



Dave Yost • Auditor of State

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# Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Perkins Local School District,

In consultation with the Ohio Department of Education, the Auditor of State's Ohio Performance Team (OPT) conducted a performance audit of the District to provide an independent assessment of operations and management. Functional areas selected for review were identified with input from District administrators and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and 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  
April 18, 2017

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## Table of Contents

Executive Summary .....	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview .....	1
Audit Methodology.....	1
Noteworthy Accomplishments.....	3
Summary of Recommendations .....	5
Background.....	8
Recommendations.....	13
R.1 Improve strategic planning practices.....	13
R.2 Consider eliminating General Fund subsidy of extracurricular activities.....	14
R.3 Eliminate 1.0 FTE administrative position .....	17
R.4 Eliminate an additional 0.75 FTE office/clerical positions.....	19
R.5 Eliminate an additional 0.0 FTE general education teacher positions .....	20
R.6 Eliminate 1.0 FTE ESP teacher position.....	22
R.7 Eliminate an additional 1.5 FTE professional positions .....	23
R.8 Eliminate 2.0 FTE monitor positions .....	25
R.9 Renegotiate collective bargaining agreement provisions.....	26
R.10 Offer one medical and prescription drug plan to all employees .....	28
R.11 Consider closing a school building .....	31
R.12 Implement an energy management program.....	35
R.13 Right-size the active bus fleet .....	36
R.14 Reduce fuel costs through shared services.....	39
R.15 Make additional reductions to address the remaining deficit.....	42
Appendix A: Scope and Objectives .....	44
Appendix B: Additional Comparisons.....	46
Appendix C: Five-Year Forecasts.....	51
Client Response .....	53

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# Executive Summary

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## 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 Perkins Local School District (PLSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve PLSD'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, and Transportation. 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 relatively lower per pupil spending 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. This peer set was selected specifically for transportation operational comparability and included only those 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**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Clark-Shawnee Local School District (Clark County)</li> <li>• East Muskingum Local School District (Muskingum County)</li> <li>• Field Local School District (Portage County)</li> <li>• Jonathan Alder Local School District (Madison County)</li> <li>• Lexington Local School District (Richland County)</li> <li>• Marlinton Local School District (Stark County)</li> <li>• Northwest Local School District (Stark County)</li> <li>• Ross Local School District (Butler County)</li> <li>• Shawnee Local School District (Allen County)</li> <li>• St. Mary’s City School District (Auglaize County)</li> </ul>
<b>Local Peers (Compensation, Benefits, and Bargaining Agreements)</b>
<ul style="list-style-type: none"> <li>• Bellevue City School District (Huron County)</li> <li>• Edison Local School District (Erie County)</li> <li>• Huron City School District (Erie County)</li> <li>• Margaretta Local School District (Erie County)</li> <li>• Monroeville Local School District (Huron County)</li> <li>• Sandusky City School District (Erie County)</li> </ul>
<b>Transportation Peers</b>
<ul style="list-style-type: none"> <li>• Lexington Local School District (Richland County)</li> <li>• Shawnee Local School District (Allen County)</li> <li>• West Geauga Local School District (Gauga County)</li> <li>• Woodridge Local School District (Summit County)</li> </ul>

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), DeJong and Associates, the Government Finance Officers Association (GFOA), the National Clearinghouse for Education Facilities (NCEF), the Ohio Department of Administrative Services (DAS), 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 Perkins Local School District for their cooperation and assistance throughout this audit.

## Noteworthy Accomplishments

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

- **Pay-to-Participate Fees:** The District has proactively sought to offset the cost of extracurricular activities by implementing pay-to-participate fees for its academic-oriented and sports-oriented activities. In comparison, four of the six local peer districts do not have any pay-to-participate fees in place, while the remaining two local peer districts have minimal fees for only a select number of activities.<sup>1</sup>
- **Open Enrollment:** The District realized a net positive impact of \$188,400 for providing education to 495 open enrolled students in fiscal year (FY) 2015-16 (see **Table B-1** in **Appendix B**). This net positive impact was the result of the practice of limiting the number of open enrolled students accepted into the District to mirror the available teacher and classroom capacity otherwise needed to educate the resident student population.
- **Staffing:** The District's FY 2015-16 staffing levels were lower than the peer averages for office/clerical, other educational, and technical staff position categories (see **Table B-2** in **Appendix B**). Staffing levels were also lower for custodial and maintenance operations in comparison to industry benchmarks (see **Table B-6** in **Appendix B**). Although staffing was below benchmarked levels in some areas, recommendations for staffing reductions beyond the respective benchmarks were necessary due to the District's projected deficit financial condition (see **R.3**, **R.4**, **R.8**, and **R.15**). In February of 2017, the District implemented a staffing reduction plan, effective July 1, 2017, that included the elimination of a total of 33.9 full-time employees (FTEs). The comparatively low staffing levels for the aforementioned position categories, coupled with the implementation of a staffing reduction plan, show that the District has been proactive in controlling labor costs, which represented 58.9 percent of total operating expenditures in FY 2015-16.

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<sup>1</sup> Margaretta LSD requires fees for cheerleading camps and uniforms. Monroeville LSD requires a one-time payment of \$25.00 for participation in activities that require transportation, regardless of the number of activities participated in.

- **Compensation:** Salaries for classified employees were significantly lower than the local peer average when projected over the course of a 30-year career; largely the result of a base salary freeze negotiated in June of 2010 (see **Table B-4** in **Appendix B**). While salaries for certificated employees were slightly higher than the local peer average when projected over the course of a 30-year career, the District had negotiated base freezes in the certificated salary schedules in July of 2011 which remain effective through June of 2017 (see **Table B-3** in **Appendix B**). In addition to the base freeze, the District also negotiated a freeze in all pay and steps in July of 2013, effective through July of 2016. The lower classified compensation levels coupled with the certificated base and step freezes show that the District has been proactive in controlling labor costs, which represented 58.9 percent of total operating expenditures in FY 2015-16.

## Summary of Recommendations

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

**Table 2: Summary of Recommendations**

Recommendations		Savings
R.1	Improve strategic planning practices	N/A
R.2	Consider eliminating General Fund subsidy of extracurricular activities	\$249,300
R.3	Eliminate 1.0 FTE administrative position	\$67,000
R.4	Eliminate an additional 0.75 FTE office/clerical positions	\$99,400
R.5	Eliminate an additional 0.0 FTE general education teacher positions	\$438,300
R.6	Eliminate 1.0 FTE ESP teacher position	\$69,100
R.7	Eliminate an additional 1.5 FTE professional positions	\$69,900
R.8	Eliminate 2.0 FTE monitor positions	\$46,500
R.9	Renegotiate collective bargaining agreement provisions	\$56,200
R.10	Offer one medical and prescription drug plan to all employees	\$80,200
R.11	Consider closing a school building	\$201,600
R.12	Implement an energy management program	\$20,700
R.13	Right-size the active bus fleet	\$84,300
R.14	Reduce fuel costs through shared services	N/A
R.15	Make additional reductions to address the remaining deficit	\$246,900
Cost Savings Adjustments <sup>1</sup>		\$9,400
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$1,720,000</b>

<sup>1</sup> FTE reductions identified in R.4 and R.8 would reduce savings identified in R.10. Savings from energy usage reductions identified in R.12 would be reduced as a result of R.11.

It is important to note that these savings are independent of the 33.9 FTE reduction in force that the District has formally implemented during the course of the audit. The specific staffing reductions consist of the following:

- 15.93 FTE non-certificated support staff positions;
- 8.89 FTE general education teacher positions;
- 6.6 FTE all other teachers positions;
- 1.0 FTE professional staff position;
- 0.75 FTE office/clerical staff position; and
- 0.75 FTE operational position.

**Table 3** shows the District's ending fund balances as projected in the October 2016 five-year forecast after accounting for salary freeze adjustments (see **Background**). 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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Original Ending Fund Balance</b>	\$717,611	\$397,926	(\$876,079)	(\$3,282,587)	(\$6,877,095)
<b>Cumulative Balance of Performance Audit Recommendations</b>	N/A	\$1,720,000	\$3,440,000	\$5,160,000	\$6,880,000
<b>Revised Ending Fund Balance</b>	\$717,611	\$2,117,926	\$2,563,921	\$1,877,413	\$2,905

Source: PLSD, ODE, and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2017-18 through FY 2020-21 only.

As shown in **Table 3**, implementing the performance audit recommendations would allow the District to fully address the deficits projected in the final three years of the forecast period.

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.<sup>2</sup>

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).

<sup>2</sup> IDEA Part B does not have a MOE waiver option.

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 PLSD's overall operating cost and staffing levels. However, the appropriateness of the District's special education cost and staffing were not evaluated as a part of this performance audit. Where applicable, special education staffing information is included for informational purposes only. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the general peers.

# Background

On June 30, 2016, PLSD was placed in fiscal caution by the Ohio Department of Education (ODE) due to the existence of deficit conditions. On October 12, 2016, the Auditor of State (AOS), in consultation with ODE, determined that it was appropriate to conduct a performance audit of PLSD. This determination was the result of the District's forecasted financial condition; namely, expenditures outpacing revenue in all five years of the forecast period and the resulting increased growth of negative year-end fund balances from FY 2016-17 through FY 2019-20. **Table 4** shows PLSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balances as projected in the District's May 2016 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions.

**Table 4: PLSD Financial Condition Overview (May 2016)**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Total Revenue	\$22,488,982	\$22,128,250	\$22,228,776	\$22,405,391	\$22,201,526
Total Expenditure	\$22,987,173	\$22,827,203	\$23,744,026	\$24,695,608	\$25,561,048
<b>Results of Operations</b>	<b>(\$498,191)</b>	<b>(\$698,953)</b>	<b>(\$1,515,251)</b>	<b>(\$2,290,217)</b>	<b>(\$3,359,522)</b>
Beginning Cash Balance	\$1,415,190	\$916,999	\$218,046	(\$1,297,205)	(\$3,587,422)
<b>Ending Cash Balance</b>	<b>\$916,999</b>	<b>\$218,046</b>	<b>(\$1,297,205)</b>	<b>(\$3,587,422)</b>	<b>(\$6,946,944)</b>
Outstanding Encumbrances	\$325,250	\$250,000	\$250,000	\$250,000	\$250,000
<b>Ending Fund Balance</b>	<b>\$591,749</b>	<b>(\$31,954)</b>	<b>(\$1,547,205)</b>	<b>(\$3,837,422)</b>	<b>(\$7,196,944)</b>

Source: PLSD and ODE

As shown in **Table 4**, the District's May 2016 five-year forecast projected progressively larger year-end fund balance deficits of approximately \$32,000 in FY 2016-17 and increasing to approximately \$7.1 million in FY 2019-20.

In October 2016, PLSD released an updated financial forecast. While the deficits projected in the May 2016 five-year forecast are pushed back by one year, the severities of the deficits worsen in the October 2016 five-year forecast. **Table 5** summarizes this forecast, showing total revenues, total expenditures, results of operations, beginning and ending cash balances, and year-ending fund balances.

**Table 5: PLSD Financial Condition Overview (October 2016)**

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$22,997,986	\$22,847,560	\$22,512,956	\$22,195,148	\$21,834,858
Total Expenditure	\$23,102,337	\$23,437,712	\$24,066,492	\$24,890,292	\$25,727,403
<b>Results of Operations</b>	<b>(\$104,351)</b>	<b>(\$590,152)</b>	<b>(\$1,553,536)</b>	<b>(\$2,695,144)</b>	<b>(\$3,892,545)</b>
Beginning Cash Balance	\$908,129	\$803,778	\$213,626	(\$1,339,910)	(\$4,035,054)
<b>Ending Cash Balance</b>	<b>\$803,778</b>	<b>\$213,626</b>	<b>(\$1,339,910)</b>	<b>(\$4,035,054)</b>	<b>(\$7,927,599)</b>
Outstanding Encumbrances	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
<b>Ending Fund Balance</b>	<b>\$453,778</b>	<b>(\$136,374)</b>	<b>(\$1,689,910)</b>	<b>(\$4,385,054)</b>	<b>(\$8,277,599)</b>

Source: ODE

As shown in **Table 5**, the District projected progressively larger year-end fund balance deficits of approximately \$136,000 in FY 2017-18 and increasing to approximately \$8.2 million in FY 2019-20. It is important to note that these forecast projections include an annual increase of 2 percent for salaries and wages in each year of the forecast. However, the District had negotiated base freezes in the classified salary schedules in June 2010 and in the certificated salary schedules in July 2011, both of which remain in effect through June 2017 (see **Table B-3** and **Table B-4** in **Appendix B**). In addition to the base freeze, the District also negotiated a freeze in all pay and steps for certificated employees in July 2013, effective through July 2016. **Table 6** shows the effect that updating the October 2016 five-year forecast to account for the absence of this 2 percent annual increase has on total expenditures, results of operations, beginning and ending cash balances, outstanding encumbrances, and year-end fund balances.

**Table 6: PLSD Adjusted Financial Condition Overview (October 2016)**

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$22,997,986	\$22,847,560	\$22,512,956	\$22,195,148	\$21,834,858
Total Expenditure	\$22,838,504	\$23,167,245	\$23,786,961	\$24,601,656	\$25,429,366
<b>Results of Operations</b>	<b>\$159,482</b>	<b>(\$319,685)</b>	<b>(\$1,274,005)</b>	<b>(\$2,406,508)</b>	<b>(\$3,594,508)</b>
Beginning Cash Balance	\$908,129	\$1,067,611	\$747,926	(\$526,079)	(\$2,932,587)
<b>Ending Cash Balance</b>	<b>\$1,067,611</b>	<b>\$747,926</b>	<b>(\$526,079)</b>	<b>(\$2,932,587)</b>	<b>(\$6,527,095)</b>
Outstanding Encumbrances	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
<b>Ending Fund Balance</b>	<b>\$717,611</b>	<b>\$397,926</b>	<b>(\$876,079)</b>	<b>(\$3,282,587)</b>	<b>(\$6,877,095)</b>

Source: PLSD and ODE

As shown in **Table 6**, a 2 percent reduction to personal services expenditures eliminates the expected deficit projected for FY 2017-18 and reduces the severity of deficits projected in the final three years of the forecast period. Though this presents an improved financial condition, the District is still expected to face a cumulative deficit of over \$6.8 million in FY 2020-21.

It is important to note that as an obligation under its fiscal caution designation, the District was required to prepare, approve, and submit a financial recovery plan to ODE. In summary, the financial recovery plan included the following cost saving measures:

- Elimination of the projected 2 percent base pay increase for certificated staff;<sup>3</sup>
- Elimination of the projected 2 percent base pay increase for classified staff;<sup>4</sup>
- Reduction in force of 10 teaching positions;
- Reduction in force of two school nurses; and
- Elimination of a District-wide copier contract.

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<sup>3</sup> The expenditures associated with the projected 2 percent base pay increase included in **Table 5** are not included in **Table 6**, which accounts for the elimination of the projected pay increase.

<sup>4</sup> The expenditures associated with the projected 2 percent base pay increase included in **Table 5** are not included in **Table 6**, which accounts for the elimination of the projected pay increase.



Revenue is not directly controlled by school districts, but instead by federal and State laws, and support from local residents. ODE uses the Local Tax Effort Index to compare means-adjusted taxpayer support between school districts in Ohio. This index reflects the extent of effort the residents of a school district make in supporting public elementary and secondary education in relation to their ability to pay. A local tax effort of 1.0 represents the State-wide average of all school districts. **Table 7** shows the District's local tax effort in comparison to both the primary peers and local peers. This is important for demonstrating the degree to which PLSD's operation is supported by local revenue relative to similar districts.

**Table 7: Local Tax Effort Comparison**

	District Local Tax Effort Index FY 2015-16
<b>Perkins LSD</b>	<b>0.7846</b>
<b>Primary Peers</b>	
Clark-Shawnee LSD, Clark County	0.9931
East Muskingum Local SD, Muskingum County	0.6203
Field Local SD, Portage County	0.7834
Jonathan Alder Local SD, Madison County	1.1038
Lexington Local SD, Richland County	0.9927
Marlington Local SD, Stark County	0.6921
Northwest Local SD, Stark County	1.0261
Ross Local SD, Butler County	0.8290
Shawnee Local SD, Allen County	0.5444
St Mary's City SD, Auglaize County	0.7932
<b>Primary Peer Average</b>	<b>0.8246</b>
<b>Difference</b>	<b>(0.0400)</b>
<b>% Difference</b>	<b>(4.8%)</b>
<b>Local Peers</b>	
Bellevue City SD, Huron County	1.2464
Edison Local SD, Erie County	1.1308
Huron City SD, Erie County	0.9980
Margaretta Local SD, Erie County	1.4234
Monroeville Local SD, Huron County	1.3176
Sandusky City SD, Erie County	2.0139
<b>Local Peer Average</b>	<b>1.3550</b>
<b>Difference</b>	<b>(0.5704)</b>
<b>% Difference</b>	<b>(42.1%)</b>

Source: ODE

As shown in **Table 7**, the District's local tax effort was 0.7846 for FY 2015-16 while the primary peer average was 0.8246, signifying that it receives 4.8 percent less means-adjusted local taxpayer support than the primary peers. In comparison to the local peers, the District's means-adjusted local taxpayer support is 42.1 percent less than the local peer average of 1.3550.

**Table 8** shows the District's levy history from November 2007 through November 2016. This information assists in determining the availability of additional local resources over time.

**Table 8: Local Tax Levy History**

<b>Year-Month</b>	<b>Type of Levy</b>	<b>Tax Rate</b>	<b>Result</b>
<b>2007-November</b>	<b>Permanent Improvements (Renewal)</b>	<b>2.00 mills</b>	<b>Pass</b>
2010-November	Emergency	4.98 mills	Fail
2013-May	Emergency	4.98 mills	Fail
<b>2013-May</b>	<b>Permanent Improvements (Renewal)</b>	<b>2.00 mills</b>	<b>Pass</b>
2013-November	Emergency	6.73 mills	Fail
2014-May	Emergency	3.945 mills	Fail
2016-March	Emergency	5.8 mills	Fail
2016-November	Current Expenses	7.9 mills	Fail

Source: Ohio Secretary of State and Erie County Board of Elections

As shown in **Table 8**, the District had continually failed to pass any new levies since 2007. However, within the same time period, the District had been successful in passing renewal levies for additional permanent improvements.

Eliminating future deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, the District's management, operations, and resulting expenses were examined by OPT in an effort to identify areas of potential cost savings. If the District's revenue increases, it may be able to address projected deficits without making significant reductions to operations.

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# Recommendations

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## R.1 Improve strategic planning practices

As a part of its 2016 annual report, the District developed a formal, comprehensive strategic plan to guide long-term curriculum and programming decisions. The goals and objectives of the strategic plan are as follows:

**“Commitment to Learning-** Maximize academic achievement in a personalized learning environment for every student to graduate college and be career ready.

- Achieve college & career readiness
- Improve academic growth & achievement
- Ensure equitable access to rigor
- Close achievement gaps

**Commitment to Culture-** Redesign our learning environment while maximizing our resources to engage all learners.

- Ensure physical safety, security and accessibility
- Promote social and emotional health
- Celebrate diversity in our schools
- Demonstrate pride to our community

**Commitment to People-** Recruit, empower, retain and reward a premier staff resulting in a strong regional workforce.

- Build capacity through the TBT process
- Invest in professional learning of all staff
- Recruit others aligned with core beliefs
- Create connections with the region

**Commitment to Excellence-** Optimize accountability by strengthening data use, processes and systems to ensure excellence.

- Improve systemic performance
- Use district resources strategically
- Develop data integrity and use
- Measure school performance improvement

**Commitment to Community-** Develop strong partnerships with business, community, and faith leaders based on trust and honest communication that will be timely and accurate.

- Celebrate success
- Communicate progress toward district goals
- Connect with the community
- Demonstrate financial transparency”

While the strategic plan outlines the District's established goals and objectives, they are not linked to the annual budget and/or performance measures.

*Establishment of Strategic Plans* (Government Finance Officers Association (GFOA), 2005) indicates that governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan should establish logical links between spending and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. The GFOA recommends the following steps when developing a strategic plan:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Identify and assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement, and monitor the plan; and
- Reassess the strategic plan annually.

PLSD should improve its strategic planning efforts by linking its stated goals and objectives to financial resources. 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.2 Consider eliminating General Fund subsidy of extracurricular activities**

In FY 2015-16, the District expended \$782,500 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 \$533,200 from receipts for admissions, sales, dues and fees, bookstore sales, and other extracurricular activity. As a result, the District incurred a net cost for student extracurricular activities in FY 2015-16 of \$249,300. In turn, the amount of the net cost of extracurricular activities represents the amount of subsidy from the General Fund.

**Table 9** shows a comparison of the District's FY 2015-16 student extracurricular activity net cost per pupil to the local peer average. This comparison is important for determining whether the District's net cost for student extracurricular activity programs was consistent with similar districts in the region.

**Table 9: Student Extracurricular Activity Net Cost Comparison**

	PLSD			Primary Peer Avg.	Local Peer Avg.
<b>Students</b>	<b>2,167</b>			<b>2,169</b>	<b>1,636</b>
<b>Activity Type</b>	<b>Rev.</b>	<b>Exp.</b>	<b>Net Cost</b>		
Academic Oriented	\$61,344	\$104,688	(\$43,344)	(\$100,976)	(\$6,707)
Occupation Oriented	\$0	\$6	(\$6)	(\$9,373)	(\$18,673)
Sport Oriented	\$173,451	\$637,016	(\$463,565)	(\$432,788)	(\$499,167)
School & Public Service Co-Curricular	\$4,929	\$40,865	(\$35,936)	(\$46,072)	(\$70,693)
Bookstore Sales	\$0	\$0	\$0	\$0	\$45,462
Other Extracurricular	\$23,926	\$0	\$23,926	\$113,383	\$90,925
Non-specified <sup>1</sup>	\$269,583	\$0	\$269,583	\$83,428	\$17,978
<b>Total</b>	<b>\$533,233</b>	<b>\$782,575</b>	<b>(\$249,342)</b>	<b>(\$392,398)</b>	<b>(\$427,461)</b>
<b>Net Cost per Student</b>			<b>(\$115.06)</b>	<b>(\$180.91)</b>	<b>(\$261.28)</b>

Source: PLSD, general peers, and local peers

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

As shown in **Table 9**, the District's student extracurricular activity net cost per pupil was significantly lower than the local peer average largely as a result of its comparatively high pay-to-participate fee structure for both academic and athletic activities (see **Noteworthy Accomplishments**). It is common for school districts in Ohio to subsidize extracurricular costs with General Fund money; however, while the District subsidizes a lower per pupil amount relative to the peers, 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 the forecasted deficit conditions (see **Background**), the District should evaluate all available options to reduce expenditures and/or increase revenue for student extracurricular activities.

In order to eliminate 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 eliminate the General Fund subsidy, allowing more resources to be dedicated to student instruction.

One specific strategy for eliminating the net cost of student extracurricular activities is to follow the pay-to-participate model of Riverside Local School District in Painesville. Riverside LSD

sets its pay-to-participate fees for sports-oriented activities by equally dividing the total cost of each activity by the number of participants. By applying this fee structure to all activity types, the District could eliminate its total net cost for student extracurricular activities. However, before implementing this type of fee structure, the District should consider the relative ability to pay and the financial impact of its students in having to meet any proposed fee increases.<sup>5</sup>

Financial Implication: Reducing expenditures and/or increasing revenue so that the Student Extracurricular Activity Fund is self-sufficient would save the District **\$249,300**, annually.

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<sup>5</sup> The 2013 resident median income for Perkins LSD was \$34,193 while Riverside LSD was \$42,391.

### R.3 Eliminate 1.0 FTE administrative position

According to *ODE EMIS Manual, Staff Employment Record* (ODE, 2015), administrators include personnel who perform management activities, such as developing broad policies for the school district and executing these policies through the direction of staff members at all levels. **Table 10** shows the District's FY 2016-17 administrative staffing per 1,000 students compared to the primary peer average for FY 2015-16. Comparing administrative staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 10: Administrative Staffing Comparison**

	PLSD	Primary Peer Avg.			
Students Educated <sup>1</sup>	2,167	2,176			
Students Educated (Thousands)	2.167	2.176			
Total FTEs with Special Education	14.50	14.49			
Total Special Education FTEs	1.00	1.04			
<b>Total FTEs for Comparison</b>	<b>13.50</b>	<b>13.45</b>			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
Admin. Assistant	1.00	0.46	0.05	0.41	0.89
Assistant, Deputy/Associate Superintendent Assignment	0.00	0.00	0.14	(0.14)	(0.30)
Assist. Principal	2.00	0.92	0.98	(0.06)	(0.13)
Principal	4.00	1.85	2.20	(0.35)	(0.76)
Superintendent	1.00	0.46	0.46	0.00	0.00
Supervising/Managing/Directing	3.00	1.38	0.99	0.39	0.84
Treasurer	1.00	0.46	0.41	0.05	0.11
Coordinator	0.50	0.23	0.77	(0.54)	(1.17)
Education Administrative Specialist	0.00	0.00	0.20	(0.20)	(0.43)
Director	1.00	0.46	0.28	0.18	0.39
ESC Supervisor	0.00	0.00	0.05	(0.05)	(0.11)
Other Official/Administrative	0.00	0.00	0.14	(0.14)	(0.30)
<b>Totals for Comparison</b>	<b>13.50</b>	<b>6.22</b>	<b>6.66</b>	<b>(0.44)</b>	<b>(0.96)</b>

Source: PLSD, ODE, and primary peers

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table 10**, PLSD's total administrative staffing level per 1,000 students was consistent with the primary peer average. Four areas were identified, however, that showed a higher staffing level than the primary peer average: administrative assistant, supervising/managing/directing, treasurer, and director classifications. Due to the District's

financial condition, staffing recommendations were made to achieve the peer staffing ratio for all positions. Accordingly, the primary areas of overstaffing per individual classification were administrative assistant, and supervising/managing/directing. Based on 0.5 FTE increments, PLSD was overstaffed by 1.0 administrative FTE relative to the primary peer average. Although the treasurer and director classifications exceeded the peer averages, they were less than 0.50 FTEs higher and did not yield a recommendation.

Financial Implication: Eliminating 1.0 FTE administrative position could save **\$67,000** in salaries and benefits, annually. This was calculated using salaries for the least tenured administrative assistant and supervising/managing/directing staff, and an average benefits ratio of 34.4 percent.<sup>6</sup> Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

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<sup>6</sup> Calculated using the FY 2015-16 actual personal services expenditures divided by the employee's retirement/insurance benefits expenditures.



**R.4 Eliminate an additional 0.75 FTE office/clerical positions**

*During the course of the audit, the District implemented a reduction of 0.75 FTE office/clerical positions in an effort to proactively reduce FY 2017-18 expenditures.*

Office/clerical personnel are responsible for general office activities or building, department, and/or administrative secretarial duties. **Table 11** shows the District's FY 2016-17 office/clerical staffing compared to the FY 2015-16 primary peer average on a per 1,000 student basis. Comparing office/clerical staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 11: Office/Clerical Staffing Comparison**

	PLSD	Primary Peer Average			
Students Educated <sup>1</sup>	2,167	2,176			
Students Educated (thousands)	2.167	2.176			
Total FTEs with Special Education	12.90	12.95			
Total Special Education FTEs	0.00	0.00			
<b>Total FTEs for Comparison</b>	<b>12.90</b>	<b>12.95</b>			
Original Staffing	Total FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Bookkeeping	2.00	0.92	0.27	0.65	1.41
Clerical	8.65	3.99	6.30	(2.30)	(4.98)
Messenger	0.00	0.00	0.04	(0.04)	(0.09)
Records Managing	1.00	0.46	0.04	0.42	0.91
Other Office/Clerical	1.25	0.58	0.39	0.19	0.41
Attendance Officer	0.00	0.00	0.05	(0.05)	(0.11)
<b>Original Total FTEs for Comparison</b>	<b>12.90</b>	<b>5.95</b>	<b>7.08</b>	<b>(1.13)</b>	<b>(2.45)</b>
Revised Staffing	Total FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
<b>Revised Total FTEs for Comparison</b>	<b>12.15</b>	<b>5.61</b>	<b>7.08</b>	<b>(1.47)</b>	<b>(3.19)</b>

Source: PLSD, ODE, and primary peers

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table 11**, total office/clerical staffing was below the peer average. Due to the District's financial condition, however, staffing recommendations were made to achieve the peer staffing ratio for individual positions. When individually compared on a per 1,000 students basis, the bookkeeping, records managing, and other office/clerical classifications were higher than the

primary peer average. The District would need to reduce a total of 1.0 FTE bookkeeping and 0.5 FTE records managing positions in order to achieve a staffing ratio in line with the primary peer average. Due to the implementation of a reduction of 0.75 FTEs, the District would need to eliminate an additional 0.75 FTEs in order to bring its staffing levels in line with the peer average on an individual staff category basis. Although the other office/clerical classification exceeded the peer average, it was less than 0.50 FTEs higher and did not yield a recommendation.

Financial Implication: Eliminating an additional 0.5 FTE office/clerical positions in conjunction with the 0.75 FTE reduction implemented by the District could save **\$99,400** in salaries and benefits, annually. This was calculated using salaries for the least tenured bookkeeping and records managing staff and an average benefits ratio of 34.4 percent.<sup>7</sup> Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

### **R.5 Eliminate an additional 0.0 FTE general education teacher positions**

*During the course of the audit, the District implemented a reduction of 8.89 FTE general education teacher positions in an effort to proactively reduce FY 2017-18 expenditures. The District's action in eliminating general education teaching positions exceeded the initial recommended level of reduction identified by the performance audit; as such, this recommendation is considered fully implemented.*

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 to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

In order to gauge the appropriateness of staffing levels, an initial comparison was made to the FY 2015-16 primary peer average using the District's FY 2016-17 ratio of students to teachers. In addition to the primary peer comparison, further analysis was warranted based on the projected deficit financial condition (see **Background**). **Table 12** shows PLSD's general education teacher staffing compared to both the primary peer average and State minimum requirements based on the District's FY 2016-17 students to teacher ratio. It is important to compare staffing to both the primary peer average and State minimum requirements to provide a more accurate picture of both relative staffing efficiency and options for the District to evaluate.

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<sup>7</sup> Calculated using the FY 2015-16 actual personal services expenditures divided by the employee's retirement/insurance benefits expenditures.

**Table 12: General Education Staffing Comparison**

Regular Student Population				1,972.50
Original Total FTEs for Comparison				96
	Staffing Ratio by Option (Students :Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction
Option 1: Primary Peer Average	21.5:1	90.6	5.4	5.0
<b>Option 2: 10% Above State Minimum</b>	<b>22.5:1</b>	<b>87.7</b>	<b>8.4</b>	<b>8.0</b>
Option 3: State Minimum	25.0:1	78.9	17.1	17.0
Revised Total FTEs for Comparison				87.1
	Staffing Ratio by Option (Students :Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction
Option 1: Primary Peer Average	21.5:1	90.6	5.4	(3.5)
<b>Option 2: 10% Above State Minimum</b>	<b>22.5:1</b>	<b>87.7</b>	<b>8.4</b>	<b>(0.6)</b>
Option 3: State Minimum	25.0:1	78.9	17.1	8.2

Source: PLSD, ODE, OAC, and primary peers

As shown in **Table 12**, the District's general education teacher staffing level was above both the peer average and the State minimum requirement. The selection of one of the options presented above is ultimately District management's responsibility based on the needs and desires of the stakeholders in the community. All staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. Prior to making any reductions, the District should review staffing in all areas to determine appropriate service levels based on programmatic needs and responsibilities. Although not a common practice in Ohio, the option to reduce general education staffing to State minimum levels may be necessary to maintain financial solvency depending on the extent to which the District implements other recommendations in this audit.

**Financial Implication:** Eliminating an additional 0.0 FTE general education teachers in conjunction with the 8.89 FTE reduction implemented by the District could save **\$438,300** in salaries and benefits, annually. This was calculated using salaries for the least tenured full-time general education teacher staff and an average benefits ratio of 34.4 percent.<sup>8</sup> Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

<sup>8</sup> Calculated using the FY 2015-16 actual personal services expenditures divided by the employee's retirement/insurance benefits expenditures.

**R.6 Eliminate 1.0 FTE ESP teacher position**

Educational Service Personnel (ESP) teacher positions include K-8 art, music, and physical education teachers as well as counselors, librarians and media specialists, school nurses, social workers, and visiting teachers. In FY 2016-17, the District employed 10.4 FTE ESP teachers, which included 3.0 FTE art teachers, 3.7 FTE music teachers, and 3.7 FTE physical education teachers.

Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision effectively eliminated State minimum staffing levels for ESP staffing.

**Table 13** shows the District’s FY 2016-17 ESP staffing per 1,000 students compared to the primary peer average for FY 2015-16. Comparing ESP staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 13: Educational Service Personnel (ESP) Staffing Comparison**

	<b>PLSD</b>	<b>Primary Peer Average</b>	<b>Difference</b>		
Students Educated <sup>1</sup>	2,167	2,176	(10)		
Students Educated (thousands)	2.167	2.176	(0.0010)		
<b>Total FTEs with Special Education</b>	<b>10.41</b>	<b>9.12</b>			
<b>Total Special Education FTEs</b>	<b>0.00</b>	<b>0.00</b>			
<b>Total FTEs for Comparison</b>	<b>10.41</b>	<b>9.12</b>			
	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>Peer FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Total FTEs Above/ (Below) <sup>2</sup></b>
Art Education K-8	3.00	1.38	1.24	0.14	0.30
Music Education K-8	3.67	1.69	1.49	0.20	0.43
Physical Education K-8	3.74	1.73	1.46	0.27	0.58
<b>Total Staff</b>	<b>10.41</b>	<b>4.80</b>	<b>4.19</b>	<b>0.61</b>	<b>1.31</b>

Source: PLSD, ODE, and primary peers

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table 13**, PLSD had a staffing level that was 1.3 FTE ESP teachers higher than the primary peer average.

**Financial Implication:** Eliminating 1.0 FTE ESP teacher position could save **\$69,100** in salaries and benefits, annually. This was calculated using salaries for the least tenured full-time ESP staff

and an average benefits ratio of 34.4.<sup>9</sup> The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

### **R.7 Eliminate an additional 1.5 FTE professional positions**

*During the course of the audit, the District implemented a reduction of 1.0 FTE professional positions in an effort to proactively reduce FY 2017-18 expenditures.*

Professional staff includes library staff, counseling and social workers, nurses, psychologists and therapists, and other professional positions. **Table 14** shows the District's FY 2016-17 professional staffing per 1,000 students compared to the primary peer average for FY 2015-16. Comparing professional staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

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<sup>9</sup> Calculated using the FY 2015-16 actual personal services expenditures divided by the employee's retirement/insurance benefits expenditures.

**Table 14: Professional Staffing Comparison**

	PLSD	Primary Peer Avg.			
Students Educated <sup>1</sup>	2,167	2,176			
Students Educated (Thousands)	2.167	2.176			
Total FTEs with Special Education	18.82	12.56			
Total Special Education FTEs	6.25	2.68			
<b>FY 2016-17 Total FTEs for Comparison</b>	<b>12.57</b>	<b>9.88</b>			
<b>Total Staff After Implemented Reductions</b>	<b>11.57</b>	<b>9.88</b>			
<b>Original Staffing</b>	<b>Total FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Total FTEs Above/ (Below) <sup>2</sup></b>
Library Staff (Librarians & Aides)	3.00	1.38	1.37	0.01	0.02
Counseling & Social Workers	4.87	2.25	1.97	0.28	0.61
Nursing (Registered & Practical)	4.00	1.85	0.50	1.35	2.94
Psychologists & Therapists	0.00	0.00	0.47	(0.47)	(1.02)
Other Professional Positions	0.70	0.32	0.23	0.09	0.20
<b>Original Total FTEs for Comparison</b>	<b>12.57</b>	<b>5.80</b>	<b>4.54</b>	<b>1.26</b>	<b>2.75</b>
<b>Revised Staffing</b>	<b>Total FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Total FTEs Above/ (Below) <sup>2</sup></b>
<b>Revised Total FTEs for Comparison</b>	<b>11.57</b>	<b>5.34</b>	<b>4.54</b>	<b>0.80</b>	<b>1.73</b>

Source: PLSD, ODE, and primary peers

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

As shown in **Table 14**, the District's professional staffing level was 2.75 FTEs above the primary peer average prior to implementing a professional staff reduction of 1.0 FTE. When individually compared on a per 1,000 students basis, the library staff, counseling and social workers, nursing, and other professional positions classifications were higher than the primary peer averages. The District would need to eliminate 2.5 FTE professional positions in order to achieve a staffing ratio in line with the primary peer average. Due to the implementation of a reduction of 1.0 FTE, the District would need to eliminate an additional 1.5 FTEs in order to bring its staffing levels in line with the peer average on an individual staff category basis.

**Financial Implication:** Eliminating an additional 1.5 FTE professional positions in conjunction with the 1.0 FTE reduction implemented by the District could save **\$69,900** in salaries and benefits, annually. This was calculated using salaries for the least tenured professional staff and

an average benefits ratio of 34.4.<sup>10</sup> The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

### **R.8 Eliminate 2.0 FTE monitor positions**

*During the course of the audit, the District implemented a reduction of 15.93 FTE non-certificated support positions in an effort to proactively reduce FY 2017-18 expenditures. The District's action in eliminating non-certificated support positions exceeded the initial recommended level of reduction identified by the performance audit. However, the specific positions eliminated by the District are special education; as such, the staffing reduction implemented by the District does not impact this performance audit recommendation.*

Non-certificated classroom support staff includes teaching aides, paraprofessional instructors, and attendants. **Table 15** compares PLSD's FY 2016-17 non-certificated classroom support staffing per 1,000 students to the primary peer average for FY 2015-16. Comparing non-certificated support staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

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<sup>10</sup> Calculated using the FY 2015-16 actual personal services expenditures divided by the employee's retirement/insurance benefits expenditures.

**Table 15: Non-Certificated Support Staffing Comparison**

	PLSD	Primary Peer Avg.			
Students Educated <sup>1</sup>	2,167	2,176			
Students Educated (Thousands)	2.167	2.176			
Total FTEs with Special Education	40.74	21.59			
Total Special Education FTEs	33.34	8.06			
<b>Total FTEs for Comparison</b>	<b>7.40</b>	<b>13.53</b>			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
Teaching Aides	0.00	0.00	3.28	(3.28)	(7.14)
Instructional Paraprofessionals	0.00	0.00	0.18	(0.18)	(0.39)
Monitors	7.40	3.41	2.28	1.13	2.46
Attendants	0.00	0.00	0.48	(0.48)	(1.04)
<b>Total FTEs for Comparison</b>	<b>7.40</b>	<b>3.41</b>	<b>6.22</b>	<b>(2.81)</b>	<b>(6.11)</b>

Source: PLSD, ODE, and primary peers

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table 15**, total non-certificated support staffing was below the peer average. Due to the District's financial condition, however, staffing recommendations were made to achieve the peer staffing ratio for individual positions. When individually compared on a per 1,000 students basis, the monitors classification was higher than the primary peer average. The District would need to reduce 2.0 FTE monitor positions in order to achieve a staffing ratio in line with the primary peer average.

**Financial Implication:** Eliminating 2.0 FTE monitor positions could save **\$46,500** annually in salaries and benefits. This was calculated using salaries for the least tenured monitor staff and an average benefits ratio of 34.4.<sup>11</sup> The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

## R.9 Renegotiate collective bargaining agreement provisions

The District has negotiated agreements with the Perkins Education Association (certificated CBA) and the Ohio Association of Public School Employees (classified CBA), both of which are effective through June 30, 2017. An analysis of these CBAs identified certain provisions that exceeded State minimum standards as set forth in the ORC and/or provisions in the local peer district contracts.

<sup>11</sup> Calculated using the FY 2015-16 actual personal services expenditures divided by the employee's retirement/insurance benefits expenditures.



### Provisions with Long-term Impact

- **Sick Leave Accumulation and Severance Payout:** Under the certificated CBA, employees are entitled to accumulate up to 220 days of unused sick leave, while under the classified CBA employees are entitled to accumulate up to 215 days. In comparison, the local peers' certificated employees are entitled to an average maximum sick leave accumulation of 256 days and the classified employees are entitled to an average of 249 days.<sup>12</sup> While the District's sick leave accumulation allowances are lower than the local peer averages for both certificated and classified employees, they are higher than what is required by State law. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. Providing accumulation in excess of State minimum levels represents the potential for increased financial liability when sick leave is paid out to retiring employees. PLSD's certificated employees are entitled to maximum severance payouts of 50 days and classified employees are entitled to 48 days, which are lower than the local peer averages but higher than the ORC minimum requirement. On average, the local peer district severance payouts are 70 days for certificated employees and 72.5 days for classified employees, while school employees are entitled to be paid for 30 days (25 percent of 120 days) of unused sick leave at retirement under ORC § 124.39 . Severance payout entitlements in excess of State minimums become costly at employee retirement (see **Table B-5 in Appendix B**).
- **Vacation Accrual:** Under the classified CBA, employees are entitled to annual vacation accrual whereby they earn 555 vacation days over the course of a 30-year career. This exceeded both the local peer average of 528 days and 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, their reduction would increase the number of available work hours at no additional cost to the District.
- **Paid Holidays:** Under the classified CBA, full-time employees that work 2,080 hours per year are entitled to 12 paid holidays, annually, and part-time employees that work less than 2,080 hours per year are entitled to nine paid holidays, annually. These levels were above the local peer averages of 11 paid holidays for full-time employees and eight paid holidays for part-time employees. ORC § 3319.087 states that 11-month and 12-month employees are entitled to a minimum of seven paid holidays, while nine-month and 10-month employees are entitled to six paid holidays. Direct savings from reducing the number of holidays could not be quantified; however, their reduction would increase the number of available work hours at no additional cost to the District.

### Provisions with Immediate Impact

- **Class Size Limits:** The certificated CBA includes a provision that limits class sizes for kindergarten through twelfth grade. The specific class size limits are as follows:

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<sup>12</sup> Average does not include Sandusky CSD, which allows unlimited sick leave accumulation for both certificated and classified employees.

- kindergarten through second grade is limited to a maximum of 25 students per teacher;
- third through fifth grade is limited to a maximum of 26 students per teacher; and
- sixth through twelfth grade is limited to a maximum of 28 students per teacher.

For each student in excess of the limits above, the Board will pay a stipend of \$250 per student, per semester. In comparison, Edison LSD, Huron CSD, and Sandusky CSD provide class limit stipends paid at an average of \$150 per semester, while Bellevue CSD, Margaretta LSD, and Monroeville LSD do not offer a stipend. Additionally, the ORC does not require school districts to pay class limit stipends. Eliminating the class size limit stipend could save the District \$3,800, annually, based on the average amount of stipends paid from FY 2013-14 through FY 2015-16.

- **Tuition Reimbursement:** Under the certificated CBA, employees with less than a master’s degree are entitled to tuition reimbursement of \$2,000 per year, while employees already possessing a master’s degree are entitled to \$1,000 per year for graduate level courses. In comparison, local peer employees are entitled to an average of \$5,360 per employee, per year. While the District’s tuition reimbursement rates are significantly lower than the local peers, the ORC does not require school districts to reimburse tuition. Eliminating this provision could save the District \$26,900, annually, based on the average amount of tuition reimbursement paid from FY 2013-14 through FY 2015-16.
- **Mentor Program:** Under the certificated CBA, employees are entitled to payment for participation in a mentoring program for entry-year teachers. Annual stipend amounts include \$1,000 for associate mentors, \$2,000 for resident educator mentors, and \$2,500 for program coordinators. While Margaretta LSD, Monroeville LSD, and Sandusky CSD have similar programs, participating employees are not entitled to annual stipends by these or the remaining local peer districts. Eliminating this provision could save the District \$25,500, annually, based on the average amount of mentor program stipends paid from FY 2013-14 through FY 2015-16.

**Table 16** shows the total annual financial impact of eliminating stipends for exceeding class limits, tuition reimbursement, and the mentor program. Highlighting these provisions is important because they can have a quantifiable impact on the District’s expenditures and projected deficit.

**Table 16: Financial Impact of Eliminating CBA Stipends**

Stipend	Amount
Class Size Limits	\$3,800
Tuition Reimbursement	\$26,900
Mentor Program	\$25,500
<b>Total</b>	<b>\$56,200</b>

Source: PLSD

**Financial Implication:** As shown in **Table 16**, eliminating the above stipends from future collective bargaining agreements could save the District **\$56,200**, annually.

**R.10 Offer one medical and prescription drug plan to all employees**

The District offers different insurance plans to certificated and classified employees. Both the certificated and classified employees are eligible for medical, prescription drug, and dental insurance, while classified employees are also eligible for vision insurance.

The District's insurance plan costs and employee contributions were compared to the raw data used to create the *24<sup>th</sup> Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employment Relations Board (SERB, 2016). To create this report, SERB surveys public sector entities on various aspects of health insurance benefits.

**Table 17** shows a comparison of the District's certificated and classified medical and prescription drug premiums and employee/employer contributions compared to the average for all reporting entities within Erie County, derived from 2016 SERB data. This comparison is important as insurance costs are recognized as sensitive to local conditions and, where possible, other local or regional plans provide the most realistic benchmarks for relative price competitiveness.

**Table 17: Monthly Medical & Prescription Drug Premium Comparison**

Certificated Staff Single Coverage				
	PLSD	SERB County Average	Difference	% Difference
Employee	\$68.58	\$88.68	(\$20.10)	(22.7%)
Employer	\$554.87	\$559.10	(\$4.23)	(0.8%)
<b>Total Premium</b>	<b>\$623.45</b>	<b>\$647.78</b>	<b>(\$24.33)</b>	<b>(3.8%)</b>
Certificated Staff Family Coverage				
	PLSD	SERB County Average	Difference	% Difference
Employee	\$154.31	\$200.39	(\$46.08)	(23.0%)
Employer	\$1,248.47	\$1,337.60	(\$89.13)	(6.7%)
<b>Total Premium</b>	<b>\$1,402.78</b>	<b>\$1,537.99</b>	<b>(\$135.21)</b>	<b>(8.8%)</b>
Classified Staff Single Coverage				
	PLSD	SERB County Average	Difference	% Difference
Employee	\$93.10	\$88.68	\$4.42	5.0%
Employer	\$623.06	\$559.10	\$63.96	11.4%
<b>Total Premium</b>	<b>\$716.16</b>	<b>\$647.78</b>	<b>\$68.38</b>	<b>10.6%</b>
Classified Staff Family Coverage				
	PLSD	SERB County Average	Difference	% Difference
Employee	\$209.48	\$200.39	\$9.09	4.5%
Employer	\$1,401.87	\$1,337.60	\$64.27	4.8%
<b>Total Premium</b>	<b>\$1,611.35</b>	<b>\$1,537.99</b>	<b>\$73.36</b>	<b>4.8%</b>

Source: PLSD and SERB

As shown in **Table 17**, the premiums for both the single and family plans offered to certificated employees are lower than the SERB county averages. Conversely, the premiums for both the single and family plans offered to classified employees are higher than the SERB county averages. Additionally, the employer contributions toward the total premiums for the classified insurance plans are not cost effective for the District, as it pays 11.4 percent more for the single plan and 4.8 percent more for the family plan compared to the SERB County average employer contribution.

Medical and prescription drug premiums are typically based on plan design. **Table 18** shows the cost effectiveness of each plan based on plan design in comparison to the SERB averages.

**Table 18: Medical Plan Design Comparison**

	Certificated		Classified		SERB (School Districts & ESCs)	
	Single	Family	Single	Family	Single	Family
Deductible	\$500	\$1,000	\$500	\$1,000	52.8% >\$500	50.7% >\$900
Out-of-Pocket Limit	\$1,000	\$2,000	\$500	\$1,000	\$2,000	\$4,000
Co-Insurance	10%/90%		10%/90%		36.2% have 90-99%	
Copay						
Primary Care	\$25		\$20		\$15	
Emergency Room	\$100		\$75		\$50	
Urgent Care	\$40		\$20		\$20	

Source: PLSD and SERB

As shown in **Table 18**, the District's classified plan design is more generous than the certificated plan design. Both the classified and the certificated plans have lower out-of-pocket limits than SERB, but the other plan design elements are in line with SERB averages.

The medical and prescription drug plan offered to certificated employees has lower premiums for both a single and family plan when compared to the SERB county average, and has a plan design in line with SERB averages. The District should eliminate the plan offered to classified employees and offer the certificated plan to all employees. This would bring the District's costs, premiums, and plan design in line with SERB county averages. **Table 19** shows the financial impact of offering the certificated insurance plan to all employees.

**Table 19: Insurance Plan Comparison - Employer Contribution**

	Single Plan	Family Plan
Classified	\$623	\$1,401
Certificated	\$554	\$1,248
Monthly Difference	\$69	\$153
Annual Difference	\$828	\$1,836
Classified Enrollment	26	32
<b>Annual Savings per Plan</b>	<b>\$21,528</b>	<b>\$58,752</b>
<b>Total Combined Annual Savings</b>		<b>\$80,280</b>

Source: PLSD

**Financial Implication:** As shown in **Table 19**, offering the certificated plan to all employees would result in an annual savings to the District of **\$80,200**. It is also important to note that classified employees could potentially realize a collective savings of \$28,800 in premiums and contributions.

### R.11 Consider closing a school building

For the FY 2015-16 school year, PLSD maintained and operated four school buildings: Furry Elementary, Meadowlawn Intermediate, Briar Middle, and Perkins High.

**Table 20** shows a student enrollment projection for PLSD, taking into account three years of historical enrollment by grade level from FY 2013-14 through FY 2015-16 and projecting the next five years, from FY 2016-17 through FY 2020-21. Enrollment trends are particularly

significant to building operations, as declining enrollments often signifies the eventual need for fewer buildings.

**Table 20: PLSD Student Enrollment – Five Year Projections**

Grade	Historical Enrollment			Projected Enrollment				
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>K</b>	203	193	175	186	184	182	180	178
<b>1</b>	155	165	153	142	151	150	148	146
<b>2</b>	160	149	161	150	140	148	147	145
<b>3</b>	161	165	150	166	154	144	152	151
<b>4</b>	165	157	167	151	167	155	144	153
<b>5</b>	182	162	159	169	153	169	157	146
<b>6</b>	172	187	167	165	175	158	175	163
<b>7</b>	176	166	191	167	165	176	159	175
<b>8</b>	175	168	172	195	171	169	180	162
<b>9</b>	198	177	170	174	198	173	171	182
<b>10</b>	199	183	177	164	169	191	168	165
<b>11</b>	205	152	166	163	152	156	177	155
<b>12</b>	183	168	145	153	151	140	144	163
<b>Total</b>	<b>2,334</b>	<b>2,192</b>	<b>2,153</b>	<b>2,147</b>	<b>2,129</b>	<b>2,111</b>	<b>2,101</b>	<b>2,086</b>

Source: PLSD and ODE

Note: A trend analysis is used to project kindergarten enrollment. The cohort survival method, using linear regression, is used to project all other grades. There are many other factors that could impact actual enrollment such as housing starts, planned annexations, open enrollment, charter schools, vouchers, and digital academies.

As shown in **Table 20**, the District has recently experienced a decline in enrollment and is projected to continue to experience a decline in enrollment over at least the next five years, from FY 2016-17 through FY 2020-21.

Utilization percentages signify the number of students educated in each building in relation to capacity. Determining a building's functional capacity, which is necessary to calculate utilization, is based on the methodology outlined in *Defining Capacity* (DeJong and Associates, 1999). DeJong states that functional building capacity for an elementary school is calculated based on the number of available regular education classrooms and an average class size of 25 regular education students.<sup>13</sup> Overcrowding at an elementary school occurs when building enrollment exceeds 100 percent of functional capacity. For middle and high school buildings, functional capacity is calculated by multiplying the number of teaching stations by an average class size of 25 students.<sup>14</sup> Given the necessity to accommodate classroom and academic scheduling needs it is unreasonable to expect every teaching station to be fully utilized 100 percent of the time. DeJong accounts for this by using an 85 percent utilization factor. Middle and high school buildings that exceed 85 percent utilization run the risk of overcrowding.

<sup>13</sup> Special education students and special education classrooms were outside of the scope of this capacity analysis, as they are excluded from the industry standard methodology.

<sup>14</sup> A teaching station is defined as any regularly-sized space where students are educated. For example, gymnasiums, science, art, music, and computer rooms are all considered teaching stations. In contrast, auditoriums, libraries, and cafeterias are not considered teaching stations.

**Table 21** shows PLSD’s summary utilization by building level, as well as in total.<sup>15</sup> Assessing building utilization is important in that buildings represent significant short-term and long-term fixed cost for the District.

**Table 21: Building Level Capacity and Utilization**

Building	Classrooms	Head Count	Capacity	Utilization
Furry Elementary	21	514	550	93.5%
Meadowlawn Intermediate	26	476	650	73.2%
Briar Middle	25	530	625	84.8%
Perkins High <sup>1</sup>	52	658	1,105	59.5%
<b>District Total</b>	<b>124</b>	<b>2,178</b>	<b>2,930</b>	<b>74.3%</b>

Source: PLSD and ODE

<sup>1</sup> Perkins High School was assessed at a utilization rate of 85 percent to account for the fact that not every teaching station will be used 100 percent of the time.

Note: Classrooms used specifically for special education instruction are not included in this table. Therefore, the utilization rates presented have no impact on the space available for special education instruction.

As shown in **Table 21**, PLSD total utilization of 74.3 percent indicates that the District’s buildings are underutilized, likely resulting in the operation of more buildings than necessary to meet student classroom demand. Underutilized buildings, as well as projected declining enrollment, indicate that the District operates more buildings than are necessary to efficiently and effectively provide for student educational needs. As such, unnecessary funds are being allocated to operate buildings that otherwise could be spent in the classroom.

Based on the District’s current enrollment and building capacity it is possible to close a school building.<sup>16</sup> If the District were to eliminate open enrollment, the District would have the option to close either an elementary building or Briar Middle School (see *Open Enrollment* in **Appendix A**). **Table 22** shows building utilization rates if Furry Elementary were to be closed. It is important to note that this specific building is used in the analysis strictly in order to remain conservative with respect to savings estimates, as Furry Elementary has the least amount of square footage and, subsequently, the lowest combined annual expenditure for utilities, purchased services, and supplies and materials among the District’s school buildings. Therefore, closing Furry Elementary would result in the lowest amount of annual savings among the District’s educational facilities. A closure of a building other than Furry Elementary could result in higher annual savings.

<sup>15</sup> Student headcount is as reported to ODE for FY 2015-16.

<sup>16</sup> Closure based on the ability to reconfigure entire grade levels to other buildings.

**Table 22: Building Closure and Revised Utilization**

Building	Capacity
Furry Elementary School	CLOSE
Meadowlawn Intermediate School	650
Briar Middle School	625
Perkins High School	1,105
<b>Total Capacity</b>	<b>2,380</b>
<b>Total Enrollment</b>	<b>2,178</b>
<b>Difference</b>	<b>(202)</b>
<b>Total Utilization</b>	<b>91.5%</b>

Source: PLSD and ODE

As shown in **Table 22**, it is possible to significantly improve building utilization by closing Furry Elementary. This would increase the District's overall building utilization rate to 91.5 percent.

**Table 23** shows annual savings achievable based upon the closing of Furry Elementary. Direct savings resulting from a building closure include administrative staff, office/clerical staff, utilities, and supplies and materials.<sup>17</sup>

**Table 23: Annual Savings from Closing Furry Elementary**

Furry Elementary Closure	Savings
Utilities	\$29,082
Supplies & Materials	\$13,988
Purchased Services	\$11,324
Administrative Staff	\$118,272
Office/Clerical Staff	\$28,971
<b>Total Savings</b>	<b>\$201,637</b>

Source: PLSD

As shown in **Table 23**, the closure of Furry Elementary would result in annual cost savings of more than \$201,000.

Underutilized buildings represent a significant opportunity to reduce expenditures due to the high fixed cost of building operations and staffing. As such, the District should aggressively pursue implementing this recommendation to better ensure long-term financial health. However, how and when to close a building is also a sensitive matter requiring input from multiple stakeholders in order to ensure that the need to be fiscally responsible is coupled with the need to be responsive to community needs.

**Financial Implication:** Closing a school building would allow the District to save at least **\$201,600** annually.

<sup>17</sup> Savings for utilities is based on the National Clearinghouse for Education Facilities (NCEF) benchmark estimate that it requires 40 percent of normal expenditures to maintain a closed school building, as published in *Closing a School Building: A Systematic Approach* (NCEF, 2010).



## R.12 Implement an energy management program

The District does not have a formal energy management policy, plan, or procedures manual that would serve as a guide to help control energy costs. **Table 24** shows the District's FY 2015-16 energy expenditures per square foot in comparison to the primary peer average. It is important to analyze costs per square foot as this serves to provide an effective cost comparison as it is normalized for size differences between comparative districts.

**Table 24: Energy Expenditures per Square Foot Comparison**

Cost Category	PLSD	Primary Peer Average	Difference	% Difference
<b>Total Energy Expenditures</b>	<b>\$0.89</b>	<b>\$1.17</b>	<b>(\$0.28)</b>	<b>(23.9%)</b>
Electric	\$0.68	\$1.00	(\$0.32)	(32.0%)
Gas	\$0.22	\$0.16	\$0.06	37.5%

Source: PLSD, ODE, and primary peers

As shown in **Table 24**, the District's combined energy cost per square foot was \$0.28, or 23.9 percent, lower than the primary peer average. Due to the District's practice of consortium purchasing for natural gas through the Bay Area Gas Consortium, the comparatively high energy expenditures are most likely attributable to high usage levels. In turn, the high energy usage is most likely linked to the absence of a formal energy management program.

*The Energy Star Guidelines for Energy Management* (EPA, 2016) outlines the following steps for an effective energy management plan:

- Make a commitment;
- Assess performance and set goals;
- Create an action plan;
- Implement the action plan;
- Evaluate progress; and
- Recognize achievement.

**Table 25** shows the potential financial implication of implementing a formal energy management program that reduces the level of natural gas usage needed to bring expenditures in line with the primary peer average.

**Table 25: Natural Gas Usage and Expenditure Reduction**

Total Annual Natural Gas Expenditure	\$73,123
Total District Square Footage	345,468
Peer Average Cost Difference per Square Foot	\$0.06
<b>Total Expenditure Cost Difference</b>	<b>\$20,728</b>
<b>Cost Difference as % of Total Natural Gas Expenditure</b>	<b>28.3%</b>
Total Annual Natural Gas Units Used (MCF) <sup>1</sup>	15,691
<b>28.3% Natural Gas Usage Reduction (MCF)</b>	<b>4,440</b>

Source: PLSD and ODE

<sup>1</sup>MCF is an industry standard abbreviation for one thousand cubic feet of natural gas.

**Financial Implication:** As shown in **Table 25**, reducing natural gas expenditures to the primary peer average could result in savings of **\$20,700** based on a proportional reduction in natural gas usage.

### R.13 Right-size the active bus fleet

In FY 2015-16, PLSD transported 1,042 regular needs riders with its regular needs fleet of 17 active buses. In attempting to maximize the efficient utilization of its buses, PLSD had employed routing software, cluster stops, multi-tiered routing, and staggered bell schedules.

**Table 26** shows the total operating cost of the District's transportation service in FY 2015-16 on a per mile basis in comparison to the transportation peer average.<sup>18</sup> This type of assessment is important in gauging the cost-effectiveness of the District's transportation program relative to similar operations. Additionally, analyzing costs on a per mile basis normalizes the effects of the differences in size of each district's transportation program.

### Transportation Cost Effectiveness

**Table 26: Annual Transportation Operating Cost Comparison**

	PLSD	Transportation Peer Average	Difference	% Difference
Total Annual Cost	\$708,491	\$1,403,716	(\$695,225)	(49.5%)
Total Daily Miles <sup>1</sup>	1,388	1,777	(389)	(21.9%)
<b>Cost per Daily Mile</b>	<b>\$510.44</b>	<b>\$789.94</b>	<b>(\$279.50)</b>	<b>(35.3%)</b>
<b>Total Cost Difference <sup>2</sup></b>				<b>(\$387,946)</b>

Source: PLSD, ODE, and transportation peers

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

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

As shown in **Table 26**, the District's annual transportation expenditure on a per daily mile basis was more than 35 percent lower than the peer average. Based on the number of daily miles traveled by the District in FY 2015-16 and the difference in cost per daily mile, PLSD spent \$388,000 less in operating costs than the peers for its transportation service.

### Transportation Operational Efficiency

Despite having significantly lower transportation operating costs than the peers in FY 2015-16, opportunities for increased fleet utilization efficiency was further assessed due to the severity of the forecasted deficit conditions (see **Background**). **Table 27a**, **Table 27b**, and **Table 27c** show how PLSD's active bus fleet utilization for FY 2015-16 compared to benchmark data published in *Hidden Savings in Your Bus Budget* (AASA, September 2006) based on varying transportation

<sup>18</sup> 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.

service offering options.<sup>19</sup> These utilization comparisons are important in that they illustrate the varying fleet size needs based on potential changes to transportation policies.

**Table 27a** shows the District's bus utilization compared to the AASA benchmark based on its FY 2016-17 ridership.

**Table 27a: Bus Utilization Comparison- Current Ridership**

Total Number of Active Buses	16
Total Active Fleet Benchmark Capacity	1,656.7
Actual Riders	911
Average Actual Riders per Bus	56.9
Benchmark Capacity per Bus	103.5
<b>Difference</b>	<b>(46.6)</b>
<b>Buses Needed to Achieve Benchmark <sup>1</sup></b>	<b>9</b>
<b>Buses Over/(Under) Benchmark</b>	<b>7</b>

Source: PLSD and AASA

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

As shown in **Table 27a**, the District's current utilization rate is well 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 seven buses from its active fleet.

**Table 27b** shows the District's bus utilization compared to the AASA benchmark based on the elimination of transportation services for high school students.<sup>20</sup>

**Table 27b: Bus Utilization Comparison- No High School**

Total Number of Active Buses	16
Total Active Fleet Benchmark Capacity	1,704.3
Actual Riders	823
Average Actual Riders per Bus	51.4
Benchmark Capacity per Bus	106.5
<b>Difference</b>	<b>(55.1)</b>
<b>Buses Needed to Achieve Benchmark <sup>1</sup></b>	<b>8</b>
<b>Buses Over/(Under) Benchmark</b>	<b>8</b>

Source: PLSD and AASA

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

<sup>19</sup> PLSD ridership is based on the highest ridership route for each bus in order to effectively capture maximum capacity needs.

<sup>20</sup> ORC § 3327.01 states that Ohio school districts are not required to transport high school students.

As shown in **Table 27b**, the District's utilization rate without high school ridership would be well below the AASA benchmark. Accordingly, if the District opted not to provide transportation for high school students, it could achieve the benchmark utilization rate by eliminating eight buses from its active fleet.

**Table 27c** shows the District's bus utilization compared to the AASA benchmark based on State minimum transportation service requirements.<sup>21</sup>

**Table 27c: Bus Utilization Comparison- State Minimum**

Total Number of Active Buses	16
Total Active Fleet Benchmark Capacity	1,656.7
Actual Riders	401
Average Actual Riders per Bus	25.1
Benchmark Capacity per Bus	103.5
<b>Difference</b>	<b>(78.4)</b>
<b>Buses Needed to Achieve Benchmark<sup>1</sup></b>	<b>4</b>
<b>Buses Over/(Under) Benchmark</b>	<b>12</b>

Source: PLSD and AASA

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

As shown in **Table 27c**, the District's utilization rate at a State minimum ridership level would be the furthest below the AASA benchmark among the options presented. Accordingly, if the District were to opt to reduce its transportation service to a State minimum level, it could achieve the benchmark utilization rate by eliminating 12 buses from its active fleet.

While there are costs associated with providing the transportation service, the District does receive State transportation funding on a per rider basis. Specifically, PLSD received \$462.54 per rider in FY 2015-16. **Table 28** shows the varying financial impacts of implementing the bus reduction options, as presented above in **Tables 27a** through **27c**, based on both cost and revenue reductions associated with reduced ridership.

**Table 28: Bus Reduction Financial Impact Comparison**

	Current Ridership	No High School	State Minimum
<b>No. Buses Reduced at Benchmark</b>	<b>7</b>	<b>8</b>	<b>12</b>
Sum of Lowest Salaries	\$62,742.24	\$71,965.08	\$116,233.44
Benefits	\$21,583.33	\$24,755.99	\$39,984.30
<b>Total Cost Reduction</b>	<b>\$84,325.57</b>	<b>\$96,721.07</b>	<b>\$156,217.74</b>
Total Reduction in Ridership	N/A	88	510
State Revenue per Rider	N/A	\$462.54	\$462.54
<b>Total Reduction in State Revenue</b>	<b>N/A</b>	<b>\$40,703.52</b>	<b>\$235,895.40</b>
<b>Net Savings</b>	<b>\$84,325.57</b>	<b>\$56,017.55</b>	<b>(\$79,677.66)</b>

Source: PLSD and ODE

<sup>21</sup> ORC 3327.01 states that Ohio school districts are not required to transport high school students or any student that resides within two miles of their assigned school building.

As shown in **Table 28**, optimal financial benefit is achieved under the current ridership model. If the District were to continue to transport its current number of riders using a reduced number of buses based on benchmark capacity, it could save \$84,300, annually.

**Financial Implication:** Given the severity of the District's financial deficit condition, PLSD should right-size its active fleet by eliminating seven buses. Doing so could result in annual savings of **\$84,300**.

#### **R.14 Reduce fuel costs through shared services**

The District did not participate in a cooperative purchasing program for fuel in FY 2015-16, largely due to its lack of on-site storage tanks. Instead, the District purchased fuel using a private vendor that arranges for discounted pricing through a network of participating fueling stations. **Table 29** compares the District's FY 2015-16 total fuel cost to the DAS Cooperative Purchasing Program (CPP). This comparison provides insight into what the District paid for fuel and what it could have paid had it had the option to purchase through the CPP.

**Table 29: Annual Fuel Cost Comparison**

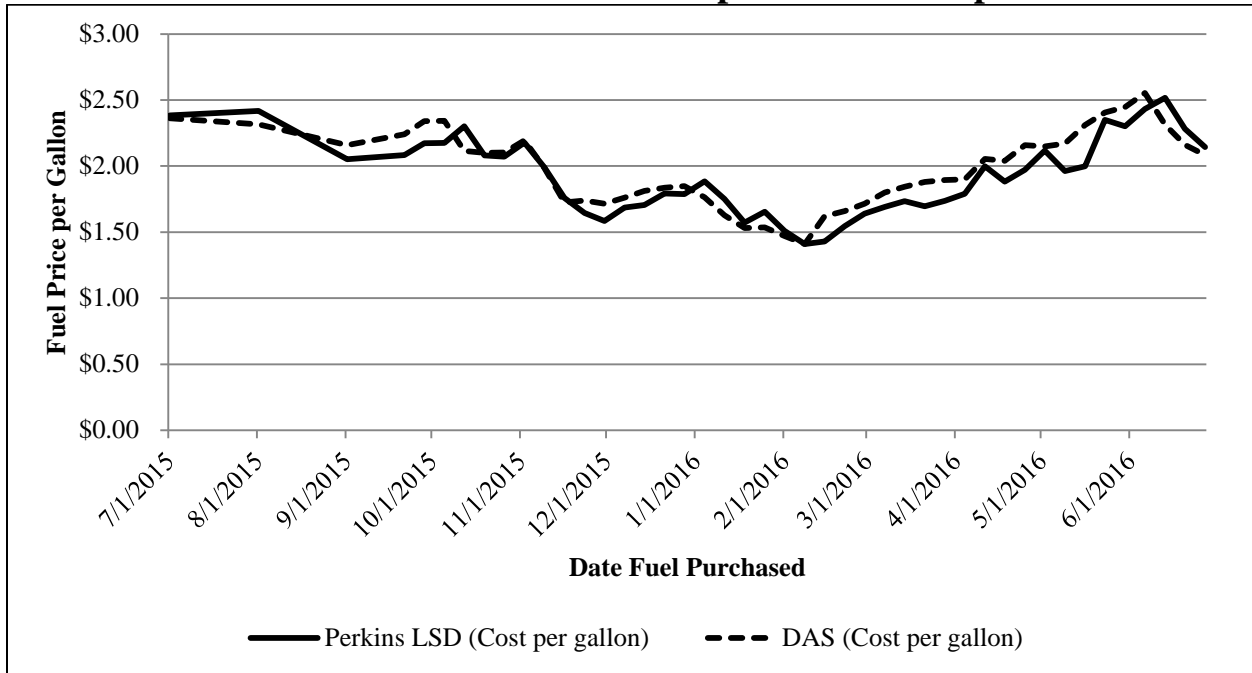
	<b>PLSD</b>	<b>DAS</b>	<b>Difference</b>	<b>% Difference</b>
Gasoline	\$14,107	\$14,397	(\$290)	(2.0%)
Diesel	\$77,908	\$64,484	\$13,424	20.8%
Other Charges	\$4,684	\$100	\$4,584	4,584%
<b>Total</b>	<b>\$96,699</b>	<b>\$78,981</b>	<b>\$17,718</b>	<b>22.4%</b>

Source: PLSD and DAS

As shown in **Table 29**, the District spent more on fuel compared to what it could have paid using the DAS CPP.

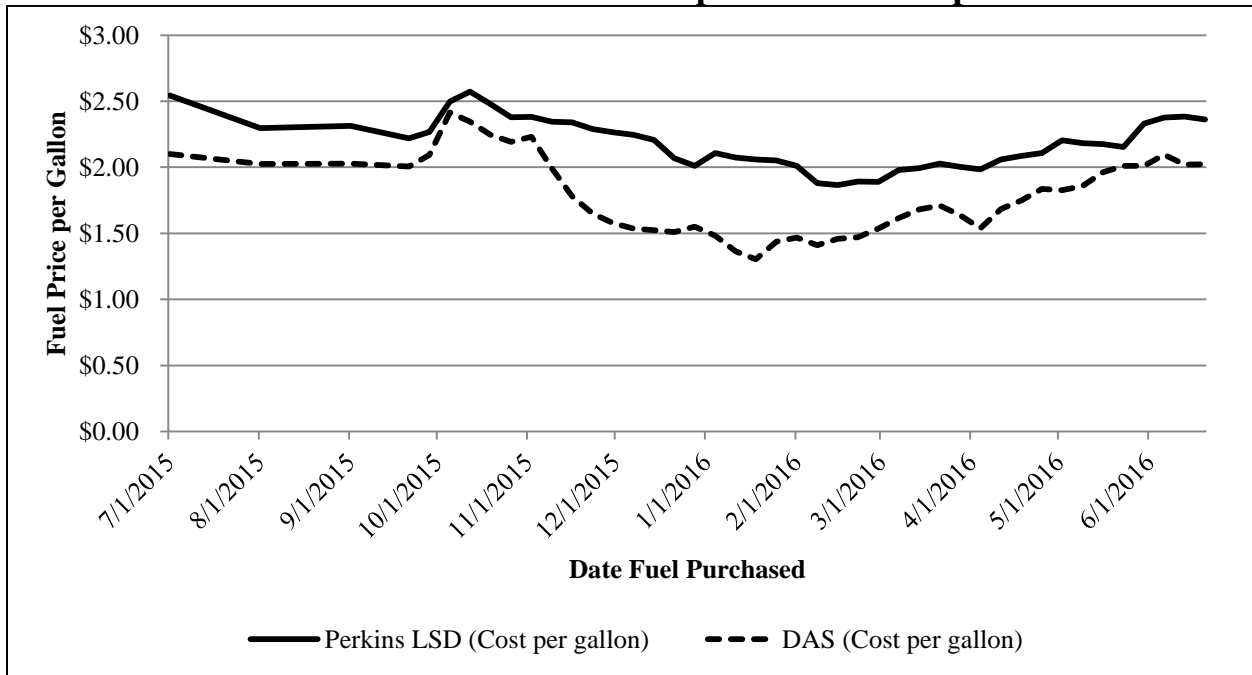
**Chart 1** and **Chart 2** show how the pricing obtained by the District for gasoline and diesel fuel, respectively, over the course of FY 2015-16 compared to the pricing offered through the DAS CPP on corresponding dates of purchase. This is important as it provides further detail regarding what the District paid for fuel and what it could have paid had it had the option to purchase through the CPP.

**Chart 1: DAS Gasoline Fuel Price per Gallon Comparison**



Source: PLSD and DAS

**Chart 2: DAS Diesel Fuel Price per Gallon Comparison**



Source: PLSD and DAS

While gasoline purchases were in alignment with CPP prices, diesel costs and other charges were significantly higher. ORC § 125.04(C) states, "A [school district] may purchase supplies or services from another party, including a political subdivision, instead of through participation in contracts described in division (B) of this section if the [school district] can purchase those supplies or services from the other party upon equivalent terms, conditions, and specifications but at a lower price than it can through those contracts."

Due to its lack of on-site storage tanks for fuel, the District was unable to take advantage of the DAS cooperative purchasing program. However, the District should seek shared service opportunities with nearby entities that are able to purchase fuel at a lower cost. For instance, both Perkins Township and the Erie County Engineer’s Office have fuel storage tanks in place, and the Erie County Engineer’s Office was already procuring its fuel from DAS in 2017.

### **R.15 Make additional reductions to address the remaining deficit**

Even after implementing all preceding recommendations, and independent of PLSD's financial recovery plan and subsequent cost saving actions taken during the course of the audit, the District is still projecting a cumulative forecast deficit of \$984,700, or \$246,900 annually.

The District has various options to fully address the deficit, including those that have been implemented and/or planned to be implemented. However, to address the long-term deficit, the District will need to consider additional cost savings measures, including those that would bring staffing levels even further below peer average ratios. 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 two options represent choices that the District could make to address the remaining \$984,700 deficit over the forecast period. Either of the following options, or a combination of both, would be sufficient to eliminate the deficit.

- **Eliminate an additional 3.5 FTE education service personnel (ESP) positions:** Although reducing 1.0 ESP FTE would bring the District's staffing in line with the primary peer average as recommended in **R.6**, the power to define the desired level of ESP staff that was once prescribed by OAC 3301-35-05 now lies with the District; effectively allowing the District further flexibility to reduce ESP staff. This change to the OAC has eliminated State minimum staffing levels, more commonly referred to as the rule "5 of 8". Districts are now only required to employ education service personnel to enhance the learning opportunities for their students. Based on the District's remaining deficit, eliminating 3.5 FTE ESP positions, in addition to the staffing reduction recommended in **R.6**, could save **\$277,600** in salaries and benefits annually. This savings was calculated using the least tenured ESP salaries and an average benefits ratio of 34.4 percent.<sup>22</sup> The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-tenured staff.
- **Implement a 9.0 percent across-the-board staff reduction:** While **Table B-2** (see **Appendix B**) shows a high-level view of PLSD's staffing on a per 1,000 student basis as compared to the primary peer average, and **R.3**, **R.4**, **R.6**, **R.7**, and **R.8** address targeted reductions based on financial needs and/or bringing staffing in line with the primary peer average, the District could make an additional 9.0 percent across-the-board staffing reduction to generate enough savings to offset the remaining deficit. **Table 30** 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. It is important to note that for each classification, reductions are recommended based on staffing values rounded to the next lowest 0.50 FTE increment, with 0.50 FTE being the minimum threshold for a reduction, as the District may find it difficult to reduce and/or subsequently employ less than a part-time employee.

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<sup>13</sup> Calculated using the District's actual FY 2015-16 personnel services expenditures divided by the employees' retirement/insurance benefits expenditures.



**Table 30: Additional Staffing Reduction**

<b>Classification</b>	<b>Revised Total FTEs<sup>1</sup></b>	<b>9.0% Reduction</b>	<b>Rounded FTEs Reduction</b>	<b>Savings</b>
Administrative	12.50	1.13	1.00	\$69,900
Office/Clerical	11.40	1.03	1.00	\$64,400
Education Service Personnel	10.31	0.93	0.50	\$31,300
All Other Teachers	26.31	2.37	2.00	\$97,500
Other Educational	5.86	0.53	0.50	\$5,600
Professional	10.07	0.91	0.50	\$8,100
Non-Certificated Support	5.40	0.49	0.00	\$900
<b>Total</b>	<b>81.85</b>	<b>N/A</b>	<b>5.50</b>	<b>\$283,300</b>

Source: PLSD, ODE, and primary peers

<sup>1</sup> Reflects the amount of available staffing, non-inclusive of special education personnel, after initial reductions would be made as recommended earlier in the report.

As shown in **Table 32**, an across-the-board staffing reduction of 9.0 percent would equal an additional 5.5 FTE employees. Based on the District's remaining deficit, eliminating 5.5 FTE positions could save **\$268,700** in salaries and benefits, annually. This savings was calculated using the least tenured employees remaining after position reductions identified in **R.3, R.4, R.6, R.7, and R.8**. The estimated savings could increase if the reductions occur through retirement or voluntary separation of higher-tenured staff.

**Financial Implication:** Eliminating 3.5 FTE ESP positions could save \$277,600 in salaries and benefits, annually, while implementing a 9.0 percent across-the-board staffing reduction could save \$268,700 in salaries and benefits, annually. The District can choose either option or a combination of both in addressing the remaining annual savings need of **\$246,900**.

## Appendix A: Scope and Objectives

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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 the Department and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, and Transportation. 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. Five of the 14 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**

<b>Objective</b>	<b>Recommendation</b>
<b>Financial Management</b>	
Are strategic planning practices consistent with leading practices?	<b>R.1</b>
Are extracurricular activities revenues and expenditures balanced and are expenditures appropriate based on the financial condition?	<b>R.2</b>
Are the open enrollment policies and practices resulting in optimal financial benefit, and if not, what opportunities exist to optimize the financial benefit of open enrollment?	<b>N/A</b>
Are purchasing practices comparable to leading practices and appropriate based on the District's financial condition?	<b>N/A</b>
<b>Human Resources</b>	
Are staffing levels comparable to peers and OAC/State minimums, where applicable, and are they appropriate based on the financial condition?	<b>R.3, R.4, R.5, R.6, R.7, R.8, and R.15</b>
Are salaries comparable to regional peers and are they appropriate based on the financial condition?	<b>N/A</b>
Are collective bargaining agreement provisions consistent with leading practices and are they appropriate based on the financial condition?	<b>R.9</b>
Are insurance benefits consistent with leading practices and are they appropriate based on the financial condition?	<b>R.10</b>
<b>Facilities</b>	
Is building utilization to levels consistent with leading practices and appropriate based on the financial condition?	<b>R.11</b>
Are staffing levels comparable to industry benchmarks, and are they appropriate based on the financial condition?	<b>N/A</b>
Is energy usage for the operation of facilities efficient compared to the peers and/or industry benchmarks and appropriate based on the District's financial condition?	<b>R.12</b>
<b>Transportation</b>	
Are T-form procedures consistent with leading practices?	<b>N/A</b>
Is the transportation program appropriately sized and cost-effective and is the level of expenditure appropriate based on the District's financial condition?	<b>R.13</b>
Is fuel purchased efficiently and cost effectively compared to available options?	<b>R.14</b>

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: Costs and Revenue Attributed to Open Enrollment**

Total Students		2,167
Open Enrollment Students		495
Percentage of Open Enrollment Students		22.8%
Expenditure Type		
Expenditure Type	Total Cost	Open Enrollment Cost
Regular Instruction	\$10,391,947	\$2,308,693
Special Instruction <sup>1</sup>	\$3,340,220	\$463,044
Support Services Pupils	\$1,419,832	\$123,190
Support Services Instructional Staff	\$1,929,126	\$2,842
Support Services Administrative	\$1,580,834	\$14,109
Operation and Maintenance of Plant Services	\$1,679,430	\$40,371
Support Services Pupil Transportation	\$708,491	\$152,105
Support Services Central	\$223,125	\$6,150
Extracurricular Activities <sup>2</sup>	\$782,574	\$81,276
<b>Total Expenditures</b>	<b>\$22,055,579</b>	<b>\$3,191,781</b>
<b>Open Enrollment Revenue</b>		<b>\$3,380,230</b>
<b>Net Revenue/(Loss)</b>		<b>\$188,449</b>

Source: PLSD and ODE

<sup>1</sup> Open enrollment special education students account for approximately 20 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.

<sup>2</sup> Open enrollment cost is based on the District's net cost of \$249,341 for extracurricular activities multiplied by the percentage of open enrollment students.

As shown in **Table B-1**, PLSD's net gain for educating open enrollment students was \$188,400 in FY 2015-16.

## Staffing

**Table B-2** shows full-time equivalent (FTE) staffing levels per 1,000 students at the District compared to the primary peer district average. Peer data was from FY 2015-16 as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to the District's EMIS data to reflect accurate staffing levels for FY 2016-17.

**Table B-2: PLSD Staffing Comparison**

	PLSD		Primary Peer Average	Difference	
Students Educated <sup>1</sup>		2,167	2,176		(10)
Students Educated (thousands)		2.167	2.176		(0.0010)
	FTE Staff	FTE/1,000 Students	Staff/1,000 Students	Difference Per 1,000 Students	Total FTEs over/ (under) <sup>2</sup>
Administrative	14.50	6.69	6.65	0.04	0.09
Office/Clerical	12.90	5.95	7.08	(1.13)	(2.45)
General Education Teachers	104.54	48.24	41.97	2.36	5.11
Educational Service Personnel (ESP) Teacher	10.41	4.80	4.18	0.63	1.36
All Other Teachers	26.31	12.14	9.32	2.82	6.11
Other Educational	5.86	2.70	6.90	(4.20)	(9.10)
Professional	18.82	8.68	5.77	2.92	6.33
Non-Certificated Support	40.74	18.80	9.92	8.89	19.26
Technical Staff	0.00	0.00	1.06	(1.06)	(2.30)

Source: PLSD, ODE, and primary peers

Note: The District's operational staffing, including custodians, maintenance workers, bus drivers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational stands.

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

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

As shown in **Table B-2**, the District's staffing levels were lower than the peer averages for office/clerkical, other educational, and technical staff position categories. Although staffing was below the peers for office/clerkical, staffing reductions beyond the peer average were recommended strictly as a result of the District's projected deficit financial condition (see **R.4**).

## Salaries

As part of the initial scope and objectives, a review of salary and wage schedules for certificated and classified employees were compared to the local peers in an attempt to determine opportunities for adjustment. **Table B-3** shows the District's FY 2015-16 certificated salary schedules compared to the local peers over the course of 30 years. Comparing career compensation to other area districts provides a gauge as to the appropriateness of salary levels on a regional basis.

**Table B-3: Certificated Career Compensation Comparison**

	PLSD	Local Peer Average	Difference	% Difference
BA	\$1,691,946	\$1,567,487	\$124,459	7.9%
MA	\$1,881,444	\$1,780,639	\$100,805	5.7%

Source: PLSD and local peers

Note: Margaretta LSD is not included in the local peer analysis due to a lack of updated contract.

As shown in **Table B-3**, salaries for certificated employees were slightly higher than the local peer average when projected over the course of a 30-year career. However, the District had negotiated base freezes in the certificated salary schedules in July of 2011 which remain effective through June of 2017. In addition to the base freeze, the District also negotiated a freeze in all pay and steps in July of 2013, effective through July of 2016. Due to the District's proactive approach in working to bring salaries to a level commensurate with the local peers, a recommendation regarding certificated salaries was not warranted (see **Noteworthy Accomplishments**).

**Table B-4** shows the District's FY 2015-16 classified salary schedules compared to the local peers over the course of 30 years.

**Table B-4: Classified Career Compensation Comparison**

	PLSD	Local Peer Average	Difference	% Difference
Aide <sup>1</sup>	\$716,040	\$950,669	(\$234,629)	(24.7%)
Bus Driver	\$901,992	\$1,306,423	(\$404,431)	(31.0%)
Cook	\$663,000	\$959,130	(\$296,130)	(30.9%)
Custodian	\$795,912	\$1,116,706	(\$320,794)	(28.7%)
Maintenance	\$959,400	\$1,227,970	(\$268,570)	(21.9%)
Secretary <sup>2</sup>	\$742,872	\$1,155,003	(\$412,131)	(35.7%)

Source: PLSD and local peers

Note: Monroeville LSD is excluded from the local peer average for all categories due to a lack of comparable salary schedules.

<sup>1</sup> Huron CSD is excluded from the local peer average due to a lack of a comparable salary schedule.

<sup>2</sup> Edison LSD and Margaretta LSD are excluded from the local peer average due to a lack of comparable salary schedules.

As shown in **Table B-4**, salaries for classified employees in all position categories were significantly lower than the local peer averages when projected over the course of a 30-year career.

*Collective Bargaining*

**Table B-5** shows the District's annual financial liability for severance in comparison to its projected liability resulting from bringing its CBA provisions for sick leave payout in line with ORC minimums for FY 2016-17 through FY 2025-26 (see **R.9**).

**Table B-5: Difference between ORC and PLSD for Severance Liability**

Severance Liability					
Certificated Staff					
Date	Years of Service <sup>1</sup>	Qualified Employees <sup>2</sup>	Current	ORC Minimum <sup>3</sup>	Difference
7/1/2017	31	5	\$68,122	\$40,873	\$27,249
7/1/2019	32	5	\$68,122	\$40,873	\$27,249
7/1/2021	33	5	\$68,122	\$40,873	\$27,249
7/1/2023	34	5	\$68,122	\$40,873	\$27,249
7/1/2026	35	5	\$68,122	\$40,873	\$27,249
Classified Staff					
Date	Years of Service	Qualified Employees	Current	ORC Minimum	Difference
7/1/2017	30	0	N/A	N/A	N/A
7/1/2019	30	0	N/A	N/A	N/A
7/1/2021	30	5	\$25,668	\$16,042	\$9,626
7/1/2023	30	6	\$30,801	\$19,251	\$11,550
7/1/2026	30	11	\$56,470	\$35,293	\$21,177

Source: PLSD and ORC

<sup>1</sup> Years of service required to receive full retirement benefits.

<sup>2</sup> Projected counts of employees that will be eligible for retirement each year based on FY 2016-17 years of service (does not assume retirement at first year of eligibility).

<sup>3</sup> Represents cost of severance at ORC minimum requirement.

As shown in **Table B-5**, PLSD allows employees to receive severance payout for more days at retirement than the ORC minimum. Adjusting payouts to the ORC minimum would decrease the District's future severance liability.

## Facilities

**Table B-6** shows the District's buildings and grounds staffing for FY 2016-17 compared to industry benchmarks from American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

**Table B-6: Buildings and Grounds Staffing Comparison**

<b>Grounds Staffing</b>		
Grounds FTEs	1.5	1.5
Acreage Maintained	147.2	147.2
AS&U Benchmark - Acres per FTE	40.2	40.2
Benchmarked Staffing Need	3.7	3.7
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(2.2)</b>	<b>(2.2)</b>
<b>Custodial Staffing</b>		
	<b>Level 3<sup>1</sup></b>	<b>Level 4<sup>2</sup></b>
Custodial FTEs	11.0	11.0
Square Footage Cleaned	296,614	296,614
NCES Cleaning Benchmark - Median Square Footage per FTE	29,500	47,500
Benchmarked Staffing Need	10.1	6.2
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>0.9</b>	<b>4.8</b>
<b>Maintenance Staffing</b>		
Maintenance FTEs	2.0	2.0
Square Footage Maintained	363,236	363,236
AS&U Benchmark - Square Footage per FTE	94,872	94,873
Benchmarked Staffing Need	3.8	3.8
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(1.8)</b>	<b>(1.8)</b>
<b>Total Buildings &amp; Grounds Staffing</b>		
Total FTEs Employed	14.5	14.5
Total Benchmarked Staffing Need	17.6	13.7
<b>Total FTEs Above/(Below) Benchmark</b>	<b>(3.1)</b>	<b>0.8</b>

Source: PLSD and ODE

<sup>1</sup> According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

<sup>2</sup> According to NCES, Level 4 cleaning is not normally acceptable in a school environment.

As shown in **Table B-6**, the District is below the national benchmarks for total buildings and grounds staffing when measured against a Level 3 cleaning expectation, and only marginally higher than the national benchmarks when measured against a Level 4 cleaning expectation. It is important to note that the totals for square footage cleaned and maintained do not include ancillary buildings, but instead only reflect the total amount of the four educational buildings. Including the additional square footage of the ancillary buildings in the analysis would show that the District's buildings and grounds staffing is even further below the benchmark levels, even at a Level 4 cleaning expectation.



# Appendix C: Five-Year Forecasts

**Chart C-1** shows the District's May 2016 Five-Year Forecast and **Chart C-2** shows the District's October 2016 Five-Year Forecast.

**Chart C-1: PLSD May 2016 Five-Year Forecast**

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.020 Tangible Personal Property Tax	623,789	689,134	1,109,766	1,026,555	1,228,140	1,228,140	1,228,141	1,228,140
1.035 Unrestricted Grants-in-Aid	3,528,178	3,849,777	3,757,652	3,748,002	3,748,002	3,748,002	3,748,002	3,748,002
1.040 Restricted Grants-in-Aid	943	1,745	312,097	49,494	49,421	49,421	49,421	49,421
1.050 Property Tax Allocation	2,852,417	2,981,598	3,093,267	2,918,135	2,249,084	2,030,474	1,803,605	1,543,266
1.060 All Other Operating Revenue	3,941,051	4,405,453	4,325,639	4,278,985	4,126,049	4,176,171	4,176,171	4,176,171
1.070 Total Revenue	19,837,225	21,206,351	22,750,564	22,371,867	21,803,146	22,123,776	22,300,391	22,096,526
2.050 Advances-In	2,859,126	36,687	205,905		235,104	15,000	15,000	15,000
2.060 All Other Financial Sources	63,736	176,655	276,679	117,115	90,000	90,000	90,000	90,000
2.070 Total Other Financing Sources	2,922,862	213,342	482,584	117,115	325,104	105,000	105,000	105,000
2.080 Total Revenues and Other Financing Sources	22,760,087	21,419,693	23,233,148	22,488,982	22,128,250	22,228,776	22,405,391	22,201,526
3.010 Personnel Services	13,975,663	12,751,745	13,478,399	13,657,032	13,166,291	13,613,622	14,066,528	14,521,523
3.020 Employees' Retirement/Insurance Benefits	4,674,654	4,130,484	3,962,297	4,518,214	4,905,159	5,191,029	5,505,750	5,828,233
3.030 Purchased Services	3,768,360	3,627,847	3,162,404	3,086,256	3,591,128	3,662,951	3,736,210	3,810,934
3.040 Supplies and Materials	716,332	616,627	792,154	916,190	796,322	812,248	828,493	845,063
3.050 Capital Outlay	20,418	5,318	319,452	45,885	25,000	25,000	25,000	25,000
4.050 Debt Service: Principal - HB 264 Loans						63,333	126,667	126,667
4.060 Debt Service: Interest and Fiscal Charges						14,212	24,548	19,380
4.300 Other Objects	272,562	376,040	315,261	528,492	328,303	346,631	367,412	369,249
4.500 Total Expenditures	23,427,989	21,508,061	22,029,967	22,752,069	22,812,203	23,729,026	24,680,608	25,546,048
5.020 Advances - Out	2,886,035	5,904	200,000	235,104	15,000	15,000	15,000	15,000
5.040 Total Other Financing Uses	2,886,035	5,904	200,000	235,104	15,000	15,000	15,000	15,000
5.050 Total Expenditure and Other Financing Uses	26,314,024	21,513,965	22,229,967	22,987,173	22,827,203	23,744,026	24,695,608	25,561,048
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-3,553,937	-94,272	1,003,181	-498,191	-698,953	-1,515,251	-2,290,217	-3,359,522
7.010 Beginning Cash Balance	4,060,218	506,281	412,009	1,415,190	916,999	218,046	-1,297,205	-3,587,422
7.020 Ending Cash Balance	506,281	412,009	1,415,190	916,999	218,046	-1,297,205	-3,587,422	-6,946,944
8.010 Outstanding Encumbrances	319,440	322,634	346,250	325,250	250,000	250,000	250,000	250,000
10.010 Fund Balance June 30 for Certification of Appropriations	186,841	89,375	1,068,940	591,749	-31,954	-1,547,205	-3,837,422	-7,196,944
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	186,841	89,375	1,068,940	591,749	-31,954	-1,547,205	-3,837,422	-7,196,944
13.020 Property Tax - New					1,804,391	3,469,984	3,469,984	3,469,984
13.030 Cumulative Balance of New Levies					1,804,391	5,274,375	8,744,359	12,214,343
15.010 Unreserved Fund Balance June 30	186,841	89,375	1,068,940	591,749	1,772,437	3,727,170	4,906,937	5,017,399

Source: ODE

**Chart C-2: PLSD October 2016 Five-Year Forecast**

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	9,278,644	10,152,143	10,350,697	10,675,550	11,180,014	11,191,194	11,219,172	11,219,172
1.020 Tangible Personal Property Tax	689,134	1,109,766	1,026,555	1,242,646	1,242,646	1,242,646	1,242,646	1,228,140
1.035 Unrestricted Grants-in-Aid	3,849,777	3,757,652	3,686,667	3,607,252	3,607,252	3,607,252	3,607,252	3,607,252
1.040 Restricted Grants-in-Aid	1,745	312,097	51,807	54,523	54,523	54,523	54,523	54,523
1.050 Property Tax Allocation	2,981,598	3,093,267	2,918,450	2,255,938	1,990,152	1,724,367	1,458,581	1,192,796
1.060 All Other Operating Revenue	4,405,453	4,325,639	4,308,920	4,647,633	4,567,633	4,487,634	4,407,634	4,327,635
1.070 Total Revenue	21,206,351	22,750,564	22,343,096	22,483,543	22,642,221	22,307,617	21,989,809	21,629,519
2.050 Advances-In	36,687	205,905		311,104	15,000	15,000	15,000	15,000
2.060 All Other Financial Sources	176,655	276,679	307,340	203,339	190,339	190,339	190,339	190,339
2.070 Total Other Financing Sources	213,342	482,584	307,340	514,443	205,339	205,339	205,339	205,339
2.080 Total Revenues and Other Financing Sources	21,419,693	23,233,148	22,650,437	22,997,986	22,847,560	22,512,956	22,195,148	21,834,858
3.010 Personnel Services	12,751,745	13,478,399	13,649,002	13,191,632	13,523,350	13,976,570	14,431,806	14,901,870
3.020 Employees' Retirement/Insurance Benefits	4,130,484	3,962,297	4,690,188	4,797,433	4,988,728	5,063,510	5,327,090	5,606,309
3.030 Purchased Services	3,627,847	3,162,404	3,004,219	3,498,725	3,568,700	3,640,073	3,712,875	3,787,132
3.040 Supplies and Materials	616,627	792,154	894,718	766,692	812,248	828,493	845,063	861,964
3.050 Capital Outlay	5,318	319,452	67,202	45,000	45,000	45,000	45,000	45,000
4.050 Debt Service: Principal - HB 264 Loans				63,333	126,667	126,667	126,667	126,667
4.055 Debt Service: Principal - Other				379,424				
4.060 Debt Service: Interest and Fiscal Charges				16,796	29,716	24,548	19,380	14,212
4.300 Other Objects	376,040	315,261	541,104	328,303	328,303	346,631	367,412	369,249
4.500 Total Expenditures	21,508,061	22,029,967	22,846,433	23,087,337	23,422,712	24,051,492	24,875,292	25,712,403
5.020 Advances - Out	5,904	200,000	311,065	15,000	15,000	15,000	15,000	15,000
5.040 Total Other Financing Uses	5,904	200,000	311,065	15,000	15,000	15,000	15,000	15,000
5.050 Total Expenditure and Other Financing Uses	21,513,965	22,229,967	23,157,498	23,102,337	23,437,712	24,066,492	24,890,292	25,727,403
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-94,272	1,003,181	-507,061	-104,351	-590,152	-1,553,536	-2,695,144	-3,892,545
7.010 Beginning Cash Balance	506,281	412,009	1,415,190	908,129	803,778	213,626	-1,339,910	-4,035,054
7.020 Ending Cash Balance	412,009	1,415,190	908,129	803,778	213,626	-1,339,910	-4,035,054	-7,927,599
8.010 Outstanding Encumbrances	322,634	346,250	456,904	350,000	350,000	350,000	350,000	350,000
10.010 Fund Balance June 30 for Certification of Appropriations	89,375	1,068,940	451,225	453,778	-136,374	-1,689,910	-4,385,054	-8,277,599
12.010 Fund Bal June 30 for Cert of Contracts,Salary Sched,Oth Obligations	89,375	1,068,940	451,225	453,778	-136,374	-1,689,910	-4,385,054	-8,277,599
13.020 Property Tax - New				1,815,238	3,490,843	3,490,843	3,490,843	3,490,843
13.030 Cumulative Balance of New Levies				1,815,238	5,306,081	8,796,924	12,287,767	15,778,610
15.010 Unreserved Fund Balance June 30	89,375	1,068,940	451,225	2,269,016	5,169,707	7,107,014	7,902,713	7,501,011

Source: ODE

## **Client Response**

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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.

# Perkins Local Schools

Empower • Dream • Succeed

Jodie Hausmann, Superintendent  
Dan Bowman, Treasurer

3714 Campbell Street Suite B  
Sandusky, Ohio 44870

Phone: 419-625-0484 • Fax: 419-621-2052  
Treasurer's Office Phone: 419-625-1261  
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## Perkins Local School District Exceeds State Auditor's Recommendations

We are proud to share that the Ohio Auditor of State found that Perkins Local School District (PLSD) manages a fiscally conservative and efficient school system. We provide a high-quality education at a great value, as our tax effort is much lower than our peers. The Ohio Department of Education placed PLSD in Fiscal Caution in July 2016, requiring us to participate in a performance audit. A performance audit measures fiscal transparency and identifies additional ways to reduce expenditures. The following statements capture PLSD's recent actions regarding our five-year forecast deficit:

- A. PLSD extracurricular net costs per pupil are less than half the costs of our peers. (R.2)
- B. The auditor's office confirmed PLSD is not "top-heavy" with administrators. (R.3)
- C. PLSD averages three secretaries less than our peers. (R.4)
- D. PLSD reduced an additional seven teaching and professional positions, exceeding the auditor's recommendations. (R.5 & R.7)
- E. PLSD surpassed the recommended reduction of paraprofessional positions. (R.8)
- F. Both certified and classified employees have made numerous concessions during collective bargaining over the last eight years. (R.9 & R.10)
- G. The Board of Education is seriously studying the building consolidation recommendation for fiscal year 2019. (R.11)
- H. A comprehensive cost/benefit analysis of energy management is required before investing in infrastructure. (R.12)

**Perkins Promise:**  
**To empower students to pursue**  
**their dreams and achieve success.**

Board of Education Members:  
Andy Carroll • Brad Mitchel • Michael Ahner • Jason Dulaney • Nicole Hykes

- I. PLSD’s annual transportation cost is 50 percent lower than our peer average. (R.13)
- J. The Board of Education is open to collaborating with local agencies to achieve recommended fuel savings. (R.14)
- K. PLSD also decreased supply/instructional spending, custodial overtime, and technology contracts and leases, which are not captured by the auditor’s report. (R.15)

### Summary of Recommendations

Recommendations		Savings	Feb. 15 <sup>th</sup> Perkins BOE Reduction Plan	Savings	Comment
R.1	Improve strategic planning practices	N/A		N/A	
R.2	Eliminate General Fund extracurricular subsidies	\$249,300	Reduced assistant coaching positions	\$30,000	A
R.3	Eliminate 1.0 FTE administrative position	\$67,000	Reduced 0.5 FTE administrative contract	\$49,875	B
R.4	Eliminate 1.25 FTE office/clerical positions	\$99,400	Eliminated guidance secretary position	\$26,684	C
R.5	Eliminate 8.0 FTE general education teacher positions	\$438,300	Reduced 7.0 additional FTE positions totaling 14	\$998,997	D
R.6	Eliminate 1.0 FTE ESP teacher position	\$69,100	Maintaining fine arts, PE and health programs		
R.7	Eliminate 1.5 FTE professional positions	\$69,900	Eliminated 1.0 FTE professional nurse position	\$47,107	D
R.8	Eliminate 2.0 FTE monitor positions	\$46,500	Reduced paraprofessional positions	\$130,035	E
R.9	Renegotiate collective bargaining agreement	\$56,200	Negotiated concessions over eight years		F
R.10	Consolidate medical and prescription plans	\$80,200	Conducting committee review of health plans		F
R.11	Close a school building	\$201,600	Conducting building analysis study		G
R.12	Implement an energy management program	\$20,700	Analyzing cost/benefit of energy investment		H
R.13	Reduce the active bus fleet	\$84,300	Reduced bus routes by increasing to 1.0 mi walk	\$77,441	I
R.14	Reduce fuel costs through shared services	N/A	Collaborating with local agencies		J
R.15	Reduce budget to address deficit	\$246,900	Reduced budget to address deficit	\$376,536	K
Cost Savings Adjustments 1		\$9,400			
<b>Total Cost Savings from Performance Audit</b>		<b>\$1,720,000</b>	<b>Total Cost Savings from BOE Reduction Plan</b>	<b>\$1,736,675</b>	

Please send any comments or questions to [jhausmann@perkinsschools.org](mailto:jhausmann@perkinsschools.org).

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# Dave Yost • Auditor of State

PERKINS LOCAL SCHOOL DISTRICT

ERIE 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  
APRIL 18, 2017