6.1%)
Staff Support	\$225	\$314	(\$89)	(28.4%)
Pupil Support	\$1,271	\$1,020	\$251	24.6%
Instructional	\$4,480	\$5,595	(\$1,115)	(19.9%)
Total	\$8,680.00	\$9,885	(\$1,205)	(12.2%)

Source: ODE

As shown in **Table 2-2**, SCCSD's per pupil expenditures were below the peer average in every category with the exception of pupil support. Pupil support expenditures include activities such as the direction of support services, guidance services, health services, psychological services, speech pathology and audiology services, attendance and any social work activities, as well as instructional media services for students. The examination of expenditures and the implementation of performance audit recommendations should help the District to reduce pupil support expenditures and bring spending more in line with the peers in this area (see **R2.5**). **Table 2-3** compares SCCSD's FY 2006-07 General Fund operating revenues and expenditures, by source and object, respectively, to the peer average.

Table 2-3: General Fund Revenues by Source; Expenditures by Object

	SCCSD FY 2006-07		SCCSD FY 2007-08		Peer Average FY 2007-08	
	\$ Per ADM	% of Total	\$ Per ADM	% of Total	\$ Per ADM	% of Total
Average Daily Membership (ADM)	4,748		4,973		5,324	
Property & Income Tax	\$4,791	59.1%	\$5,121	61.0%	\$5,671	61.9%
Intergovernmental Revenues	\$3,104	38.3%	\$3,053	36.4%	\$2,987	32.6%
Other Revenues	\$214	2.6%	\$220	2.6%	\$516	5.5%
Total Revenue	\$8,108	100%	\$8,394	100%	\$9,174	100%
Wages	\$4,725	55.4%	\$4,998	59.2%	\$5,590	61.5%
Fringe Benefits	\$1,543	18.1%	\$1,748	20.7%	\$1,900	20.9%
Purchased Service	\$1,072	12.6%	\$1,064	12.6%	\$830	9.2%
Supplies & Textbooks	\$384	4.5%	\$377	4.5%	\$348	3.8%
Capital Outlays	\$199	2.3%	\$43	0.5%	\$109	1.2%
Debt Service	\$84	1.0%	\$79	0.9%	\$1	0.0%
Miscellaneous	\$128	1.5%	\$128	1.5%	\$240	2.7%
Other Financing Uses	\$401	4.7%	\$1	0.0%	\$67	0.7%
Total Expenditures	\$8,536	100%	\$8,437	100%	\$9,085	100%

Source: SCCSD and the peers; the ADM figures were taken from each district's final payment report (SF-3 report)

Note: Totals may not sum due to rounding.

As shown in **Table 2-3**, SCCSD was below the peer average in total expenditures and total revenues. In FY 2007-08, SCCSD's revenues were \$780 per student below the peer average and expenditures were \$648 lower. SCCSD's total expenditures per student declined from FY 2006-07 to 2007-08 due to decreased in capital outlay and other financing uses. These decreases were due to one-time expenses during FY 2006-07 for refunds from prior year receipts, bus purchases, and building equipment. SCCSD was significantly higher than the peers in three expenditure categories-- purchased services, supplies and textbooks, and debt service. The following are the main causes for the District being above the peer average in these areas:

- *Purchased Services:* The District's purchased services are mainly comprised of professional and technical services, electricity, and property services. Professional and technical services made up 29.4 percent of total purchased services and include non-payroll services which, by their nature, can be performed only by persons with specialized skills and knowledge such as architects, engineers, dentists, medical doctors, nurses, lawyers, consultants and teachers. Electricity accounted for 22.2 percent and property services accounted for 20.5 percent of the purchased services category (see **R4.6** in the **facilities** section).

- *Supplies and Materials:* The supplies and materials mainly consist of general supplies, textbooks, and operation, maintenance and repair to motor vehicles. Operation, maintenance, and repair to motor vehicles comprised 29.3 percent of supplies and materials, while general supplies expenditures represented 28.6 percent and textbooks represented 26.7 percent. Supplies and materials for operation and repair of motor vehicles includes expenditures for those consumable items used to operate, maintain, and repair motor vehicles which are reviewed in the **transportation** section. General supplies are expenditures for consumable non-food items such as pencils, paper, paper clips, staples, and so forth. Textbooks are expenditures for prescribed books which are purchased for pupils or groups of pupils and provided to them free of charge.
- *Debt Service:* Debt service is comprised of principal, other tax anticipation notes (TAN), and interest. Other principal and interest tax anticipation notes includes expenditures for the redemption of tax anticipation notes issued under ORC § 5705.191, § 5705.194, and § 5705.21, and having a life in excess of one year.

Table 2-4 shows the per-pupil amount and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for SCCSD and the peer average.

Table 2-4: Governmental Funds Operational Expenditures by Function

USAS Function Classification	SCCSD FY 2006-07		SCCSD FY 2007-08		Peer Average FY 2007-08	
	\$ Per ADM	% of Exp	\$ Per ADM	% of Exp	\$ Per ADM	% of Exp
Instructional Expenditures:	\$4,307	50.7%	\$4,599	52.8%	\$5,598	56.8%
Regular Instruction	\$3,663	43.1%	\$3,879	44.5%	\$4,472	45.4%
Special Instruction	\$577	6.8%	\$635	7.3%	\$952	9.7%
Vocational Education	\$19	0.2%	\$19	0.2%	\$76	0.8%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$0	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction ¹	\$49	0.6%	\$66	0.8%	\$98	1.0%
Support Service Expenditures:	\$3,920	46.1%	\$3,885	44.6%	\$3,856	39.2%
Pupil Support Services	\$597	7.0%	\$641	7.4%	\$570	5.8%
Instructional Support Services	\$775	9.1%	\$700	8.0%	\$551	5.6%
Board of Education	\$28	0.3%	\$31	0.4%	\$21	0.2%
Administration	\$576	6.8%	\$591	6.8%	\$640	6.5%
Fiscal Services	\$236	2.8%	\$234	2.7%	\$233	2.4%
Business Services	\$38	0.5%	\$38	0.4%	\$46	0.5%
Plant Operation & Maintenance	\$939	11.0%	\$971	11.2%	\$972	9.9%
Pupil Transportation	\$676	8.0%	\$629	7.2%	\$683	6.9%
Central Support Services	\$55	0.6%	\$49	0.6%	\$139	1.4%
Non-Instructional Services Expenditures	\$64	0.8%	\$24	0.3%	\$117	1.2%
Extracurricular Activities Expenditures	\$210	2.5%	\$206	2.4%	\$276	2.8%
Total Governmental Fund Operational Exp.	\$8,503	100.0%	\$8,713	100.0%	\$9,847	100.0%
Total Governmental Funds Operational Exp.	\$8,503	73.4%	\$8,713	82.0%	\$9,847	82.3%
Facilities Acquisition & Construction Exp.	\$1,796	15.5%	\$355	3.3%	\$704	5.4%
Debt Service Expenditures	\$1,290	11.1%	\$1,554	14.6%	\$1,874	12.4%
Total Governmental Funds Expenditures	\$11,588	100.0%	\$10,622	100.0%	\$12,425	100.0%

Source: SCCSD, ODE, and the peers

Note: Totals may be off due to rounding.

¹ Other Instruction is defined as any "instruction not defined previously."

Table 2-4 includes all governmental funds expenditures and shows SCCSD's FY 2007-08 total operational expenditures per student were approximately \$1,134 less than the peer district average. There were, however, individual cost categories that exceeded the peer average. Specifically, the District's pupil support services and instructional support services were above the peer average by \$71 and \$149 per student respectively. Also, the District's Board of Education expenditures were \$10 above the peer average, however, the encompassing expenditure category, total support service expenditures, was comparable to the peer average (less than 1 percent above).

Table 2-5 shows selected FY 2007-08 controllable expenditures by account as a percentage of total FY 2006-07 and FY 2007-08 General Fund expenditures for SCCSD and the peer average.

Table 2-5: General Fund Controllable Expenditures

	SCCSD FY 2006-07		SCCSD FY 2007-08		Peer Average FY 2007-08	
	Per ADM	% of Exp	Per ADM	% of Exp	Per ADM	% of Exp
Prof. and Technical Service	\$292.08	3.4%	\$312.60	3.7%	\$149.38	1.6%
Property Services	\$241.85	2.8%	\$217.93	2.6%	\$184.62	2.1%
Mileage/Meeting Expense	\$18.85	0.2%	\$21.54	0.3%	\$22.42	0.2%
Communications	\$23.69	0.3%	\$22.03	0.3%	\$20.33	0.2%
Contract, Craft or Trade Service	\$3.23	0.0%	\$3.49	0.0%	\$8.59	0.1%
Pupil Transportations	\$62.48	0.7%	\$24.91	0.3%	\$12.14	0.1%
Other Purchased Service	\$0.00	0.0%	\$0.00	0.0%	\$14.76	0.2%
General Supplies	\$93.33	1.1%	\$107.78	1.3%	\$121.81	1.4%
Textbooks/Reference Materials	\$151.63	1.8%	\$112.28	1.3%	\$50.14	0.5%
Supplies & Materials for Resale	\$0.00	0.0%	\$0.00	0.0%	\$27.42	0.3%
Food & Related Supplies/Mat	\$0.00	0.0%	\$0.00	0.0%	\$0.20	0.0%
Plant Maintenance and Repair	\$48.24	0.6%	\$43.68	0.5%	\$49.02	0.5%
Fleet Maintenance and Repair	\$89.15	1.0%	\$110.22	1.3%	\$99.19	1.1%
Other Supplies & Materials	\$1.18	0.0%	\$2.78	0.0%	\$0.51	0.0%
Land, Building & Improvements	\$1.76	0.0%	\$4.92	0.1%	\$4.47	0.1%
Equipment	\$170.92	2.0%	\$38.10	0.5%	\$68.78	0.8%
Buses/Vehicles	\$26.70	0.3%	\$0.00	0.0%	\$36.21	0.4%
Other Capital Outlay	\$0.00	0.0%	\$0.00	0.0%	\$0.00	0.0%
Dues and Fees	\$120.05	1.4%	\$122.02	1.4%	\$229.37	2.5%
Insurance	\$2.81	0.0%	\$0.68	0.0%	\$6.73	0.1%
Awards and Prizes	\$3.57	0.0%	\$4.11	0.0%	\$0.41	0.0%
Miscellaneous	\$1.16	0.0%	\$1.07	0.0%	\$1.53	0.0%
Total	\$1,352.68	15.8%	\$1,150.13	13.6%	\$1,108.02	12.2%

Source: SCCSD and the peers

As shown in **Table 2-5**, SCCSD's FY 2007-08 controllable spending as a percentage of all General Fund expenditures (13.6 percent) was above the peer average (12.2 percent). The largest portion of controllable expenses, professional and technical services, accounted for 3.7 percent of the District's total expenditures.

The controllable expenditure line-items where SCCSD was significantly higher than the peer average and which did not significantly decline from FY 2006-07 to FY 2007-08 include the following:

- *Professional and Technical Service*: Professional and technical services were \$163.22 per pupil above the peer average. The majority of these expenditures were for support

services provided by the Warren County Educational Service Center (ESC) (see *issue for further study* in the **executive summary**).

- *Fleet Maintenance and Repair*: Fleet maintenance and repairs were \$11.03 per pupil above the peer average. This includes expenditures for those consumable items used to operate, maintain, and repair motor vehicles.
- *Awards and Prizes*: Awards and prizes were \$3.70 per pupil above the peer average. Awards and prizes consist of awards such as scholarships, or prizes won in competitions.

Other areas where the District was higher than the peer average but had a significant decrease from FY 2006-07 to FY 2007-08 are:

- *Property Services*: The District's property services were \$33.31 per student above the peer average. Property services are services purchased to operate, repair, maintain, insure, and rent property and/or equipment owned and/or used by the district. These services are performed by persons other than school district employees.
- *Pupil Transportation*: Pupil transportation is \$12.77 per student above the peer average. Pupil transportation expenditures are expenditures to persons or agencies for the purpose of transporting children to school. This includes those reimbursements paid to individuals who transport themselves, to parents who transport their own children or to those children who incur transportation expenses on public carriers. Expenditures for the rental of buses which are operated by personnel on the school district payroll are not recorded here; they are recorded under property services – rentals. Pupil transportation expenditures will be analyzed in the **transportation** section.
- *Textbooks/Reference Materials*: Textbooks and reference materials exceeded the peer average by \$62.14 in FY 2007-08.

Finance and Strategic Management Audit Objectives

The following questions were used to evaluate the financial systems and strategic management within SCCSD:

- Are revenues and expenditures properly controlled, reported and similar to comparable peer districts?
- Does the District's financial data appear to be valid and reliable?
- Is the District's financial planning process sufficient and appropriate when compared to recommended practices?
- How do the recommendations in the performance audit and forecast adjustments impact the financial condition of the District?
- How does the District ensure their financial service units are delivered effectively to the users and what steps has the District implemented to improve its financial condition?
- Does the District have a comprehensive purchasing policy and corresponding procedures that meet best practice criteria?
- Does the District effectively manage payroll operations?
- Has the District developed and distributed a strategic plan which links educational and operational plans and meets best practice standards and does it promote ethical financial management practices?
- Does the District have an effective internal audit function and does it use the audits to improve operations?
- Does the District formally set performance targets and evaluate the performance and cost of its major educational and operational programs?

Recommendations

R2.1 SCCSD should develop a policy and written procedures for the preparation of its five-year financial forecast. Included in this policy, should be steps outlining the development, review, and approval of the forecast. In addition, the procedures should include preparation timetables, forecast assumptions and methodology, the process for updating an existing forecast, and all participants involved in the forecasting process.

According to the Treasurer, the District follows the State guidelines for forecasting but does not have a written policy or procedures. The Treasurer creates a District spending plan for each year of the forecast and continuously updates it when there are any significant District changes that may impact the forecast such as changes in student population and funding. Overall the Treasurer follows recommended and leading practices in the development and maintenance of forecast and budgetary information. However, these practices have not been formalized as a part of SCCSD's Board policies and Treasurer's Office procedures.

According to the *Guide for Prospective Financial Information* (AICPA, 2006), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare the financial forecast, monitor attained results relative to the forecast, and prepare revisions to, or otherwise update, the forecast. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This publication also includes numerous guidelines for preparing and reviewing financial forecasts, including the following:

- **Identifying key factors as a basis for assumptions** - Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported and could include market surveys, general economic indicators, trends and patterns developed from the entity's operating history (historical trends), and internal data analysis (union contracts and labor rates).
- **Providing adequate documentation** - The process should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions. As a result of well supported documentation, users can trace forecasted results back to the support for the basic underlying assumptions.

- **Performing adequate review** - The process should include adequate review and approval by the responsible party at the appropriate levels of authority.

Forecasting policies and procedures reflect the process by which the District forecasts and plans for the future. The creation of a forecast policy that reflects the above mentioned items will help ensure the District continues to develop reliable projections, particularly in the event of turnover in key staff. This would ensure the District has adequate insight into the opportunities that may arise and the problems that it may face. Policies and procedures regarding the forecasting process and review also benefit the District by providing a framework for future District administration when turnover occurs.

R2.2 When preparing its five-year financial forecast, the District should seek to provide an increased level of detail and descriptions in its written assumptions. Forecast assumptions should explain the District's calculation methodology as well as material expectations made in those calculations. More descriptive assumptions will help the Board and the community to better understand the forecast and make more informed decisions.

Although SCCSD includes assumptions and notes to its five-year financial forecast, the District does not provide detailed assumptions or adequate disclosure regarding specific factors that have an impact on the forecast and the assumption rationale for certain individual line items, such as property tax allocation, purchased services, supplies and materials, capital outlay, and other objects. Improving the formal written forecast assumptions by including more detailed calculations and clearer methodology will provide decision makers with useful and understandable information.

The auditing and accounting guide *Prospective Financial Information* (AICPA, 2008) states that the disclosure of significant assumptions is essential to the reader's understanding of the financial forecast. The basis or rationale for the assumptions should be disclosed to assist the user of the financial forecast to understand the presentation and make an informed judgment about it. Furthermore, the *Auditor of State's Best Practices* (AOS, Spring 2004) outlines some common problems and typical recommendations for the enhancement of five-year forecasts. One common problem identified by AOS is the lack of detailed assumptions. It recommends districts create more detailed assumptions to help the reader better understand the factors included in each line item of the forecast.³

A forecast is a management tool developed by the Treasurer with the assistance of other managers within the school district. Methodology refers to the manner in which the forecast estimates include or ignore expected driving factors and the relationship between

³ For the full publication see:
www.auditor.state.oh.us/Publications/BestPractices/BestPractices_Vol1Issue1_Spring%202004.pdf

those driving factors. As projections involve estimating future events, they require the use of assumptions regarding those factors. Assumptions are the informed estimates developed by the appropriate managers within each building or at the district level and communicated to the school board.

Proper disclosure of significant assumptions is essential to the reader's understanding of the financial forecast and helps considerably in the communication of adjusted assumptions and forecasted amounts as conditions change. Improving the supporting level of detail for forecast assumptions will assist the Board in better understanding the financial forecast presentation and will improve their ability to make informed judgments about the assumptions and their impact on the District's spending and operations.

R2.3 SCCSD should update the existing Board policies to include a District-wide ethics policy based on the Ohio Ethics Commission's (OEC) model ethics policy for local governments. Although SCCSD has never had an ethics violation, an updated Board approved ethics policy should increase public trust by formally prohibiting conflict of interest or personal gain in making and implementing all public decisions.

The District Board Policies bylaws for the Board of Education include a code of ethics/code of conduct as well as ethical issues outlined in its vendor relations policy. The policy states that the Board believes quality public education and good Board service should be conducted in an ethical manner with traditional principles such as honesty, trust, fairness, and integrity. Each Board member should conform his/her conduct to Ohio law, the code of ethics recommended by the Ohio School Boards Association. Although SCCSD has an ethics policy within the Board policy bylaws that govern the ethical conduct of the Board, the District does not have an official ethics policy governing all employees.

According to the Ohio Ethics Commission (OEC) sample ethics policy for local governments, officials and employees must, at all times, abide by protections to the public embodied in Ohio's ethics laws, as found in ORC §102 and ORC §2921, and as interpreted by OEC and Ohio courts. A copy of these laws should be provided to employees and their receipt acknowledged, as required in ORC § 102.09(D). A sample copy of a model ethics policy is available on the OEC website⁴.

Without a comprehensive policy that holds all District representatives and employees to a consistent ethics standard, SCCSD may be at risk for individual ethical misconduct and a resulting loss of the public's trust. An official written policy will help ensure that all staff members, particularly those entrusted with District funds conduct themselves in a manner that avoids favoritism, bias, and the appearance of impropriety.

⁴ http://www.ethics.ohio.gov/ModelEthicsPolicy_localagencies.html

R2.4 SCCSD should consider the benefits of creating an internal audit function. This would help ensure that financial management practices are in line with District goals, as well as federal and State laws and regulations. The internal audit function would help identify internal control weaknesses and methods for appropriately addressing potential risks within the organization, including those cited in financial audits. The audit function could also be used to monitor, and identify weaknesses in policies and procedures in order to strengthen internal controls.

SCCSD does not have an internal audit function that oversees internal controls or addressing potential risks or citations within financial audits. The Treasurer's Office is responsible for addressing any audit findings, as well as making sure the District follows financial laws and regulations.

The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* offers the following recommendations for developing effective internal audit functions:

- **Organizational Independence:** The chief audit executive should report to a level within the organization that allows the internal audit activity to accomplish its responsibilities (i.e. an individual within the organization with sufficient authority to promote independence and ensure broad audit coverage).
- **Planning:** The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. Goals should be capable of being accomplished within the specified operating plans, and synergy should be created between the organization's risk management and internal audit processes.
- **Policies and Procedures:** The chief audit executive should establish policies and procedures to guide the internal audit activity. The form and content of the written policies and procedures should be appropriate to the size and structure of the internal audit activity and the complexity of its work.
- **Criteria for Communicating:** Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. The final communication of that result should, where appropriate, contain the internal auditor's overall opinion or conclusions.

An effective internal audit function can add value by improving an organization's operations. The audit function can also review unaudited financial reports, review audit results, assure audit recommendations are appropriately addressed, and serve as a liaison between management and independent auditors.

By not having an effective internal control function, the District is at risk of not identifying costly errors or potential fraud. By adding an internal audit function, SCCSD can allocate appropriate resources toward accurately and proactively assessing internal controls and regulatory compliance issues. While creating an internal audit function will not eliminate the risk of fraud or misrepresentation, it could significantly increase the likelihood of detection.

R2.5 SCCSD should analyze and use the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit to improve its current and future financial situation.

Based on the District's projections of stagnant revenue growth coupled with increased enrollment, SCCSD would have to make further significant staffing reductions to achieve a positive fund balance in FY 2012-13. Maintaining the District's already efficient staffing levels (in comparison to peer district averages) would result in an approximate \$29 million General Fund deficit in FY 2012-13. AOS has identified approximately \$6.8 million in annual savings in this report. Should the District desire to continue operations with its present staffing levels, it would have to generate a similar amount to offset the need for staffing and service reductions.

The recommended staffing reductions and more strategic and limited hiring contained in **human resources** (see **R3.2**) could have a significant impact on the educational programs of SCCSD. Whenever possible, SCCSD should seek to identify savings in areas not related to direct instruction, prior to reducing staffing with a direct affect on education.

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 SCCSD Financial Forecast with Adjustments (in 000's)

	Actual			Forecast				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenues:								
Real Estate Property Tax	\$16,458	\$21,693	\$24,637	\$25,183	\$25,687	\$26,362	\$27,041	\$28,104
Tangible Personal Tax	\$2,863	\$1,051	\$830	\$682	\$624	\$572	\$572	\$572
Unrestricted Grants-in-Aid	\$11,067	\$11,160	\$11,133	\$11,283	\$11,502	\$11,709	\$12,021	\$12,161
Restricted Grants-in-Aid	\$183	\$48	\$74	\$27	\$27	\$27	\$27	\$7
Property Tax Allocation	\$2,651	\$3,451	\$3,905	\$4,176	\$4,093	\$4,054	\$4,056	\$4,107
Other Revenues	\$2,460	\$1,063	\$887	\$1,246	\$1,259	\$1,271	\$1,284	\$1,297
Total Other Fin. Sources	\$2,804	\$28	\$279	\$25	\$25	\$25	\$25	\$25
Total Rev. and Other Fin. Sources	\$38,486	\$38,494	\$41,745	\$42,622	\$43,217	\$44,019	\$45,026	\$46,272
Expenditures:								
Personal Services	\$19,216	\$22,434	\$24,859	\$25,868	\$27,897	\$29,822	\$31,788	\$33,998
Fringe Benefits	\$5,940	\$7,324	\$8,692	\$9,536	\$10,545	\$11,613	\$12,770	\$14,056
Purchased Services	\$3,507	\$5,088	\$5,289	\$5,511	\$5,620	\$5,731	\$5,845	\$5,962
Supplies and Materials	\$864	\$1,821	\$1,874	\$1,826	\$1,844	\$1,863	\$1,882	\$1,900
Capital Outlay	\$93	\$947	\$214	\$221	\$228	\$278	\$283	\$289
Debt Service:								
All Principal (Historical)	\$1,705	\$194	\$194	\$0	\$0	\$0	\$0	\$0
Principal – HB 264 Loan	\$0	\$0	\$0	\$166	\$166	\$166	\$166	\$166
Principal - Other	\$0	\$0	\$0	\$158	\$158	\$158	\$158	\$158
Interest & Fiscal Charges	\$192	\$203	\$199	\$205	\$205	\$205	\$205	\$205
Other Expenditures	\$469	\$608	\$636	\$650	\$682	\$716	\$752	\$790
<i>AOS Recommendations</i>					<i>(\$6,365)</i>	<i>(\$6,717)</i>	<i>(\$7,090)</i>	<i>(\$6,887)</i>
<i>SCCSD Savings/Reductions</i> ¹					<i>(\$507)</i>	<i>(\$525)</i>	<i>(\$544)</i>	<i>(\$564)</i>
Total Operating Expenditures	\$31,987	\$38,619	\$41,957	\$44,140	\$40,473	\$43,310	\$46,215	\$50,073
Total Other Fin. Uses	\$863	\$1,904	\$3	\$113	\$45	\$45	\$45	\$45
Total Exp. and Other Fin. Uses	\$32,850	\$40,523	\$41,960	\$44,253	\$40,518	\$43,355	\$46,260	\$50,118
Result of Operations	\$5,636	(\$2,029)	(\$215)	(\$1,631)	\$2,699	\$664	(\$1,234)	(\$3,846)
Beginning Cash Balance	\$990	\$6,626	\$4,596	\$4,381	\$2,751	\$5,450	\$6,114	\$4,880
Ending Cash Balance	\$6,626	\$4,596	\$4,381	\$2,751	\$5,450	\$6,114	\$4,880	\$1,034
Budget Reserve	\$1,306	\$839	\$1,015	\$1,008	\$1,008	\$1,008	\$1,008	\$1,008
Ending Fund Balance	\$5,319	\$3,757	\$3,366	\$1,742	\$4,442	\$5,106	\$3,872	\$26

Source: SCCSD and AOS recommendations

Note: Totals may not sum due to rounding.

¹ During the course of the audit, SCCSD approved reductions which were not included in its December 2008 forecast.

Table 2-7 details those performance audit recommendations reflected in the forecast in **Table 2-6**. The recommendations are divided into two categories – those requiring negotiation, and those not requiring negotiation.

Table 2-7 Recommendation Included in Forecast

Recommendation	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Recommendations Not Subject to Negotiation				
R3.2 Reduce staffing in selected areas	\$4,824,000	\$5,110,000	\$5,414,000	\$5,739,000
R4.6 Implement additional energy conservation measures	\$177,000	\$180,000	\$183,000	\$186,000
R4.8 Temporarily close one school building (at least three years)	\$531,000	\$554,000	\$578,000	\$0
R5.1 Reduce 16 active buses and implement three-tiered routing	\$349,000	\$355,000	\$362,000	\$369,000
R6.3 Increase lunch participation to the peer average	\$28,000	\$28,000	\$28,000	\$28,000
R6.4 Increase lunch prices at Springboro Junior High and High Schools	\$5,000	\$5,000	\$5,000	\$5,000
R6.5 Reduce food service labor hours	\$46,000	\$48,000	\$50,000	\$52,000
Recommendations Subject to Negotiation				
R3.3 Eliminate pick-up retirement benefit	\$170,000	\$178,000	\$186,000	\$195,000
R3.4 Increase employee contribution for health insurance to 15 percent	\$235,000	\$259,000	\$284,000	\$313,000
Total Recommendations Included in Forecast	\$6,365,000	\$6,717,000	\$7,090,000	\$6,887,000

Source: AOS Recommendations

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Human Resources

Background

This section of the performance audit focuses on the human resource functions of Springboro Community City School District (SCCSD or the District). Operations were evaluated against recommended practices, industry standards, and the average of 10 peer districts¹ for the purpose of developing recommendations to improve efficiency and business practices. Recommendations also identify potential cost savings for the District which may help in its efforts to address projected deficits. Leading practices and industry standards were drawn from various sources including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Society for Human Resource Management (SHRM), the Ohio Education Association (OEA), the Kaiser Family Foundation (Kaiser), the State Employment Relations Board (SERB), and the School Employees Health Care Board (SEHCB).

Organizational Structure and Function

The Superintendent is the chief administrative officer of the District and the primary professional advisor to the SCCSD Board of Education (Board). The Superintendent's Office is responsible for the development, supervision, and operation of school programs and facilities. The Human Resource (HR) Office is managed by the Assistant Superintendent and is responsible for the human resource functions of the District including staffing, employee benefits, special education, technology, and strategic planning. The Department of Support Services is directed by the Business Manager and oversees business activities and support services including student transportation, maintenance, and food service. The Treasurer's Office consists of the Treasurer and seven other employees who together oversee the financial operations of the District. Responsibilities include budgeting for all operations, managing District investments, maintaining accounting records, and administering payroll for all employees.

Staffing

Table 3-1 illustrates staffing levels at SCCSD and the average of the peer districts as reported to the Ohio Department of Education (ODE) through the Education Management Information System (EMIS) for FY 2007-08. According to the FY 2007-08 EMIS Reporting Manual instructions for reporting staff data, 1.0 full-time equivalent (FTE) is equal to the number of hours in a regular working day for that position, as defined by the district. FTEs in **Table 3-1** have been presented on a per 1,000 student basis because staffing levels will be partially

¹ See the **executive summary** for a description of the 10 peer district average used as a benchmark throughout this performance audit.

dependent on the number of students served.² Therefore, presenting staffing data in this manner eliminates variances attributable to the size of the peers.

Table 3-1: SCCSD and Peer FY 2007-08 FTEs per 1,000 Students

	SCCSD	Peer Average	Difference
Students	4,892	5,304	(412)
	FTEs Per 1,000 Students	FTEs Per 1,000 Students	Difference Per 1,000 Students
Administrators	5.3	5.3	0.0
Office/Clerical	6.5	6.8	(0.3)
Classroom Teachers ¹	44.8	46.6	(1.8)
Special Education Teachers	8.5	7.5	1.0
Education Service Personnel ²	7.7	8.4	(0.7)
Other Certified Staff ³	2.1	4.3	(2.2)
Teacher Aides	7.7	7.1	0.6
Other Technical/Professional Staff ⁴	2.3	2.0	0.3
Other Student Services ⁵	3.3	5.7	(2.4)
Operations ⁶	23.9	26.1	(2.2)
Total Staffing	112.1	119.8	(7.7)

Source: SCCSD and peer FY 2007-08 staffing data as reported to ODE.

¹ Includes regular and vocational teachers and permanent substitutes.

² Includes Educational Service Personnel (ESP) teachers, counselors, librarians, registered nurses, social work, and visiting teachers.

³ Includes curriculum specialists, remedial specialists, tutor/small group instructors, and other professionals.

⁴ Includes library staff, computer support staff, and other professional staff

⁵ Includes other students services such as psychologists, speech and language therapists, practical nurses, and attendants.

⁶ Includes operational staff such as maintenance personnel, bus drives, food service staff, and monitors.

As illustrated in **Table 3-1**, SCCSD's total FTEs per 1,000 students was lower than the peer average by 7.7 FTEs per 1,000 students or 37.7 FTEs. SCCSD staffing was higher on a per 1,000 student basis in following categories:

- **Special Education Teachers:** The number of special education teachers is dictated by individual IEPs and the number and level of disability of special educational students. A separate analysis of SCCSD's special education program indicated that the District mainstreamed a larger percent of its special education students into regular classrooms and operated its program at a lower cost per student than the peer average.

² Reflects students receiving educational services from SCCSD and excludes the percent of time students are receiving educational services outside of the District. This student count is used throughout the HR section of the performance audit unless otherwise noted.

- **Teacher Aides:** This category includes instructional paraprofessionals (certified personnel) and teaching aides (classified support). Instructional paraprofessionals typically provide instructional assistance while teaching aides typically assist teachers with routine activities in the classroom. SCCSD employed 2.9 FTEs more than the peer average in this category. This variance, however, was offset by fewer classroom teachers per 1,000 students in FY 2007-08. SCCSD administrators, in their comments to the audit, asserted that all teaching aides were required under individualized education plans (IEPs).
- **Other Technical/Professional Staff:** The *other technical* category was affected by SCCSD's 6.0 FTE practical nurses and 7.0 FTE library aides. However, when examining the ESP category, SCCSD had lower staffing than the peer average reported in the registered nurses and librarians category. The District's *other professional staff* included 4.7 psychologist FTEs and 5.5 speech and language FTEs.

In addition to peer average comparisons on a per 1,000 student basis, staffing levels were compared to State minimums, recommended practices, and national standards in the areas where additional criteria were available. **Table 3-2** illustrates these comparisons.

Table 3-2: SCCSD Staffing Comparison

Certified Personnel FTEs	SCCSD	State Minimum	Difference
Principals/Assistant Principals ¹	12.0	9.0	3.0
Regular Teachers ²	218.3	177.3	41.0
Educational Service Personnel (ESP) ³	37.6	22.2	15.4
Classified Personnel FTEs			
Classified Personnel FTEs	SCCSD	Recommended Practice ⁴	Difference
Maintenance Workers	4.0	11.0	(7.0) ⁵
Custodians	33.5	30.5	3.0
Bus Drivers (Based on Active Buses) ⁶	62		

Source: SCCSD FY 2007-08 staffing levels, State minimum ratios, and recommended practices

Note: Classified Personnel FTEs were updated to reflect staffing levels at time of the assessment in **facilities**

¹ OAC § 3301-35-05 requires school districts to provide every school with the services of a principal. Schools with 15 or more FTE teachers require a full time principal. OAC does not require districts to provide the services of assistant principals.

² OAC § 3301-35-05 requires school districts to maintain district-wide students-to-teacher ratios of at least 1.0 classroom teacher FTE for every 25 students in the regular student population.

³ OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 ESP FTEs for every 1,000 students in the regular student population. These ESP must be assigned to at least five of the eight following areas: counselor, library media specialist, school nurse, visiting teacher, social worker, elementary art, music, and/or physical education.

⁴ American School and University's *Maintenance and Operations Cost Study* recommended maintenance FTEs per square foot, National Center for Education Statistics custodian FTEs per square foot, and the American Association of School Administrators' riders per bus.

⁵ Although SCCSD is significantly below the recommended staffing level for maintenance workers, this is offset by contracting for maintenance services.

⁶ While SCCSD reports 62 FTEs in this category, the assessment is based on active buses and therefore actual employees are shown in the table.

While SCCSD staffing per 1,000 students was below the peer average, **Table 3-2** shows that SCCSD, like most districts, was above State minimums in select areas. Although it is not a common practice for school districts in Ohio to operate at State minimum standards for certified personnel, the comparison illustrates that the District has additional options if future reductions become necessary from a financial perspective.

As shown in **financial systems**, the District has projected a year end General Fund deficit of approximately \$29 million for FY 2012-13. Districts usually face General Fund deficits because of the combined effect of declining enrollment and the resulting decline in associated revenues with the effects of inflation on costs. School districts facing these operating conditions can generally eliminate future deficits through moderate staffing reductions—an expenditure reduction remedy appropriate due to declining enrollment. The savings from these moderate staffing reductions carryover annually, resulting in a positive fund balance at the end of the forecast period.

SCCSD, however, has projected substantial enrollment increases simultaneous to stagnant revenue growth. As a result, it must make significant staffing reductions, not only to eliminate the deficit balance in FY 2009-10, but to also cover the additional average net losses from operations—approximately \$7.7 million per year for the forecast period. Therefore, should the projections contained in SCCSD’s December 2008 forecast hold true, the District will have to make significant reductions in many staffing areas to attain a positive General Fund balance in FY 2012-13 (see **R3.2**).

Also, the District was above recommended practices in certain areas which may represent opportunities for reductions in operating costs. A detailed analysis of maintenance workers and custodians was conducted in **facilities** and captures the specific industry benchmarks and workload measures unique to these functional areas. Also, an analysis of recommended riders per bus was conducted in **transportation** and provides a benchmark for the optimal number of bus routes and drivers for the District.

Compensation

Although SCCSD’s total FY 2007-08 General Fund wages per student were below the peer average (see **Table 2-1**), the District’s FY 2007-08 compensation levels by staffing category were also analyzed on a per student basis to determine if large variances existed in any of the categories. **Table 3-3** illustrates SCCSD and the peer average salaries on a per student basis and the categories used are consistent with the staffing analysis in **Table 3-1**.

Table 3-3: SCCSD and Peer FY 2007-08 Salaries per Student

	SCCSD	Peer Average	Difference	
Students	4,892	5,304	(412)	
	Salaries per Student	Salaries per Student	\$ Difference per student	% Difference
Administrators	\$441	\$431	\$10	2.3%
Office/Clerical	\$217	\$234	(\$17)	(7.3%)
Classroom Teachers ¹	\$2,405	\$2,407	(\$2)	(0.1%)
Special Education Teachers	\$432	\$425	\$7	1.6%
Education Service Personnel ²	\$460	\$541	(\$81)	(15.0%)
Other Certified Staff ³	\$131	\$229	(\$98)	(42.8%)
Other Technical/Professional Staff ⁴	\$76	\$64	\$12	18.8%
Teacher Aides	\$150	\$124	\$26	21.0%
Other Student Services ⁵	\$146	\$190	(\$44)	(23.2%)
Operations ⁶	\$627	\$582	\$45	7.7%
Total	\$5,075	\$5,586	(\$511)	(9.1%)

Source: SCCSD and peer FY 2007-08 staffing data as reported to ODE.

Note: Totals may vary due to rounding

¹ Includes regular and vocational teachers and permanent substitutes.

² Includes ESP teachers, counselors, librarians, registered nurses, social work, and visiting teachers.

³ Includes curriculum specialists, remedial specialists, tutor/small group instructors, and other professionals.

⁴ Includes library staff, computer support staff, and other professional staff

⁵ Includes other students services such as psychologists, speech and language therapists, practical nurses, and attendants.

⁶ Includes operational staff such as maintenance personnel, bus drives, food service staff, and monitors.

Employee compensation can be impacted by factors outside management's direct control, such as geographic location and surrounding district competition. **Table 3-4** compares SCCSD's average salaries to a select group of districts, referred to as the surrounding districts.³ In this table, the classification groupings are based on EMIS level categories⁴ which vary slightly from the peer comparison grouping in **Table 3-1 and 3-3**.

³ The surrounding districts used in the salary comparisons include Lebanon City School District, Wayne Local School District, Franklin City School District (Warren County), Centerville City School District, and Miamisburg City School District (Montgomery County).

⁴ For detailed positions within EMIS categories see ODE's 2008 EMIS Manual at <http://www.ode.state.oh.us>

Table 3-4: SCCSD and Surrounding District FY 2007-08 Average Salaries

EMIS Category	SCCSD	Peer Average	% Difference
Administrators	\$84,219	\$80,488	4.6%
Educational Staff	\$53,929	\$55,232	(2.4%)
Professional Staff	\$54,564	\$55,816	(2.2%)
Technical Staff	\$32,142	\$26,685	20.4%
Office / Clerical Staff ¹	\$25,795	\$23,309	10.7%
Maintenance	\$39,693	\$42,310	(6.2%)
Operative	\$26,552	\$18,948	40.1%
Service Worker	\$24,787	\$20,618	20.2%

Source: SCCSD and surrounding district FY 2007-08 EMIS

¹ This EMIS category includes the position code for teaching aides

Table 3-3 and **Table 3-4** show SCCSD's salaries to be higher in the following areas:

- **Administrators:** SCCSD's administrators' salaries were 2.3 percent above the peer average and 4.6 above the surrounding district average. All SCCSD's administrators also receive a pick-up retirement benefit from the District. This benefit is often offered to school administrators in lieu of higher salaries. Cost savings may be achieved by reducing this benefit as base salaries exceed surrounding and peer districts (see **R3.4**).
- **Special Education Teachers:** As illustrated in **Table 3-3**, SCCSD's special education teachers' salaries per student were 1.6 percent above the peer average. SCCSD educated approximately 450 students identified as special education and mainstreamed almost 80 percent of these students into regular classroom settings. SCCSD's special education program costs were compared to the peer average and found to be lower on a per student basis.⁵
- **Technical:** Both comparisons found SCCSD to have higher than average salaries for technical personnel. Salaries of SCCSD's help desk manager and network specialist (computer operators) were the cost drivers in this category.⁶
- **Teacher Aides:** As illustrated in **Table 3-3**, teacher aide salaries per student were 21 percent higher than the peer average. In addition, SCCSD's average salary for office/clerical staff in **Table 3-4** was higher than the surrounding district average

⁵ Although special education teacher salaries were slightly above the peer average, a separate analysis of special education illustrated SCCSD's overall special education costs to be in line with the peer average. These costs include all direct and non-direct costs related to the special education program (including support personnel).

⁶ These positions are common in high performing larger districts. Four of the ten peer district employed computer operators in FY 2007-08.

specifically because of its teacher aides. SCCSD's compensation for aides and support staff is examined in **R3.3**.

- **Operations/Service:** SCCSD's custodians, bus drivers, and food service salaries were above the peer and surrounding districts. A detailed analysis was conducted for these positions and step schedules in **R3.3**.

In its comments on the audit SCCSD noted that its salaries for FY 2008-09 did not increase at the same rate as in prior periods because the Board negotiated a zero percent increase in wages for certain employees.

In addition to regular salaries, SCCSD's supplemental salaries per student were compared to the peer average. Supplemental salaries are for paid work performed under supplemental contract agreements. These salaries are in addition to that which is received under the employee's basic contracts and the duties include jobs such as athletic coaches, lead teachers, student council, yearbook and other supplemental positions. The analysis found that SCCSD's supplemental expenditures were in line with the peer average on a per regular student basis and as a percentage of total salaries.

Employee Benefits

SCCSD offers medical, prescription, dental, and vision coverage to its employees. Full time eligible employees contribute 10 percent of premium costs while the Board covers the remaining 90 percent. **Table 3-5** illustrates the District's insurance premiums.

Table 3-5: SCCSD FY 2008-09 Medical Insurance Premiums

	Single	Single % Share	Family	Family % Share
Medical and Prescription Drug (Anthem)				
Employee Contribution	\$38.04	10%	\$104.61	10%
Board Contribution	\$342.34	90%	\$941.52	90%
Total Premium Cost	\$380.38		\$1,046.13	
Vision Insurance (VSP)				
Employee Contribution	\$0.46	10%	\$1.14	10%
Board Contribution	\$4.10	90%	\$10.23	90%
Total Premium Cost	\$4.56		\$11.37	
Dental Insurance (Superior Dental)				
Employee Contribution	\$2.23	10%	\$7.10	10%
Board Contribution	\$20.03	90%	\$63.94	90%
Total Premium Cost	\$22.26		\$71.04	

Source: SCCSD FY 2008-09 insurance premiums

Part time employees are also eligible for insurance coverage but at a higher employee contribution. Certified employees working fewer than 30 hours per week contribute to the premium based on the percentage of hours worked while part time classified employees working fewer than 25 hours but at least 15 hours per week contribute on a tiered schedule.⁷

SCCSD's total premiums were compared to benchmarks from the Ohio Education Association (OEA), the Kaiser Family Foundation (Kaiser), and the State Employee Relations Board (SERB). **Table 3-6** illustrates these comparisons.

Table 3-6: SCCSD and Benchmark Medical Insurance Premiums

	SCCSD	OEA	SCCSD % Difference to OEA	Kaiser PPO	SCCSD % Difference to Kaiser	SERB PPO	SCCSD % Difference to SERB
Single	\$380.38	\$438.34	(13.2%)	\$420.00	(9.4%)	\$449.05	(15.3%)
Family	\$1,046.13	\$1,108.80	(5.7%)	\$1,131.90	(7.6%)	\$1,167.95	(10.4%)

Source: SCCSD FY 2008-09 premiums and, Kaiser, SERB, and OEA estimated FY 2008-09 premiums.

As illustrated in **Table 3-6**, SCCSD's total premiums are below the averages reported to the OEA and SERB. The District realizes that increasing this employee contribution may become necessary if it continues to experience projected deficits (see **R3.5**). SCCSD's Finance and Insurance Team meets as needed to discuss a variety of insurance related issues including the employee and Board share of the premiums, the implementation of a Health Savings Account, and the development of a wellness program.⁸ In addition, the District's insurance broker obtains annual quotes from a variety of insurance providers and has been successful in finding coverage at optimal prices for the District.

Negotiated Agreements

SCCSD certified and classified employees are covered under respective bargaining units, each with its own negotiated agreement. Certified employees are covered under a contract (certified agreement) between the Springboro Education Association and the Board. Classified employees are covered under a contract (classified agreement) between the Springboro Classified Employees Association and the Board. Both the certified agreement and the classified agreement were effective August 1, 2005 through August 1, 2008.

Both associations and the Board agreed to extend the contract until after the November 2008 levy results. Due to the failure of the levy in November, another agreement was made to extend

⁷ Classified employees working between 20 and 24 hours per week contribute 40 percent of the total monthly premium while employees working between 15 and 19 hours per week must pay 100 percent. Classified employees working fewer than 15 hours a week are not eligible to receive benefits.

⁸ During the course of the audit, the District began negotiating the design of a wellness plan which will begin FY 2009-10.

the contracts until May 2009. As part of the performance audit, certain contractual issues were assessed and compared to the Ohio Revised Code (ORC), Ohio Administrative Code (OAC), recommend practices, and common provisions in Ohio school district bargaining agreements (see **R3.7**).

Human Resource Management and Board Operations

The District demonstrates successful internal communication efforts with employees through regularly scheduled meetings and emails. Principals have developed individualized methods of communicating with building staff including weekly bulletins, email updates, and calendars of events. SCCSD's website is continually updated to provide staff, students, and the community with District news. The weekly column is available on the website and provides updates on specific issues from the District's administrative team. District newsletters contain a wealth of information about current and upcoming events, student achievements, and general announcements. Interested individuals including parents, students, and community members can sign up on the District web site to receive the newsletters through email.

SCCSD has displayed successful communication efforts with District stakeholders (see **noteworthy accomplishments** in the **executive summary**). The online survey tool provides the District with a means to obtain feedback from various groups including, student, staff, parents, and community members. Weekly columns, literature, financial information, Board meetings minutes and policies, and various updates are posted on the District's website and provide community members with easy access to a variety of information within SCCSD.

The District displays effective supervision over personnel and has adopted recommended practices for human resource management. The HR Office assists in ensuring timely evaluations by providing each building with a list of those teachers requiring evaluations during the current year. Building principals and assistant principals formulate individual methods to schedule and provide appropriate observations and formal evaluations for employees. SCCSD's hiring process for certified employees involves collaboration between the HR Office and respective building principals. The HR Office tracks and monitors professional development for employees as well. New teachers are provided in-depth orientation covering a variety of issues from technology to community information and entry year teachers are also assigned to a mentor to provide additional guidance.

Lastly, the Board conducts work sessions after each regularly scheduled meeting. During the work sessions, District administrators and department heads present information on issues that are planned for future Board agendas. This allows the Board to receive detailed background on upcoming issues and gives them time to prepare before making fundamental decisions for the District (see **noteworthy accomplishments** in the **executive summary**).

Human Resources Audit Objectives

The following is a list of the questions used to evaluate the HR functions at SCCSD:

- Is the District's current allocation of personnel efficient and effective?
- Is the District's compensation package in line with other high performing peer and contiguous districts?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in line with best practices and industry benchmarks?
- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?
- Does the Board operate in an effective manner?

Recommendations

Staffing

- R3.1 SCCSD should develop a formal staffing plan to address current and future staffing needs, similar to the plans used by leading school districts. Establishing staffing allocations for administrative, certified, and classified personnel and linking this to the District's strategic plan, budget, enrollment projections, and administrative staffing requests will help it more effectively plan for its future staffing needs.**

A third party vendor conducts an annual enrollment forecast report for SCCSD. The report examines past trends, current enrollment by grade, migration, anticipated kindergarten enrollment, and a variety of statistical analyses to provide the District with forecasted enrollment by grade for the next six years. In addition, SCCSD has developed a spreadsheet to assist with planning future staffing needs at all levels. This spreadsheet illustrates administrative requests for positions by building and the estimated cost of those positions for the next three years. This plan was developed and is updated by the administrative team and is related directly to the budget and projected enrollment. Although the District has developed a spreadsheet to assist with staffing decisions, there are key components including workload measures and staffing ratios that can be added to improve the planning process. Using the spreadsheet as a basis, SCCSD can expand its staffing plan into a formal, useful, and effective tool for the District.

Strategic Staffing Plans (Society for Human Resource Management (SHRM), June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. *Staffing Strategy Over the Business Cycle* (SHRM, June 2005) elaborates on the effect of strategic staffing plans on organizations. In detailing how organizations may react to changes in the business cycle, SHRM notes that reductions in staffing to meet declining labor needs often did not result in anticipated savings for 12 to 18 months. As a result, staffing plans, tied to strategic plans and organizational needs can help organizations to be proactive in addressing human capital needs and better meet the constraints of their operating environments.

Leading practice organizations that use strategic staffing plans include Tulsa Public Schools in Tulsa, Oklahoma; Lakota Local School District in Butler County, Ohio; and Cincinnati City School District in Hamilton County, Ohio. In general, these staffing plans incorporate state and federal regulations, workload measures, and industry benchmarks, as well as staffing levels determined by district administrators. The plans outline the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff using recommended practices and national workload

measures. These plans use an assortment of variables and formulas to guide the individuals responsible for making staffing decisions.

In FY 2007-08, SCCSD attributed 81 percent of its General Fund expenditures to employee salaries and benefits. Because the majority of expenditures are allocated to personal services, the District should be continually aware of any operating or program changes that could affect staffing levels. Expanding its current plan to include staffing benchmarks, such as student-to-staff ratios and workload measures will enhance the District's planning process. A formal staffing plan, in conjunction with the strategic plan, will help ensure that the SCCSD allocates personnel in a manner to support District-wide goals and objectives.

R3.2 Because of its substantial operating deficit, SCCSD should significantly reduce staffing or limit its planned hiring in all nonessential areas identified in order to eliminate the projected General Fund deficit in FY 2012-13. The District should review all staffing areas to ensure that reductions that will directly affect the quality of education are made as a last resort. In addition to several specific classifications, SCCSD would need to make reductions in its ESP and regular teacher classifications to ensure a balanced budget at the end of the forecast period.

In response to the audit, District officials noted they had made staffing reductions in several areas and that it was likely SCCSD had largely exhausted its options to reduce staff in non-instructional areas.

In its December 2008 financial forecast, SCCSD projected a General Fund deficit of approximately \$2.4 million in FY 2009-10, growing to a deficit of over \$29 million in FY 2012-13. Prior to and during FY 2008-09, SCCSD took many proactive steps to reduce expenditures in an attempt to eliminate the impending FY 2009-10 deficit. In order to eliminate the deficit in FY 2012-13, however, SCCSD must make further significant staffing reductions. As shown in **Table 3-1**, SCCSD has operated with staffing levels below the peer average. Despite this fact, the District finds itself in a position in which it may need to reduce positions to State minimum requirements. Although very few districts in Ohio operate at these levels, SCCSD must consider these levels, assuming the stagnant growth in revenues occur as projected.

In order to achieve a positive fund balance, SCCSD should consider reducing or, where feasible, limiting planned hiring of the following:

- **2.0 FTE lead drivers:** Although the staffing analysis conducted in **transportation** found that SCCSD's transportation staffing was in line with the peer district average, these position represent an area of non-educational

staffing reductions. Eliminating these two positions would save the District approximately \$85,000 in FY 2009-10 in salaries and benefits.

- **6.0 FTE library aides:** As illustrated in **Table 3-1**, SCCSD's Other Technical/Professional Staff is 0.3 FTEs per 1,000 above the peer average. This category includes the District's library aides. Reducing its 7.0 FTEs library aides would result in savings of approximately \$134,000 in FY 2009-10.
- **37.5 FTE teaching aides:**⁹ Teaching aides are assigned to assist teachers with routine activities, such as monitoring, conducting role exercises, operating equipment, and clerking. SCCSD's employees 7.7 teaching aides per 1,000 students, slightly above the peer average of 7.1 per 1,000 students (see **Table 3-1**). Reducing all 37.5 FTEs teaching aides would put the District well below the peer average but result in a savings of approximately \$768,000 in FY 2009-10.

Although SCCSD administrators noted during the course of the audit that this area might yield opportunities to reduce staffing, the District will need to closely examine its IEPs during the annual review process and, where appropriate, reduce the number of teaching aides. It also might consider a moratorium on future hiring of aides and adopting a more assertive approach to assigning aides as a component of IEPs. In instances where teaching aides cannot be eliminated, SCCSD may need to consider additional reductions in other areas of operations.

- **3.0 FTE assistant principals/principals:** As shown in **Table 3-2**, SCCSD has 3.0 FTE administrators in excess of State minimum requirements. OAC § 3301-35-05 requires that districts staff full time principals for buildings with over 15.0 FTE teachers but provides no requirements for assistant principals. Reducing 3.0 FTE assistant principals/principals would save SCCSD approximately \$345,000 in FY 2009-10 in salaries and benefits.

SCCSD should explore the possibility of making further administrative reductions by eliminating 2.0 of the 4.0 FTE principals in the split elementary schools (Five Points and Dennis). SCCSD staffs these buildings with 2.0 FTE principals because these schools have been assigned separate building identification numbers for the east school and west school, although they are housed in the same facility. Eliminating two additional principals would save

⁹ Teaching aides are not required under State minimum standards but are often required as a component of IEPs developed for specific students.

the district approximately \$230,000. However, these buildings house large student populations (over 900 students) and SCCSD may find it more advantageous to staff the buildings with a principal and assistant principal, again reducing the cost of administrators in these buildings. This would also result in a cost savings, but of a lesser magnitude than the consolidation of building administration into a single position.

- **11.0 FTEs in “other certificated”:** This category is comprised of certificated positions in addition to teaching staff such as remedial specialists, tutors, and teacher mentor positions. Although SCCSD is below the peer average (see **Table 3-1**), reductions in this area represent potential savings for the District. Reducing 11.0 FTE other certificated staff would save SCCSD approximately \$923,000 in salaries and benefits.

The specific reductions, in aggregate, would save approximately \$2.5 million FY 2009-10. This would only eliminate a portion of the District’s projected FY 2012-13 deficit. Should projections hold true, an approximate deficit of \$9.2 million would still remain. This would require the District to make reductions in its regular and ESP teaching staff.

As illustrated in **Table 3-1**, SCCSD’s FY 2007-08 regular education and ESP staffing per 1,000 students was below the peer average. While it is not a common practice for school districts to operate at the State minimums, the following comparison illustrates that options exist to reduce staffing levels. **Table 3-7** compares SCCSD’s regular classroom teacher and ESP staffing levels to the State minimum requirements.

Table 3-7: SCCSD Staffing and State Minimum Comparison

SCCSD Staffing Levels and State Minimums	FTEs
Regular Classroom Teachers Employed	218.3
State Minimum Required Classroom Teachers	177.3
Teachers Above State Minimum Requirement	41.0
Total ESP FTEs	37.6
State Minimum Required ESP	22.2
ESP Above State Minimum Requirement	15.4

Source: SCCSD FY 2007-08 staffing data as reported to ODE and OAC staffing requirements.

OAC § 3301-35-05 requires districts to maintain district-wide students-to-teacher ratios of at least 1 FTE classroom teacher for every 25 students in the regular student population. In addition, school districts should employ a minimum of 5 ESP for every 1,000 students in the regular student population. The ESP must be assigned to at least

five of the eight following areas: counselor, library media specialist, school nurse, visiting teacher, social worker, elementary art, music, and/or physical education.

SCCSD maintains a regular student to teacher ratio above the peer average, indicating that it employs fewer regular teachers per student when compared to the peers. However, as shown in **Table 3-7**, the District had 41.0 more FTEs than State minimum requirements for regular teachers. In addition, although SCCSD's ESP staffing levels were below the peer average (see **Table 3-1**), they exceeded State minimum requirements by 15.4 FTEs.

Based on State minimum requirements, SCCSD could reduce 15.4 FTE ESP staff. Although this would require the District to operate at State minimum levels, it would result in a savings of \$1,030,000 in FY 2009-10. Should the District reduce lead drivers, library aides, teaching aides, principals, assistant principals and ESP teachers as outlined, savings would be sufficient enough to operate above State minimum standards for regular education teachers. The District would, however, need to reduce 23.0 FTE regular education teachers to fully eliminate the projected FY 2012-13 deficit. Reducing 23.0 FTE regular education teachers would result in approximately \$1,539,000 in savings and allow the District to operate with a staffing level 15 percent above State minimum levels. SCCSD noted in its comments on the audit that some of these reductions could be avoided through strategic hiring and limiting future staffing increases that were projected to meet growing enrollment.¹⁰

Financial Implication: Making staffing reductions as outlined in the recommendation would save the District approximately \$4,824,000 in FY 2009-10.

Compensation

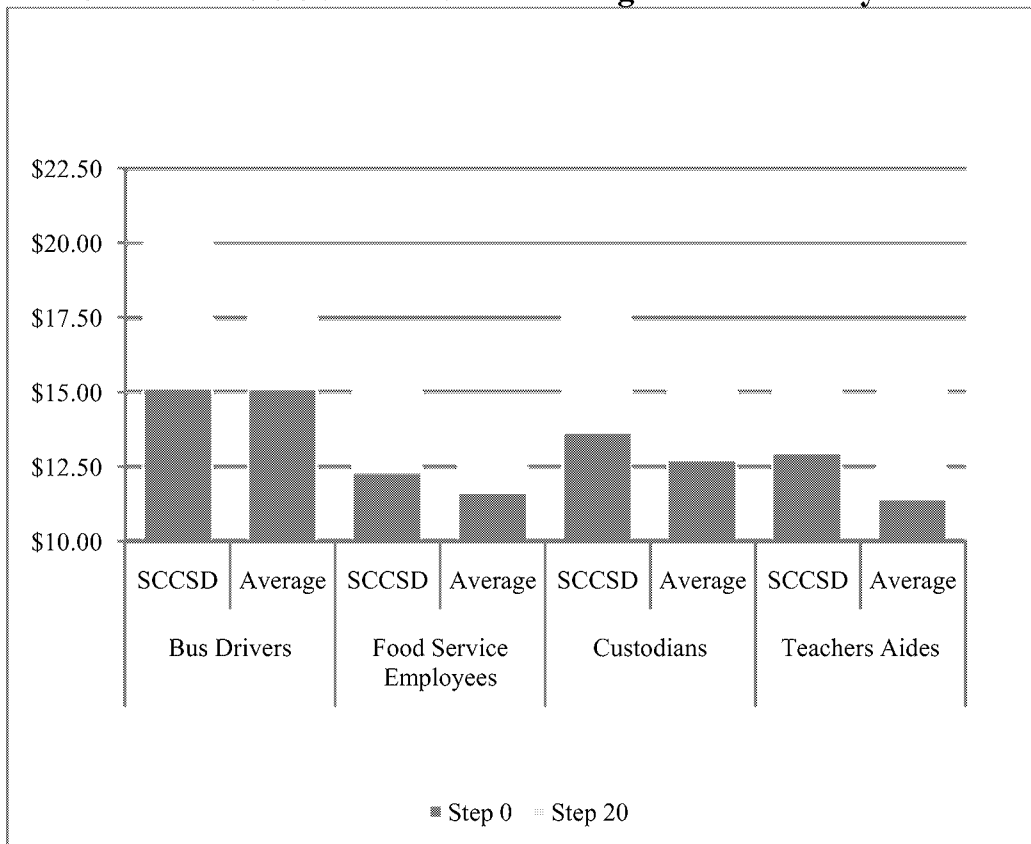
R3.3 SCCSD should consider negotiating a lower base rate for those classified positions with higher than average salaries (see Table 3-3 and 3-4). Specifically, negotiating lower base rates for teacher aides, custodians, bus drivers, and food service employees hired after FY 2008-09 would gradually help the District decrease average salary expenditures to a level comparable with surrounding districts.

Employee compensation can be affected by geographic location and competition with surrounding districts. Because of this, SCCSD's compensation was compared to the average of contiguous districts. As illustrated in **Table 3-4**, SCCSD's average salaries for bus drivers, food service employees, custodians, and teacher aides were higher than the surrounding district average in FY 2007-08. SCCSD's beginning hourly rates and the structure of step schedules for these positions were compared to the average of the

¹⁰ This approach is contingent on student enrollment increasing at forecasted rates.

surrounding districts. The comparison illustrates that SCCSD’s beginning hourly rates exceeded the surrounding district average for each position. In addition, the structure of SCCSD’s step schedule provided higher than average salaries each year of employment. **Chart 3-1** shows the results of this comparison.

Chart 3-1: SCCSD and Surrounding District Hourly Rates



As illustrated in **Chart 3-1**, SCCSD’s beginning hourly pay for all positions is above the surrounding district average. SCCSD employees receive step increases each step for the first 10 steps and then again at steps 13, 15, 17, and 19. Ultimately, SCCSD’s hourly rate for employees at step 20 is above the surrounding district average for bus drivers (by 16.8 percent), food service employees (by 11.3 percent), custodians (by 14.0 percent), and teacher aides (by 12.0 percent).

With expected increases in enrollment, it is likely SCCSD will need to expand its workforce. If SCCSD does not attempt to negotiate new hourly rates and step schedules for future employees, it may miss an opportunity to bring future salary expenditures in line with the surrounding district average. These changes could, over time, help better

align SCCSD's salaries with benchmarks and help the District reduce projected deficits. When the need to hire additional bus drivers, food service employees, custodians, and teacher aides arises, SCCSD should evaluate its pay rates to determine appropriate adjustments and work with its collective bargaining units to revise its starting wages.

R3.4 SCCSD should consider eliminating the retirement pick-up benefit offered to its administrative staff. Covering the required employee retirement contribution for 23 administrators is costly to the District and is a form of compensation the Board is not required to provide. Eliminating or reducing this benefit will reduce expenditures and may help the District to avoid a reduction in direct instruction personnel.

While SCCSD's classified and certified employees make required employee retirement contributions through salary deduction to the State Employees Retirement System (SERS) or State Teachers Retirement System (STRS), 23 of the District's administrators receive a fringe benefit whereby the Board makes this contribution on their behalf. In addition to the District's senior level administrators (the Superintendent, Assistant Superintendent, Treasurer, and Business Manager), 19 other administrative employees, including principals, assistant principals, directors and department managers receive this retirement benefit.

STRS and SERS require employees to contribute 10 percent and employers to contribute 14 percent of employees' gross salaries. Usually, the employer deducts the employee's 10 percent contribution from his or her paycheck before taxes. This is referred to as the payroll reduction method. In some instances, employers may elect to pay the employee share on behalf of the employee as an additional benefit, often in lieu of a higher salary. Paying the employee share of retirement contributions allows some school districts to control administrative salary costs and attract administrative personnel by offering these fringe benefits. However, as illustrated in **Tables 3-3 and 3-4**, SCCSD's average administrative salary is above the peer and surrounding district average.

Many of the districts surrounding SCCSD offer this benefit to administrators. Some, including Lebanon City School District and Miamisburg City School District, provide full pick-up to all administrators similar to SCCSD. There are, however, surrounding districts that provide a less generous, partial pick-up benefit. Centerville City School District, for example, provides full pick-up to its 3 senior level administrators and a partial pick-up of 6.5 percent to its remaining 25 administrators.

SCCSD's average salaries were 4.6 percent above the surrounding district average in FY 2007-08 (see **Table 3-4**). Offering the full pick-up to SCCSD's 23 administrators is costly to the District. Reducing this benefit will provide financial relief to the General Fund and help the District reduce its projected deficit. As it is a common practice in

Ohio, SCCSD may decide to continue this fringe benefit for its senior level staff (Superintendent Assistant Superintendent, Treasurer, and Business Manager). However, the District should consider discontinuing or reducing the benefit for its remaining administrative staff in order to reduce costs and avoid reductions in other areas.

Financial Implication: If SCCSD eliminates the retirement benefit for its 19 non-senior administrators it would save approximately \$170,000 in FY 2009-10.¹¹

Employee Benefits

R3.5 The District should renegotiate employee health care contributions with the goal of increasing the single and family contributions from 10 percent to a level more in line with the SERB and Kaiser averages. Increasing employee contributions to 15 percent would help SCCSD to reduce expenditures by lowering District insurance costs while maintaining a contribution percentage comparable to industry standards.

SCCSD offers medical coverage to its employees where full time eligible employees contribute 10 percent of premium costs and the Board covers the remaining 90 percent (see **Table 3-5**). SCCSD's employee premium contribution was compared to average contributions reported in Kaiser's *Employer Health Benefits 2008 Annual Survey* and SERB's *2007 16th Annual Report on the Cost of Health Insurance in Ohio's Public Sector*. Kaiser reported average employee contributions of 16 percent for single and 27 percent for family for 2008. Employee contribution benchmarks reported by SERB include the following:

Average Percent of Employee Contributions for State of Ohio Employees: 15.7 percent for single and 15.6 percent for family medical coverage;

Average Employee Contributions by School District (per ADM): 10.4 percent for single and 12.6 percent family for schools with an of ADM 2,500 – 9,999;

Average Employee Contributions experienced by School Districts (per region): 11.6 percent for single and 13.1 percent for family in the Dayton region; and

Average Monthly Premiums and Employee Contributions (by covered employees): 11.8 percent for single and 12.7 percent for family for schools with 500-999 employees.

¹¹ Because of competition, SCCSD may decide to decrease the benefit and provide a partial pick-up of 6 percent to non-senior staff, similar to the scenario used at Centerville CSD. If implemented, this partial pick-up would save SCCSD approximately \$68,000 in FY 2009-10.

SCCSD's employee contribution percentage is lower than the Kaiser and SERB benchmarks. The District spent 10.9 percent (\$4.5 million) of its General Fund expenditures on employee insurance in FY 2007-08. Negotiating an increase to the employee contribution would help SCCSD redirect scarce financial resources into preserving its programs.

Financial Implication: If SCCSD renegotiated employee contributions to 15 percent it would save approximately \$235,000 in FY 2009-10.

R3.6 SCCSD should ensure effective and timely implementation of OAC § 3306-2, the Ohio School Employees Health Care Board's (SEHCB) best practices for school health care programs. These best practices will ensure compliance with State law and provide the District with improved internal controls for verifying eligibility. With leadership from the District's Finance and Insurance Team, SCCSD can implement these best practices and provide employees with effective programs to better manage individual health and lifestyles.

During the course of the audit, SCCSD negotiated the inclusion of wellness programs and disease management in its employee benefits.

In an attempt to improve the health of Ohio school district employees and lower healthcare expenditures without reducing benefit levels, the School Employees Health Care Board (SEHCB) formally adopted a set of best practices. These best practice standards require that all health care plans offered to employees by a school district include:

- **A Wellness or Healthy Lifestyle Program:** that consists of a combination of activities designed to increase awareness, assess risks, educate, and promote voluntary behavior change to improve the health of an individual.
- **A Disease Management Program:** that includes both education and support activities designed to increase individuals' awareness and understanding of their disease(s), promote voluntary behavior change, and improve self-care with the goal of preventing or managing complications associated with targeted chronic diseases.
- **Access to institutions and providers offering demonstrated clinically superior health care for complex medical conditions:** that may include, but are not limited to, transplantation, cancer, heart disease, and high risk pregnancy. All health care plans offered to employees by a school district must provide the health plan sponsor access to the evaluations of all participating institutions and

providers so long as the release of specific information is not in breach of any agreement between an institution or provider and the health care plan.

- **Periodic dependent-eligibility audits:** that periodically review the eligibility requirements of its health care plan and verify the eligibility of all dependents currently receiving benefits under the health care plan.

SEHCB's four best practice standards have been made part of the OAC (Chapter 3306-2) and became law on January 1, 2009. By statute, 12 months after these standards become law, all school districts' renewed health care policies or contracts must contain these best practices.

Beyond compliance, implementing the SEHCB best practices will provide health and lifestyle benefits to SCCSD employees while possibly reducing health care expenditures. For example, in 2007, Benton County Arkansas was awarded the Arkansas SHRM State Council's 2007 Statewide Best Practices Award to for its efforts taken in reducing health care expenditures. As a recognized leader in developing and implementing a wellness program for employees, Benton County recommends that employers focus on the behaviors and lifestyles of employees when developing a wellness program. Next, expecting employees to take ownership of their health is strategically important to an organization. The upheaval and resentment that comes with it is normal, and not permanent. For the employer, there are other benefits relating to sick time, productivity, and morale. Lastly, the best chance of a long term health cost solution is found in the individual health of all employees. Every other option simply shifts costs. Improving the health awareness of the population is the most important piece.

The SEHBC took steps to improve the health of Ohio educators and lower healthcare expenditures without reducing benefit levels or shifting costs. The goals of SEHCB's best practices are to improve the health of Ohio school district employees and their families. Implementing the recommended programs and best practices will help SCCSD improve the health status of its plan participants. A timeline to guide the District in developing the programs and educating employees about them will help ensure effective implementation of the new rules. SCCSD's Finance and Insurance Committee should lead the implementation of OAC's new regulations regarding employee health insurance plans.

Negotiated Agreements

R3.7 SCCSD should attempt to renegotiate provisions within its employee bargaining agreements which exceed State minimum requirements and recommended practices. These provisions limit SCCSD's ability to control costs and successfully plan for the District's future financial needs. Successful renegotiations to limit or remove these contract provisions would increase SCCSD's ability to reduce costs and improve operational efficiency.

As a component of the performance audit, certain provisions within SCCSD's certified and classified bargaining agreements were compared to State minimum standards, recommended practices and typical provisions in Ohio school district bargaining agreements. The following areas exceeded benchmark provisions:

- **Maximum sick leave accrual:** SCCSD's certified and classified agreements allow employees to accrue a maximum of 275 and 270 days of sick leave, respectfully. In addition, both agreements allow employees who are at the maximum to increase this limit by as much as 10 days for personal leave converted to sick leave. This provision significantly exceeds the State minimum requirement of 120 days and represents the potential for increased financial liability when sick leave is paid out to retiring employees.
- **Maximum sick leave payout:** SCCSD's certified and classified agreements provide employees who have been working in the District for 10 years, severance payments equal to 25 percent of accumulated but unused sick leave accrued. This includes personal days converted to sick leave in excess of maximum leave accumulation. These payout levels of 71.25 and 70 days for certified and classified employees, respectfully, are higher than the State minimum of 30 sick days and provide a potential for higher than required severance payout for the District.
- **Class size:** SCCSD's certified agreement indicates that the Board will attempt to meet certain student/teacher ratios for regular classes. These ratios are as follows: 22:1 for kindergarten through first grade; 23:1 for second through fifth grade; and 24:1 for sixth through twelfth grade. State minimum standards require the ratio of teachers to students be at least one full-time equivalent classroom teacher for each twenty-five students in the regular student population. Establishing class size requirements within a collective bargaining agreement restricts administration's decision-making about the most effective use of staff, space, and scarce financial resources.

- **Paid holidays:** SCCSD's classified agreement provides 12-month employees with 12 paid holidays which is in excess of the 7 paid holidays required by the State. Providing classified employees with additional holidays can reduce overall productivity as it decreases the overall number of days devoted to District operations.
- **Vacation:** SCCSD's classified agreement allows 12 month employees to accrue vacation at a rate higher than the State minimum requirement. Classified employees with 1 year or more are entitled to 2 weeks vacation, 8 years or more are entitled to 3 weeks vacation, and 15 years or more are entitled to 4 weeks vacation. State minimum requirements are as follows: employees with 1 to 9 years are entitled to 2 weeks vacation, 10 or more years are entitled to 3 weeks vacation, and 20 years or more are entitled to 4 weeks vacation. Paid vacation in excess of State minimum requirements represents a potential for decreased operational efficiency.
- **Stipends:** SCCSD's classified agreement provides various wage allowances for employees. For example, mechanics receive a \$300 annual allowance for tools, maintenance workers and mechanics receive \$100 annually for the purchase of boots, and food service employees receive \$50 for shoes. While these costs are minimal, they are not required by law or common in other Ohio school district contracts.
- **Transportation:** SCCSD's classified agreement includes provisions specific to transportation including minimum route times and bidding. These provisions directly affect transportation operations at the District and are examined in greater detail in **transportation**.

Adjustments to certain provisions can be difficult because they are specified in the District's negotiated agreements. As a result, changes need to be agreed upon by the bargaining units. However, if successful, certain adjustments would help reduce projected deficits and/or increase operational efficiency.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

Summary of Financial Implications for Human Resources

Recommendations	Annual Cost Savings
R3.2 Make staffing reductions to ensure financial recovery	\$4,824,000
R3.4 Eliminate pick-up retirement benefit for non-senior level administrators	\$170,000
R3.5 Increase employee benefit contribution percentage to 15 percent	\$235,000
Total Financial Implication	\$5,229,000

Source: AOS Recommendations

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Facilities

Background

The facilities section focuses on custodial and maintenance operations; and building utilization in the Springboro Community City School District (SCCSD or the District). The operations were evaluated against leading practices and national standards. Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, reduce expenditures. Throughout this section, SCCSD's operations are evaluated against benchmarks and recommended practices reported by the American Schools & University Magazine (AS&U), the National Center for Education Statistics (NCES), Energy Star, and the Government Finance Officers Association (GFOA).

Summary of Operations

SCCSD operates nine schools within seven school buildings: four elementary buildings (two schools grades kindergarten through 1 and two schools grades 2 through 5 which have “east” and “west” divisions designated by separate building identification numbers), one intermediate building (grade 6), one junior high building (grades 7 through 8), and one high school building (grades 9 through 12). In addition to the school buildings, the District owns and maintains a bus garage, administrative building, and a modular unit that houses the operations management functions. The administrative building was constructed by the District’s vocational education students. SCCSD is building an athletic facility that will accommodate athletic offices and a weight center. The debt incurred for the construction of this building will be fully paid through a lease with Miami Valley Hospital, which will occupy two floors of the building.

Staffing

The Business Manager is responsible for the management of the District’s facilities. SCCSD employs 4.0 FTE maintenance technicians, and 33.5 FTE custodial staff. The four maintenance technicians are responsible for maintaining all District buildings. The custodial staff includes six head custodial positions. The District has allocated custodial staff between buildings using three shifts per building. **Table 4-1** shows the allocation of the District’s custodial staff.

Table 4-1: FY 2008-09 Custodian FTEs by Building

School	Square Feet Maintained	1 st Shift	2 nd Shift	3 rd Shift
Five Points Elementary	126,795	2.0	1.0	2.0
Dennis Elementary	126,795	2.0	1.0	2.0
Clearcreek Elementary	52,000	1.0	1.0	0.5
Jonathan Wright Elementary	52,583	1.0	1.0	0.5
Springboro Intermediate	74,000	1.0	1.0	0.5
Springboro Junior High ¹	142,248	2.0	2.0	2.0
Springboro High	284,523	1.0	4.0	5.0
Total	858,944	10.0	11.0	12.5

Source: SCCSD Custodian Staffing List

¹ Includes square footage for central office, support service office and bus facility.

As shown in **Table 4-1**, the District's custodial staff was allocated between the schools depending on the size and program needs of each building. In response to its deteriorating financial condition, the District elected to reduce 11.5 FTE custodians effective in February 2009. Five of the reduced custodial positions were from the high school building.

Table 4-2 shows key statistics and performance indicators for SCCSD in comparison to various benchmarks. Averages of the most recent five years of the *Maintenance and Operations Cost Study* (American Schools & University Magazine (AS&U), 2004-2008) and statistics from the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), February 2003) are included in the table and used throughout this section of the report.

Table 4-2: Key Statistics and Indicators

	August 2008	After February 2009 Reductions
Number of School Buildings	7	7
Elementary Schools	4	4
Middle School	2	2
Administrative (Modular)	1	1
High School	1	1
Total Square Feet Maintained	858,944	858,944
Elementary School	358,173	358,173
Middle School (includes Administrative and Intermediate)	216,248	216,248
High School	284,523	284,523
FTE Custodians	33.5	22.5
Square Feet Per FTE Custodian	25,640	39,043
Elementary School (15 FTEs ¹)	23,878	35,817
Middle School (8.5 FTEs ¹)	25,441	30,893
High School (10 FTEs ¹)	28,452	56,905
NCES National Average Midpoint Level 3 Standard	29,500	29,500
Square Feet Per FTE Maintenance Staff Member (4 FTEs)	214,736	214,736
Five Year Avg AS&U Annual Cost Survey National Median for Maintenance	95,000	95,000

Source: NCES, AS&U, District custodial roster.

Note: The District contracts with an outside provider for grounds maintenance.

¹ August 2008 staffing level

Table 4-2 shows prior to staffing reductions made in February 2009, SCCSD custodians cleaned an average of approximately 13 percent less square feet per FTE than the national benchmark. Substantial reductions however, have resulted in District custodians cleaning approximately 32 percent more square feet per FTE than the benchmark. The 29,500 square foot benchmark represents the midpoint of NCES's standard for a Level 3 cleaning. The NCES cites Level 3 cleaning as the norm for most school facilities—a level acceptable to most stakeholders and one that does not pose any health issues. While SCCSD's post reduction level of approximately 39,000 square feet per custodial FTE is above the NCES Level 3 cleaning standard, it is still well below the NCES Level 4 standard of 45,000 square feet per custodian. SCCSD should periodically monitor the square footage cleaned per custodian to ensure that it does not approach a Level 4 cleaning standard, as the NCES states that this level is not normally accepted in a school environment.

SCCSD's square footage of 214,736 per maintenance FTE is significantly higher (226 percent) than the AS&U benchmark of 95,000 square feet. The maintenance function, however, is supported by outsourcing work which is reflected in elevated purchased services expenditures. **Table 4-3** shows purchased services expenditures on a historical basis and in comparison to the peers.

Financial Data

Table 4-3 illustrates the historical General Fund maintenance and operations (M&O) expenditures per square foot allocated to maintain and operate District facilities.

Table 4-3: SCCSD Historical M&O Expenditures per Square Foot¹

	FY 2005-06	FY 2006-07	Percentage Change	FY 2007-08	Percentage Change
Personal Services	\$1.41	\$1.55	9.9%	\$1.68	8.4%
Benefits	\$0.51	\$0.53	3.9%	\$0.63	18.9%
Purchased Services excluding utilities	\$0.69	\$0.73	5.8%	\$0.93	27.4%
Utilities	\$1.52	\$1.90	25.0%	\$1.98	4.2%
• Electricity	\$1.02	\$1.22	19.6%	\$1.33	9.0%
• Water & Sewerage	\$0.14	\$0.06	(57.1%)	\$0.06	0.0%
• Gas	\$0.34	\$0.61	79.4%	\$0.60	(1.6%)
• Oil	\$0.02	\$0.01	(50.0%)	\$0.01	0.0%
Materials and Supplies	\$0.21	\$0.26	23.8%	\$0.25	(3.8%)
Capital Outlay	\$0.04	\$0.03	(25.0%)	\$0.02	(33.3%)
Miscellaneous	\$0.01	\$0.01	0.0%	\$0.01	0.0%
Total General Fund	\$4.33	\$4.98	15.0%	\$5.46	9.6%

Source: SCCSD Financial Reports

¹ Based on 631,420 square feet for FY 2005-06 and 885,010 square feet for FY 2006-07 and FY 2007-08

Table 4-3 shows the effect of opening two new school buildings on the District's M&O expenditures. In FY 2006-07, the first year of operation for the two new buildings, SCCSD incurred a 19.6 and 79.4 percent increase in electricity and gas expenditures respectively. Overall, utilities increased 25 percent with the addition of two elementary schools. After the spike in utilities caused by adding two additional buildings, these expenditures leveled off in FY 2007-08.

Table 4-4 compares SCCSD's General Fund custodial and maintenance expenditures on a per square foot basis to AS&U national median for FY 2007-08.

Table 4-4: FY 2007-08 M&O Expenditure per Square Foot Comparison

District Square Feet	SCCSD	AS&U	Difference
Salaries/Benefits per Sq. Ft.	\$2.29	\$2.05	11.7%
Purchased Services per Sq Ft.	\$0.93	\$0.21	342.9%
Utilities per Sq. Ft.	\$1.97	\$1.52	29.6%
• Electricity & Gas	\$1.92	\$1.25	53.6%
• Water & Sewerage & Telephone	\$0.06	\$0.22	(72.7%)
• Other	\$0.00	\$0.40	(100.0%)
Supplies/Materials per Sq. Ft.	\$0.25	\$0.38	(34.2%)
Total	\$5.45	\$4.56	19.5%
M&O Expenditures as a % of Total District Expenditures	11.5%	8.4%	3.1%

Source: SCCSD Financial Reports and AS&U 37th Annual Maintenance and Operations Cost Study.

Note: Totals may vary due to rounding and expenditure categories used by AS&U.

As shown in **Table 4-4**, SCCSD allocated 11.5 percent of its total General Fund expenditures for M&O operations compared to the AS&U national median of 8.4 percent. This 3.1 percent difference between SCCSD and the national median represents approximately \$1.3 million in expenditures. Specifically, SCCSD's FY 2007-08 maintenance and operations cost per square foot were significantly higher than the AS&U national median in the following areas:

- **Salaries and benefits** – Data in **Table 4-4** does not take into consideration the reduction of 11 custodial FTEs in February 2009. Using estimates made by SCCSD, this will lower salaries and benefits expenditures per square foot by \$.55 for FY 2008-09.
- **Purchased services** - SCCSD balances a low permanent maintenance staff with contracted repairs and maintenance. This allows the District to purchase specialized professional maintenance and repairs without having to maintain staff with specific expertise or licensure in certain trades. Of the \$.93 per square foot expended for purchased services displayed in **Table 4-4**, \$.59 per square foot was allocated towards contracted maintenance and repairs.
- **Utilities** - The opening of two new school buildings has caused a significant increase in overall utilities costs. SCCSD's total utilities expenditures per square foot have increased 30 percent since FY 2005-06, the year before opening the new schools (see **R4.6**).

Facilities Audit Objectives

The following questions were used to evaluate the facilities management performance within SCCSD:

- Does the facility maintenance and operations function use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function and does it use these in management decision making?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Is the District's custodial and maintenance staffing comparable to best practices?
- Does the District provide a staff development program that includes appropriate training for maintenance and operations staff to enhance worker job satisfaction, efficiency, and safety?
- Are District energy management practices comparable to best practices?
- Are the District's facility management and planning practices comparable to best practices?
- Does the Maintenance and Operations Department have a system for prioritizing maintenance needs uniformly throughout the district?

Recommendations

Facilities Planning and Performance Standards

R4.1 SCCSD should develop a facilities master plan and capital plan in order to meet recommended practices in long-term facility planning. The District should link these plans to the overall strategic plan in order to ensure they coincide with the District's goals and support its mission. Additionally, the facilities maintenance plan and capital plan should articulate expenditures that should be included in the District's budgeting process and five year forecast. By doing so, SCCSD will ensure that it is properly anticipating upcoming expenditures and reflecting a more accurate depiction of facilities-related future financial costs to the District.

SCCSD averaged an increase of approximately 250 new students per year since FY 2002-03. In response to increased enrollment, SCCSD opened two new elementary school buildings that added capacity for approximately 2,700 students in FY 2006-07. District officials planned the construction of these buildings based on anticipated enrollment to ensure optimal capacity in future years. However, the information used in this decision and the associated plans were not contained in a comprehensive facilities master plan or a capital improvement plan. SCCSD has no formal long-term facilities plan to guide decisions regarding future facility capacity levels, building replacement, or capital expenditures. Also, the District does not formally conduct capacity analyses to determine if changes should be made to the organization of its buildings or to identify what resources are needed to meet the demand of its facility operations.

According to *Creating a Successful Facilities Master Plan* (Dejong, 2001), school districts should develop a long-term facilities master plan. The plan should contain information on capital improvements and financing, preventative maintenance and work orders, overall safety and condition of buildings, enrollment projections and capacity analysis. The plan should be developed on a foundation of sound data and community input. A facility master plan, if developed appropriately, has the potential of having a significant effect on the quality of education in a school district. As a road map the facility master plan should specify the projects that have been identified, the timing and sequence of the projects, and their estimated costs. A district wide facility master plan is typically a 10-year plan that should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions.

By developing a formal facilities master plan, SCCSD would be able to more accurately plan for long-term trends in District enrollment or financial conditions. Including a five-year capital plan (R4.2) will help SCCSD ensure that facilities needs are assessed on a regular basis and that it funds projects essential to protecting the condition and quality of

it facilities. Also, incorporating these planning documents will provide administrators with a guide that can then be used to improve communication with the community about its facility needs.

R4.2 The District should develop a formal five-year capital plan that reflects a timeline of capital projects and maintenance needs, as well as historical expenditures by project. The plan should be updated on a regular basis and linked to the facilities master plan (R4.1). The capital plan should include a project categorization and prioritization system that provides management with cost estimates, project timelines, and breakdowns between maintenance tasks and capital projects.

SCCSD should also conduct annual facilities audits to assess the condition of each building. The audits should track building condition and be updated to help the District better plan for capital improvements and preventive maintenance. Audit information should be formally documented and linked to the capital and preventive maintenance (R4.7) plans.

SCCSD uses its annual budget and preventive maintenance schedules to determine its annual capital planning. Beyond this, there is no formal long term planning for capital needs and the District does not have a formal capital plan. In addition, SCCSD does not complete formal annual building evaluations to determine the condition of each building or plan for future preventive maintenance and capital repairs.

According to *Best Practices in Public Budgeting* (GFOA, 2000), governments should develop specific capital project options for addressing capital needs that are consistent with financial, programmatic, and capital policies. The rationale behind this type of capital planning is that it is necessary to give adequate consideration to longer-range needs and goals, evaluate funding requirements and options, and achieve consensus on the physical development of the community. An evaluation of alternative mechanisms helps ensure that the best approach for providing use of a capital asset or facility is chosen based on the policies and goals of the government.

Additionally, the *Planning Guide for Maintaining School facilities* (NCES, 2003) recommends that facility audits should be a routine part of the facilities maintenance program. A facility audit is a comprehensive review of a school district's buildings. The audits are a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. These audits are important because they help planners, managers, and staff know the condition of the facilities, service history, and maintenance needs.

Without a formal capital plan, the District is at risk of incurring capital expenditures that were unplanned or unexpected. Also, by not performing annual facilities audit, District

administrators may have accurate and complete information on building condition and potential repairs needed. Developing a capital plan and performing formal building audits would better position SCCSD to identify potential capital expenditures in their infancy and set aside sufficient funds to cover these costs without disrupting the flow of funds to the educational functions and programs of the District.

R4.3 SCCSD should develop and implement formal performance standards that are used to consistently evaluate the efficiency and effectiveness of the maintenance and custodial operations. The District should use these performance standards to communicate job expectations and assess staff performance, which will enhance the efficiency of the maintenance and custodial function.

It should also develop and implement formal performance standards and measures to consistently evaluate the efficiency of maintenance and operations personnel. Specific performance measures the District should consider are square feet cleaned per FTE and costs per square foot, as well as building-user satisfaction.

The Business Manager meets with building administrators on an annual basis to discuss budget and cleaning details. However, SCCSD has not established benchmarks to use as a gauge to assess the effectiveness of its maintenance and operations function. In addition, the District does not have formal performance standards that detail expectations for common tasks. Building staffing levels are based on building size, to ensure efficient staffing levels and equitable workload. The District makes its decisions based on its prior year's budget and anticipated expenditures. As indicated in **Table 4-3**, the District's expenditures per square foot were 11.8 percent higher than the benchmark average.

Best Practices in Public Budgeting (Government Finance Officers Association, 2000) recommends that organizations develop and utilize performance measures for functions, programs, and/or activities. Performance measures should be linked to specific program goals and objectives. The measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable, and whenever feasible, expressed in quantifiable terms. Measures should be reported in periodic reviews of functions and programs and should be integral to resource allocation decisions.

Without performance standards and measures that are well-defined, SCCSD limits its ability to objectively evaluate staff and organizational performance, and increases the risk of making uninformed decisions. Developing performance standards is particularly important for SCCSD as its February 2009 custodial reductions has caused its staffing ratio to approach the NCES Level 4 cleaning designation. Continually evaluating SCCSD's staffing levels against established benchmarks and user feedback will provide administrators with sound data when making future operational decisions.

R4.4 SCCSD should establish a formal policy and procedures manual for its custodial and maintenance operations. Work processes, physical asset management, and resource management should be covered in the manual. The manual should also include specific instructions on the performance of routine and non-routine tasks and directions for operating any equipment to be used in completing the tasks. Such topics such as the mission statement, personnel policies, purchasing regulations, accountability measures, safety procedures, repair standards, vehicle use guidelines, security standards, and work order procedures should also be addressed.

The District has not established procedures and staff performance standards for the maintenance and operations function. There are no formal performance standards for repeated tasks and the processes used are primarily informal and not in a written format. The District has basic hiring practices and policies for the use of facilities and equipment.

Both the Association of School Business Officials International (ASBO) and the National Center for Education Statistics (NCES) provide guidelines on developing an effective maintenance and operations manual. *Planning Guide for Maintaining School Facilities* (NCES, 2003) states that every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible, possibly through the District's intranet or Internet. Furthermore, the *Custodial Methods and Procedures Manual* (ASBO, 2000) states a manual can serve as a guideline for developing procedures for custodial and maintenance personnel. It should outline staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks.

Without a formal M&O handbook, SCCSD may not be effectively communicating management expectations about the quality of work and employee performance. Furthermore, it cannot accurately measure the efficiency of its M&O function. In addition, informal policies and procedures could result in inconsistent and potentially inappropriate actions such as misapplication of cleaning chemicals or improper use of equipment. Formally documented policies and procedures would provide a resource for SCCSD M&O staff to consult, ensuring that facilities-related functions are performed and managed in a consistent manner.

R4.5 SCCSD should develop a formal staff development plan that meets leading practices and helps to ensure all custodial and maintenance staff members complete required training. This program should be included in the District's custodial and maintenance handbook (R4.4). The District should be particularly cognizant of providing routine training when cleaning or maintenance standards are changed due to the introduction of new equipment, technology, or procedures.

The District does not have a formal staff development program for its M&O employees nor does it maintain documentation that staff members are trained when new equipment, technology, or procedures are implemented. Throughout the year, M&O employees attend in-service and periodic training on new equipment and cleaning products. New employee training is informal and consists of on-the-job shadowing of a head custodian.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), just because a person has been taught how to perform a specialized task does not mean that he or she will be able to perform the task in the future, especially if the task is not a regular part of his or her routine. While there is a trade-off between the benefits of staff training and the costs of lost work time during training, preparing staff to perform their work properly, efficiently, and safely is generally cost-effective. Documenting ongoing training programs would help the District report training events that were conducted and who completed the events. This would serve as a monitoring system to ensure that all custodial and maintenance staff members complete the required training.

The lack of a formal routine training program could result in decreased efficiency and effectiveness of the M&O function. . Implementing a training program would enhance the familiarity of the maintenance and operations staff with latest equipment, technology, and procedures and increase the likelihood of efficient and effective operations. In addition, developing a program to track training for new equipment, technology, and procedures will allow for more seamless integration of new products, equipment and methods.

R4.6 The District should create a formal energy conservation plan that contains procedures designed to reduce energy consumption; outlines formal building audits; and communicates methods to educate staff and students on energy conserving behavior. As part of the plan, the District should incorporate an educational plan for students and faculty to become involved in energy conservation efforts.

In addition, the District should consider installing motion sensors that will help reduce the use of electricity in unoccupied rooms. Finally, it should consider developing an energy portfolio account through EnergyStar as a way to benchmark its utilities expenditures.

In FY 2007-08, utilities expenditures comprised 36.2 percent of SCCSD's total M&O expenditures. In addition, **Table 4-3** shows that SCCSD's FY 2007-08 utilities expenditures were approximately 30 percent higher than the AS&U national benchmark. Within this expenditure category, the District incurred electricity expenditures that were approximately 54 percent higher than the national benchmark.

SCCSD does not have a formal energy management plan or program designed to reduce energy related expenditures. The District has an occupancy-based global control system that controls and monitors temperatures of each building. The Business Manager is able to adjust controls and make changes via wireless access through this system. In addition, SCCSD, contracts with a third party to administer its natural gas contract. The District conducts informal energy audits. An energy audit conducted in FY 2007-08 found that two buildings were not programmed for temperature setbacks. This error was subsequently corrected and the District expects to see a reduction in energy use during FY 2008-09.

School Operations and Maintenance: Best Practices for Controlling Energy Costs (Princeton Energy Resources International (PERI), 2004), a guide prepared for the U.S. Department of Energy, provides detailed and practical guidance on how districts can plan and implement enhancements to their current M&O programs that can successfully maintain facilities and reduce energy costs by up to 20 percent. PERI maintains that most of the energy management strategies detailed in the publication entail limited capital costs and produce rapid paybacks.

PERI further states that energy-saving opportunities can be found throughout a district. Because of varying building ages, staff expertise, and equipment inventories, an assessment of operation and maintenance practices is essential to identifying energy savings opportunities at individual schools. On average, lighting, space conditioning, heating, and cooling account for the majority of school energy end-use, and also typically represent the largest cost saving opportunities for a district. Districts with successful energy-conserving M&O efforts have found numerous low-cost and rapid payback strategies in building systems including:

- Lighting;
- Computers and office equipment;
- Building envelope;
- Heating, ventilation, and air conditioning;
- Water heating;
- Kitchen equipment and procedures;
- Swimming pools;
- Vending machines; and
- Portable classrooms.

One useful tool SCCSD could use to track energy expenditures is a portfolio account set up by EnergyStar. EnergyStar is a joint program developed by the U.S. Environmental Protection Agency and the U.S. Department of Energy designed to help save money and protect the environment through energy efficient products and practices. Districts can register for a portfolio account at no cost to create a benchmarking database. The

database tracks the cost of utilities and indicates areas that a district is not meeting national cost standards.

Lack of a formal energy conservation program may have contributed to higher than average utilities expenditures. By developing and implementing a formal energy conservation plan, the District can implement low cost tools that result in reduced utility expenditures.

By implementing a formal energy conservation plan, SCCSD could realize utility expenditures savings of up to 20 percent. However, the District has estimated that it had implemented 60 to 70 percent of the cost saving measures identified in *School Operations and Maintenance: Best Practices for Controlling Energy Costs*, including retrofitting lights and implementing a temperature control set back system. As a result, SCCSD may only achieve a portion of the 20 percent utilities savings identified.

Financial Implication: Based on FY 2007-08 utilities expenditures of \$1,746,207 and its efforts to date, an energy conservation plan would lead to a probable savings of about 10 percent or \$174,000 annually.

R4.7 SCCSD should develop a formal preventive maintenance plan that would ensure equipment reliability, reduce operating costs and increase the life expectancy of facilities and equipment. The District should develop prioritization guidelines and have an estimated time of completion for each of the priority levels. The preventive maintenance plan should link to the facilities master plan and capital plan and should provide direction for completing specific maintenance tasks or make specific reference to the manufacturer's equipment manual.

SCCSD should also amend its work order process to include prioritization guidelines and an estimated time of completion for each priority level. Maintenance priority should be based on health, safety and life threatening issues as a top priority.

The District does not have a formal preventive maintenance plan. Preventive maintenance is performed based on an informal list. SCCSD outsources most large preventive maintenance measures such as service for its HVAC system and yearly roofing maintenance. Unexpected facility-related repairs are managed by an electronic work order system. There is no method in place, however, to determine which repair requests take priority. This decision is determined on a case-by-case basis by each maintenance worker.

When developing a formal preventive maintenance program, SCCSD may wish to consult the *Preventive Maintenance Program Guidelines* (State of New Mexico Public

School Facilities Authority, 2005). These guidelines provide standard procedures for school facility personnel to plan, schedule, and perform periodic operational inspections and preventive maintenance tasks on facility systems and installed equipment. They provide for equipment identification, inspection-prevention maintenance scheduling, and inspection-maintenance task lists. The New Mexico Public School Facilities developed these guidelines for districts within the state, so that they can provide a system for extending the service life of all facility systems and installed equipment, helping to ensure that districts' instructional programs can be effectively supported. Another benefit cited is a reduction in overall maintenance workload and long-term equipment replacement expenditures.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES, 2003), work order systems help districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the costs of labor and parts. The NCES continues, stating that a well-designed facility management system generally encompasses four categories of maintenance: emergency (or response) maintenance, routine maintenance, preventive maintenance, and predictive maintenance.

Lack of a preventive maintenance program may result in the District failing to properly maintain equipment as needed. This may lessen the life span of capital equipment and may jeopardize the viability of warranty claims. Furthermore, the lack of prioritization guidelines in its work order system may result in the District completing less important repairs before those that are vital for District operations. SCCSD also risks having the initiator of the work order feel that their work request is being ignored. Developing a preventive maintenance program will ensure that the District takes the necessary steps to prolong the life span and efficiency of equipment and completes repairs based on a District-wide prioritization scale.

Building Capacity Utilization

- R4.8 SCCSD should consider temporarily closing one school building and reconfiguring grades to achieve optimal capacity levels. Based on enrollment projections, the District could close a building for up to three years before it would need to revisit its capacity levels, assuming its rate of growth continues to follow historical trends. The temporary closure of a building would bring the District's utilization rates more in line with the benchmark used by industry experts while eliminating excess expenditures associated with the day-to-day operations. Independent of closing a building, the District should continually monitor changes in enrollment as it relates to capacity and meeting program needs. Continually monitoring enrollment and capacity could help SCCSD avoid the costly operations related to facilities which are underutilized until expected enrollment growth is achieved.**

During the course of the audit, the SCCSD Board identified Jonathan Wright Elementary School as slated for closure for FY 2009-10.

SCCSD has experienced more than 30 percent growth in enrollment since FY 2001-02, a period during which approximately 1,100 additional students were enrolled at the District. In response to this growth, the District constructed two new school buildings which opened in FY 2006-07. The District's most recent enrollment report (October 2003) projects an additional 46 percent increase in enrollment by 2013-14. **Table 4-5** shows the District's capacity utilization¹ by building for FY 2008-09.

Table 4-5: FY 2008-09 Capacity Utilization

Building	Regular Education Classrooms	Special Needs Classrooms	Kindergarten Classrooms	Total Building Capacity	Optimal Capacity (85%)	2008-09 EMIS Enrollment	Over/Under Capacity	Utilization Rate
Dennis Elementary	50	11		1,349	1,147	942	407	69.8%
Five Points Elementary	50	11		1,349	1,147	867	482	64.2%
Jonathon Wright Elem.	19	3	5	752	639	470	282	62.5%
Clearcreek Elementary	17	9	5	756	643	471	285	62.3%
Springboro Intermediate	22	8		622	529	448	174	72.0%
Springboro Junior High	50	5		1,288	1,095	799	489	62.0%
Springboro High School	86	6		2,196	1,867	1,430	766	65.1%
Total	294	53	10	8,312	7,065	5,427	2,885	65.3%

Source: SCCSD building layouts and enrollment report.

Optimal utilization of a building is assumed to be 85 percent of capacity. As shown in **Table 4-5**, SCCSD's utilization of 65.3 percent is below this optimal level. With the exception of Springboro Intermediate School, no building capacity exceeded 70 percent. Although SCCSD is well below optimal capacity for FY 2008-09, the District's October 2007 enrollment projection, completed by Education Services, Inc., estimates enrollment to increase approximately 32 percent by FY 2013-14 to 7,162 students. Therefore, while SCCSD had excess capacity in FY 2008-09, enrollment projections would suggest the District would be at the optimal 85 percent utilization rate in FY 2013-14, should projections hold true. Until this time, SCCSD could achieve significant cost savings by temporarily closing a building.

¹ Enrollment calculations are based on DeJong & Associates, Inc. (DeJong) capacity formulas which assume 25 students for regular education classrooms. An 85 percent utilization factor is applied to total high school and junior high school capacities to allow for specialized use of rooms and teacher prep time. DeJong does not establish a standard capacity for special education teaching stations. Therefore, AOS applies a capacity of nine students for these classrooms.

Based on building capacities, the District could close an elementary or secondary building. For example, if the District opted to close the intermediate building, it would have two options available for placing the sixth grade students that would be affected by this closure. It could move these students to the elementary buildings or moving them to the junior high building. The District could also opt to temporarily close an elementary building. In doing this, SCCSD would have to reconfigure grades so that these students are absorbed into the other elementary buildings. **Table 4-6** displays resulting District capacities for FY 2009-10 as the result of closing selected school buildings.

Table 4-6: Projected Total Capacities with Building Closure

Closed Building	Total Capacity	EMIS Enrollment		Over/Under Capacity		Utilization Rate	
		FY 2009-10	FY 2012-13	FY 2009-10	FY 2012-13	FY 2009-10	FY 2012-13
Dennis or Five Points Elementary	6,963	5,427	6,807	2,478	1,505	77.9%	97.8%
Jonathon Wright or Clearcreek Elementary	7,560	5,427	6,807	2,603	1,505	71.8%	90.0%
Springboro Intermediate	7,690	5,427	6,807	2,711	1,505	64.7%	88.5%
Springboro Junior High	7,024	5,427	6,807	2,396	1,505	77.3%	96.9%

Source: SCCSD building layouts and enrollment report.

As shown in **Table 4-6**, projected capacity levels range from 64.7 percent from closing Springboro Intermediate School to 77.9 percent for closing either Dennis or Five Points Elementary. However, SCCSD should consider more than just capacity levels. The District should also take into consideration grade configurations and changes in transportation service that will be affected by the closure of any building. Should the District opt to temporarily close a building, **Table 4-6** shows that projected capacity levels would all be above the optimal 85 percent level by FY 2012-13 regardless of which building is closed. In making its decision, the District should note that projected capacity levels for FY 2012-13 were lowest when closing either Jonathon Wright or Clearcreek Elementary Schools or the Springboro Intermediate School.

In temporarily closing a building, SCCSD will still incur some operational costs. The District would, however, achieve significant savings from a reduction in custodial salaries as well as administrative salaries.

Financial Implication: If the District suspends the operation of a school building, it could save approximately \$415,000 annually in salaries and benefits (average per building administrative and classified costs) as a result of a reduction of administrators and classified employees as well as an additional \$94,000 in utilities savings.

Financial Implications Summary

The following table summarizes the estimated annual cost savings identified in this section of the report.

Summary of Financial Implications for the Facilities Section

Recommendation	Annual Cost Savings
R4.6 Implement more aggressive energy conservation program	\$174,000
R4.8 Temporarily close one school building (at least three years)	\$531,000
Total Financial Implication	\$705,000

Source: AOS recommendations

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Transportation

Background

The transportation section focuses on Springboro Community City School District's (SCCSD or the District) transportation operations. Its operations were evaluated against leading practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), the Ohio Revised Code (ORC), the Association of School Business Officials (ASBO), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

ORC § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their own students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance.

Prior to FY 2008-09, SCCSD transported all students from kindergarten through twelfth grade regardless of distance. In response to its deteriorating financial condition, the District reduced service levels closer to State minimum standards beginning in FY 2008-09. Changes to service levels included the discontinuance of high school transportation and service to and from daycare facilities.

Organizational Structure and Responsibilities

The Transportation Supervisor reports to the Business Manager, and oversees the Transportation Department and staff. In FY 2007-08, SCCSD had 66 bus drivers, 12 substitutes, 2 mechanics and a mechanics helper. Included with the 66 drivers are 4 lead drivers that mainly serve as clerical staff, substitute drivers, and perform mentoring and training. Bus routing is done using VersaTrans software. Routes are continually recalibrated throughout the year with the stated goal of limiting student ride times to no more than 45 minutes.

School districts in Ohio are required to submit transportation forms (T-forms), which report ridership and cost data to ODE. Submission of this data to ODE is completed by the Transportation Supervisor, reviewed by the Business Manager, and approved by the Treasurer

¹ See the **executive summary** for a list of the peer districts.

and Superintendent. A misinterpretation of the Uniform School Accounting System (USAS) codes regarding transportation expenditures resulted in the District reporting lower than actual costs for its transportation service to ODE (see **R5.2**).

Operational Statistics

Table 5-1 shows FY 2007-08 key operating statistics for SCCSD in comparison to the peer district average.

Table 5-1: FY 2007-08 Key Statistics Comparison

	SCCSD	Peer Average	Percentage Difference
Square Miles	38.0	29.4	29.1%
ODE Enrollment	5,299	5,629	(5.9%)
Total Students Transported (All Types)	4,132	4,224	(2.2%)
Yellow Bus Riders (Type I)			
Total Yellow Bus Riders	4,086	4,185	(2.4%)
Buses and Miles			
Active Buses	62	58	6.9%
Spare Buses	13	10	30.0%
Annual Routine Miles	774,540	681,084	13.7%
Operating Ratios			
Riders per Square Mile	107.5	153.2	(29.8%)
Yellow Bus Riders per Active Bus	65.9	72.6	(9.2%)
Routine Miles per Active Bus	12,493	11,718	6.6%

Source: SCCSD and peer district T-1 reports and EMIS data as reported to ODE

Table 5-1 shows that despite transporting 2.4 percent fewer riders than the peers, SCCSD used four more active buses. As a result, SCCSD buses transported an average of approximately 9 percent fewer students per bus than the peer districts. It should be noted that SCCSD was less densely populated than the peer average (29.8 percent fewer riders per square mile) requiring buses to travel 6.6 percent more miles.

The efficiency of a district's transportation function is primarily measured by its bus utilization—the ability to achieve an optimal number of students per bus. In FY 2007-08, SCCSD transported approximately 66 riders per bus on a two tier system (approximately 33 riders per-bus, per-tier). Because of the importance of this statistic, ODE established an efficiency ratio for each district within the State based on riders per bus in relation to population density. These ratios are compiled in its Pupil Transportation Efficiency Targets report. For FY 2007-08, ODE determined that SCCSD's transportation function was inefficient, and calculated its efficiency ratio at 0.75. The ODE-established State-wide benchmark for SCCSD was 73 riders-per-bus. Comparing the efficiency of its transportation function to national benchmarks

and recommended operating capacities could provide the District with significant additional savings (**R5.1**).

In October 2008, SCCSD was required to submit FY 2008-09 transportation data to ODE which included its reduced service to high school students. **Table 5-2** displays SCCSD's historical transportation operating statistics including the elimination of high school transportation in FY 2008-09.

Table 5-2: SCCSD Key Statistics Reflecting FY 2008-09 Service Reductions

	FY 2006-07	FY 2007-08	Percent Change	FY 2008-09	Percent Change
ODE Enrollment	5,031	5,299	5.1%		
Ridership					
Total Yellow Bus Riders	4,131	4,086	(1.2%)	3,737	(8.5%)
Buses					
Active Buses	61	62	1.6%	61	(1.6%)
Total Routine Miles	750,060	774,540	3.3 %	730,980	(5.6%)
Operational Ratios					
Routine Miles per Active Bus	12,296	12,493	1.6%	11,983	(4.1%)
Yellow Bus Riders per Active Bus	67.7	65.9	(2.7%)	60.3	(8.5%)

Source: SCCSD T-1 and Education Management Information System (EMIS) reports

Table 5-2 shows that the District's riders per bus ratio declined 11 percent from FY 2006-07 to FY 2008-09. SCCSD transported 8.5 percent fewer students in FY 2008-09 as a result of the elimination of high school service. Although the District eliminated high school transportation, it reduced only one active bus. This resulted in the District transporting approximately 60 students per bus—an 8.5 percent decrease from FY 2007-08. Typically when a district eliminates transportation service to a large block of students, it reduces its active bus fleet by a corresponding percentage. SCCSD instead chose to operate a similar number of buses fewer hours with the goal of reducing wage expenditures. In August 2008, SCCSD estimated that reduced service levels would enable the District to operate buses 58 fewer hours per day which could save \$225,000 per year in salaries and benefit expenditures. While the District would also save on fuel expenditures, it did not estimate a dollar amount at that time due to fluctuations in fuel prices.

Expenditure Ratios

Table 5-3 shows a comparison of overall transportation costs per rider, per bus, and per routine mile for SCCSD and the peers.

Table 5-3: FY 2007-08 Cost Comparison

	SCCSD	Peer Average	Percentage Above(Below)
Total Expenditures	\$2,893,183	\$3,083,975	(6.1%)
Per Yellow Bus Rider	\$708.07	\$674.54	5.0%
Per Active Bus	\$46,664.24	\$47,617.24	(2.0%)
Per Routine Mile	\$3.74	\$4.07	(8.2%)

Source: SCCSD and peer district T Reports

As shown in **Table 5-3**, SCCSD's cost per active bus and cost per routine mile were both lower than the peer average. The District's cost per rider, however, was 5.0 percent higher than the peer average. The higher cost per rider is indicative of the District operating with low ridership levels. Although the cost per active bus was low in comparison to the peers, this statistic is misleading due to SCCSD operating a high number of buses at a low capacity (66 riders per bus versus 73).

Table 5-4 displays SCCSD's historical transportation expenditures as reported in the District's T-2 Reports, grouped into major line items.

Table 5-4: SCCSD Transportation Expenditures

	FY 2005-06	FY 2006-07	Percentage Change	FY 2007-08	Percentage Change	3 Year Change
Salaries	\$1,086,097	\$1,305,969	20.2%	\$1,396,163	6.9%	28.6%
Benefits	\$416,377	\$496,229	19.2%	\$641,086	29.2%	60.0%
Maintenance & Repairs	\$278,910	\$302,310	8.4%	\$308,824	2.2%	10.7%
Fuel	\$243,870	\$285,626	17.1%	\$391,841	37.2%	60.7%
Bus Insurance	\$31,921	\$31,667	(0.8%)	\$35,629	12.5%	11.6%
All Other Costs	\$134,984	\$286,554	112.3%	\$119,640	(58.2%)	(11.4%)
Total Type I Expenditures	\$2,192,159	\$2,708,355	23.5%	\$2,893,183	6.8%	32.0%
Total Type III Expenditures	\$255,425	\$290,002	13.5%	\$117,873	(59.3%)	(53.9%)
Total Type IV Expenditures	\$10,297	\$6,622	(35.7%)	\$6,020	(0.9%)	(41.5%)
Total Expenditures All Types	\$2,457,881	\$3,004,979	22.2%	\$3,017,076	0.1%	22.7%

Source: SCCSD T-2 Reports

As shown in **Table 5-4**, the District's total Type I expenditures have increased 32 percent since FY 2005-06. Between FY 2005-06 and 2006-07, SCCSD added 12 buses and increased its ridership substantially to accommodate its growing enrollment. Significant annual and three year fluctuations have been caused by the following:

- **Salaries and benefits** – increased significantly reflecting the additional buses needed for increased enrollment between FY 2005-06 and FY 2007-08. Drivers hired to operate these additional buses caused an increase in salaries and benefits. A 34 percent increase in health insurance expenditures was the primary cause of the significant increase in benefits costs in FY 2007-08. Health insurance is analyzed in **human resources**.
- **Fuel** – increased 17.1 percent and 37.2 percent in FY 2006-07 and FY 2007-08 respectively. This mirrors the nationwide increase in fuel prices that occurred during this time period.
- **Bus insurance** – increased 12.5 percent in FY 2007-08 as a result of coverage for the additional buses and an increase in policy costs.

As transportation expenditures are affected by a number of factors, a more detailed analysis of expenditures by line item was conducted. **Table 5-5** shows this detailed analysis, displaying SCCSD's FY 2007-08 salary expenditure ratios in comparison to the peer district average.

Table 5-5: FY 2007-08 Salary and Benefits Expenditures

	SCCSD	Peer Average	Difference vs. Peers
Per Yellow Bus Rider	\$341.69	\$335.71	1.8%
Per Active Bus	\$22,518.76	\$23,621.88	(4.7%)
Per Routine Mile	\$1.80	\$2.02	(10.7%)

Source: SCCSD and peer district T Reports

Table 5-5 shows that SCCSD's total salaries and benefits for its transportation function were significantly lower per active bus and routine mile, and were comparable when compared on a per rider basis. In comparison to the peers, SCCSD was the only district to staff more drivers than it needed for its active buses due to the inclusion of lead driver FTEs in its staffing arrangements, but salary analyses demonstrate that the use of lead drivers reduced substitute driver costs. In addition to driving buses, these employees also perform administrative functions including routing buses, disciplining students in coordination with administrators, creating seating charts, scheduling and coordinating substitutes, and tracking driver time. In order to determine if these positions represented reduction cost center for the District, a more detailed analysis comparing SCCSD's drivers salaries (regular and substitute) and substitute expenditures as a percentage of total drivers salaries to the peer district average was completed. This data is show in **Table 5-6**.

Table 5-6: Drivers Salaries Analysis

	SCCSD	Peer Average	Difference
Drivers Salaries			
Per Yellow Bus Rider	\$313.56	\$323.07	(2.9%)
Per Active Bus	\$20,664.94	\$22,758.26	(10.1%)
Per Routine Mile	\$1.65	\$1.95	(15.4%)
Substitute Expenditures			
Substitute Expenditure as a % of Total Drivers Salaries	2.9%	7.1%	(4.2%)

Source: SCCSD and peer district T Reports

As shown in **Table 5-6**, SCCSD's drivers salaries (regular and substitute) were lower in every cost ratio evaluated. Furthermore, SCCSD allocated only 2.9 percent of total driver salaries for substitute wages, which is significantly lower than the peer average of 7.1 percent. This can be attributed to the fact that lead drivers act as primary substitute drivers. The analysis contained in **Table 5-6** shows that staffing additional FTEs to act as lead drivers does not adversely affect SCCSD's transportation salary structure or its overall transportation cost. In addition, the administrative responsibilities of these positions appear to enhance the efficiency and effectiveness of the District's transportation function.

Transportation Audit Objectives

The following questions were used to evaluate the transportation operation in SCCSD:

- How does the District’s transportation policy and procedures compare with best practices and impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How does the District’s “yellow bus” (Type I) transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?
- Is the District effectively and efficiently maintaining and managing its fleet?

Recommendations

R5.1 The District should eliminate 16 regular needs buses to bring its public ridership capacity closer to the target level of 50 riders per tier or 100 riders per bus on a two tier system. To achieve this ridership level, SCCSD should conduct frequent ridership counts and recalibrate routes to achieve maximum ridership levels on existing routes. In addition, SCCSD should consider changing bell schedules to enable it to shift to a three-tiered transportation system. Finally, it should consider eliminating transportation to students living within one mile of their assigned building, particularly those living in neighborhoods with safe walking areas.

In order to increase ridership for non-public yellow bus service, SCCSD should identify schools that can be clustered and served by single routes, request that non-public schools tailor their bell schedules to accommodate transportation service, and increase the use of shuttles. In instances where the District determines that transportation is impractical or inefficient, it should offer payment-in-lieu of transportation or contract for services with other districts. These measures may allow SCCSD to eliminate inefficient routes.

In FY 2007-08, SCCSD operated with a low total riders-per-bus (65.9) on a two tier system which is reflected in its high expenditures per bus illustrated in **Table 5-1**. Because of low ridership levels, the District operated an excessive number of buses and incurred higher than necessary salary and operational costs. In addition, SCCSD transports 407 riders that live within 1 mile of their assigned school building. Under ORC § 3327.01, the District is not required to transport these students. Under normal conditions, districts typically provide transportation to these students as a courtesy, as buses usually travel by these house en route to the school building. Eliminating service to these additional riders, particularly those who could safely walk to school, would allow SCCSD to reduce its bus fleet.

Due to its location, SCCSD transported 432 students to nonpublic schools within the District. Pursuant to ORC § 3327.01, it is required to provide transportation to pupils to and from the nonpublic or community school which they attend unless transportation is deemed impractical under ORC § 3327.02. In FY 2007-08, non-public riders accounted for 15.6 percent of SCCSD's total riders. This also causes low utilization rates as many of the non-public schools have few students living in the District but require District-provided yellow bus service. **Table 5-7** illustrates the extent to which private/parochial transportation requirements affect SCCSD's ridership levels.

Table 5-7: SCCSD Average Riders Per Bus

	FY 2007-08	FY 2008-09
Total	65.7	60.5
Public Routes	75.5	67.2
Non-public Routes	32.9	28.5

Source: SCCSD T-Forms

As shown in **Table 5-7**, SCCSD's non-public ridership was 58 percent lower than ridership on its public routes in FY 2008-09. The 32.9 riders per bus for non-public routes illustrates that a majority of these runs have few students being transported. It should be noted that although SCCSD eliminated transportation to high school students in FY 2008-09, its riders per bus ratio decreased by approximately 5 students per bus. Bus ridership decreased because the District chose to run a similar number of buses as it did in the prior year for a shorter time. The result of running shorter runs was thought to enable the District to achieve significant savings through reduced salary and benefit expenditures. Ultimately, this change resulted in a savings of \$277,000 over budgeted FY 2008-09 amounts.

Service levels, routing parameters, and the geographical attributes of the District affect its ridership and utilization rates. First, SCCSD offers service levels above the State minimum required transportation level. Second, the District establishes bell schedules, bus stops, route times and capacity per bus, which can effect utilization. Third, like all Ohio school districts, SCCSD is required to transport nonpublic schoolchildren as part of its services which influences its overall efficiency.

Absolute capacity for a given size of bus under all conditions has not been established by the school transportation industry and this figure differs from "manufacturer rated maximum capacity". However, the National Highway Transportation Safety Administration (NHTSA) and NASDPTS have provided information that can be used to develop capacity guidelines.

- The NHTSA and NASDPTS indicate that a bus can generally accommodate three smaller riders on a standard 39-inch seat based on hip dimensions of 5th percentile adult female test dummy as specified in Federal Motor Vehicle Safety Standard (FMVSS).² The "in use capacity" is generally understood to accommodate three smaller sized (elementary school) children based on the FMVSS but only two children of middle or high school age based on the large size of the students. Seating may be further limited by specialized equipment or safety seats.

² A 5th percentile adult female dummy is approximately 4-feet 11-inches tall and weighs 102 pounds.

- These organizations recommend states or school districts establish parameters for bus capacity as part of formal policies.
- The National Conference on School Transportation and NHTSA note that the limiting factor in seating capacity is whether there is sufficient room for a seated child to be completely within the seating compartment and fully shielded by the seat in front of them. Federal crash protection requirements state that the interior of large buses must provide occupant protection without the need for seat belts. However, this requires occupants to be fully inside the seating envelope to obtain the full crash-protection benefits of the bus construction.

The North Carolina Department of Public Instruction (NCDPI) has implemented NASDPTS recommendations for states to establish “in use capacity” for school buses. The NCDPI notes that the maximum capacity for grades 9-12 is calculated as the number of seats times two (i.e. two students per seat). The maximum capacity for grades 6-8 is calculated as the number of seats times 2.5, where half of the seats would have two students and half would have three students. The maximum capacity for grades Kindergarten through 5 is calculated as the number of seats times 3 (i.e. three students per seat). Finally, NCDPI cautions districts that they must provide seating within the seating compartment for all students assigned to the bus, whether or not the assigned load reaches the maximum capacity.

For the capacity analysis, auditors apply a benchmark “in use” bus capacity for a 72-passenger bus using 3 elementary students per seat and 2 students per seat for middle and high school students. This capacity is then prorated at 80 percent to accommodate potential ridership fluctuations that occur throughout the year.

Using three elementary students and two secondary students per seat, SCCSD’s FY 2008-09 buses run at a capacity of approximately 59 percent. In order to achieve a 100 percent capacity using this ridership target, SCCSD would have to eliminate 18 buses. Achieving 100 percent capacity, however, is not practical due to the differing sizes of students. A more practical goal for the District to achieve would be 80 percent of this target. In order to achieve 80 percent of the target, SCCSD would have to eliminate 12 buses, bringing its public riders-per-bus to approximately 101. Regardless of which utilization target the District chooses, the stated goal of keeping route times below 45 minutes may prevent it from achieving an efficient utilization rate. SCCSD should weigh this goal in relation to cost savings that could be achieved through higher bus utilization.

SCCSD may also elect to implement a three-tiered routing system for its public routes, whereby each bus makes three morning and three afternoon runs. Independent of any changes in bus capacity, SCCSD could further reduce its fleet as each bus would transport 33 percent more students. Should the District reach the target of 101 riders per bus for a two-tiered system, implementing a three tiered system would increase the District capacity to approximately 150 students per bus and allow it operate with a fleet

of only 40 buses. This would represent an opportunity to eliminate 6 buses in addition to the 12 eliminated from increased route capacity and 4 eliminated from changing the transportation service parameters. However, any change which resulted in additional driver hours would reduce some of the cost savings achieved in FY 2008-09.

Lowering the number of buses used to transport private/parochial students may be particularly difficult due to State requirements. However, the District may be able to achieve improved capacity on private routes through consolidating routes, changing bell times, determining when routes are impractical, and conducting periodic rider counts and route recalibration.

Financial Implication: SCCSD could save a minimum of \$326,000 by eliminating 16 active buses. Should the District elect to implement a three-tiered route system congruent with increased route capacity, it could achieve additional savings of approximately \$23,000 in variable costs from eliminating 6 additional buses. Additional savings may be achieved through a reduction in salaries and benefits. This includes savings from reduced salaries, supplies, and repair costs, and takes into consideration increased driver hours and increased fuel consumption that may be needed to operate buses on longer routes.

R5.2 The Board of Education (Board) should annually review and update its transportation policies to ensure that they specifically outline the services to be provided. In addition, transportation policies should identify who has authority to grant exceptions and describe the general process for determining if an exception should be granted. To ensure that all policies are easily accessible for employees and the community, the District should develop a page on its web site that communicates its transportation policies, plans, and guidelines.

The Board created a section in the Board Policy Manual that addresses transportation services. This policy stipulates that the District shall provide transportation for those students whose distance from their school makes this service necessary within the limitations established by State law. The current practice is to transport all students in the District, regardless of distance, with the exception of high school students. This, however, is not formally documented in the policy.

According to *Key Legal Issues for Schools* (Association of School Business Officials (ASBO), 2006), the general operating procedures for school boards should include annual reviews of all policies to determine whether modifications should be made on the basis of implementation and experiences. ASBO recommends that school boards consider developing policy review committees to identify issues and situations that should be considered during annual policy reviews.

Cincinnati City School District posts information on its website to inform its community of the service levels that are provided to its students. The District explains changes made for the school year and description of service levels that are to be provided.

By enhancing its policies and clearly outlining service levels and the method of granting exceptions, the District would formalize existing practices and enable the Transportation Supervisor to plan transportation services more effectively. In addition, the District would avoid any questions or conflicts that may arise due to the ambiguity of its transportation policy.

R5.3 The Treasurer's Office and Transportation Department should work together to ensure accuracy in reporting by developing effective internal controls over T-Form data collection and reporting. Specifically, the District should ensure that it develops a process which separates costs used for special needs expenditures and adjusts its costs to exclude non-routine miles before reporting data to ODE. In doing so, the District will ensure it is reporting accurate information which is used by ODE to determine State funding for transportation.

During the course of the audit, SCCSD took steps to correct its T-2 report for FY 2007-08 through ODE's Office of Pupil Transportation.

Due to a coding error, the District's T-2 reports have historically been compiled with incorrect special needs expenditure data. Though the Uniform School Accounting System (USAS) coding system provides two function codes to record transportation expenditures, one for special needs and another for all other expenditures, the District has historically recorded all expenditures in the special needs code. It then uses USAS data to report its regular transportation expenditures on the T-2 Form. As a result, in FY 2007-08, the District reported minimal expenditures for special needs transportation on its T-2 Form despite providing transportation service for 72 special needs students. The District reported approximately \$118,000 in special needs expenditures in FY 2007-08; however, these expenditures were reported as Type III Public Transit expenditures. These expenditures should be reported as Type VI non-board and non-bus expenditures as they represent contracted services provided by Winton Transportation, Inc. to transport special needs students by van.

The District also reports expenditures incurred for non-routine busing. According to ODE instructions however, expenditures for non-routine transportation should be excluded from T-2 Form transportation expenditures. SCCSD incorrectly included these costs in its T-2 reported expenditures.

The 2003 LOEO report *Student Transportation in Ohio* identified that 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. One recommendation put forth by the LOEO was for ODE to continue working with school districts to improve the accuracy of the data submitted regarding the number of students transported, the average daily bus miles per student, and the cost of transportation services. The first step in ensuring accurate data is for a district to create and adhere to documented procedures for the submission of district T-forms.

According to *Documentation of Accounting Policies and Procedures* (GFOA, 2002 and 2007), government agencies should develop formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff and can help ensure consistency through staff turnover. The documentation of policies and procedures should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, it should indicate which employees are to perform which procedures, and procedures should be described as they are actually intended to be performed.

School districts account for their transportation costs and riders through their T-forms. As such, it is important that these forms be accurate and that the processes for completing them be documented. This is particularly important for areas where reimbursement rates are determined by a district's actual expenditures or its level of efficiency.

Implementing formal procedures will help increase the validity and reliability of information reported to ODE. Moreover, accurate reporting will avoid delays in receiving reimbursement from ODE and ensure that the District receives the proper amount of State funding based on the transportation services it provided.

R5.4 SCCSD should create and maintain a bus replacement plan to ensure that it is properly planning and budgeting to purchase new buses. The bus replacement plan should contain the age and mileage of every bus in the fleet and the estimates of these amounts at the projected replacement date for each bus. The plan should be managed by the Transportation Supervisor and the Treasurer's Office. In addition, the replacement plan should be evaluated and updated annually and it should include maintenance and repair costs for each bus. Developing a replacement plan containing this information will help the District more effectively plan for the replacement of buses at the most advantageous point in the vehicle lifecycle.

SCCSD does not have a bus replacement plan because, during the past several years, it has had to increase its fleet size to meet expanding enrollment. SCCSD's fleet consists of 61 active buses and 17 spares. The average age of its buses is 6.5 years and the median age is approximately 6 years. Only 12 of the District's 61 active buses are over 10 years of

age and nearing the point at which replacement may become a consideration. However, SSCSD has purchased a large number of buses at points in time during the past few years. As those busses age, replacement considerations will become an issue, particularly considering that a large percentage of the fleet may be affected at a single point in time.

According to NASDPTS, the timely replacement of school buses must be a planned process. Establishing school bus replacement policies is an important activity, since it directly impacts the timeliness of introducing the latest safety, efficiency and emissions improvements into the fleet. The elimination of school buses that do not meet the latest standards or requirements must be planned for within a realistic number of years.

NASDPTS also notes that there appear to be at least two scenarios that should have an impact on decisions concerning school bus replacement. First, whenever there is a significant improvement in the federal standards for the safety, fuel efficiency or exhaust emission requirements of school buses, it appears reasonable to establish a policy with respect to timely replacement of the older buses with newer school buses. Second, whenever the operating and maintenance expenses on a school bus, or group of school buses, reaches a certain level, it appears that the better economic decision would be to purchase a new bus rather than continue to maintain the older school bus.

The lack of a formal bus replacement plan may result in a decrease in the efficiency and reliability of the District's fleet. In addition, SSCSD may not be in optimal position to identify which buses need to be replaced. Finally, without scheduled replacement and the accompanying financial planning for vehicle replacements, it may find itself needing to replace several busses at once. Creating a bus replacement plan that is linked to the District's capital plan (**R2.2**) will enable the District to properly anticipate large expenditures in future years when buses may need to be replaced.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

Summary of Financial Implications for Human Resources

Recommendations	Annual Cost Savings
R5.1 Eliminate 16 active buses and implement a three-tiered routing system	\$349,000
Total Financial Implication	\$349,000

Source: AOS Recommendations

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Food Service

Background

This section of the performance audit focuses on the food service operations of the Springboro Community City School District (SCCSD or the District). Operational procedures and the financial condition of the District's food service program were analyzed for the purpose of developing recommendations to improve efficiency and business practices. Recommendations also identify potential cost savings for the District in its efforts to address the need for subsidies from the General Fund. The District's operations were evaluated against recommended practices and operational standards from various sources including the National Food Service Management Institute (NFSMI), the Ohio Revised Code (ORC) the United States Department of Agriculture (USDA), the Government Finance Officers Association (GFOA), and selected peer districts.¹

Organizational Structure and Function

The Food Service Department consists of 38 employees, including the Food Service Manager, 35 cooks/assistant cooks, a head cashier, and a driver. The Food Service Manager, who reports to the Business Manager, is responsible for managing daily operations, menu design, preparing and administering the food service budget, and preparing and maintaining necessary records.

Data and cash collection is automated through the QSP Point of Sale System. Students are identified with either a PIN number or card and a photo of the student is shown on the screen for identification by the cashier. The software calculates the total amount owed and automatically deducts it from the student's balance. SCCSD's food service staff prepare and serve lunch at the District's seven school buildings. Some centralized cooking is conducted at the high school by preparing casserole dishes and delivering them to the junior high, intermediate, and elementary buildings.

In FY 2007-08, 44.1 percent of SCCSD's students participated in the school lunch program.² School districts receive a partial reimbursement in the form of federal grants-in-aid for the number of lunches served. When FY 2007-08 ala carte sales are included, SCCSD's total

¹ See the **executive summary** for a description of the 10 peer district average used as a benchmark throughout this performance audit.

² According to Ohio Department of Education, Average Daily Participation (ADP) of Average Daily Attendance (ADA) is the indicator of how many students are actually purchasing reimbursable lunches.

participation was 50 percent.³ Both participation measurements were below the FY 2007-08 peer average (see **R6.3**). SCCSD does not participate in the School Breakfast Program because of its small population of students eligible for free and reduced meals.

Due to the demographics of SCCSD, it has historically had a small population of students eligible for free and reduced lunch. In FY 2007-08, 5.5 percent of SCCSD's lunches were served free to eligible students, significantly lower than the peer average of 12.6 percent. In addition, SCCSD provided 3.4 percent of lunches to students at a reduced price, a level 0.9 percentage points below the peer average. SCCSD started to use direct certification⁴ as required by the Ohio Department of Education (ODE) in FY 2008-09. The District has also used surveys as a tool to obtain feedback from students regarding the lunch program in hopes of increasing participation.

Financial Condition

ORC § 3313.81 requires that school districts establish a food service fund separate from all other funds of the board. SCCSD's food service function is organized as an enterprise operation, which is intended to be self-funded, relying on revenue (from services and reimbursement) to support the costs of the operation. ORC also stipulates that food service operations may not be used to make a profit. **Table 6-1** illustrates the Food Service Fund financial data for FY 2005-06 through FY 2007-08.

³ Total Participation is generated by ODE's Claims Reimbursement and Reporting System to calculate the percentage of students that are supporting the District's cafeteria. The calculation of Total Participation takes into account both reimbursable meals and non-reimbursable items sold such as other food sales, a la carte items, and second lunches.

⁴ The District receives a list from the Ohio Department of Job and Family Services with those students eligible for free/reduced lunch. This process can improve administrative efficiency, reduces the application portion on the District side, and potentially identify a larger number of eligible students.

Table 6-1: SCCSD Food Service Fund Financial Data

	FY 2005-06	FY 2006-07	% Change	FY 2007-08	% Change	Three Year Change
Revenue						
Student Charges	\$850,690	\$892,047	4.9%	\$1,025,304	14.9%	20.5%
Earnings on Investments	\$1,300	\$0	(100.0%)	\$0	N/A	(100.0%)
State Grant-In-Aid	\$2,078	\$1,908	(8.2%)	\$32,632	1610.3%	1470.1%
Federal Grant-In-Aid ¹	\$109,479	\$120,843	10.4%	\$136,785	13.2%	24.9%
Total Revenue	\$963,547	\$1,014,798	5.3%	\$1,194,721	17.7%	24.0%
Expenditures						
Personal Services - Salaries	\$395,421	\$470,132	18.9%	\$490,249	4.3%	24.0%
Employees Retirement and Insurance (ERIB)	\$136,588	\$152,387	11.6%	\$172,709	13.3%	26.4%
Purchased Services	\$18,118	\$26,635	47.0%	\$27,549	3.4%	52.1%
Supplies and Materials	\$396,819	\$457,789	15.4%	\$471,745	3.0%	18.9%
Capital Outlay	\$1,032	\$902	(12.7%)	\$0	(100.0%)	(100.0%)
Other Objects	\$599	\$1,085	81.3%	\$510	(53.0%)	(14.8%)
Total Expenditures	\$948,577	\$1,108,929	16.9%	\$1,162,761	4.9%	22.6%
Revenues Over (Under) Expenses	\$14,970	(\$94,130)	728.8%	\$31,959	134.0%	(113.5%)
Transfers/Advances						
Transfers-In	\$0	\$93,789	N/A	\$0	(100.0%)	N/A
Advances- In	\$0	\$0	N/A	\$0	N/A	N/A
Operating Transfers-Out	\$0	\$0	N/A	\$0	N/A	N/A
Advances-Out	\$0	\$0	N/A	\$0	N/A	N/A
Net Transfers/Advances	\$0	\$93,789	N/A	\$0	(100.0%)	N/A
Spending Surplus (Deficit)	\$14,970	(\$342)	(102.3%)	\$31,959	(9451.9%)	113.5%
Beginning Fund Balance	(\$7,388)	\$7,582	(202.6%)	\$7,240	(4.5%)	(198.0%)
Ending Fund Balance	\$7,582	\$7,240	(4.5%)	\$39,199	441.4%	417.0%

Source: SCCSD year-end financial and federal claim reimbursement reports.

¹ Federal Grants according to ODE Reimbursement Reports, not 4502

SCCSD's total revenue increased 24.0 percent from FY 2005-06 to FY 2007-08. According to the District, this increase can be attributed primarily to the 5.0 percent increase in enrollment during this period. A majority of SCCSD's total revenues are recorded in the student charges revenue line. This revenue category represents funds received for dispensing food and includes all lunchroom services, regular lunches, reduced price lunches, milk, and ala carte sales. Student charges increased 20.5 percent from FY 2005-06 to FY 2007-08. The federal grant-in-aid revenue line represents reimbursements the federal government provides for lunches served to children participating in the National School Lunch Program. This line represents the majority of reimbursements for food service operations at SCCSD and increased 24.9 percent from FY 2005-06 to FY 2007-08.

Increased enrollment and participation in the District's National School Lunch Program resulted in an increase in expenditures of 22.6 percent in the three year period displayed in **Table 6-1**. Salaries and benefits increased 24.0 percent and 26.4 percent, respectfully, as additional employees were hired and food service staff received annual pay increases. SCCSD opened two new elementary buildings in FY 2006-07 requiring the District to increase purchased services 52.1 percent and supplies and materials increased 18.9 percent to expand food service operations to these buildings.

A transfer into the Food Service Fund represents funds transferred from another fund (commonly the General Fund) to cover operating expenses. This differs from an advance from the General Fund which is made in anticipation of future revenue and repaid at a later date. Advances often take place due to timing of receiving reimbursements while transfers are the result of insufficient revenue generated to cover operations. As illustrated in **Table 6-1**, SCCSD transferred approximately \$94,000 into the Food Service Fund in FY 2006-07 to cover expenditures. In addition, the District projects future year deficits in the Food Service Fund and anticipates transfers from the General Fund to cover FY 2008-09 expenditures.⁵

Table 6-2 illustrates financial data for FY 2007-08 and compares SCCSD's Food Service Fund revenues and expenditures to the peer average on a per meal equivalent basis.⁶

⁵ According to the Treasurer, the District projects transfers to the Food Service Fund between \$25,000 and \$50,000 each year of the General Fund five-year forecast.

⁶ Per meal equivalents were based on definitions from National Food Service Management Institute (NFSMI). The conversion of meal equivalents used is as follows:

- 1 lunch = 1 meal equivalent;
- 3 breakfasts = 2 meal equivalents; and
- A la carte meal equivalents = a la carte sales divided by free lunch reimbursements plus commodity value per meal.

Table 6-2: SCCSD and Peer District FY 2007-08 Operating Comparison

	SCCSD	Peer Average ¹	Difference	
Total Meal Equivalents Served	390,634	624,630	(37.5%)	
Revenues per Meal Equivalent				
Total Operating Revenue	\$2.62	\$2.64	(\$0.02)	(0.8%)
Total Non-Operating Revenue	\$0.43	\$0.53	(\$0.10)	(18.9%)
Total Revenue	\$3.06	\$3.17	(\$0.11)	(3.5%)
Expenditures per Meal Equivalent				
Salaries	\$1.26	\$1.14	\$0.12	10.5%
Fringe Benefits	\$0.44	\$0.49	(\$0.05)	(10.2%)
Purchased Services	\$0.07	\$0.08	(\$0.01)	(12.5%)
Supplies and Materials	\$1.21	\$1.37	(\$0.16)	(11.7%)
Capital Outlay	\$0.00	\$0.06	(\$0.06)	(100.0%)
Other	\$0.00	\$0.01	(\$0.01)	(100.0%)
Total Expenditure	\$2.98	\$3.16	(\$0.18)	(5.7)%

Source: SCCSD and peer year-end financial and federal claim reimbursement reports.

Note: Totals may vary due to rounding

¹ Sugarcreek Local School District is not included in the peer average because the district contracts for food service operations

As illustrated in **Table 6-2**, SCCSD generates a similar amount of operating revenue per meal compared to the peer average. Operating revenue in the Food Service Fund is primarily composed of revenue from student purchases (meals and a la carte sales). Conversely, SCCSD's non-operating revenue per meal was significantly below (17.7 percent) the peer average. Non-operating revenue includes federal reimbursements for participation in the School Breakfast Program and National School Lunch Program, and State grants-in-aid.

When examining expenditures, SCCSD's salary costs were 10.2 percent higher per meal than the peer average. SCCSD's food service pay scales were compared to the surrounding district average (see **human resources**) and its meals per labor hour (MPLH) were determined to be significantly below the peer average (**R6.4**). MPLH illustrates efficiency by dividing the District's total labor hours worked by the total meal equivalents served per day at each building and comparing the ratio to national benchmarks.

Fringe benefits per meal were 10.6 percent below the peer average. SCCSD's tiered employee contribution schedule for part time classified employees requires eligible employees working fewer than 25 hours per week to contribute to medical coverage at a higher rate (see **human resources** for an analysis on District medical coverage). For FY 2008-09, 13 of the 38 food service employees receive medical coverage.

Participation

Participation is a measure used to show the percentage of students supporting a school's lunch program. **Table 6-3** shows a comparison of participation factors between SCCSD and the peer average for FY 2007-08.

Table 6-3: SCCSD and Peer District FY 2007-08 Participation

	SCCSD	Peer Average	Difference
Total Meals Served	324,893	429,340	(104,447)
Average Daily Participation	1,867	2,467	(600)
Total Meal Equivalents Served ¹	390,634	624,630	(233,996)
Average Daily Participation (ADP) of Average Daily Attendance (ADA)	44.1%	47.0%	(2.9%)
% Total Participation	50.0%	62.2%	(12.2%)

Source: SCCSD and peer MR60 Reports, May 2008.

Note: Totals may vary due to rounding

¹ Meal equivalents are based on definitions from NFSMI and include regular lunches as well as conversions for breakfast and a la carte sales.

As illustrated in **Table 6-3**, SCCSD's participation rates were below the peer average in FY 2007-08. Average daily participation (ADP) of average daily attendance (ADA) is the indicator of how many students purchased reimbursable lunches. Total participation is the percentage of students that are supporting the District's cafeteria. The calculation of total participation includes both reimbursable meals and non-reimbursable items sold such as other food sales, ala carte items, and second lunches. Lower than average participation factors yield lower than average revenue as illustrated in **Table 6-2**. SCCSD's participation was examined in greater detail in **R6.3**.

Food Service Audit Objectives

The following is a list of the questions used to evaluate the food service functions at SCCSD:

- What is the financial status of the District's Food Service Fund?
- How can the District improve the efficiency of its food service staff?
- Are the District's meal prices in line with area peer districts?
- What can the District do to maximize program participation?
- Does food service management effectively use data to make future plans and operational decisions?

Recommendations

R6.1 SCCSD should develop a food service strategic plan with specific goals and objectives that support, and are consistent with, District-wide strategic planning efforts. SCCSD should use these strategic goals and objectives when developing its annual budget for the Food Service Fund. Furthermore, SCCSD should develop a five-year forecast and a comprehensive set of performance measures to assist management in addressing or minimize operating deficits. These planning tools together will help SCCSD improve program performance and maintain alignment with District-wide goals.

SCCSD does not have a formal food service strategic plan to guide the operation in setting and achieving operational goals and measuring progress. The Food Service Manager prepares monthly profit (loss) spreadsheets for the food service operations and works with the Treasurer to develop an annual budget based on historical operations. The Treasurer includes estimates of transfers to the Food Service Fund in the General Fund five-year forecast.

According to *Best Practices in Public Budgeting* (Government Finance Officers Association (GFOA), 2000), a government should prepare policies and plans to guide the design of programs and services. These policies and plans may address items such as: groups or populations to be served, service delivery issues, examples of possible programs, standards of performance, expected costs, time frames for achievement of goals, issues pertaining to organizational structure, and priorities for service provision. While these broad long-range plans guide operations, they must be supplemented and integrated with short-term operations planning.

An important component of a strategic plan for the food service operation is a current year budget and a long-range forecast. According to *School Foodservice Management for the 21st Century* (Pannell-Martin, 1999), a budget provides several key benefits. It can help a manager or director forecast revenue and expenses based on prior year's data, estimates, and planned changes; serve as a tool for identifying potential problems by contrasting actual financial activity with projected activity and provide a basis for comparison; and can be used to set performance standards, control erratic expenditures, and help a manager determine if the program can afford to make purchases. In addition to annual budgets, forecasting revenue and expenditures over a five-year period for long-range planning can give the administration sufficient notice of emerging issues so that action can be taken to correct them. With increases in labor, supplies, and other operating costs, lunch prices and cost saving measures need to be evaluated annually.

Performance measures can be used to document progress towards food service operational goals. GFOA recommends that performance measures should be based on

program goals and objectives and used to measure the efficiency and effectiveness of program results or accomplishments over time. Performance measures are an important component of long term strategic planning and decision making. The Springfield Local School District (Summit County) tracks the performance of its food service operation on a monthly basis. Analyses are performed at the building and district-wide level. Measures used to analyze the food service operation include operating profit (loss), labor costs per meal, meals per labor hour (MPLH), food costs per meal, and the number of free and reduced lunches at its schools. In all instances, policies and plans should be adopted by the governing body and made publicly available.

Without a central document that formalizes strategies, SCCSD has not positioned itself to clearly monitor the implementation and effectiveness of its operational decisions. A food service strategic plan, budget, forecast, and performance measures will provide a more complete picture of financial and operational conditions within its food service program and help the District avoid using General Fund money to support the operation.

R6.2 In order to have an accurate representation of operational costs, SCCSD should charge all related expenses to the Food Service Fund. This should be done regardless of the Food Service Fund's ability to maintain a positive balance without transfers from the General Fund. Allocating all food service expenses to the Food Service Fund will provide a more accurate financial picture of its operations which will, in turn, improve decision-making related to revenues, expenditures, and program adjustments.

In FY 2007-08, SCCSD did not account for all appropriate purchased services for its food service operations. With the exception of telephone expenses, utility costs such as electricity and natural gas, were not allocated to the Food Service Fund but instead completely paid from the General Fund.

Measuring the Cost of Government Services (GFOA, 2002) recommends that governments calculate the full costs of services they provide for a variety of purposes, including performance measurement and benchmarking. The full costs should include all direct (salaries and benefits) and indirect costs (shared costs such as facilities and maintenance). The indirect costs should be apportioned by some systematic and rational allocation methodology. Moreover, Ohio Revised Code (ORC) § 3313.81 requires the Food Service Fund to be kept separate from all other funds, including the General Fund. All receipts and disbursements in connection with the operation of food service are to be paid directly into, and disbursed from, the Food Service Fund.

Even though SCCSD's Food Service Fund faces impending deficits, it is still important to account for all costs. Not charging expenditures used for the provision of food services to the Food Service Fund creates an inaccurate depiction of the operation. Accurately

capturing all costs in the Food Service Fund will allow SCCSD to evaluate the true efficiency and performance of the operation and effectively plan for future needs. SCCSD should include detailed methodology for allocating appropriate utility expenditures (electricity, gas, water/sewage, and trash) within its strategic plan (see **R6.1**). One common method for calculating appropriate food service utility expenditures is to prorate expenditures based on the square footage of the cafeteria and kitchen as a percent of total building square footage.

AOS did not calculate a financial implication because SCCSD was unable to provide actual or estimated square footage for its cafeterias and kitchens. The District indicated this was something it plans to do in the future.

R6.3 SCCSD should attempt to raise participation rates in its lunch programs in order to increase total revenues and offset the impact of fixed program costs. Specifically, setting goals based on the results of student and parent surveys may help the District improve operations and increase participation. Improving areas of concern within food service such as time spent in lunch lines and food choices may help SCCSD attract additional students, increase participation, and ultimately increase revenue.

In FY 2007-08, SCCSD's participation in the school lunch program was 2.9 percent below the peer average for reimbursable lunches. When including non-reimbursable ala carte sales, the District was 12.2 percent below the peer average (see **Table 6-3**). SCCSD has conducted surveys specifically for food service feedback and the evaluation of participation rates. Using Zoomerang, an online survey tool, SCCSD completed a survey of high school students regarding food service (see **noteworthy accomplishment** in the **executive summary**) at the beginning of FY 2008-09. Results indicated that additional lunch lines and more variety of food choices may be factors that could increase participation at Springboro High School.

One way the District may be able to increase participation is with additional District-wide surveys and setting performance goals based on the analysis of the surveys. *School Foodservice Management for the 21st Century* (Pannell-Martin, 1999) suggests four techniques for communicating with customers (students and parents) regarding preferences. These techniques include: informal interviewing of students and parents; small-group discussions; suggestion boxes; and taste parties or sampling. In addition, *Recipes for Practical Research in Child Nutrition Programs* (NFSMI, 1998) recommends food service programs seek customer feedback from students and parents. Data gathered from students and parents should be the basis for developing enhancements in food service and nutrition programs. By evaluating customer feedback and working to continually improve operations, SCCSD will ensure that it has a sound customer base and improved financial stability.

Lower than average participation rates can have many causes. For example, the District may not be providing lunches to students in the most effective manner when it comes to time spent in lunch lines and food choices. However, another factor exists which may be a direct cause of lower participation. This factor is the percentage of students receiving free and reduced meals. Because SCCSD has a higher than average income per district resident, fewer children qualify for this benefit. In FY 2007-08, 5.5 percent of SCCSD's average daily participation received free lunches, 7.1 percentage points below the peer average.

By garnering stakeholder input and setting goals based on the results, District administrators will be better positioned to raise or at least maintain participation rates and, by extension, use the increased revenues to prevent deficits in the Food Service Fund. As food service operations contain a fixed cost component, it is important the District maintain a high participation rate, thereby ensuring a lower cost per meal.

By not periodically performing District-wide student surveys pertaining to food service, SCCSD is bypassing a low cost tool that could increase student participation. Additional routine steps to obtain feedback may be useful when working to increase participation. Furthermore, the results should be used to set performance goals which could then be incorporated into the strategic plan (see R6.1).

Financial Implication: Increasing participation for reimbursable lunches and a la carte sales to a level more commensurate with the peer average could increase Food Service Fund revenue by \$28,000 annually.

R6.4 If SCCSD is unable to increase revenue through enhanced participation (R6.3), it should consider raising lunch prices at Springboro Junior High School and Springboro High School. This increase would keep SCCSD in line with the surrounding district average while providing an increase in revenue for the Food Service Fund.

SCCSD's FY 2008-09 meal prices are \$2.15 for elementary students and \$2.25 for the junior high and high school students. Prices were increased to this level in FY 2006-07. **Table 6-4** illustrates the District's FY 2008-09 lunch prices in comparison to the average of the surrounding districts.⁷

⁷ The surrounding districts include Lebanon CSD, Wayne LSD, and Franklin CSD (Warren County) and Centerville CSD and Miamisburg CSD (Montgomery County).

Table 6-4: FY 2008-09 Lunch Price Comparison

	SCCSD	Surrounding District Average	Dollar Difference	Percent Variance
Comparison with Current Prices				
Elementary School	\$2.15	\$2.14	\$0.01	0.5%
Junior High	\$2.25	\$2.27	(\$0.02)	(0.9%)
High School	\$2.25	\$2.28	(\$0.03)	(1.3%)

Source: SCCSD and surrounding district FY 2008-09 lunch prices

As illustrated in **Table 6-4**, SCCSD's lunch prices at the elementary level are slightly above the surrounding district average. In contrast, prices at the junior high and high school level are slightly below. Because SCCSD's Food Service Fund has not produced sufficient revenue to cover expenditures in recent years, the District must either decrease expenditures or increase revenue in order to eliminate subsidies from the General Fund and become a self sufficient operation. **Table 6-5** illustrates the surrounding district comparison with a modest increase of \$0.05 at the junior high and high school level.

Table 6-5: SCCSD Lunch Price Scenario

	SCCSD	Surrounding District Average	Dollar Difference	Percent Variance
Comparison with SCCSD \$0.05 Increase for Junior High and High School				
Elementary School	\$2.15	\$2.14	\$0.01	0.5%
Junior High	\$2.30	\$2.27	\$0.03	1.3%
High School	\$2.30	\$2.28	\$0.02	0.9%

Source: SCCSD and surrounding district FY 2008-09 lunch prices

As shown in **Table 6-5**, increasing lunch prices at Springboro Junior High School and Springboro High School would keep SCCSD in line with the peer average while having minimal effect on annual student expenses. For example, a \$0.05 increase in lunch prices projected over a full year would result in a \$9.00 annual increase for a student who purchases lunch every day. SCCSD should be vigilant in its effort to decrease expenditures (see **R6.5**), as a significant decreases in expenditures may alleviate the need to consider increasing lunch prices.

Financial Implication: If SCCSD increases lunch prices \$0.05 at Springboro Junior High School and Springboro High School it would increase Food Service Fund revenues (student charges) by approximately \$5,000 in FY 2009-10, assuming participation remains constant.

R6.5 SCCSD should consider reducing 18.6 labor hours per day to increase the number of meals per labor hour (MPLH) and bring staffing levels more in line with national benchmarks. Staffing reductions, along with increased revenue (R6.3 and R6.4) will help SCCSD obtain a positive year-end balance in the Food Service Fund and improve operational efficiency.

During the course of the performance audit, the District reduced 9.0 food service labor hours per day which included 8.0 hours at Springboro High School and 1.0 hour at Springboro Junior High. In addition to reductions, 5.0 food service labor hours at Springboro High School were shifted to the District's elementary schools to provide a distribution of labor closer to those recommended by national benchmarks.

MPLH is a measurement of food service operation productivity and efficiency.⁸ Table 6-6 compares SCCSD food service labor hours to the National Food Service Management Institute (NFSMI) recommended benchmark for efficient operations.

Table 6-6: SCCSD Labor Hour Comparison

Building	SCCSD Daily Meal Equivalents	SCCSD Daily Labor Hours	SCCSD MPLH	National Standard MPLH ¹	Labor Hours Required to meet National Standard	SCCSD Labor Hours Over/(Under) National Standard
Clearcreek Elementary	127	8.0	15.9	13.0	9.8	(1.8)
Dennis Elementary West	485	19.0	25.5	19.0	25.5	(6.5)
Five Points Elementary East	373	19.0	19.6	18.0	20.7	(1.7)
Jonathan Wright Elementary	117	8.0	14.6	13.0	9.0	(1.0)
Springboro Intermediate	196	8.0	24.5	14.0	14.0	(6.0)
Springboro Junior High	323	27.0	12.0	18.0	17.9	9.1
Springboro High School	623	57.8	10.8	20.0	31.2	26.6
Total	2,245	146.8			128.2	18.6

Source: SCCSD, MR reports obtained through ODE, and *School Foodservice Management for the 21st Century*

Note: Totals may vary due to rounding

¹ The national standard is based on MPLH for a convenience system, high productivity level

Table 6-6 indicates that District-wide, SCCSD uses 18.6 more daily labor hours than the NFSMI benchmark. While the elementary schools are below the benchmark, Springboro High School is significantly above. This is partially because of the centralized cooking that takes place at this building.

⁸ The measurement is calculated by dividing the total labor hours worked by the total meal equivalents served per day at each building.

According to **Table 6-1**, SCCSD's Food Service Fund expenditures exceed revenues in recent years. The Fund experienced a deficit of approximately \$94,000 in FY 2006-07 that was offset by a transfer from the General Fund. In addition, SCCSD did not include all food service-related expenditures such as utilities (see **R6.2**) indicating that the Food Service Fund was not self-sufficient. Using the General Fund to support a portion of food service operations reduces the funds available for educational and instructional purposes at the District. Increasing participation would increase revenue (see **R6.3**) and possibly eliminate the need for General Fund transfers. However, if SCCSD is unable to increase participation, reducing expenditures by eliminating food services positions is another option.

Financial Implication: A reduction of 18.6 daily labor hours will save SCCSD's Food Service Fund approximately \$46,000 in FY 2009-10. If those positions eliminated include medical benefits, the savings would be higher.

R6.6 SCCSD should expand its food safety plan to include written procedures for all food service operations. The plan should also contain a formal written training guideline for new employees. Incorporating the current food safety plan into a comprehensive food service operations manual would help SCCSD ensure that employees have sufficient knowledge about all critical aspects of their job function and that the District meets standards for both quality and compliance.

SCCSD has a food safety plan for its employees which can be found in each of the District's school cafeterias. The plan was developed based on the Hazard Analysis and Critical Control Point (HACCP) principals and contains the United States Department of Agriculture's (USDA) standard operating procedures (SOP's). These procedures include employee health and hygiene; thawing, heating, cooling, and storing food; serving food; and potentially hazardous foods. The plan also provides tools, such as posters, from the Warren County Combined Health District that can be used to remind staff of the standard operating procedures. Lastly, various forms and checklists are present within the plan including new staff orientation forms, logs, cleaning and sanitizing schedules, food safety checklists, and manager inspection checklists.

Board policies govern the overall food service operation and food service employees are covered under the contract between the Springboro Classified Employees Association and the SCCSD Board of Education. SCCSD does not have a formal training program for new food service employees or ongoing training plans for existing employees. According to the Food Service Manager, most new employees are past substitutes and are familiar with the operations. These employees learn from other employees as they complete their job responsibilities.

The National Food Service Management Institute (NFSMI) developed HACCP-based standard operating procedures (SOPs) in conjunction with the USDA and the Food and Drug Administration (FDA). The SOPs, however, are only one component of the overall food service programs. According to *School Foodservice Management for the 21st Century* (Pannel-Martin, 1999), training is the key to a strong successful school food service program. Training must be an ongoing process and should take place not only when a new employee is hired, but also when new equipment is purchased, when government regulations or other procedures are changed, and when the need arises for retraining. The use of “hands-on” experience should be provided as much as possible for maximum retention of learning.

Chardon Local School District (Geauga County) developed a comprehensive manual that communicates critical areas of operations to food service employees. This manual was developed using the Pinellas County Schools (Florida) Food Service Manual as an example and includes the following:

- Board policies;
- Cash control procedures;
- Receipt of goods procedures;
- Inventory procedures;
- Processes used for ordering of food and supplies;
- Production record keeping;
- Sanitation and food safety;
- Employee safety; and
- Procedures for emergencies or injury.

While SCCSD has a food safety plan, the District does not have documentation of other functions such as controlling cash, purchasing food and supplies, and record keeping requirements. Without written procedures, the District cannot ensure continuity in essential areas of the food service operation should staff turnover or an extended absence take place. The expansion of a food service operations manual would help to solidify the roles and responsibilities of food service employees and what is expected of them. Moreover, the creation of a manual that specifies operating procedures would serve as objective standards for staff evaluations. Finally, a manual would be an easily accessible medium of communication to employees about how tasks should be completed.

The HACCP-based food safety plan can serve as a resource for food service employees regarding food safety and ensures that employees are well trained in this area. Incorporating the food safety plan into a comprehensive food service operations manual would help SCCSD ensure that workers have sufficient knowledge about all critical aspects of their job function and that all job functions are sufficiently documented. Detailing processes of how tasks are to be performed help ensure quality and compliance.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

Summary of Financial Implications for Food Service

Recommendations	Annual Cost Savings
R6.3 Increase participation to the peer average	\$28,000
R6.4 Increase lunch prices \$0.05 at Springboro Junior High and High Schools	\$5,000
R6.5 Reduce labor hours to national benchmark	\$46,000
Total Financial Implication	\$79,000

Source: AOS Recommendations

District Response

The letter that follows is Springboro Community City School District's (SCCSD) official response to the performance audit. Throughout the audit process, staff met with SCCSD officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

As noted in the response, SCCSD does not agree with every conclusion drawn in the audit report. However, a review of the District's response, the audit report, and supporting documentation revealed no unresolved factual matters. As a result, no additional report revisions were necessitated by the District's comments. In instances where SCCSD implemented recommendations during the course of the audit, such actions have been noted in the report.

June 17, 2009

Response to Performance Audit of the Springboro Community City Schools

The Springboro Community City Schools were proud to have representatives from the auditor's office work with our district and school board to review the operations of the district. The opportunity to have a third party review operations is always helpful to any organization that wishes to improve.

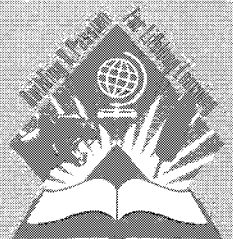
With the current national, state, and local economies in desperate straits, it is difficult to continue to operate a growing school system such as ours. We are constantly looking for new ways to work more efficiently and more economically. The auditors provided us with many useful ideas and recommendations to accomplish this.

The auditors were also helpful in reinforcing the good things we have accomplished and will use those to help other districts. It is always rewarding to have an unbiased third party affirm the good things we have achieved.

As in any review or research project, a huge amount of data was collected and compared to various standards. Members of the general public who are not used to reading these types of reports may misunderstand some of the recommendations. It is imperative that all readers of this document understand that many of the recommendations are made based on the very minimum the state requires. The state no longer requires art, music, and physical education in the elementary grades. It is therefore possible for us to eliminate those teachers and those subjects. However, we do not believe that operating our schools at the bare minimum is the correct way to operate this school district. Furthermore, we believe that our community and parents wish to provide more than the minimum opportunities to their children's' education. No district in the State of Ohio operates completely at the state minimum in every area of operation.

It is also important for people reading this document to consider all factors including the consequences of some of the recommendations. If we add more students to each school bus, how much longer will they be on the bus each day? Our goal now is to not have a student on the bus for more than 45 minutes. Will adding 10 more students to the bus extend that time to over an hour?

Also important to remember is the fact that the auditor's were required to use the data available. They were using 2007-2008 information. This was the last year we had a complete record of when the auditors were here. For example, the auditors suggested that we close an elementary building for the 2009-2010 school year. As most community members know, we have already made that decision and will have the building closed and students and teachers moved out before this report is published.



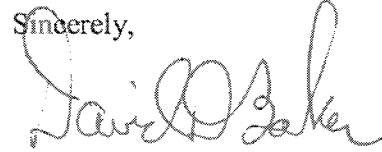
SPRINGBORO
Community Schools

1685 S. Main Street
Springboro, Ohio 45066
(937) 748-3960
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The Mission Of
Springboro Community
City Schools, A Pioneer In
World Class Education
With Small Town Pride,
Is To Motivate And Empower
All Students To Become
Life Long Learners,
Productive Citizens
And Future Leaders.

The Springboro Community City Schools will continue to grow and provide an excellent education for all who walk thru our doors.

Sincerely,

A handwritten signature in cursive script that reads "David D. Baker". The signature is written in black ink and is positioned above the printed name.

David D. Baker, Ph.D.
Superintendent