



Dave Yost • Auditor of State

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To the residents, elected officials, management, and stakeholders of the James A. Garfield Local School District,

The Auditor of State's Office selected the James A. Garfield Local School District (JAGLSD or the District) for a performance audit based on its projected financial condition. This performance audit was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall economy, efficiency, and/or effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
September 26, 2017

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Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of the James A. Garfield Local School District (JAGLSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit was to improve JAGLSD's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Management, Human Resources, Facilities, Transportation, and Food Service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight 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.

The United States Government Accountability Office develops and promulgates Government Auditing Standards that establish a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as Generally Accepted Government Auditing Standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards required that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer districts;
- Industry standards;
- Leading practices;

- Statutes; and
- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with per pupil spending within 10 percent of JAGLSD and higher academic performance. A “Local Peers” set was selected for a comparison of compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons that includes districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

Table 1: Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Chippewa Local School District (Wayne County) • Fairland Local School District (Lawrence County) • Lakeview Local School District (Trumbull County) • Norwayne Local School District (Wayne County) • Ottawa-Glandorf Local School District (Putnam County) • Rootstown Local School District (Portage County) • Tuslaw Local School District (Stark County) • Wheelersburg Local School District (Scioto County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Berkshire Local School District (Geauga County) • Cardinal Local School District (Geauga County) • Crestwood Local School District (Portage County) • Ravenna City School District (Portage County) • Windham Exempted Village School District (Portage County)
Transportation Peers
<ul style="list-style-type: none"> • Genoa Area Local School District (Ottawa County) • Liberty Benton Local School District (Hancock County) • Ottawa-Glandorf Local School District (Putnam County) • South Range Local School District (Mahoning County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American Association of School Administrators (AASA), American School and University (AS&U), the Government Finance Officers Association (GFOA), the National Center for Education Statistics (NCES), the Ohio Department of Education (ODE), the Ohio State Employment Relations Board (SERB), and the U.S. Environmental Protection Agency (EPA). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings

throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the James A. Garfield Local School District for their cooperation and assistance throughout this audit.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Table 2: Summary of Recommendations

	Recommendations	Savings
R.1	Decrease employer insurance costs with plan and employee contribution changes	\$681,300
R.2	Renegotiate collective bargaining agreement provisions	\$25,600
R.3	Implement a freeze on certificated base salaries for three years ¹	\$244,400
R.4	Eliminate 3.0 FTE clerical positions	\$146,500
R.5	Eliminate 3.0 FTE custodial positions	\$132,800
R.6	Renegotiate intermediate building usage agreement	\$24,500
R.7	Consider reducing the subsidy of extracurricular activities to local peer level	\$24,400
R.8	Right-size the active bus fleet	\$8,500
R.9	Develop a data driven bus replacement plan	N/A
R.10	Develop a formal transportation preventative maintenance program	N/A
R.11	Enhance financial communication	N/A
R.12	Engage in long-term strategic, capital, and financial planning and link to the budget	N/A
R.13	Make additional reductions to address the remaining deficit	\$219,000
	Cost Savings Adjustments ²	(\$15,250)
	Total Cost Savings from Performance Audit Recommendations	\$1,491,750

¹ The District assumes a three-year base salary freeze beginning in FY 2017-18; therefore savings identified in R.3 are already accounted for in the May 2017 five-year forecast in Table 3.

² Implementation of R.4, R.5, and R.8 would reduce the savings achievable from R.1.

Table 3 shows the District's ending fund balances as projected in the May 2017 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Original Ending Fund Balance	\$1,188,441	(\$218,799)	(\$2,128,528)	(\$4,154,514)
Budget Stabilization ¹	N/A	\$50,665	\$50,665	\$50,665
Revised Ending Fund Balance Including Budget Stabilization Funds	\$1,188,441	(\$168,134)	(\$2,077,863)	(\$4,103,849)
Cumulative Balance of Performance Audit Recommendations ²	\$148,475	\$1,383,575	\$2,630,925	\$3,878,275
Cumulative Balance of District Cost Savings Action ³	\$56,600	\$113,200	\$169,800	\$226,400
Revised Ending Fund Balance	\$1,393,516	\$1,328,641	\$722,862	\$826

Source: JAGLSD, ODE, and performance audit recommendations

¹ The budget stabilization line represents funds the District has set aside to stabilize the budget. Due to the projected deficit in FY 2018-19, it is assumed the District will utilize these funds, resulting in a one-time fund balance increase of \$50,655.

² The Cumulative Balance of Performance Audit Recommendations for FY 2017-18 is inclusive of a one-time 50 percent reduction of the financial implications associated with **R.4**, **R.5**, **R.7**, and **R.8** (including the cost saving adjustment), as the District's earliest practical implementation time would be mid-way through FY 2017-18. In addition, the Cumulative Balance of Performance Audit Recommendations for FY 2018-19 is inclusive of a one-time 50 percent reduction of the financial implication associated with **R.6** because the building use agreement expires December 31, 2018. Savings identified in **R.3** were removed from all years as the District has already included cost savings for this action in the five-year forecast. The Cumulative Balance of Performance Audit Recommendations for FY 2018-19 is inclusive of the savings identified in **R.1**, **R.2**, and **R.3** as this will be the first year of new collective bargaining agreements (CBAs) and, therefore, the first year savings could be implemented.

³ Represents District cost reduction measures taken outside of the performance audit recommendations. This includes savings from not filling the vacancy of 1.0 FTE general education teacher that occurred during the course of the audit.

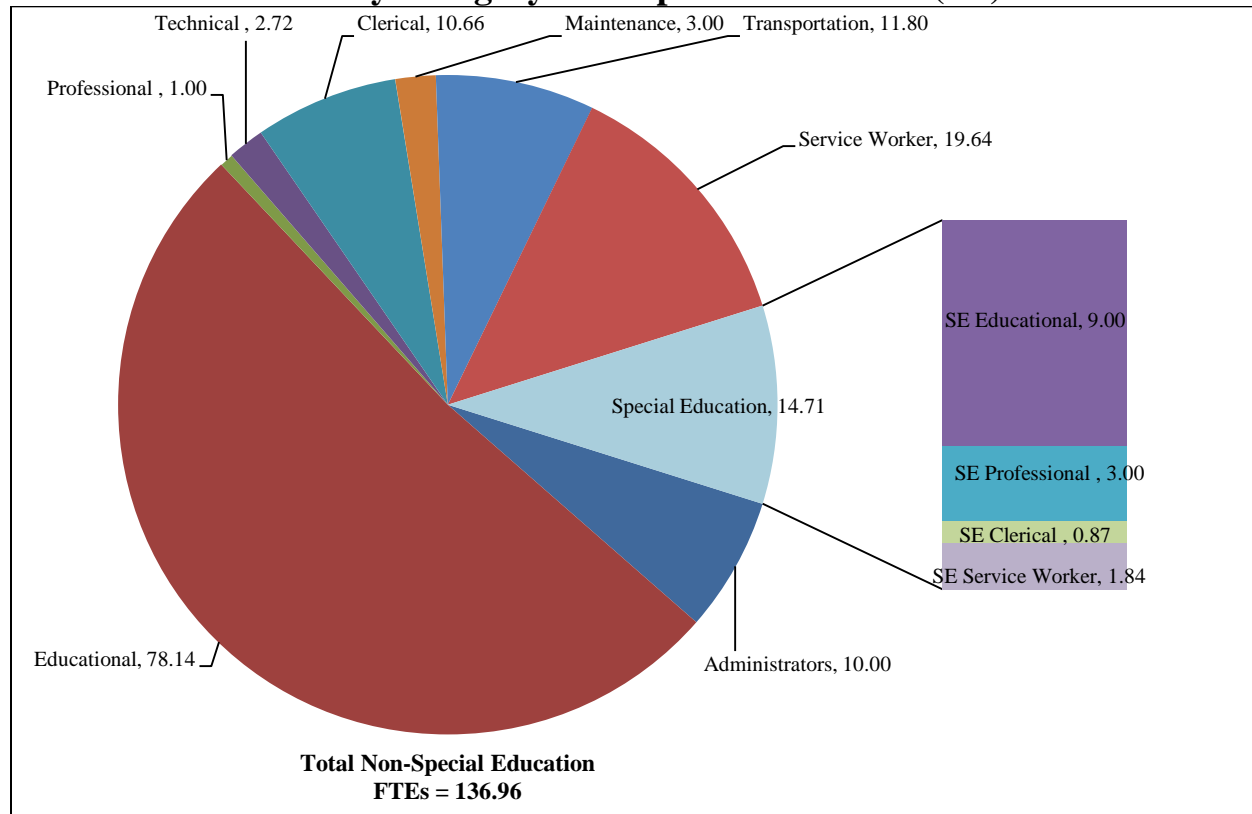
As shown in **Table 3**, implementing the performance audit recommendations coupled with the District's cost savings action, and use of the one-time budget stabilization reserve would allow JAGLSD to avoid forecasted deficits throughout the five-year forecast.

District Staffing Overview

The appropriateness of staffing levels is significant to both the operational and financial conditions within school districts. Operational decisions such as classroom sizes, class offerings, and other non-educational service levels collectively drive the need for overall staffing total. Specifically, personnel costs (i.e., salaries and benefits) accounted for 73.8 percent of JAGLSD's General Fund expenditures in fiscal year FY 2015-16, a significant impact on the District's budget and financial condition.

Chart 1 shows JAGLSD's FY 2016-17 full-time equivalent (FTE) staffing levels by category¹ with special education staffing broken out for informational purposes only.

Chart 1: FTEs by Category with Special Education (SE) Breakout



Source: JAGLSD

As shown in **Chart 1**, JAGLSD employed a total of 151.67 FTEs in FY 2016-17. Of this total, 14.71 FTEs, or 9.74 percent, were specifically dedicated to special education services. The remaining 136.96 non-special education FTEs were evaluated in each of the eight staffing categories shown in **Chart 1**.

Categories where staffing levels were compared to the primary peer average included administrators (see **Table B-2**), clerical (see **R.4**), educational (see **R.13** and **Table B-3**), professional (see **Table B-4**), and technical staff (see **Tables B-5** and **B-6**). Clerical staffing was the only category where the District's staffing level per 1,000 students was higher than the primary peers.

Maintenance (see **Table B-8**), transportation (see **R.8**), and service workers (see **R.5**) were assessed using workload measures and benchmarks rather than peer averages, as these positions operate in areas that have industrywide developed gauges of efficiency and effectiveness.

¹ The individual positions within each staffing category are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2017).

Due to its financial condition, the District may need to consider reducing staffing levels to a level below the benchmarks used within the staffing analyses (see **R.13**).

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability, the District could face the unintended consequence of reductions in future federal aid and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of planned changes on program expenditures and/or census/enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.² Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster; and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

It is important to note that the provision of special education services may have a significant impact on JAGLSD's overall operating cost and staffing levels. However, the appropriateness of special education costs and staffing were not evaluated as a part of this performance audit. Special education staffing levels were excluded from staffing comparisons due to the unique requirements of Individual Education Program (IEPs) and the nature of maintenance of effort requirements. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

² IDEA Part B does not have a MOE waiver option.

Background

In May 2017, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances beginning in FY 2018-19. This forecast served as the primary impetus of the performance audit. **Table 4** shows JAGLSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, outstanding encumbrances, budget reserve, bus services, and ending fund balances projected in this forecast. The detail and financial results contained in the forecast are an important measure of fiscal distress conditions, possibly leading to formal designations by AOS and ODE.

Table 4: JAGLSD Financial Condition Overview (May 2017)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$14,115,664	\$14,168,724	\$13,260,820	\$12,418,673
Total Expenditures	\$15,304,657	\$15,555,964	\$15,591,193	\$15,305,896
Results of Operations	(\$1,188,993)	(\$1,387,240)	(\$2,330,373)	(\$2,887,223)
Beginning Cash Balance	\$2,678,099	\$1,489,106	\$101,866	(\$2,228,507)
Ending Cash Balance	\$1,489,106	\$101,866	(\$2,228,507)	(\$5,115,730)
Outstanding Encumbrances	\$250,000	\$250,000	\$250,000	\$250,000
Budget Reserve	\$50,665	\$50,665	\$50,665	\$50,665
Bus Services	N/A	\$20,000	\$40,000	\$60,000
Cumulative Balance of Replacement/Renewal Levies	N/A	N/A	\$440,644	\$1,321,881
Ending Fund Balance	\$1,188,441	(\$218,799)	(\$2,128,528)	(\$4,154,514)

Source: JAGLSD and ODE

As shown in **Table 4**, the District's May 2017 five-year forecast projects a deficit in excess of \$218,000 for FY 2018-19; a direct result of a significant decline in revenues with no offsetting decline in projected expenditures. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$4,154,000 by FY 2020-21.

Recommendations

R.1 Decrease employer insurance costs with plan and employee contribution changes

The District offers single and family plan medical, dental, and vision insurance to all employees who are eligible under the Affordable Care Act, and to certificated employees working 35 hours or more per week.³ The District's insurance plans and employee contributions are included in the collective bargaining agreements (CBAs) with the Garfield Education Association (certificated CBA), and the Ohio Association of Public School Employees (classified CBA). The District's CBAs will expire June 30, 2018, at which time plan changes could be implemented. All employees are offered the same insurance plans. As of June 1, 2017, 132 employees were enrolled in medical and prescription drug plans.⁴ JAGLSD purchases insurance through the Portage County School Consortium (the Consortium) made up of 22 school districts in Columbiana, Portage, and Mahoning Counties.

Primary factors affecting the cost of health insurance are the level of employee contribution and total premium costs. A review of these components in addition to plan design was completed in order to gauge cost effectiveness. Depending on the organization, employees will either contribute a flat-rate dollar amount or a percentage of the total premium. Contribution levels derived from a percentage of premium costs allows them to fluctuate annually parallel to total premiums. JAGLSD employees contribute 10 percent of the premium for all plans.

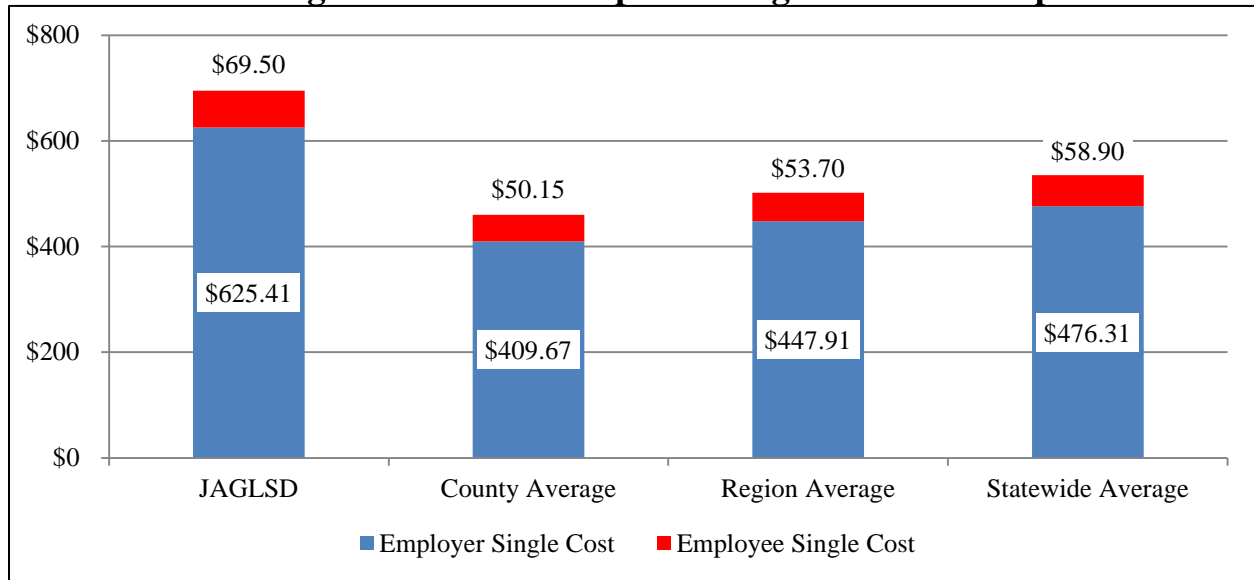
In addition, employee use of their insurance has an impact on premium levels. Actual use is measured by the loss ratio which is the difference between the total premiums paid to an insurance company, and the cost of the claims settled by the company. JAGLSD had a loss ratio of 106.6 percent over the last 30 months, signifying that the insurer was paying out more for employee claims than premiums collected.

The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually. The most recent SERB survey available was published in 2016. In order to compare JAGLSD's FY 2017-2018 premiums, the SERB 2016 information was inflated using the weighted average of historical premium increases of 3.7 percent for calendar year (CY) 2012 through CY 2016. **Chart 2** and **Chart 3** show the FY 2017-18 distributions of JAGLSD's employee, employer, and overall medical/prescription drug premium costs compared to Portage County, the Akron/Canton region, and the statewide average as reported by SERB. This is important to establish areas of possible cost savings to the District.

³ The District offers a preferred provider organization (PPO) plan for medical insurance. PPO plans allow the plan participant to visit any in-network physician or healthcare provider they choose without first requiring a referral from a primary care physician and are one of the most popular types of plans within the single and family coverage market.

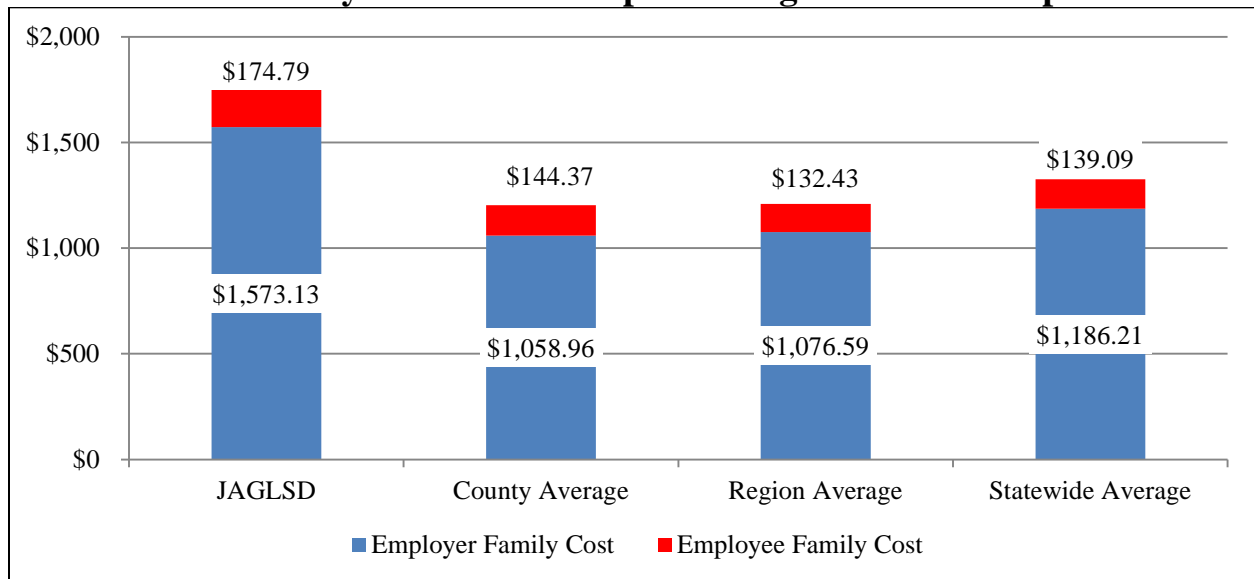
⁴ Medical and prescription drug plans are separate. As of June 1, 2017, there were 35 employees enrolled in the single medical plan, 97 employees enrolled in the family medical plan, 32 employees enrolled in the single prescription drug plan, and 100 employees enrolled in the family prescription drug plan.

Chart 2: Single Medical/Prescription Drug Premium Comparison



Source: JAGLSD and SERB

Chart 3: Family Medical/Prescription Drug Premium Comparison



Source: JAGLSD and SERB

As shown in **Chart 2** and **Chart 3**, employer, employee, and total premium costs are higher than the SERB county, region, and the statewide average. JAGLSD employees contribute 10.0 percent of the premium, while Portage County has an average employee contribution of 11.0 percent for a single plan, and 12.0 percent for a family plan. SERB employee contributions are higher than JAGLSD, and the employer costs are significantly lower than JAGLSD. Specifically, higher premium levels and lower employee contribution percentages result in the District's employer portion for a single plan being \$215.74 higher per month than the SERB county average and the employer portion for a family plan being \$514.17 higher. Based on plan

participants, this equates to a projected cost to the District that exceeds the SERB county average by more than \$681,300 for FY 2017-18.

Table 5 shows a comparison of the District's FY 2017-18 deductibles, out-of-pocket maximums, coinsurance, co-pays, and prescription drug rates compared to SERB data. Examining plan components is important as plan design is a major driver of premium cost.

Table 5: Medical/Prescription Drug Plan Design Comparison

	JAGLSD	SERB Portage County Avg.	Difference
Deductible			
In Network			
Single	\$250	\$250	\$0
Family	\$500	\$500	\$0
Out-of-Network			
Single	\$500	\$325	\$175
Family	\$1,000	\$650	\$350
Out-of-Pocket Maximum			
In Network			
Single	\$1,000	\$1,000	\$0
Family	\$2,000	\$1,750	\$250
Out-of-Network			
Single	\$2,000	\$1,750	\$250
Family	\$4,000	\$3,250	\$750
Coinsurance			
In Network	90%	90%	0%
Out-of-Network	70%	70%	0%
Co-Pay			
Emergency Room	\$75	\$75	\$0
Office Visit	\$10	\$10	\$0
Urgent Care	\$35	\$33	\$2
Prescription Drug			
Retail			
Generic	\$5	\$10	(\$5)
Formulary Brand	\$10	\$25	(\$15)
Non-Formulary Brand	\$25	\$40	(\$15)
Mail Order			
Generic	\$10	\$20	(\$10)
Formulary Brand	\$20	\$50	(\$30)
Non-Formulary Brand	\$50	\$80	(\$30)

Source: JAGLSD and SERB

As shown in **Table 5**, JAGLSD's in- and out-of-network deductibles and out-of-pocket maximums are in line, or higher than the Portage County average. Additionally, **Table 5** shows the District's coinsurance and co-pays for emergency room visits, office visits, and urgent care are in-line with the County average. The District's prescription drug rates are lower than SERB

averages. Typically plans that have lower deductibles and lower out-of-pocket maximums are coupled with higher premiums.

JAGLSD procures its health insurance through the Consortium, which offers seven plan options with varying deductibles, and therefore varying rates. **Table 6** shows the premium levels for the different plans available as well as the employer and employee cost of each plan based on the current employee contribution percentage of 10.0 percent. This analysis shows potential savings the District could achieve under the other available plans.

Table 6: Medical/Prescription Drug Premium Cost Comparison

Employee Contribution					10.0%
	\$250 Deductible Plan (Current Plan)	\$500 Deductible Plan	\$750 Deductible Plan	\$1,000 Deductible Plan	\$3,000 HDHP (HSA Compatible) ¹
Single					
Employer Contribution	\$625.42	\$588.83	\$558.03	\$522.47	\$474.60
Employee Contribution	\$69.49	\$65.43	\$62.00	\$58.05	\$52.73
Total Premium	\$694.91	\$654.26	\$620.03	\$580.52	\$527.33
Premium Savings to District	\$0	\$14,048	\$25,879	\$39,533	\$57,916
Family					
Employer Contribution	\$1,573.13	\$1,481.20	\$1,403.58	\$1,314.01	\$1,188.95
Employee Contribution	\$174.79	\$164.58	\$155.95	\$146.00	\$132.11
Total Premium	\$1,747.92	\$1,645.78	\$1,559.53	\$1,460.01	\$1,321.06
Premium Savings to District	\$0	\$107,002	\$197,357	\$301,615	\$447,178
Total Premium Savings	N/A	\$121,050	\$223,236	\$341,148	\$505,094

Source: JAGLSD and SERB

Note: The District has separate medical and prescription drug plans, however, the two were combined in this analysis in order to compare to SERB.

Note: Additional health plans are offered with lower deductibles; however, these plans would result in additional costs to the District, and therefore, were not included as an option.

¹ *High Deductible Health Plan* (HealthCare.gov, 2017) defines a high deductible health plan (HDHP) as “a plan with a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but the plan participant pays more health care costs before the insurance company starts to pay its share. A HDHP plan can be combined with a health savings account (HSA), allowing the plan participant to pay for certain medical expense from money free from federal taxes.”

As shown in **Table 6**, the District could generate potential cost savings up to approximately \$505,000 by selecting a higher deductible plan. Each plan has different premium rates, deductibles, and plan designs. Although the District would see savings from changing plans and keeping the same employee contribution, employer costs are still higher than the SERB county average of \$406.67 for a single plan and \$1,058.96 for a family plan. The District would need to also increase employee contributions to offset the additional premium costs. **Table 7** shows a similar comparison to **Table 6**, but adjusts employee contribution requirements in order to keep District costs in line with SERB.

Table 7: Medical/Prescription Drug Contribution Cost Comparison

SERB Single Employer Average Cost (Portage County)						\$409.67
SERB Family Employer Average Cost (Portage County)						\$1,058.96
	\$250 Deductible Plan (Current Plan)	\$500 Deductible Plan	\$750 Deductible Plan	\$1,000 Deductible Plan	\$3,000 HDHP (HSA Compatible)	
Single						
Employer Contribution	\$409.67	\$409.67	\$409.67	\$409.67	\$409.67	\$409.67
Employee Contribution	\$285.24	\$244.59	\$210.36	\$170.85	\$117.66	\$117.66
Total Premium	\$694.91	\$654.26	\$620.03	\$580.52	\$527.33	\$527.33
Employee Contribution	41.0%	37.4%	33.9%	29.4%	22.3%	22.3%
Contribution Savings to District	\$82,847	\$68,799	\$56,969	\$43,314	\$24,932	\$24,932
Family						
Employer Contribution	\$1,058.96	\$1,058.96	\$1,058.96	\$1,058.96	\$1,058.96	\$1,058.96
Employee Contribution	\$688.96	\$586.82	\$500.57	\$401.05	\$262.10	\$262.10
Total Premium	\$1,747.92	\$1,645.78	\$1,559.53	\$1,460.01	\$1,321.06	\$1,321.06
Employee Contribution	39.4%	35.7%	32.1%	27.5%	19.8%	19.8%
Contribution Savings to District	\$598,492	\$491,490	\$401,134	\$296,877	\$151,313	\$151,313
Total Contribution Savings	\$681,339	\$560,289	\$458,103	\$340,191	\$176,245	\$176,245

Source: JAGLSD and SERB

Note: The District has separate medical and prescription drug plans, however, the two were combined in this analysis in order to compare to SERB.

Note: Additional health plans are offered with lower deductibles; however, these plans would result in additional costs to the District, and therefore, were not included as an option.

As shown in **Table 7**, JAGLSD could see significant savings by increasing employee contributions in order to bring District costs in line with SERB averages. Also shown are the various options and level of employee contributions it would require to choose a new plan and keep employer costs in line with SERB. The District would need to increase employee contributions by an additional 31.0 percent for a single plan, and 29.4 percent for a family plan in order to keep the \$250 deductible plan, or increase employee contributions by as little as 12.3 percent for a single plan, and 9.8 percent for a family plan with the \$3,000 HDHP.

Table 8 shows the total savings the District could see if another plan option was selected, and employee contributions were increased.

Table 8: Medical/Prescription Drug Cost Savings

	\$250 Deductible Plan (Current Plan)	\$500 Deductible Plan	\$750 Deductible Plan	\$1,000 Deductible Plan	\$3,000 HDHP (HSA Compatible)
Single					
Premium Savings	\$0	\$14,048	\$25,879	\$39,533	\$57,916
Contribution Savings	\$82,847	\$68,799	\$56,969	\$43,314	\$24,932
Family					
Premium Savings	\$0	\$107,002	\$197,357	\$301,615	\$447,178
Contribution Savings	\$598,492	\$491,490	\$401,134	\$296,877	\$151,313
Total District Savings	\$681,339	\$681,339	\$681,339	\$681,339	\$681,339

Source: JAGLSD and SERB

As shown in **Table 8**, the District could see savings of \$681,300 by making adjustments to its healthcare plan and employee contributions. The District should review all plans available and the associated cost to the District before selecting a plan. Any changes to the health insurance plans offered by the District require approval from the Board and each bargaining unit as a component part of each CBA. The District's CBAs will expire June 30, 2018, at which time plan changes can be implemented.

Financial Implication: Reducing employer costs by increasing employee contributions and selecting a plan with a higher deductible could save the District **\$681,300** annually.

R.2 Renegotiate collective bargaining agreement provisions

An analysis of the certificated CBA and the classified CBA identified certain provisions that exceeded State minimum standards, as set forth in the Ohio Revised Code (ORC), Ohio Administrative Code (OAC), and/or provisions in the local peer district contracts.

Provisions with Long-term Impact

- **Sick Leave Accumulation and Severance Payout:** Under the certificated and classified CBAs, employees are entitled to accumulate an unlimited amount of sick leave. ORC § 3319.141 details sick leave accumulation and specifies the minimum cumulative level of unused sick leave at 120 days. A comparison to the local peer districts showed that four of the five districts entitle employees to also accrue sick leave to an unlimited amount. The exception among the local peer district was Windham EVSD which entitles certificated employees to accrue up to 300 days of sick leave and classified employees up to 350 days of sick leave. Although the District is in line with the peer average, providing accumulation in excess of State minimum levels represents the potential for increased liability when sick leave is paid out to retiring employees. In addition, the District's CBAs entitle certificated and classified employees to be paid for accumulated sick leave upon retirement. Specifically, JAGLSD's certificated and classified employees are entitled to payouts of 30 percent of unused sick leave for a maximum of 75 days. In comparison, the District's payout is higher than the minimum established by ORC §

124.39, which allows school employees to be paid for 25 percent of unused sick leave up to a maximum of 30 days at retirement. In addition, the local peer sick leave payout average is 25 percent with a maximum of 81 days for certificated employees and 72 days for classified employees.⁵ Allowing employees to receive payouts in excess of State minimums becomes costly at employee retirements.

- **Vacation Accrual:** Under the classified CBA, employees are entitled to annual vacation accrual whereby they can earn 500 vacation days over the course of a 30-year career. Although this is lower than the local peer average of 512 days, it exceeds the ORC § 3319.084 minimum of 460 days. Providing employees with more vacation days could increase substitute and overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, this would serve to increase the number of available work hours at no additional cost to the District.

Provisions with Immediate Impact

- **Paid Holidays:** Under the classified CBA, 12-month employees are entitled to 11 paid holidays and employees working fewer than 12-months eight paid holidays. The local peers also provide an average of 11 paid holidays to 12-month employees, and eight paid holidays to employees who work less than 12 months. While the District's paid holidays are in line with local peer averages, they are higher than what is required under State law. Specifically, ORC § 3319.087 states 11- and 12-month employees are entitled to a minimum of seven paid holidays, and 9- and 10-month employees are entitled to six paid holidays. Direct savings from reducing the number of holidays could not be quantified, however, a reduction would increase the number of available work hours at no additional cost to the District.
- **Tuition Reimbursement:** Under the certificated CBA, employees are entitled to be reimbursed 100 percent of tuition costs, up to a maximum of \$1,700 each school year, for approved college credit. Although the local peer districts had an average maximum tuition reimbursement of \$1,488 per employee,⁶ the ORC does not require school districts to reimburse tuition.
- **Planning Time:** Under the certificated CBA, teachers are entitled to 200 minutes per week of planning time for elementary school teachers and 255 minutes per week for middle school and high school teachers. OAC § 3301-35-05 details planning time and requires that teachers be provided with 200 minutes per week of time dedicated for this purpose. While the District's planning time for elementary teachers is in line with the OAC minimum, planning time for middle school and high school teachers exceeds the

⁵ Ravenna CSD's classified CBA payouts are based upon years of service. As a result, a maximum percentage is not addressed. In addition, Ravenna CSD's certificated CBA and Windham EVSD's classified CBA do not address maximum payout days, so these are excluded from the respective peer averages. Windham EVSD's certificated and classified CBAs and Ravenna CSD's classified CBA offer additional payouts for sick leave days beyond 180.

⁶ Cardinal LSD does not offer tuition reimbursement, and therefore is not included in the local peer average. Berkshire LSD and Ravenna CSD appropriated an annual tuition reimbursement maximum of \$20,000 and \$26,000, respectively.

minimum by 55 minutes per week. In comparison, four of the five local peers provide elementary teachers with 200 minutes and one local peer provides one period per day. Three of the local peers provide middle school teachers with 200 minutes and two local peers offer one period per day. Similarly, two local peers provide high school teachers with 200 minutes per week, one provides 205 minutes, and two offer one period per day.⁷ Direct savings from reducing the amount of planning time to a level consistent with the OAC minimum could not be quantified; however, providing teachers with additional planning time would reduce the amount of time they are available to teach students, which may require the District to employ additional teachers.

- **Educational Opportunity Pay:** Under the certificated CBA, employees are entitled to payment for the completion of an approved educational opportunity for students with the District paying up to a maximum of \$20,000 per year for these purposes.⁸ In comparison, only one local peer, Crestwood LSD, participates in a similar stipend program. Furthermore, the ORC does not require payment for educational opportunities.

Financial Implication: Eliminating tuition reimbursements could save the District **\$13,400** annually, based on FY 2014-15 through FY 2016-17 actual reimbursements⁹ and eliminating educational opportunity pay could save the District **\$12,200** annually, based on FY 2015-16 and FY 2016-17 actual reimbursements.

R.3 Implement a freeze on certificated base salaries for three years

Salary and wage schedules for certificated and classified employees were compared to the local peers in order to assess appropriateness relative to local competition. **Table 9** shows the District's FY 2016-17 certificated and classified salary schedules compared to the local peers over the course of 30 years. Comparing career compensation to the local peer average takes into account regional wage variations in the labor market.

⁷ Ravenna CSD allows one period per day for elementary school teachers. Berkshire LSD and Ravenna CSD allow one period per day for middle school and high school teachers.

⁸ According to the certificated CBA, educational opportunity pay will expire at the end of the current agreement.

⁹ Tuition reimbursements increased by 84.7 percent from FY 2014-15 to FY 2015-16, and 3.5 percent in FY 2016-17. The prior certificated CBA, effective July 1, 2012 through June 30, 2015, entitled employees to be reimbursed for 75 percent, up to a maximum of \$1,000, for approved college credit.

Table 9: Career Compensation Comparison

Certificated				
	JAGLSD	Local Peer Average	Difference	% Difference
Bachelors	\$1,607,886	\$1,516,064	\$91,822	6.1%
Bachelors + 11hrs	\$1,628,736	\$1,534,845	\$93,891	6.1%
Bachelors +30hrs	\$1,712,143	\$1,655,315	\$56,828	3.4%
Masters	\$1,816,404	\$1,781,699	\$34,705	1.9%
Masters + 15hrs	\$1,873,739	\$1,827,593	\$46,146	2.5%
Classified				
	JAGLSD	Local Peer Average	Difference	% Difference
Bus Drivers	\$547,660	\$544,811	\$2,849	0.5%
Custodians	\$1,050,429	\$1,082,863	(\$32,434)	(3.0%)
Maintenance	\$1,233,864	\$1,213,468	\$20,396	1.7%
Mechanics	\$1,341,400	\$1,185,750	\$155,650	13.1%
Secretaries	\$1,041,542	\$1,037,511	\$4,031	0.4%

Source: JAGLSD, local peers, and SERB

Note: Annual classified compensation is calculated using the average annual hours worked for each job classification at JAGLSD.

Note: Local peer average for maintenance and mechanic positions do not include Berkshire LSD as no comparable position was available.

As shown in **Table 9**, salaries for certificated employees were higher across the board than the local peer average while, with the exception of mechanics, classified salaries were comparable or lower.

The District's certificated CBA and classified CBA have negotiated base wage increases of 2.5 percent for FY 2017-18. Implementing a base wage freeze for certificated employees would help to bring these salary levels in line with the local peers. The May 2017 five-year forecast projects a 0.0 percent base wage increase for all staff beginning in FY 2018-19, however, the District's certificated and classified CBAs, that will begin July 1, 2018, have not yet been negotiated and because of this, actual base wage increases are unknown.

Table 10 shows potential savings as a result of implementing a certificated salary freeze for FY 2018-19 through FY 2020-21 assuming either a 2.0 percent, or a 2.5 percent base wage increase. This analysis provides an indication on the annual and cumulative effect of freezing salaries given previous base increase amounts.

Table 10: Certificated Salary Base Freeze Savings Comparison

	FY 2018-19	FY 2019-20	FY 2020-21
Salaries & Benefits with 2.0% Increase	\$6,357,287	\$6,517,059	\$6,794,781
Salaries & Benefits with Proposed Freeze	\$6,233,584	\$6,296,467	\$6,405,780
Difference	\$123,703	\$220,592	\$389,001
Average Annual Savings			\$244,432
Salaries & Benefits with 2.5% Increase	\$6,388,213	\$6,612,725	\$6,894,450
Salaries & Benefits with Proposed Freeze	\$6,233,584	\$6,296,467	\$6,405,780
Difference	\$154,629	\$316,258	\$488,670
Average Annual Savings			\$319,852

Source: JAGLSD

Note: Savings includes benefits that would be impacted by a change in salaries. These benefits include Medicare, 1.45 percent of employee's salaries, retirement, 14.00 percent of employee's salaries, and workers compensation, 0.62 percent of employee's salaries.

As shown in **Table 10**, implementing a base wage freeze for certificated staff for FY 2018-19 through FY 2020-21 could save the District an average of \$244,400 or \$319,800 depending on the base wage percentage increase.

*In order to fully address the deficit, the District will need to consider additional salary freeze measures (see **R.13**).*

Financial Implication: Implementing a base wage freeze on certificated wages for FY 2018-19 through FY 2020-21 will result in a savings of approximately **\$244,400** in salaries and benefits.¹⁰

R.4 Eliminate 3.0 FTE clerical positions

Office/clerical personnel are responsible for general office activities or building, department and/or administrative secretarial duties. JAGLSD employs 10.66 FTE office/clerical personnel. **Table 11** shows the District's FY 2016-17 clerical staffing compared to the primary peer average on a per 1,000 student basis. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

¹⁰ These benefits include Medicare at 1.45 percent of employee salaries, retirement at 14.00 percent of employee salaries, and workers' compensation at 0.62 percent of employee's salaries.

Table 11: Office/Clerical Staffing Comparison

	JAGLSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,477.59		1,479.57	(1.98)	
Students Educated (thousands)	1.478		1.480	(0.002)	
	JAGLSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTE Per 1,000 Students	Total FTEs Above/ (Below) ²
Bookkeeping	1.00	0.68	0.66	0.02	0.03
Clerical	9.66	6.54	4.46	2.08	3.07
Messenger	0.00	0.00	0.08	(0.08)	(0.12)
Records Managing	0.00	0.00	0.08	(0.08)	(0.12)
Teaching Aide	0.00	0.00	4.98	(4.98)	(7.36)
Other Office/Clerical	0.00	0.00	0.37	(0.37)	(0.55)

Source: JAGLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of clerical FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 11**, clerical staffing is higher than the peer average by 3.07 FTEs. Furthermore, clerical staffing was also compared to the peers on a FTE per building level. This analysis showed that the District is 3.57 FTEs higher than the peers. The District would need to reduce 3.00 FTE clerical positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

*In order to fully address the deficit, the District will need to consider additional staffing reductions (see **R.13**).*

Financial Implication: Eliminating 3.0 FTE clerical positions could save approximately **\$146,500** in salaries and benefits, annually. This was calculated using salaries and benefits of the least tenured clerical positions.¹¹ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-tenured staff.

R.5 Eliminate 3.0 FTE custodial positions

JAGLSD employs 9.9 custodial FTEs. These personnel are responsible for cleaning the District's three school building, the high school, the middle school, and the elementary, the Board of Education (the Board) building, and the bus garage.¹²

Table 12 shows the District's FY 2016-17 custodial staffing compared to a benchmark established in the *Planning Guide for Maintaining School Facilities* (National Center for

¹¹ Benefits include medical, prescription drug, dental, vision, and life insurance; a \$500 stipend for a flexible health savings account; Medicare at 1.45 percent; retirement at 14.0 percent; and workers' compensation at 0.62 percent.

¹² The District leases the former Intermediate School building to the YMCA, but does not contribute custodial services to that building.

Education Statistics (NCES), 2003). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table 12: Custodial Staffing Comparison

Custodial FTEs	9.90
Square Footage Cleaned	193,914
Square Footage Cleaned per Custodial FTE	19,587
NCES Benchmark – Square Footage per FTE ¹	29,500
Difference Above/(Below)	(9,913)
Benchmarked Staffing Need	6.57
Custodial FTEs Above/(Below) Benchmark	3.33

Source: JAGLSD and NCES

¹ Represents “Level 3” cleaning which the NCES considers the norm for school facilities.

As shown in **Table 12**, JAGLSD custodial personnel clean 9,913, or 33.6 percent, fewer square feet per FTE compared to the NCES benchmark. In order to achieve a staffing level that is consistent with this benchmark, the District would need to reduce 3.0 custodial FTEs.

*In order to fully address the deficit, the District will need to consider additional staffing reductions (see **R.13**).*

Financial Implication: Eliminating 3.0 FTE custodial positions could save the District approximately **\$132,800** in salaries and benefits annually. This was calculated using salaries and benefits of the least tenured custodial positions.¹³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.6 Renegotiate intermediate building usage agreement

James A. Garfield Elementary School was constructed in 2014, which resulted in the District shifting the fifth and sixth grades out of the Park Avenue Intermediate School building (Park Avenue building) into the new elementary building. In January 2017, the District entered into a facility usage agreement (the agreement) with the YMCA of Greater Cleveland (YMCA) that allows the YMCA to utilize the Park Avenue building for its programs. Under the agreement, the YMCA is granted unlimited usage of the building (i.e., 24 hours per day, seven days per week) through December 31, 2018.

While the YMCA is granted unlimited use of the Park Avenue building, the agreement allows it to occupy the facility on a rent free basis; requiring it to only cover a portion of the building’s operating costs. Specifically, the YMCA is responsible for paying only 10.0 percent of the total utilities cost. The YMCA is responsible for the day-to-day custodial, grounds, and snow removal operations. The District is responsible for all remaining expenses related to both the interior and exterior structural elements of the building, the parking areas and drives, and all plumbing, sewer, electrical, heating and air conditioning facilities and equipment. The District’s total

¹³ Benefits include medical, prescription drug, dental, vision, and life insurance; a \$500 stipend for a flexible health savings account; Medicare at 1.45 percent; retirement at 14.0 percent; and workers’ compensation at 0.62 percent.

operating expenditures for FY 2015-16 for the Park Avenue building were approximately \$24,500¹⁴ with 80.0 percent of these costs for utilities.

Given the severity of its deficit condition, the District should pursue one or more of the following options with respect to the Intermediate building:

- Require the tenant to cover 100.0 percent of the utilities cost in future contracts;
- Require the tenant to cover all services, including maintenance and custodial supplies, materials, and labor costs;¹⁵ and/or
- Determine the fair market rental value of the property and consider proposing a new fee schedule commensurate with fair market rental value to the tenant in future contracts.

Financial Implication: Requiring a building tenant to reimburse the District for the total operating expenditures of the Park Avenue building could save approximately **\$24,500** annually.

R.7 Consider reducing the subsidy of extracurricular activities to local peer level

In FY 2015-16, the District expended approximately \$653,800 on student extracurricular activities, which included the salaries and benefits of directors, coaches, advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures. A portion of these expenditures were offset by generating revenue of approximately \$276,100 from receipts for admissions, sales, and other extracurricular activities. As a result, the District incurred a net cost for student extracurricular activities in FY 2015-16 of just over \$377,600. In turn, the amount of the net cost of extracurricular activities represents the amount of subsidy from the General Fund.

Table 13 shows a comparison of the District's FY 2015-16 student extracurricular activity net cost per pupil to the primary peer average and the local peer average. This comparison is important for determining whether the District's net cost for student extracurricular activity programs was consistent with the primary and local peers.

¹⁴ Total operating costs do not include costs for labor attributed to maintenance of the YMCA.

¹⁵ This would require the District to begin tracking and cost allocating labor associated with maintaining the YMCA.

Table 13: Student Extracurricular Activity Net Cost Comparison

	JAGLSD			Primary Peer Avg.	Local Peer Avg.
Students	1,469			1,469	1,411
Activity Type	Rev.	Exp.	Net Cost		
Academic Oriented	\$24,537	\$26,430	(\$1,893)	(\$108,701)	(\$89,765)
Occupation Oriented	\$0	\$0	\$0	(\$8,146)	\$467
Sport Oriented	\$72,138	\$470,846	(\$398,708)	(\$362,062)	(\$359,713)
School & Public Service Co-Curricular	\$0	\$156,532	(\$156,532)	(\$47,992)	(\$23,244)
Bookstore Sales	\$0	\$0	\$0	\$0	\$66
Other Extracurricular	\$1,119	\$0	\$1,119	\$54,226	\$2,352
Non-specified ¹	\$178,371	\$0	\$178,371	\$176,327	\$116,635
Total	\$276,165	\$653,808	(\$377,643)	(\$296,348)	(\$353,202)
Net Cost per Pupil			(\$257.07)	(\$201.73)	(\$250.32)

Source: JAGLSD, primary peers, and local peers

¹ Non-specified represents revenue that was not coded to a specific activity type, but does reduce the net cost.

As shown in **Table 13**, the District's student extracurricular activity net cost per pupil of \$257.07 was \$55.34, or 27.4 percent, higher than the primary peer average and \$6.75, or 2.7 percent, higher than the local peer average. While it is common for school districts in Ohio to subsidize extracurricular costs with General Fund money, the existence of a net cost places a burden on the General Fund equal to the amount of the net cost. Given the severity of its forecasted deficit condition (see **Background**), the District should evaluate all available options to reduce expenditures and/or increase revenue for student extracurricular activities.

In order to reduce the General Fund subsidy, the District must increase revenue and/or decrease expenditures. This can be achieved by implementing one or more of the following:

- Increase pay to participate fees for sports;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or
- Eliminate programs.

Making these changes would help reduce the General Fund subsidy, allowing more resources to be dedicated to student instruction. Two of the five local peers (Cardinal LSD and Crestwood LSD) charge pay-to-participate fees. However, the District should consider the relative ability to pay of its students and the financial impact of having to meet any proposed fee increases.

*In order to fully address the deficit, the District will need to consider full elimination of the General Fund subsidy of extracurricular activities (see **R.13**).*

Financial Implication: Reducing expenditures and/or increasing revenue so that the General Fund subsidy to the Student Extracurricular Activity Fund is consistent with local peers would save the District **\$24,400**, annually.

R.8 Right-size the active bus fleet

In FY 2016-17, JAGLSD transported 843 regular needs riders with its regular needs fleet of 11 active buses. In an attempt to maximize efficient utilization of its buses, JAGLSD has used routing software, cluster stops, multi-tiered routing, and staggered bell schedules.

Table 14 shows the total operating cost per mile of the District's transportation service in FY 2015-16 in comparison to the transportation peer average.¹⁶ This analysis provides an assessment of the cost-effectiveness of the transportation program relative to similar operations. Additionally, analyzing costs on per mile serves to normalize variances caused by the geographical size of each district.

Table 14: Transportation Operating Cost Comparison

	JAGLSD	Transportation Peer Average	Difference	% Difference
Total Annual Cost	\$798,893	\$671,279	\$127,614	19.0%
Total Daily Miles ¹	1,119	946	173	18.3%
Cost per Daily Mile	\$713.93	\$709.60	\$4.33	0.6%
Total Cost Difference²				\$4,845

Source: JAGLSD, ODE, and transportation peers

¹ Reflects routine mileage only and does not include mileage traveled for field trips and/or extra-curricular activities.

² Total cost difference was calculated by multiplying the difference in cost per daily mile between JAGLSD and the transportation peer average by the total number of daily miles traveled by JAGLSD in FY 2015-16.

As shown in **Table 14**, the District's annual per mile transportation expenditure was comparable to the transportation peer average. Despite having similar transportation operating costs to the peers in FY 2015-16, opportunities to increase fleet utilization efficiency was further assessed.

Table 15 shows how the District's active bus fleet utilization for FY 2016-17 compared to benchmark data published in *Hidden Savings in Your Bus Budget* (American Association of School Administrators (AASA), September 2006). This utilization comparison based on benchmark data provides a gauge of efficiency in relation to a district's total fleet capacity.

¹⁶ Total operating costs do not include capital expenses such as those associated with the purchase of new buses or any infrastructure improvement costs incurred for the support of the transportation service.

Table 15: Bus Utilization Comparison

Total Number of Regular Needs Active Buses ¹	11.0
Number of Riders per Route to Meet Benchmarks	49.0
Actual Riders per Route	42.2
Difference per Route	6.8
Number of Routes Needed for Benchmark Capacity	17.2
Actual Routes	20.0
Difference	(2.8)
Buses Needed to Achieve Benchmark	9.5
Buses Over/(Under) Benchmark	1.5

Source: JAGLSD and AASA

¹ Capacity is based on the manufacturer rated capacities of three students per seat and adjusted for middle and high school student (i.e., two riders per seat).

As shown in **Table 15**, the District's FY 2016-17 utilization rate was below the AASA benchmark. Accordingly, if the District were to continue providing transportation to all of its current riders, it could achieve the benchmark utilization rate by eliminating one bus from its active fleet.

Financial Implication: Eliminating one bus could result in savings of **\$8,500** annually in salaries and benefits. This was calculated using the salary and benefits of the least tenured transportation position.¹⁷ Estimated savings could increase if the reduction in hours occurs through retirement or voluntary separation of higher waged staff.

R.9 Develop a data driven bus replacement plan

JAGLSD does not have a formal data driven bus replacement plan and an analysis of its fleet revealed that the average age of the active bus fleet was 10 years. Historically, the District has set aside \$20,000 annually for bus replacement which allows for the purchase of a new bus every four to five years depending on bus pricing.

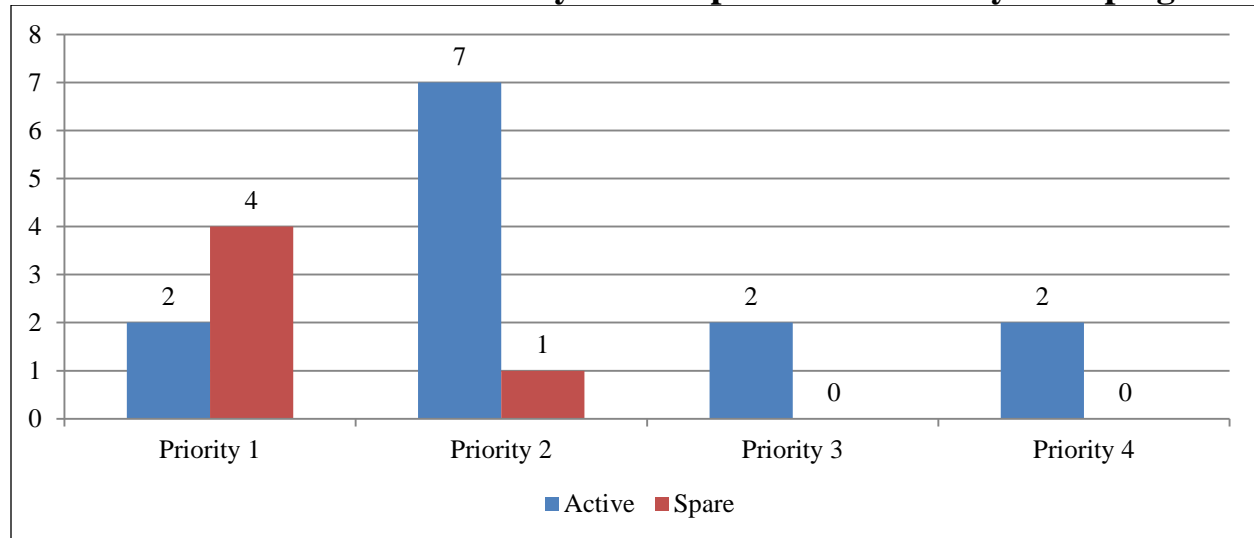
Clean School Bus (US Environmental Protection Agency (EPA), 2012) offers guidelines regarding the replacement of school buses. Accordingly, fleets should be assessed for age and condition to determine which buses need to be replaced first. Compiling this information in advance allows districts to plan for future expenditures and to be prepared when funds become available. In addition, the EPA provides replacement guidance by categorizing buses into four priority groups based on model year. Groups in Priority One are considered most in need of immediate replacement with Priority Four being least in need.¹⁸ Due to advanced age, buses in Priority One grouping often have increasing maintenance concerns, decreased fuel economy benefits, and less stringent safety equipment, making replacement a higher priority.

¹⁷ Benefits include medical, prescription drug, dental, vision, and life insurance; a \$500 stipend for a flexible health savings account; Medicare at 1.45 percent; retirement at 14.0 percent; and workers' compensation at 0.62 percent.

¹⁸ *Clean School Bus* classifies buses by model year in the following priority groups: Priority One: pre-1998 model years; Priority Two: model years 1998 through 2003; Priority Three: model years 2004 through 2006; and Priority Four: model years 2007 and newer. For this analysis, the groupings were updated to the following priority groupings: Priority One: pre-2003 model years; Priority Two: model years 2003 through 2008; Priority Three: model years 2009 through 2011; Priority Four: model years 2012 and newer.

Chart 4 shows the District's FY 2016-17 fleet classified by EPA priority grouping. This provides a high level indication of the extent of the District's fleet replacement needs relative to EPA guidelines.

Chart 4: Bus Classification by EPA Replacement Priority Grouping



Source: JAGLSD and the EPA

Note: Active buses include both regular and special needs.

As shown in **Chart 4**, two buses, or 11.1 percent, of the District's fleet falls in the lowest priority group (Priority Four) while 88.9 percent of the District's buses will near replacement age in the near-term, assuming no change in fleet size. A fleet replacement plan could help the District gain visibility into the costs of the fleet in priority groupings and in determining future reductions and/or replacements, enabling it to meet EPA suggested guidelines.

Fleet Plan Instructions for Self-Managed Agencies (Ohio Department of Administrative Services (DAS), 2016) recommends that, in addition to age, mileage and condition should be considered when making decisions about which vehicles should be replaced. To help prioritize which older buses should be removed from its inventory, JAGLSD should consider the full cost of bus operation, including fuel, parts, labor, and vehicle depreciation.

The District should develop a formal data driven bus replacement plan. Doing so would allow it to communicate to leadership and to the public about the needs of its bus fleet. Additionally, it would allow the District to communicate its progress in meeting its schedule of replacement and any risks posed by the current state of the fleet. Adopting a plan could reduce overall operating costs and help to avoid the need to replace a major portion of the fleet at the same time.

R.10 Develop a formal transportation preventative maintenance program

The District performs limited regular preventative maintenance on its bus fleet and uses the Ohio State Highway Patrol's inspection check list¹⁹; however, it does not have a formal bus maintenance plan. As a result, it runs the risk of allocating resources for maintenance of an aging fleet that could be more efficiently allocated towards the acquisition of newer buses (see **R.9**).

Table 16 shows a comparison of the District's bus maintenance and repair expenditure ratios to the transportation peer average for FY 2015-16. This comparison provides a relative gauge of the maintenance costs associated with maintaining the District's bus fleet.

Table 16: Maintenance and Repair Expenditures Comparison

	JAGLSD	Transportation Peer Average	Difference	% Difference
Per Yellow Bus Rider	\$167.06	\$91.08	\$75.98	83.4%
Per Active Bus	\$11,552.62	\$7,210.84	\$4,341.78	60.2%
Per Routine Mile	\$0.79	\$0.69	\$0.10	14.5%

Source: ODE

Note: Cost ratios include the mechanic salary.

As shown in **Table 16**, the District's maintenance and repair costs were significantly higher than the transportation peer average for all three metrics shown. These higher relative costs increase the need for the District to effectively plan for and record maintenance and repair expenditures.

According to *Public Works Management Practices Manual* (American Public Works Association (APWA), 2014), a formal preventive maintenance program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning preventive maintenance activities includes:

- Defining work to be performed;
- Diagnosing work to be performed prior to scheduling;
- Estimating labor hours, materials, shop space and time; and
- Documenting support maintenance action.

Adopting a formal preventive maintenance program would allow the District to manage its fleet more efficiently and improve transportation recordkeeping. Ultimately, tracking maintenance costs would help the District determine priorities for bus replacement (see **R.9**).

R.11 Enhance financial communication

During the course of the audit, the District posted several pieces of financial information to its website, in addition to its most recently available five-year forecast. The financial information included analyses of the:

- *Taxpayer share of daily cost;*
- *State and local revenue;*

¹⁹ The Ohio State Highway Patrol issues a school bus inspection manual annually. The checklist used by the District follows guidelines outlined in the manual.

- *Daily cost to educate a child;*
- *Instructional, administrative, building operations, and staff support per pupil expenditure comparisons; and*
- *Total building operational costs.*

The financial information JAGLSD provides on its website is limited to the five-year forecast. Although the District uses its website to disseminate information such as Board agendas and meeting minutes, most information is biographical in nature.

According to *Website Posting of Financial Documents* (Government Finance Officers Association (GFOA), 2009), using a government website to disseminate information demonstrates both accountability and transparency to stakeholders in an easily accessible format. The GFOA recognizes the following benefits from communicating financial information on a government's website:

- Heightened awareness;
- Universal accessibility;
- Increased potential for interaction;
- Enhanced diversity;
- Facilitated analysis;
- Lowered costs;
- Contribution to sustainability; and
- Broadened potential scope.

The Wheelersburg Local School District (Scioto County), a primary peer, provides monthly and annual financial reports as approved by its board of education. These reports include:

- Explanations of revenues and expenditures for all funds, excluding those for construction debt;
- A comparison of budget versus actual for the current fiscal year;
- A comparison of actuals for the current fiscal year versus actuals for the previous two fiscal years;
- A reconciliation of the district's records with its bank records; and
- Details of the district's investments.

Also, the Jonathan Alder Local School District (Madison County) includes on its website:

- Audited financial statements;
- Five-year forecasts;
- Cost per pupil and local tax effort comparisons; and
- Financial advisory council agendas and minutes.

JAGLSD should enhance communication of its financial information by fully utilizing its website to disseminate important data and pertinent news to stakeholders. By not making all financial information available on its website, the District increases the risk that it will not be able to fully engage with community stakeholders who can provide meaningful input based on readily available financial information. Improving financial communication will help to ensure accountability and transparency to stakeholders and the community.

R.12 Engage in long-term strategic, capital, and financial planning and link to the budget

The District does not have formal long-term strategic, capital improvement, or financial plans. Additionally, it does not fully involve department heads and other stakeholders in the budgeting process. As a result, the annual budget is not linked to formal goals, objectives, and/or performance measures.

The GFOA provides best practice guidance on effective strategic, capital and financial planning. *Establishment of Strategic Plans* (GFOA, 2005) defines strategic planning as “a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization’s mission, and achieve consensus on strategies and objectives for achieving that mission.” Key steps in the strategic planning process include:

- Initiating the strategic planning process;
- Preparing a mission statement;
- Assessing and identifying environmental factors and critical issues;
- Agreeing upon and developing strategies for a small number of broad goals;
- Creating an action plan, including measurable objectives and performance measures;
- Obtaining approval of the plan; and
- Implementing, monitoring, and reassessing the plan.

Long- Term Financial Planning (GFOA, 2008) specifies that long-term financial planning should encompass the following elements:

- Planning at least five-to-ten years into the future;
- Considering all appropriated funds;
- Updating long-term planning activities as needed in order to provide direction to the budget process;
- Analyzing of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and a plan for monitoring mechanisms, such as a scorecard of key indicators of financial health, and;
- Informing the public and elected officials about the long-term financial prospects of the government and strategies for financial balance.

Finally, *Multi-Year Capital Planning* (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should:

- Identify and prioritize expected needs based on the entity’s strategic plan,
- Establish project scopes and costs,
- Detail estimated amounts of funding from various sources; and
- Project future operating and maintenance costs.

The District should concurrently develop a strategic plan and long-term financial plan. As part of its strategic plan, it should create a capital improvement plan for all capital assets. These plans

should be linked to a formal budgeting process that involves key stakeholders. In doing so, the ability of the strategic plan to guide program and funding decisions will be enhanced. Without a goal and resource oriented strategic plan based on input from key financial, operational, and instructional participants, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs.

R.13 Make additional reductions to address the remaining deficit

Even after implementing all preceding recommendations, the District's forecast would still project a cumulative deficit of approximately \$933,300, or \$219,000 annually. To address the remaining gap, the District will need to consider additional cost saving measures; including those that would bring staffing levels below primary peer averages. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

The following four options represent choices that the District could make to address the remaining \$933,300 deficit over the forecast period. The implementation of a combination of these options would be sufficient to eliminate the deficit by the end of the forecast period.

- **Eliminate the entire General Fund subsidy of extracurricular activities:** The District incurred a net cost for student extracurricular activities in FY 2015-16 of approximately \$377,600 which required subsidization from the General Fund. **R.7** recommends reducing the General Fund subsidy to a level consistent with the local peer average; however, completely eliminating the subsidy should be considered due to the financial condition of the District. This action could result in an additional cost savings of approximately **\$353,200** annually. This option could be implemented part-way through FY 2017-18.
- **Eliminate 4.0 FTE general education teacher positions:** General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the District-wide ratio of general education teachers to students be at least 1.0 FTE classroom teacher for every 25 regular students.²⁰ **Table 17** shows JAGLSD's general education teacher staffing level compared to both the primary peer average and State minimum requirements based on the FY 2016-17 students to teacher ratio. It is important to compare staffing to the primary peer average and State minimum requirements to provide a more accurate picture of relative staffing efficiency and options for the District to evaluate based on the projected financial condition.

²⁰ This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

Table 17: General Education Staffing Comparison

General Education FTEs					63.14
Regular Student Population					1,311
Staffing Ratio (Students:Teachers)					20.76:1
	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction	Annual Savings
Option 1: Primary Peer Average	20.43	64.16	(1.02)	0.00	\$0
Option 2: Address Remaining Deficit	22.25	58.90	4.24	4.00	\$226,300
Option 3: 10 % Above State Minimum	22.50	58.27	4.87	4.50	\$277,300
Option 4: 5 % Above State Minimum	23.75	55.20	7.94	7.50	\$482,300
Option 5: State Minimum	25.00	52.44	10.70	10.50	\$680,400

Source: JAGLSD, ODE, OAC, and primary peers

As shown in **Table 17**, the District's student to teacher ratio of 20.76:1 was in line with the peer average. Conversely, the District's student to teacher ratio was below the State minimum, resulting in 10.70 more general education teacher FTEs than minimally required. Reducing general education teachers to a level closer to the State minimum requirement may be necessary to maintain financial solvency depending on the extent to which the District implements other recommendations in this performance audit. The selection of any of the options presented in **Table 17** is ultimately District management's responsibility based on needs and desires of the stakeholders in the community and any staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. This option could be implemented part-way through FY 2017-18.

Eliminating 4.0 FTE general education teacher positions could save the District approximately **\$226,300** annually. This savings was calculated using salaries and benefits of the least tenured general education teachers.²¹ This savings was also adjusted to factor out health insurance savings identified in **R.1**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff. This option could be implemented part-way through FY 2017-18.

- **Implement a 5.0 percent across-the-board staff reduction:** While **R.4** addresses JAGLSD's staffing above the peer average, the District could make an additional 5.0 percent across-the-board staffing reduction to generate enough savings to offset the remaining deficit. **Table 18** shows the nature and savings of this staffing reduction for each classification category. This type of analysis is important because it provides the District with the information necessary to evaluate potential staffing reductions and the potential savings associated with each.

²¹ Benefits include medical, prescription drug, dental, vision, and life insurance; a \$500 stipend for a flexible health savings account; Medicare at 1.45 percent; retirement at 14.0 percent; and workers' compensation at 0.62 percent.

Table 18: Additional Staffing Reductions

Position Classification	Revised Total FTEs	5.0% Reduction	Rounded FTEs Reduction	Annual Savings
Administrative	10.00	0.50	0.50	\$22,886
Educational	78.14	3.91	3.50	\$195,425
Professional	1.00	0.05	0.00	\$0
Technical	2.72	0.14	0.00	\$0
Clerical	7.66	0.38	0.00	\$0
Maintenance	3.00	0.15	0.00	\$0
Service Workers	16.64	0.83	0.50	\$8,358
Total	119.16	5.96	4.50	\$226,669

Source: JAGLSD

Note: Transportation was not included in this analysis because additional reductions cannot be completed without reorganizing and reducing the number of bus routes (see **R.8**).

As shown in **Table 18**, an across-the-board staffing reduction of 5.0 percent would result in the elimination of an additional 4.5 FTE employees. Based on the District's remaining deficit, eliminating an additional 0.5 administrative, 3.5 educational, and 0.50 service workers positions could save approximately \$226,600 in salaries and benefits annually. This was calculated using salaries and benefits of the least tenured employees remaining after position reductions identified in **R.4**, **R.5**, and **R.8**.²² This savings was also adjusted to factor out health insurance savings identified in **R.1**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff. This option could be implemented part-way through FY 2017-18.

Although the following option would not entirely alleviate the deficit, it could provide significant savings. Coupling it with a combination of the options above could enable the District to avoid operating deficits.

- **Implement a step freeze on all salaries for three years:** Although **Table 9** shows that JAGLSD's classified salary schedules are comparable to the local peer average; the District could generate additional savings through the implementation of a step increase freeze beginning with the new CBAs that will likely be in effect for FY 2018-19 through FY 2020-21. The District's five-year financial forecast already assumes a base wage freeze for all staff for FY 2018-19 through FY 2020-21. **Table 19** shows the impact of a step increase freeze for this same period.

²² Benefits include medical, prescription drug, dental, vision, and life insurance; a \$500 stipend for a flexible health savings account; Medicare at 1.45 percent; retirement at 14.0 percent; and workers' compensation at 0.62 percent.

Table 19: Impact of Step Freeze

	FY 2018-19	FY 2019-20	FY 2020-21
Certificated			
Salaries and Benefits with Steps	\$6,371,652	\$6,434,200	\$6,542,928
Salaries and Benefits with Step Freeze	\$6,335,470	\$6,335,470	\$6,335,470
Difference	\$36,182	\$98,730	\$207,458
Average Annual Savings			\$114,123
Classified			
Salaries and Benefits with Steps	\$1,263,236	\$1,270,629	\$1,277,836
Salaries and Benefits with Step Freeze	\$1,228,023	\$1,228,023	\$1,228,023
Difference	\$35,213	\$42,606	\$49,813
Average Annual Savings			\$42,544
Total Average Annual Savings			\$156,667

Source: JAGLSD

Note: The salaries and benefits with steps reflect the total projected salaries and benefits within each category assuming no base wage increase, as projected in the five-year forecast. Salaries and benefits with step freeze reflect the total projected salaries and benefits with no base increase as well as no step increase.

Note: Savings includes benefits that would be impacted by a change in salaries. These benefits include Medicare, 1.45 percent of employee's salaries, retirement, 14.00 percent of employee's salaries, and workers compensation, 0.62 percent of employee's salaries.

As shown in **Table 19**, implementing a step increase freeze for FY 2018-19 through FY 2020-21 could save the District approximately \$156,600 annually or \$470,000 during the remainder of the forecast period. This option could be implemented at the start of FY 2018-19, when new CBAs will begin.

Financial Implication: Eliminating the entire General Fund subsidy for extracurricular activities could save approximately \$353,200 annually; eliminating 4.0 FTE general education teachers could save approximately \$226,300 annually in salaries and benefits; implementing a 5.0 percent across-the-board- staffing reduction could save approximately \$226,700 annually in salaries and benefits; and implementing a step increase salary freeze for FY 2018-19 through FY 2020-21 could save approximately \$156,600 annually. The District should evaluate these options and determine the appropriate combination of the four in order to address the remaining savings needed of **\$194,000** annually.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation, and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Seven of the 20 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are budgeting and forecasting practices comparable to leading practices and is the forecast reasonable and supported?	R.12
Are the District's financial communication practices consistent with leading practices?	R.11
Are the District's open enrollment policies and practices financially beneficial?	N/A
Are extracurricular activities appropriate to peers and/or the District's financial condition?	R. 7 and R.13
Are the District's strategic and capital planning efforts consistent with leading practices?	R.12
Human Resources	
Are staffing levels efficient compared to general peers, state minimum requirements, and/or demand for service and are they appropriate based on the District's financial condition?	R.4 and R.13
Are salaries and wages comparable to local peers and appropriate based on the District's financial condition?	R.3 and R.13
Are CBA provisions comparable to local peers and/or ORC minimums and appropriate based on the District's financial condition?	R.2
Are insurance costs comparable to local markets and appropriate based on the District's financial condition?	R.1
Facilities	
Are building utilization rates efficient when compared to industry benchmarks and appropriate based on the District's financial condition?	R.6
Is facilities staffing efficient compared to benchmarks and appropriate based on the District's financial condition?	R.5
Are the facilities expenditures comparable to peers and/or industry standards and appropriate based on the District's financial condition?	N/A

Objective	Recommendation
Transportation	
Are the District T-Report procedures and practices consistent with ODE requirements?	N/A
Is the fleet sized appropriately and routed efficiently compared to leading practices and are transportation operations appropriate based on the District's financial condition?	R.8
Is the fleet maintained efficiently compared to industry benchmarks and/or transportation peers and appropriately based on the District's financial condition?	R.10
Are District fuel purchasing practices resulting in efficient pricing?	N/A
Is transportation operation security consistent with leading practices and appropriate based on the District's financial condition?	N/A
Are the bus replacement practices consistent with industry benchmarks and leading practices and appropriate based on the District's financial condition?	R.9
Food Service	
Is the Food Service Fund self-sufficient and consistent with leading practices?	N/A
Are the food service staffing levels efficient compared to peers and/or leading practices?	N/A

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives.

Appendix B: Additional Comparisons

Open Enrollment

Table B-1 shows the District's cost to educate open enrollment students in comparison to the revenue generated by these students in FY 2015-16. This analysis illustrates the net revenue or loss generated by open enrollment.

Table B-1: Cost and Revenue Attributed to Open Enrollment

Total Students		1,470
Open Enrollment Students		216
Percentage of Open Enrollment Students		14.7%
Expenditure Type		
Expenditure Type	Total Cost	Open Enrollment Cost
Regular Instruction	\$6,536,148	\$958,071
Special Instruction ¹	\$1,606,595	\$67,975
Support Services Pupils	\$657,800	\$10,667
Support Services Instructional Staff	\$211,767	\$2,074
Support Services Administrative	\$1,235,326	\$4,447
Operation and Maintenance of Plant Services	\$1,167,895	\$25,898
Support Services Pupil Transportation	\$798,893	\$78,201
Support Services Central	\$34,736	\$5,096
Extracurricular Activities ²	\$635,809	\$52,140
Total Expenditures	\$12,884,968	\$1,204,569
Open Enrollment Revenue		\$1,343,374
Net Revenue/(Loss)		\$138,805

Source: JAGLSD and ODE

¹ Open enrollment special education students account for approximately 8 percent of total special education students. This percentage was applied to the Special Instruction expenditures, except for Disadvantaged Youth, which was multiplied by the percentage of open enrollment students.

² Open enrollment cost is based on the District's net cost of \$635,809 for extracurricular activities multiplied by the percentage of open enrollment students.

As shown in **Table B-1**, JAGLSD's net gain for educating open enrollment students was \$138,800 in FY 2015-16.

Staffing

Table B-2 shows a comparison of the District's FY 2016-17 administrative staffing compared to the FY 2015-16 primary peer average per 1,000 students, and administrator staffing per building compared to the FY 2015-16 primary peer average per building. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers. Comparing administrative staffing in relation to the number of buildings provides further assessment of labor efficiency.

Table B-2: Administrative Staffing Comparison

	JAGLSD		Primary Peer Avg.		Difference	
Students Educated ¹	1,477.59		1,479.57		(1.98)	
Students Educated (thousands)	1.478		1.480		(0.002)	
Buildings	3.00		3.25		(0.25)	
	JAGLSD		Primary Peer Avg.		Difference	
Position	FTEs	FTEs per 1,000	FTEs per 1,000		FTE Per 1,000 Students	Total Above/ (Below) ²
Admin. Assistant	0.00	0.00	0.08		(0.08)	(0.12)
Assist. Principal	0.60	0.41	0.63		(0.22)	(0.33)
Principal	3.50	2.37	2.37		0.00	0.00
Superintendent	1.00	0.68	0.68		0.00	0.00
Supervising/Managing/Directing	3.00	2.03	0.37		1.66	2.45
Treasurer	1.00	0.68	0.68		0.00	0.00
Coordinator	0.50	0.34	0.75		(0.41)	(0.61)
Education Administrative Specialist	0.00	0.00	0.04		(0.04)	(0.06)
Director	0.00	0.00	0.08		(0.08)	(0.12)
Other Official/Administrative	0.40	0.27	0.17		0.10	0.15
	JAGLSD		Primary Peer Avg.		Difference	
Position	FTEs	FTEs per Building	Total Peer FTEs	FTEs per Building	FTEs per Building	Total Above/ (Below) ²
Assist. Principal	0.60	0.20	7.50	0.29	(0.09)	(0.27)
Principal	3.50	1.17	28.00	1.08	0.09	0.27
Total	4.10	1.37	35.50	1.37	0.00	0.00

Source: JAGLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of administrative FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-2**, JAGLSD employs fewer administrative staff than the primary peer average for all positions except supervising/managing/directing and other official/administrative. The District employs 2.45 FTE supervising/managing/directing positions more than the primary peer average. Further analysis in this area showed that the peers do employ staff with similar duties to JAGLSD's 3.00 FTE's in this category. However, due to flexibility in position coding, the primary peers have coded many of their supervising/managing/directing FTEs to their respective job function. For example, a food service manager could be categorized in EMIS as a supervising/managing/directing FTE or as a food service FTE. Due to the flexibility of this categorization, no recommendation was made. Additionally, no recommendations are made for positions that are less than 0.50 FTE more than the primary peer average. Furthermore, JAGLSD employs the same number of FTE administrators per building as the primary peer average.

Table B-3 shows a comparison of the District's FY 2016-17 educational staffing compared to the FY 2015-16 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-3: Educational Staffing Comparison to Peers

	JAGLSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,477.59		1,479.57	(1.98)	
Students Educated (thousands)	1.478		1.480	(0.002)	
	JAGLSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000	FTEs per 1,000	FTE Per 1,000 Students	Total Above/ (Below) ²
Curriculum Specialist	0.00	0.00	0.17	(0.17)	(0.25)
Counseling	2.00	1.35	1.69	(0.34)	(0.50)
Librarian/Media	0.00	0.00	0.59	(0.59)	(0.87)
Remedial Specialist	0.00	0.00	1.25	(1.25)	(1.85)
Tutor/Small Group Instructor Assignment	5.64	3.82	1.33	2.49	3.68
Full-time (Permanent) Substitute Teacher	0.00	0.00	0.02	(0.02)	(0.03)
Teacher Mentor/Evaluator	0.00	0.00	0.07	(0.07)	(0.10)
General Education K-12	63.14	42.73	42.96	(0.23)	(0.34)
Art Education K-8	1.67	1.13	1.10	0.03	0.04
Music Education K-8	1.71	1.16	1.60	(0.44)	(0.65)
Physical Education K-8	1.83	1.24	1.04	0.20	0.30
Gifted and Talented	1.15	0.78	0.42	0.36	0.53
Career-Technical Programs/Career Pathways	0.00	0.00	0.42	(0.42)	(0.62)
Other Professional	1.00	0.68	0.46	0.22	0.33

Source: JAGLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of administrative FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-3**, JAGLSD employs fewer FTE educational staff than the primary peer average for the majority of the positions in this category. The District employs more tutor/small group instructors per 1,000 students than the primary peer average, however, all FTEs in this category for JAGLSD are Title I teachers and therefore tied to MOE requirements (see **Executive Summary**). As shown in **Table B-3**, JAGLSD's gifted and talented FTEs per 1,000 is 0.53 FTEs above the primary peer average. The District's 1.15 FTEs in this category includes 1.0 FTE gifted teacher at the middle school and 0.15 FTE tutor that teaches a gifted class at the District's middle school. When evaluating the peer data, four of the eight peers offer gifted and talented programs. If JAGLSD is unsuccessful in eliminating its deficit, it may need to consider eliminating its gifted teaching positions as part of an across the board staffing reduction (see **R.13**).

Table B-4 shows a comparison of the District's FY 2016-17 professional staffing compared to the FY 2015-16 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-4: Professional Staffing Comparison to Peers

	JAGLSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,477.59		1,479.57	(1.98)	
Students Educated (thousands)	1.478		1.480	(0.002)	
	JAGLSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000	FTEs per 1,000	FTE Per 1,000 Students	Total Above/ (Below) ²
Accounting	0.00	0.00	0.17	(0.17)	(0.25)
Psychologist	0.00	0.00	0.14	(0.14)	(0.21)
Registered Nursing	1.00	0.68	0.50	0.18	0.27
Speech and Language Therapist	0.00	0.00	0.42	(0.42)	(0.62)
Other Professional - Other	0.00	0.00	0.34	(0.34)	(0.50)

Source: JAGLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of administrative FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-4**, JAGLSD employs fewer professional staff than the primary peer average for all categories except registered nursing; however, the District is less than 0.50 FTE higher than the primary peer average per 1,000 students.

Table B-5 shows a comparison of the District's FY 2016-17 technical staffing compared to the FY 2015-16 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-5: Technical Staffing Comparison to Peers

	JAGLSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,477.59		1,479.57	(1.98)	
Students Educated (thousands)	1.478		1.480	(0.002)	
	JAGLSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000	FTEs per 1,000	FTE Per 1,000 Students	Total Above/ (Below) ²
Computer Operating	0.00	0.00	0.34	(0.34)	(0.50)
Computer Programming	0.00	0.00	0.25	(0.25)	(0.37)
Library Aide	2.72	1.84	0.93	0.91	1.34
Instructional Paraprofessional	0.00	0.00	0.22	(0.22)	(0.33)
Other Technical	0.00	0.00	0.25	(0.25)	(0.37)

Source: JAGLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of administrative FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-5**, the District employs fewer technical staff than the primary peer average per 1,000 students for all positions except library aides. Although JAGLSD employs 1.34 FTE library aides more than the primary peers, **Table B-6** shows a comparison of all library staff.

Table B-6 shows the District's FY 2016-17 library staffing compared to the FY 2015-16 primary peer average per 1,000 students. Comparing library staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-6: Library Staff Comparison

	JAGLSD		Primary Peer Average	Difference	
Students Educated ¹	1,477.59		1,479.57	(1.98)	
Students Educated (thousands)	1.478		1.480	(0.002)	
	JAGLSD		Primary Peer Average	Difference	
Position	FTEs	FTEs per 1,000	FTEs per 1,000	FTE Per 1,000 Students	Total Above/ (Below) ²
Librarian/Media	0.00	0.00	0.59	(0.59)	(0.87)
Library Aide	2.72	1.84	0.93	0.91	1.34
Total	2.72	1.84	1.52	0.32	0.47

Source: JAGLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of administrative FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-6**, in total, JAGLSD's library staff is in line with the primary peer average. Although the District has more library aides, it does not employ any librarians, whereas the peers employ both.

Sick Leave Severance

Table B-7 shows the District's maximum financial liability for sick leave severance by position in comparison to the projected liability that could result from bringing CBA provisions for sick leave payout in line with ORC minimums (see **R.2**). This analysis provides an indication of the District's current maximum sick leave severance exposure compared to the minimum levels required.

Table B-7: Difference between ORC and JAGLSD for Severance Liability

Certificated Employees						
	Final Daily Rate of Pay	CBA Maximum Severance Days	Maximum Payout	ORC Minimum	Pay Out at ORC	Difference
BA	\$350.40	75	\$26,280.00	30	\$10,512.00	\$15,768.00
BA + 11	\$354.27	75	\$26,570.25	30	\$10,628.10	\$15,942.15
150 Hours	\$373.64	75	\$28,023.00	30	\$11,209.20	\$16,813.80
MA	\$396.86	75	\$29,764.50	30	\$11,905.80	\$17,858.70
MA + 15	\$407.51	75	\$30,563.25	30	\$12,225.30	\$18,337.95
Average Difference						\$16,944.12
Classified Employees						
Head Custodian	\$145.20	75	\$10,890.00	30	\$4,356.00	\$6,534.00
Regular Custodian	\$140.40	75	\$10,530.00	30	\$4,212.00	\$6,318.00
Bus Aide	\$39.63	75	\$2,972.25	30	\$1,188.90	\$1,783.35
Bus Driver	\$103.05	75	\$7,728.75	30	\$3,091.50	\$4,637.25
Trans. Secretary	\$152.24	75	\$11,418.00	30	\$4,567.20	\$6,850.80
Dietary Aide	\$42.45	75	\$3,183.75	30	\$1,273.50	\$1,910.25
Head Dietary Aide	\$43.90	75	\$3,292.50	30	\$1,317.00	\$1,975.50
Clerk	\$132.88	75	\$9,966.00	30	\$3,986.40	\$5,979.60
Secretary	\$140.00	75	\$10,500.00	30	\$4,200.00	\$6,300.00
Kdg/Lunchroom Aide	\$37.70	75	\$2,827.50	30	\$1,131.00	\$1,696.50
Asst. Maint./Mechanic	\$158.64	75	\$11,898.00	30	\$4,759.20	\$7,138.80
Maintenance	\$166.48	75	\$12,486.00	30	\$4,994.40	\$7,491.60
Mechanic	\$181.52	75	\$13,614.00	30	\$5,445.60	\$8,168.40
Inclusion Aide	\$123.84	75	\$9,288.00	30	\$3,715.20	\$5,572.80
Average Difference						\$5,168.35

Source: JAGLSD

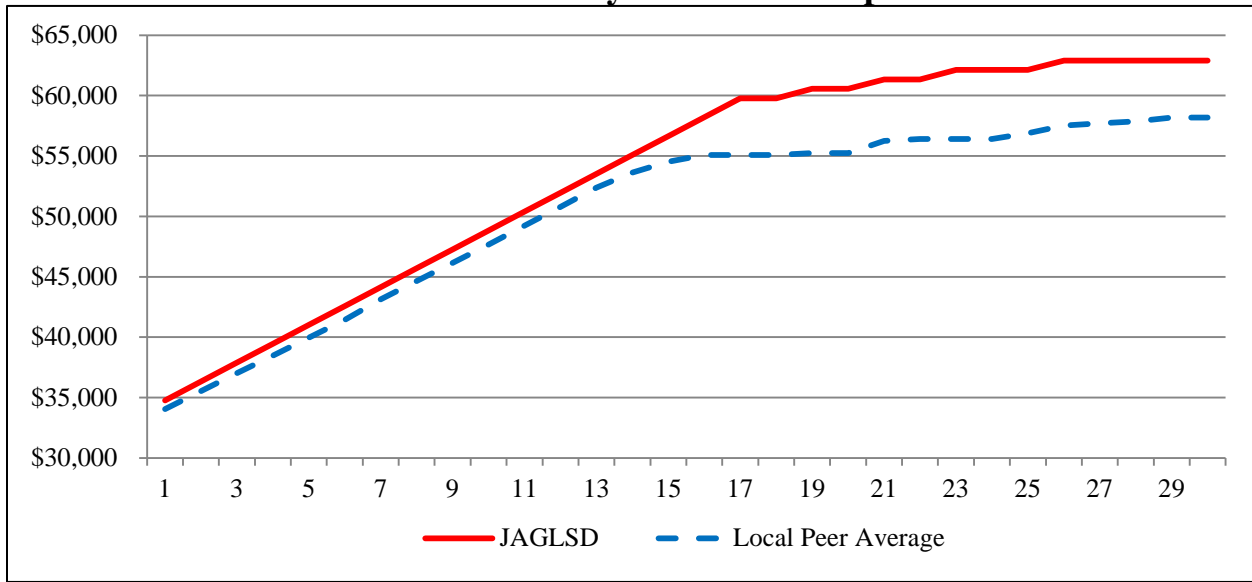
Note: Classified severance payments based on the average daily hours for each job classification.

As shown in **Table B-7**, JAGLSD employees are entitled to receive severance payout for more days at retirement than the ORC minimum. Adjusting payouts to the ORC minimum could decrease the District's future severance liability.

Salaries

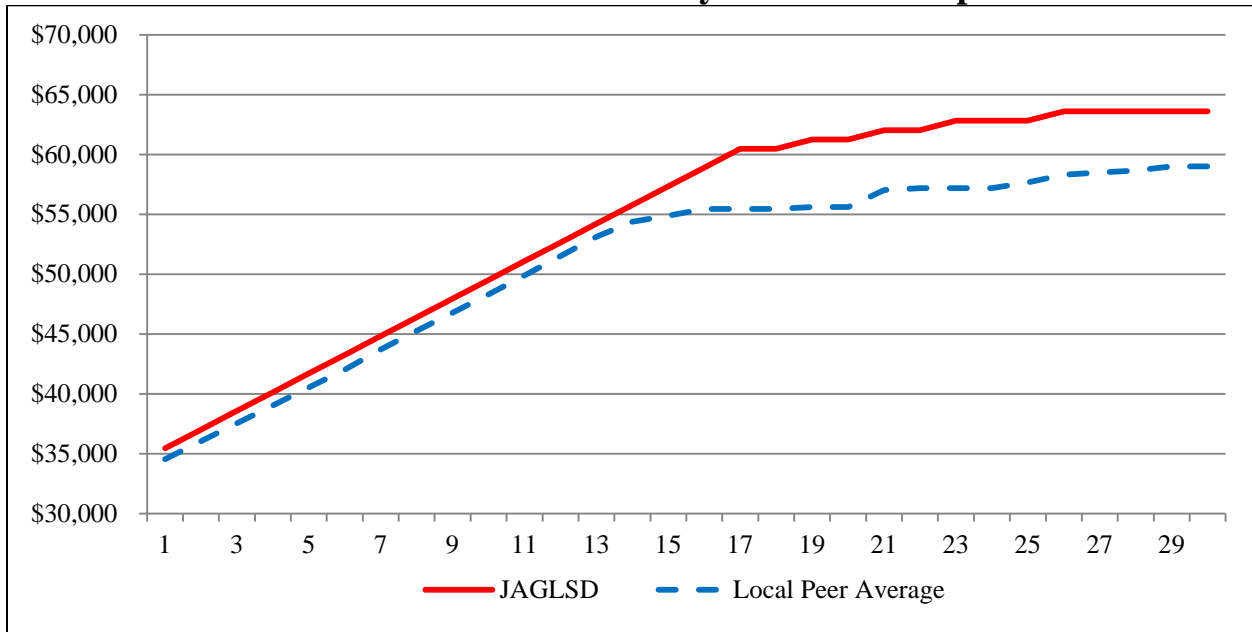
Charts B-1 through **B-10** provide additional context to the analysis shown in **Table 9** by showing comparisons of JAGLSD's certificated and classified salary schedules to the local peer averages for FY 2016-17. It is important to examine the beginning salaries and steps in the pay schedule to identify the cause of the variation relative to the local peer districts.

Chart B-1: BA Salary Schedule Comparison



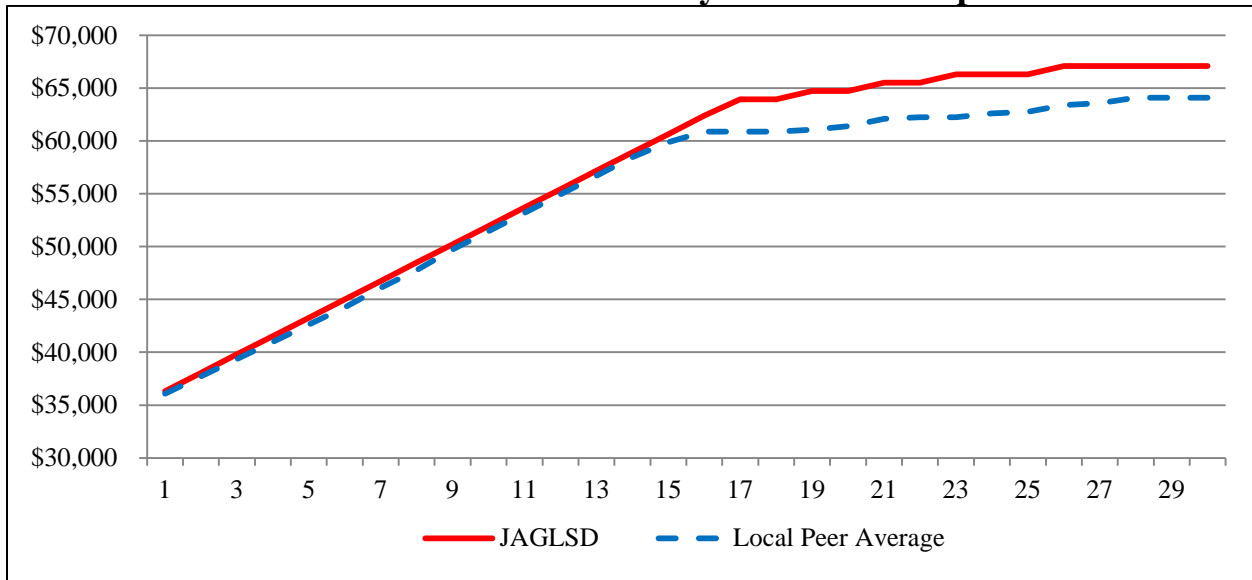
Source: JAGLSD and local peers

Chart B-2: BA + 11 Hours Salary Schedule Comparison



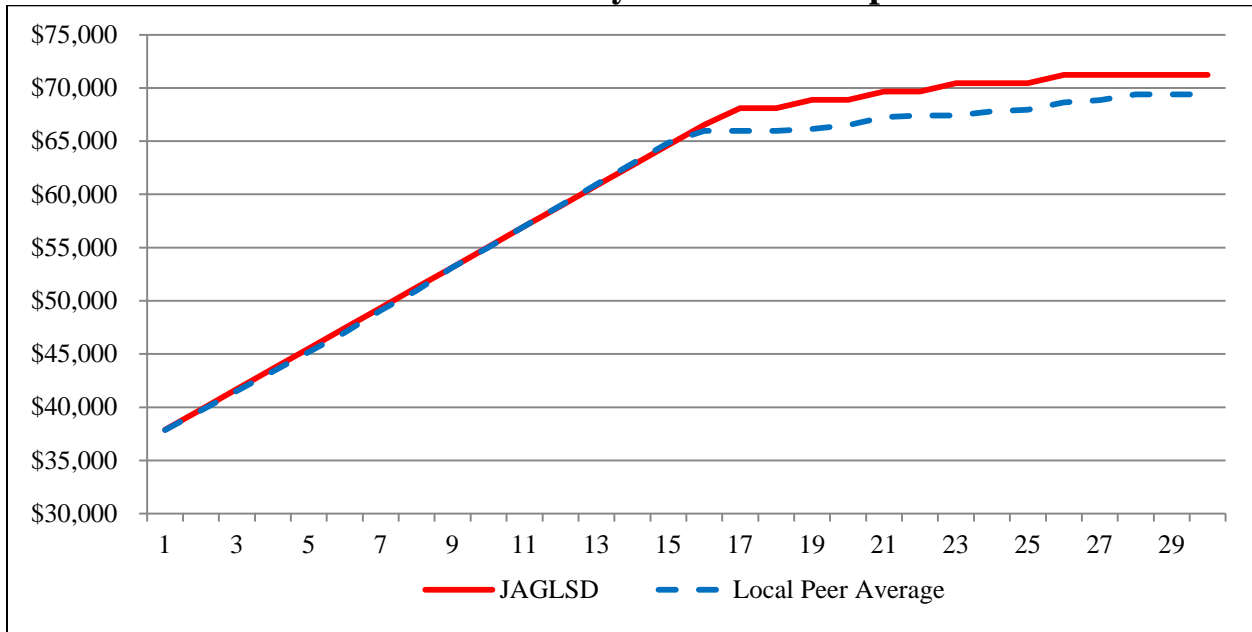
Source: JAGLSD and local peers

Chart B-3: BA + 30 Hours Salary Schedule Comparison



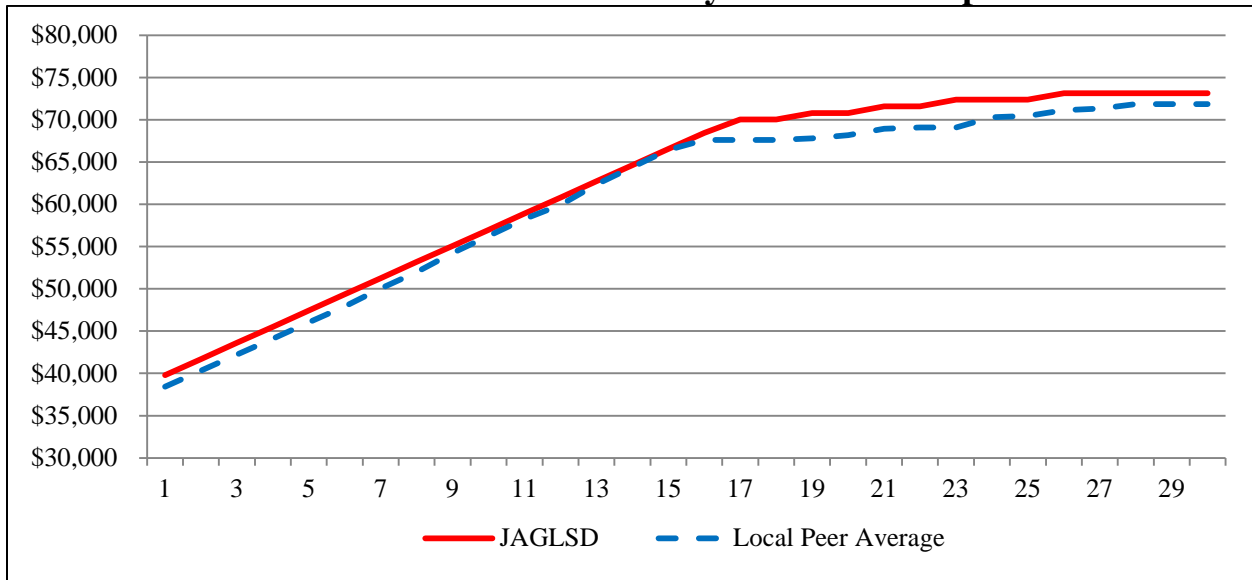
Source: JAGLSD and local peers

Chart B-4: MA Salary Schedule Comparison



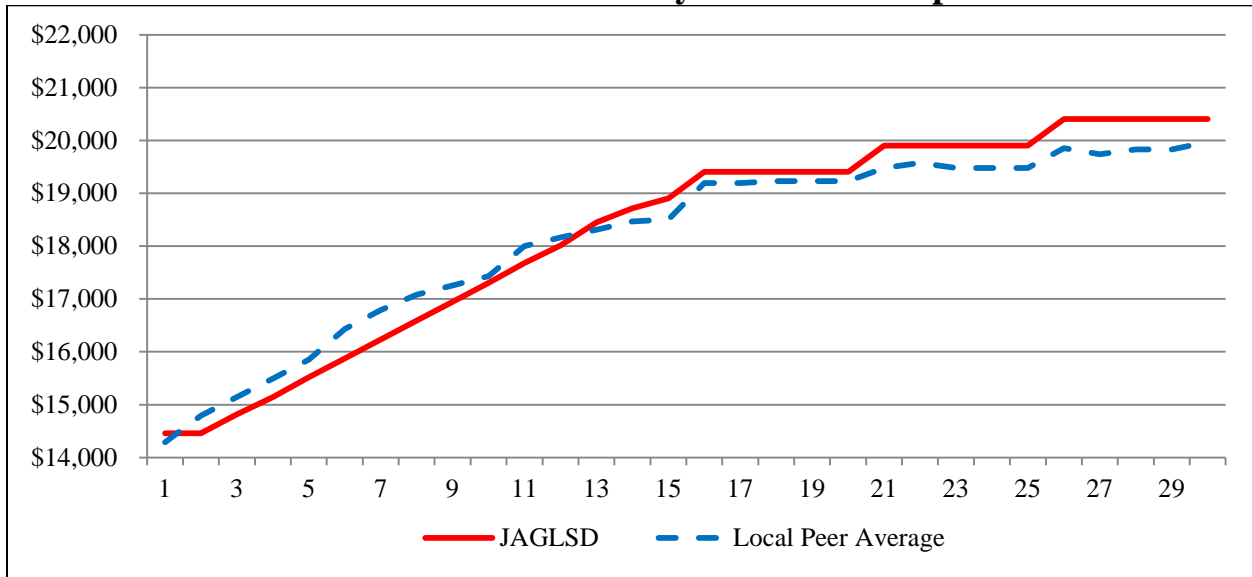
Source: JAGLSD and local peers

Chart B-5: MA + 15 Hours Salary Schedule Comparison



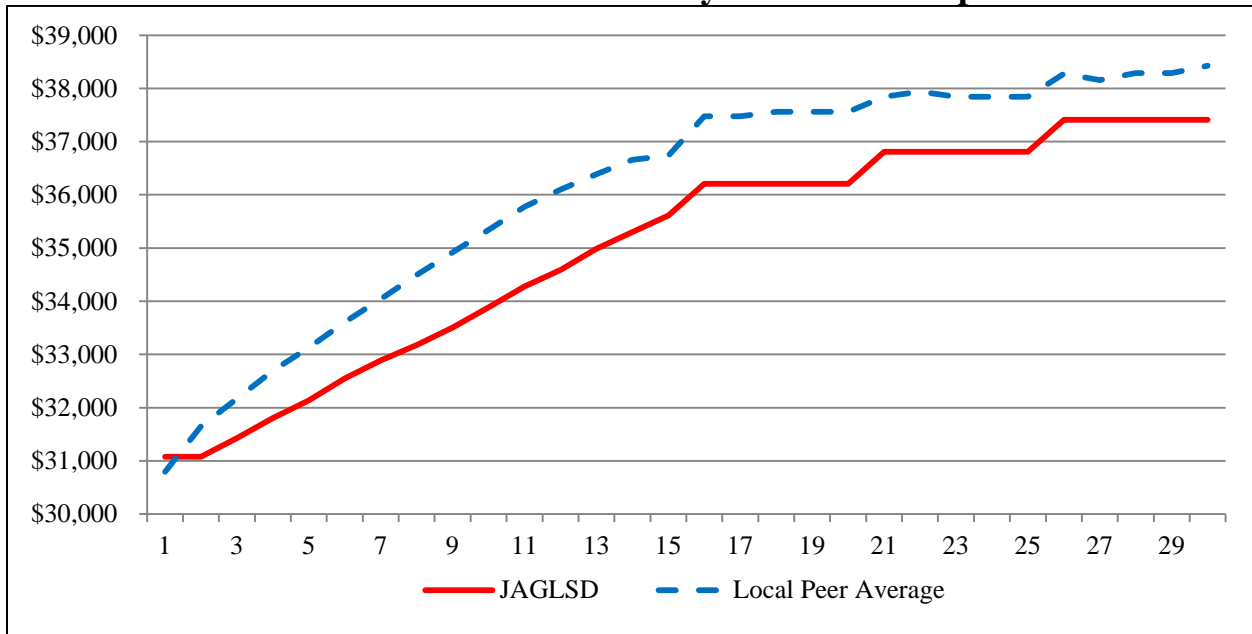
Source: JAGLSD and local peers

Chart B-6: Bus Drivers Salary Schedule Comparison



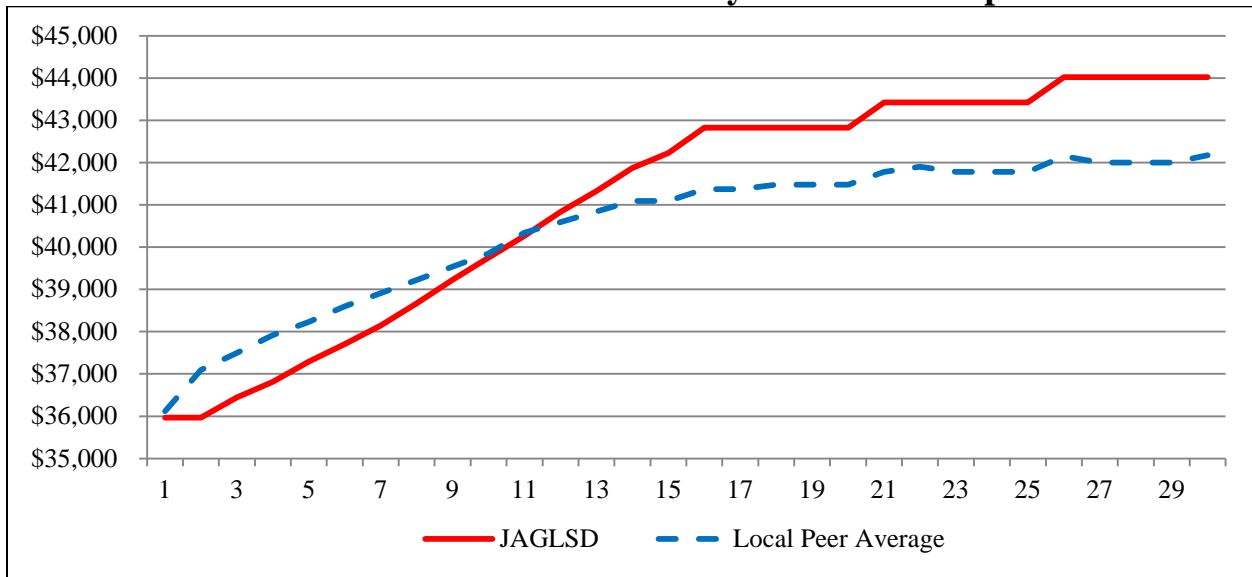
Source: JAGLSD and local peers

Chart B-7: Custodial Staff Salary Schedule Comparison



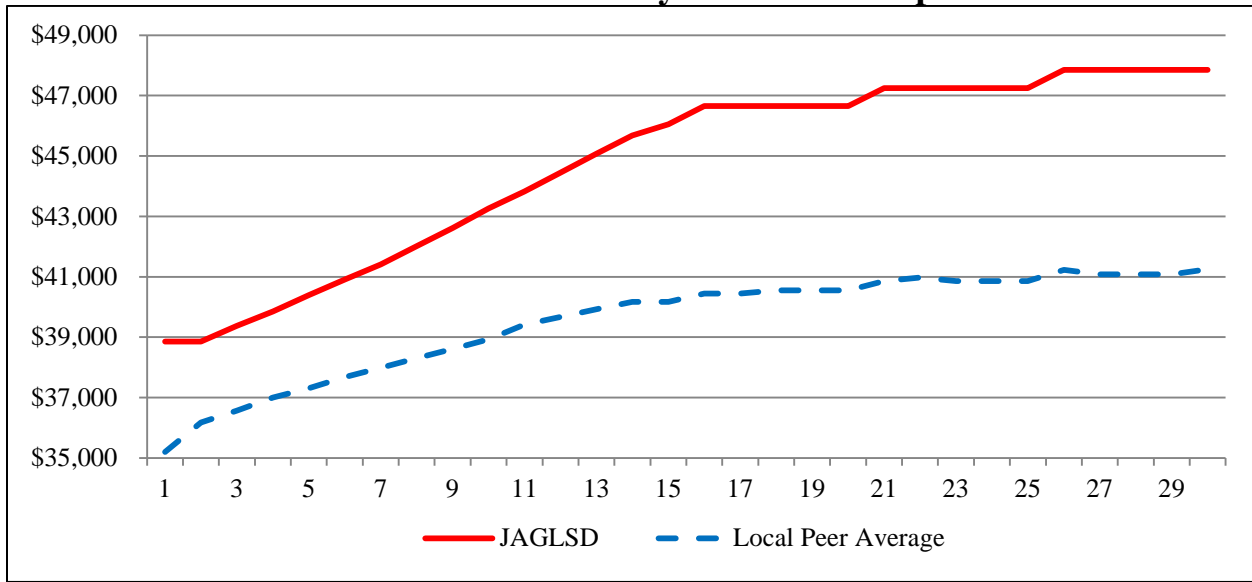
Source: JAGLSD and local peers

Chart B-8: Maintenance Staff Salary Schedule Comparison



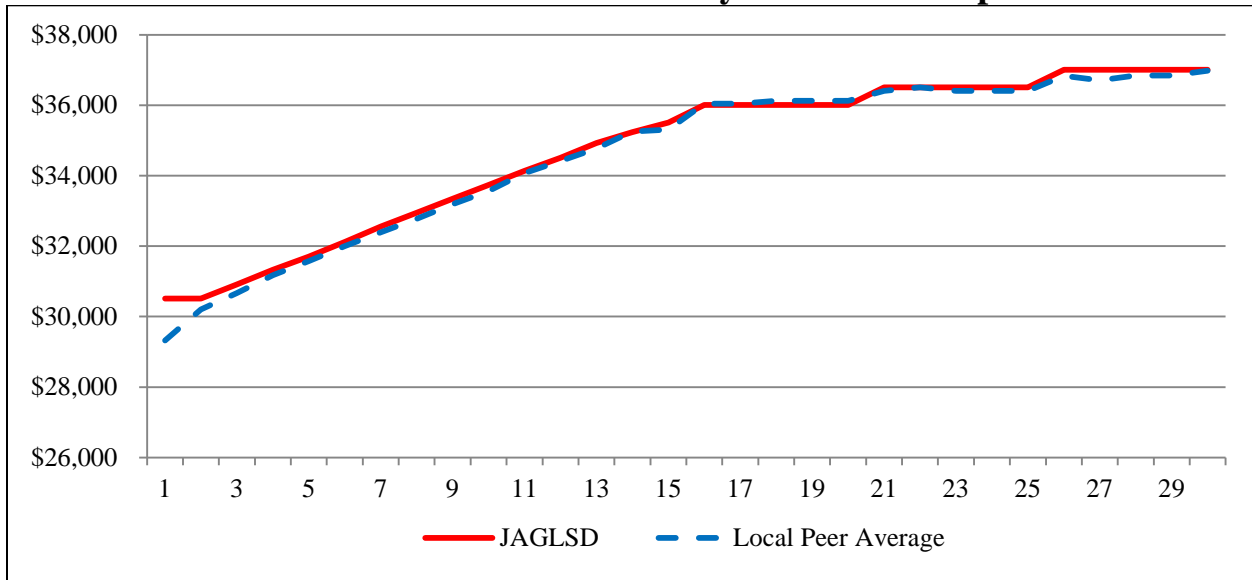
Source: JAGLSD and local peers

Chart B-9: Mechanic Salary Schedule Comparison



Source: JAGLSD and local peers

Chart B-10: Secretarial Staff Salary Schedule Comparison



Source: JAGLSD and local peers

Facilities

Table B-8 shows the District's FY 2016-17 building and grounds staffing compared to industry benchmarks established by the National Center for Educational Statistics²³ (NCES) and American School and University²⁴ (AS&U). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table B-8: Building & Grounds Staffing Comparison

Grounds Staffing	
Grounds FTEs	1.00
Acreage Maintained	27.4
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	0.68
Grounds FTEs Above/(Below) Benchmark	0.32
Custodial Staffing	
Custodial FTEs	9.90
Square Footage Cleaned	193,914
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	6.57
Custodial FTEs Above/(Below) Benchmark	3.33
Maintenance Staffing	
Maintenance FTEs	1.30
Square Footage Maintained	218,550
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.30
Maintenance FTEs Above/(Below) Benchmark	(1.00)
Total Buildings & Grounds Staffing	
Total FTEs Employed	12.20
Total Benchmarked Staffing Need	9.56
Total FTEs Above/(Below) Benchmark	2.64

Source: JAGLSD, AS&U, and NCES

As shown in **Table B-8**, JAGLSD's grounds staffing level is in line with the established staffing benchmarks, custodial staffing is above the benchmark (see **R.5**), and maintenance staffing is below the staffing benchmarks.

Table B-9 shows the District's FY 2015-16 facilities operating costs per square foot compared to the primary peer average. Comparing expenditures per square foot gives an indication of the cost effectiveness of the District's facility operations as it normalizes size variances between districts.

²³ The NCES is the primary federal entity for collecting, analyzing, and reporting data related to education in the US and other nations and publishes a planning guide for maintaining school facilities.

²⁴ The AS&U is a trade organization focused on school facility management which published school facility management related survey data collected during the period 2005 to 2009.

Table B-9: Facilities Expenditures per Square Foot Comparison

	JAGLSD	Peer Average	Difference	% Difference
Salaries and Wages	\$2.44	\$1.97	\$0.47	24.1%
Employee Benefits	\$1.05	\$0.95	\$0.10	10.3%
Purchased Services (Excluding Utilities)	\$0.51	\$0.66	(\$0.15)	(23.4%)
Utilities	\$0.83	\$1.25	(\$0.42)	(33.6%)
Supplies & Materials	\$0.29	\$0.53	(\$0.24)	(44.3%)
Capital Outlay	\$0.06	\$0.13	(\$0.07)	(51.7%)
Other Objects	\$0.14	\$0.00	\$0.14	2,913.7%
Total Expenditures per Square Foot	\$5.32	\$5.49	(\$0.17)	(3.1%)

Source: ODE and primary peers

As shown in **Table B-9**, JAGLSD spent \$0.17, or 3.1 percent, less than the primary peer average for the operations of its facilities. While the other objects classification was substantially higher than the peer average, these expenditures were determined to be the result of JAGLSD coding multiple types of insurance, while the peer districts did not utilize this code. When isolating for property insurance, the significance of the District's expenditures was immaterial at approximately \$8,500.

Appendix C: Five-Year Forecast

Chart C-1 shows the District's May 2017 five-year forecast.

Chart C-1: May 2017 Five-Year Forecast

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	3,712,111	3,655,797	3,739,549	3,709,595	3,650,238	3,714,168	3,414,818	3,066,420
1.020 Tangible Personal Property Tax	340,165	371,921	401,805	456,786	493,684	504,837	495,385	480,769
1.035 Unrestricted Grants-in-Aid	5,923,253	6,245,883	6,457,212	6,364,109	6,394,680	6,394,904	6,261,570	6,261,713
1.040 Restricted Grants-in-Aid	95,217	149,166	120,871	112,003	85,315	83,646	81,996	80,456
1.050 Property Tax Allocation	721,889	724,390	596,160	592,962	600,528	609,850	554,332	491,296
1.060 All Other Operating Revenue	1,570,156	1,523,982	1,884,318	1,995,900	1,874,719	1,882,319	1,946,219	1,993,019
1.070 Total Revenue	12,362,791	12,671,139	13,199,915	13,231,355	13,099,164	13,189,724	12,754,320	12,373,673
2.040 Operating Transfers-In	933,812	940,596		923,700	923,000	923,000	458,000	
2.050 Advances-In	18,320	33,846	981,087	35,000	90,000	52,500	45,000	45,000
2.060 All Other Financial Sources	28,416	46,937	108,536	27,000	3,500	3,500	3,500	
2.070 Total Other Financing Sources	980,548	1,021,379	1,089,623	985,700	1,016,500	979,000	506,500	45,000
2.080 Total Revenues and Other Financing Sources	13,343,339	13,692,518	14,289,538	14,217,055	14,115,664	14,168,724	13,260,820	12,418,673
3.010 Personnel Services	7,132,192	7,136,809	7,003,528	7,352,384	7,705,332	7,773,571	7,814,676	7,891,840
3.020 Employees' Retirement/Insurance Benefits	2,790,875	2,756,576	2,872,452	3,192,672	3,372,855	3,547,193	3,735,545	4,052,878
3.030 Purchased Services	1,831,635	1,908,146	1,930,234	2,242,153	2,354,091	2,396,796	2,457,720	2,522,631
3.040 Supplies and Materials	369,901	328,689	338,549	606,666	465,500	410,500	648,000	420,500
3.050 Capital Outlay	77,258	309,384	57,430	249,947	99,875	130,000	105,000	40,000
4.020 Debt Service: Principal-Notes					100,000	100,000	105,000	105,000
4.060 Debt Service: Interest and Fiscal Charges				5,430	9,870	7,770	5,618	3,413
4.300 Other Objects	196,694	208,490	208,011	202,725	222,134	222,634	224,634	224,634
4.500 Total Expenditures	12,398,555	12,648,094	12,410,204	13,851,977	14,329,657	14,588,464	15,096,193	15,260,896
5.010 Operational Transfers - Out	922,417	915,738		915,000	915,000	915,000	450,000	
5.020 Advances - Out		41,247	963,786	65,000	60,000	52,500	45,000	45,000
5.030 All Other Financing Uses	6,246	2,456						
5.040 Total Other Financing Uses	928,663	959,441	963,786	980,000	975,000	967,500	495,000	45,000
5.050 Total Expenditure and Other Financing Uses	13,327,218	13,607,535	13,373,990	14,831,977	15,304,657	15,555,964	15,591,193	15,305,896
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	16,121	84,983	915,548	(614,922)	(1,188,993)	(1,387,240)	(2,330,373)	(2,887,223)
7.010 Beginning Cash Balance	2,276,369	2,292,490	2,377,473	3,293,021	2,678,099	1,489,106	101,866	(2,228,507)
7.020 Ending Cash Balance	2,292,490	2,377,473	3,293,021	2,678,099	1,489,106	101,866	(2,228,507)	(5,115,730)
8.010 Outstanding Encumbrances	187,561	108,010	101,846	250,000	250,000	250,000	250,000	250,000
9.030 Budget Reserve	50,665	50,665	50,665	50,665	50,665	50,665	50,665	50,665
9.070 Bus Services	47,399	49,571	69,571	89,571		20,000	40,000	60,000
9.080 Total Reservations	98,064	100,236	120,236	140,236	50,665	70,665	90,665	110,665
10.010 Fund Balance June 30 for Certification of Appropriations	2,006,865	2,169,227	3,070,939	2,287,863	1,188,441	(218,799)	(2,569,172)	(5,476,395)
11.020 Property Tax - Renewal or Replacement							440,644	881,237
11.300 Cumulative Balance of Replacement/Renewal Levies							440,644	1,321,881
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	2,006,865	2,169,227	3,070,939	2,287,863	1,188,441	(218,799)	(2,128,528)	(4,154,514)
15.010 Unreserved Fund Balance June 30	2,006,865	2,169,227	3,070,939	2,287,863	1,188,441	(218,799)	(2,128,528)	(4,154,514)

Source: JAGLSD and ODE

Client Response

The letter that follows is the District's official response to the performance audit. Throughout the audit process, staff met with District 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.

James A. Garfield Local Schools

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Ted A. Lysiak, Superintendent

Tracy L. Knauer, Treasurer

Mr. David Yost
Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor of State Yost:

The James A. Garfield Local School District Board of Education and administration would like to thank you for conducting our performance audit. The leadership of the District has reviewed all recommendations from the Audit and will address them as follows:

Recommendation 1, 2 & 3 - Collective bargaining agreements are negotiated through June of 2018. As the contracts expire, administration, while bargaining, will have the opportunity to discuss changes to the CBAs. While it has not been negotiated, the current five-year forecast projects a 0.0 percent base wage increase for staff beginning in FY 2018-2019.

Recommendation 4 & 5 - The District will review staffing levels. In review of clerical staff, the additional positions have allowed the District to reduce the use of educational staff for non-teaching duties. It is a concern that reducing clerical staff would increase high cost certified staffing levels. In regard to custodial staff, the District has a very high standard of cleanliness, is very proud of this standard and wishes to maintain a clean learning environment that exceeds the averages used as a baseline in the audit.

Recommendation 6 - The current agreement with the YMCA expires in December 2018. The administration will have the opportunity to discuss changes to the agreement at that time.

Recommendation 7 - The District takes great pride in offering as many opportunities to our students as possible. It is understood that budget reductions are necessary to remain solvent and will consider modifications to the extracurriculars.

Recommendation 8, 9 & 10 - The administration is working with the transportation department to review routes as well as develop a formal maintenance and replacement plan.

Recommendation 11 - During the course of the audit, the administration has enhanced the financial communication available on the website.

Recommendation 12 & 13 - The district will engage in vision planning for academics, facilities and staffing. The goals will be to create a short-term and long-term strategic plan and tie it to our budget.

The administration of the James A. Garfield Local School District will continue to monitor the District finances and will use this document to make informed decisions in regard to the financial future of the District. Thank you for the time and effort of the Performance Audit team.



Ted Lysiak, Superintendent



Tracy Knauer, Treasurer

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Dave Yost • Auditor of State

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2017**