



OHIO AUDITOR OF STATE
KEITH FABER



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To the East Palestine City School District community,

The Auditor of State's Office recently completed a performance audit for the East Palestine City School District (the District). The District was selected for a performance audit based on its projected financial condition. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. The performance audit has been provided at no cost to the District through state funds set aside to provide analyses for districts that meet certain criteria, including conditions that would lead to fiscal distress.

This performance audit report contains recommendations, supported by detailed analysis, to enhance the District's overall economy, efficiency, and/or effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management. The District has been encouraged to use the recommendations contained in the report and to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

It is the Auditor's hope that this data-driven analysis of operations will assist in providing the District a path to fiscal sustainability. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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,

Keith Faber
Auditor of State
April 18, 2019

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Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of East Palestine City School District (EPCSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve EPCSD'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. Those standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our 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

Primary Peers
<ul style="list-style-type: none"> • Ada Exempted Village School District (Hardin County) • Bloom-Vernon Local School District (Scioto County) • Joseph Badger Local School District (Trumbull County) • Lisbon Exempted Village School District (Columbiana County) • Lynchburg-Clay Local School District (Highland County) • Osnaaburg Local School District (Stark County) • Pike-Delta-York Local School District (Fulton County) • Rittman Exempted Village School District (Wayne County) • Weathersfield Local School District (Trumbull County) • Williamsburg Local School District (Clermont County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Beaver Local School District (Columbiana County) • Columbiana Exempted Village School District (Columbiana County) • Crestview Local School District (Columbiana County) • Leetonia Exempted Village School District (Columbiana County County) • South Range Local School District (Mahoning County) • Springfield Local School District (Mahoning County)
Transportation Peers
<ul style="list-style-type: none"> • Botkins Local School District (Shelby County) • Brown Local School District (Carroll County) • Covington Exempted Village School District (Miami County) • Osnaaburg Local School District (Stark County) • Perry Local School District (Allen County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: American School and University Magazine (AS&U), the Government Finance Officers Association (GFOA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), the National Center for Education Statistics (NCES), the Ohio Department of Education (ODE), and the Ohio State Employment Relations Board (SERB). 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 East Palestine City School District for their cooperation and assistance throughout this audit.

Summary of Recommendations

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

The District’s Board of Education and administration are in the best position to determine what services are required to meet the community’s needs. The recommendations contained in this performance audit report are a menu of options for the District to consider when determining how best to meet the community’s needs while also upholding the responsibility to operate in a financially sustainable manner. Ultimately, the decision to implement these recommendations, or to look for additional opportunities to achieve and sustain long-term financial health, is the prerogative of the Board and administration.

Table 2: Summary of Recommendations

Recommendations		Savings
R.1	Develop long-term strategic and capital plans linked to the budget	N/A
R.2	Eliminate 1.0 FTE counseling position	\$95,900
R.3	Eliminate 3.6 FTE monitoring positions	\$80,900
R.4	Renegotiate collective bargaining agreement provisions	N/A
R.5	Decrease employer cost of medical insurance	\$435,300
R.6	Right-size the active bus fleet	\$81,300
R.7	Make additional reductions to address the deficit	\$465,300
Cost Savings Adjustments¹		(\$14,900)
Total Cost Savings from Performance Audit Recommendations		\$1,143,800

Note 1: Each recommendation’s savings is calculated based on the average annual cost savings for each year of implementation during the forecast period.

Note 2: Estimated savings from eliminated positions are based on the least tenured personnel and could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff. Estimated savings would be reduced if the District is temporarily obligated to pay unemployment compensation.

¹ Implementation of **R.2**, **R.3**, and **R.6** would reduce the savings achievable in **R.5**.

Table 3 shows the District’s ending fund balances as projected in the October 2018 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Original Ending Fund Balance	(\$173,363)	(\$790,575)	(\$1,742,688)	(\$2,990,525)	(\$4,575,319)
Cumulative Balance of Performance Audit Recommendations	\$0	\$1,069,063	\$2,184,973	\$3,352,509	\$4,575,546
Revised Ending Fund Balance	(\$173,363)	\$278,488	\$442,285	\$361,984	\$227

Source: EPCSD, 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 2019-20 through FY 2022-23 only.

As shown in **Table 3**, implementing the recommendations contained in this performance audit would allow the District to avoid forecasted deficits in each year of the forecast period in which recommendations are implemented.

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.¹ Two such conditions specific to Title I include:

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

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

It is important to note that the provision of special education services may have a significant impact on the EPCSD'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 primary peers.

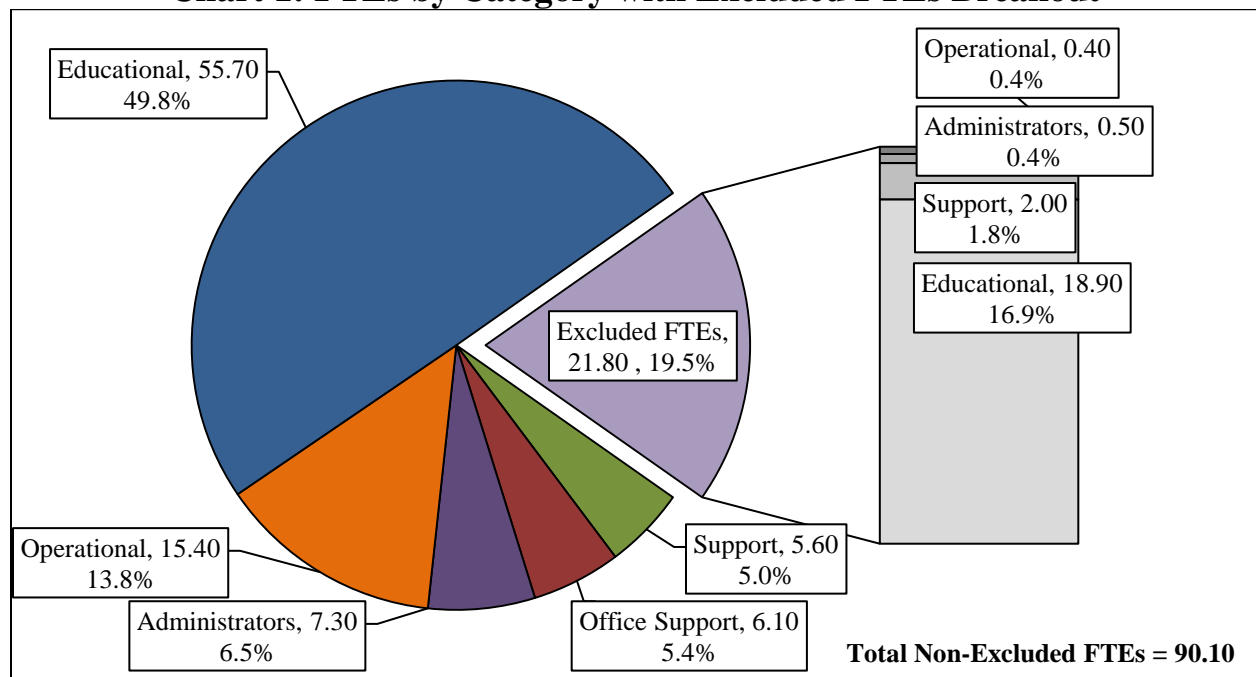
¹ IDEA Part B does not have a MOE waiver option.

District Staffing Overview

The appropriateness of staffing levels is significant to both the operational and financial conditions within school districts. Operational decisions such as classroom sizes, class offerings, and service levels collectively drive the need for staffing, which, in turn, drives the allocation of scarce resources. Specifically, personnel costs (i.e., salaries and benefits) accounted for 68.6 percent of EPCSD’s General Fund expenditures in FY 2017-18, a significant impact on the District’s budget and financial condition.

Chart 1 shows EPCSD’s FY 2018-19 full-time equivalent (FTE) staffing levels by category and breaks down staffing by categories that are included in this performance audit and those that are excluded from the scope of this performance audit due to association with special education or Title I funding.

Chart 1: FTEs by Category with Excluded FTEs Breakout

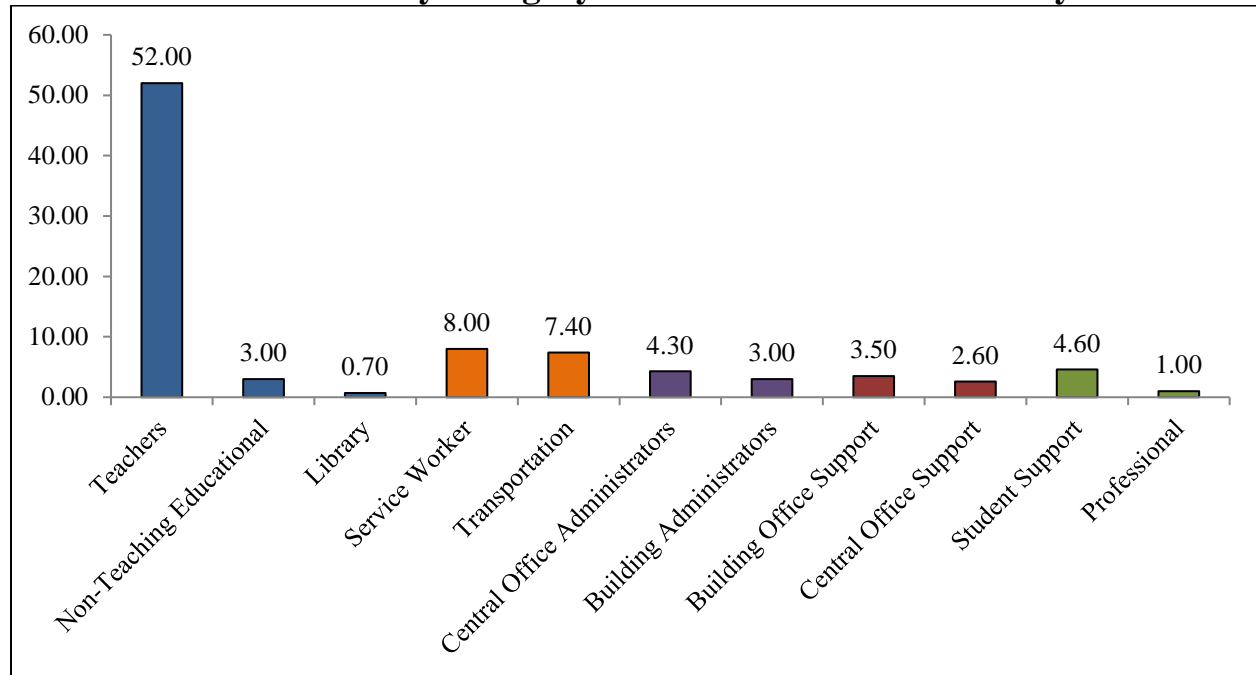


Source: EPCSD

As shown in **Chart 1**, EPCSD employed a total of 111.90 FTEs in FY 2018-19. Of this total, 21.80 FTEs, or 19.5 percent, were specifically dedicated to special education services or Title I funded.

Chart 2 shows the remaining 90.1 FTEs by category for FY 2018-19.

Chart 2: FTEs by Category for Performance Audit Analysis



Source: EPCSD

As shown in **Chart 2**, EPCSD’s remaining 90.1 FTEs were distributed across 11 staffing categories.

Categories where staffing levels were compared to the primary peer average included administrators (see **Table B-2** and **Table B-3**), teachers (see **Table B-4** and **Table B-5**), non-teaching educational (see **R.2** and **Table B-6**), professional (see **Table B-7**), office support (see **Table B-9** and **Table B-10**), library (see **Table B-11**), and student support (see **R.3**). Categories where the District’s staffing level per 1,000 students was higher than the primary peers include non-teaching educational (see **R.2**) and student support (see **R.3**). Facilities (see **Table B-18**) and transportation workers (see **R.6**) were assessed using workload measures and benchmarks, as these positions operate in areas that have industrywide gauges of efficiency and effectiveness.

Background

In October 2018, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances throughout the forecast period. These forecasted financial results served as the primary impetus of the performance audit. **Table 4** shows EPCSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, encumbrances, reservations, and ending fund balance as projected in the District's October 2018 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, possibly leading to formal designation by AOS and ODE.

Table 4: EPCSD Financial Condition Overview (October 2018)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Total Revenue	\$11,855,516	\$11,767,500	\$11,795,000	\$11,947,500	\$11,950,000
Total Expenditure	\$12,109,260	\$12,388,184	\$12,745,169	\$13,195,476	\$13,535,349
Results of Operations	(\$253,744)	(\$620,684)	(\$950,169)	(\$1,247,976)	(\$1,585,349)
Beginning Cash Balance	\$376,496	\$122,752	(\$497,932)	(\$1,448,101)	(\$2,696,077)
Ending Cash Balance	\$122,752	(\$497,932)	(\$1,448,101)	(\$2,696,077)	(\$4,281,426)
Encumbrances	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Total Reservations	\$171,115	\$167,643	\$169,587	\$169,448	\$168,893
Ending Fund Balance	(\$173,363)	(\$790,575)	(\$1,742,688)	(\$2,990,525)	(\$4,575,319)

Source: EPCSD and ODE

As shown in **Table 4**, the District's October 2018 five-year forecast projects a deficit of approximately \$173,300 in FY 2018-19. This deficit condition is a direct result of expenditures continuing to outpace revenues and deplete cash balances over the forecast period. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$4.5 million by FY 2022-23.

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 5** 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 EPCSD's operation is supported by local revenue relative to similar districts.

Table 5: Local Tax Effort Comparison

	District Local Tax Effort Index FY 2017-18
East Palestine CSD	0.6900
Primary Peers	
Ada Exempted Village SD (Hardin County)	1.4448
Bloom-Vernon Local SD (Scioto County)	0.6974
Joseph Badger Local SD (Trumbull County)	1.1628
Lisbon Exempted Village SD (Columbiana County)	0.7244
Lynchburg-Clay Local SD (Highland County)	1.0487
Osnaburg Local SD (Stark County)	0.7394
Pike-Delta-York Local SD (Fulton County)	1.0036
Rittman Exempted Village SD (Wayne County)	0.9544
Weathersfield Local SD (Trumbull County)	0.7330
Williamsburg Local SD (Clermont County)	1.0337
Primary Peer Average	0.9542
Difference	(0.2642)
% Difference	(27.7%)
Local Peers	
Beaver Local SD (Columbiana County)	0.8257
Columbiana Exempted Village SD (Columbiana County)	1.1843
Crestview Local SD (Columbiana County)	1.2430
Leetonia Exempted Village SD (Columbiana County)	0.8971
South Range Local SD (Mahoning County)	0.9413
Springfield Local SD (Mahoning County)	1.1317
Local Peer Average	1.0372
Difference	(0.3472)
% Difference	(33.5%)

Source: ODE

As shown in **Table 5**, the District's FY 2017-18 local tax effort of 0.6900 was below the primary peer average of 0.9542, signifying that it receives 27.7 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 33.5 percent less than the local peer average of 1.0372.

Recommendations

R.1 Develop long-term strategic and capital plans linked to the budget

EPCSD does not have a comprehensive strategic plan that guides long-term operations and spending decisions. Additionally, the District does not have a formal capital plan despite having a Permanent Improvement Fund (PI Fund) and maintenance levy. Although the District prepares the required five-year financial forecasts, tax budgets, and annual appropriations, there are no formal connections between discussed goals, objectives, and performance measures and the annual spending decisions.

The District's PI Fund is funded by 5.10 mills of inside millage. It had an ending fund balance of approximately \$42,500 in FY 2017-18 and is estimated to generate \$637,700 in FY 2018-19. The District also has a 0.5 mill maintenance levy as required by the Ohio Facilities Construction Commission (OFCC).² The maintenance levy had an ending fund balance of approximately \$4,900 in FY 2017-18 and is estimated to generate \$50,200 in FY 2018-19. Although EPCSD has funds earmarked for maintaining the completed school facilities and a PI Fund, these are not incorporated into a formal capital improvement plan.

Establishment of Strategic Plans (GFOA, 2005) indicates that governments should develop a strategic plan 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.

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

- Planning at least five to 10 years into the future;
- Considering all appropriated funds;
- Updating long-term planning activities as needed in order to provide direction to the budget process;

² The Classroom Maintenance Fund is required for all building projects constructed under the OFCC and is funded through a 0.5 mil levy that can only be used for maintenance of facilities constructed under the OFCC. Voters approved the maintenance levy in 1999 for a term not to exceed 23 years.

- Analyzing the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and a plan for monitoring mechanisms, such as a scorecard of key indicators of financial health, and;
- Informing the public and elected officials about the long-term financial prospects of the government and strategies for financial balance.

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

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

The District's capital plan should also address bus replacement. According to *School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002), the replacement of school buses should be a planned process because older school buses are more costly to operate and maintain than newer school buses. Although a district's finances may be an obstacle to replacing buses on a set schedule, EPCSD has a PI Fund which has been used for this purpose. Ultimately, establishing a bus replacement plan is important because it determines the timeline for introducing the latest safety, efficiency, and emissions standards.

The District should concurrently develop a strategic plan and a long-term financial plan. As part of its strategic plan, it should create a capital improvement plan for all capital assets. These plans should be linked to a formal budgeting process that involves key stakeholders. 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 Eliminate 1.0 FTE counseling position

The District employs 3.0 FTE counseling positions, 1.0 FTE assigned to the elementary, middle, and high school. Counseling positions assist pupils and/or parents and teachers to aid pupils in making personal plans in relation to their education, career, or personal development. **Table 6** shows EPCSD's FY 2018-19 counseling staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing counseling staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 6: Counseling Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Education (Thousands)	1.026		0.931	0.095	

Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Counseling	3.00	2.92	1.83	1.09	1.12

Source: EPCSD and primary peers

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

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

As shown in **Table 6**, EPCSD’s counseling staffing is higher than the primary peer average by 1.12 FTEs. Furthermore, five of the 10 primary peers assign counselors to multiple buildings, whereas EPCSD assigns one counselor to each of the District’s buildings. The District would need to eliminate 1.00 FTE counseling position in order to achieve a staffing ratio in line with the primary peer average.

Financial Implication: Eliminating 1.0 FTE counseling position could save an average of **\$95,900** in salaries and benefits in each year of implementation over the forecasted period.³ The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured counseling position. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

R.3 Eliminate 3.6 FTE monitoring positions

The District employs 4.6 FTE monitoring positions, of which 1.0 FTE serves as a study hall monitor, 1.0 FTE serves as an in-school suspension monitor, and the remaining 2.6 FTEs serve as lunchroom and playground monitors.

Table 7 shows EPCSD’s FY 2018-19 monitoring staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing monitoring staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

³ The value of the savings from this recommendation was projected to increase by an average of 5.18 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

Table 7: Monitoring Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Monitoring	4.60	4.48	0.62	3.86	3.96

Source: EPCSD and primary peers

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

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

As shown in **Table 7**, EPCSD’s monitoring staffing is higher than the peer average by 3.96 FTEs. Only two of the primary peers employ monitors to oversee students in the lunchroom and playground. The remaining eight primary peers use existing staff for these functions. The District would need to eliminate 3.6 FTE monitoring positions in order to achieve a staffing ratio in line with the primary peer average.

Financial Implication: Eliminating 3.6 FTE monitoring positions could save an average of **\$80,900** in salaries and benefits in each year of implementation over the forecasted period.⁴ The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured monitoring position. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

R.4 Renegotiate collective bargaining agreement provisions

The District has collective bargaining agreements (CBAs) with the East Palestine Education Association (EPEA), referred to as the certificated CBA, effective through June 30, 2019; and the Ohio Association of Public School Employees (OAPSE) #435, referred to as the classified CBA, through July 31, 2019. An analysis of the District's CBAs identified certain provisions that exceeded state minimum standards, as set forth in the Ohio Revised Code (ORC), and/or provisions in the local peer district CBAs.

Provisions with Long-Term Impact

- **Vacation Accrual:** Under the classified CBA, employees working 11 or more months per year are entitled to annual vacation accrual whereby they can earn up to 540 vacation

⁴ The value of the savings from this recommendation was projected to increase by an average of 2.13 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

days over a 30-year career. This exceeds the local peer average of 494 days and the ORC §3319.084 State minimum of 460 days. Although savings could not be quantified, providing those additional days could potentially increase the amount paid for overtime and substitute costs. Reducing the amount of vacation leave hours could increase available work hours at no additional cost to the District.

- **Paid Holidays:** Under the classified CBA, 11-month and 12-month employees are entitled to 12 paid holidays per year, while 9-month and 10-month employees are eligible for six paid holidays per year. This is more generous than the local peer average for 11-month and 12-month employees and less generous for 9-month and 10-month employees. Similarly, it exceeds the ORC § 3319.087 minimum of seven paid holidays for 11-month and 12-month employees and is consistent with the minimum of six paid holidays for 9-month and 10-month employees. Although direct savings could not be quantified, reducing the number of paid holidays available would serve to increase the number of available work hours at no additional cost to the District.
- **Sick Leave Accumulation and Severance Payout:** Certificated employees are entitled to accumulate 288 days of sick leave and classified employees are entitled to accumulate 275 days of sick leave per year. In comparison, the local peer average for certificated employees is 274 days and for classified employees is 261 days⁵. ORC §3319.141 specifies that unused sick leave shall be cumulative to a minimum of 120 days. Although the local peers also provide sick leave accumulation over the State minimum level, exceeding this level results in the potential for increased liability when sick leave is paid out to retiring employees.

In addition, the District's CBAs entitle certificated and classified employees to be paid for accumulated, but unused sick leave upon retirement. Specifically, certificated employees are entitled to a maximum of 51.6 days and classified employees are entitled to a maximum of 50.0 days. In comparison, the average sick leave payout maximum for local peers is 70.3 days for certificated employees and 68.6 days for classified employees. While the District's sick leave payout maximums are lower than the respective local peer averages, ORC § 124.39 allows employees to be paid for 25 percent of unused sick leave up to a maximum of 30 days upon retirement. Allowing employees to receive payouts in excess of State minimum requirements becomes costly at employee retirement. See **Table B-16** for the estimated liability of providing provisions over the ORC minimum.

Provisions with Immediate Impact

- **Paid Lunch:** The District provides secretaries who work an eight hour day with a 30 minute paid lunch. All other District classified employees receive a 30 minute unpaid lunch if they work 5.5 hours or more in a day. Only three of the local peers, Beaver LSD, Columbiana EVSD, and Leetonia EVSD, provide all classified employees with a paid 30 minute lunch. Eliminating the paid lunch for secretaries would increase available work hours at no additional cost to the District.

⁵ Beaver LSD is excluded from the local peer average because its classified employees are entitled to unlimited sick leave accumulation.

- **Local Professional Development Committee (LPDC) Compensation:** LPDCs are groups sanctioned by the State to review coursework and professional development activities proposed and completed by educators to determine if State certification and licensure requirements have been met. Under the certificated CBA, the District compensates its five LPDC members at 7.0 percent of the District's base salary, equal to \$2,309.55 in FY 2018-19. The six local peers also provide compensation to its LPDC members. Columbiana EVSD compensates its members at 4.0 percent of its supplemental base salary, which was equal to \$1,240.00 in FY 2018-19. Crestview LSD compensates LPDC members at \$125 per meeting. The remaining four local peers compensate LPDC members on an hourly basis. Specifically, Beaver LSD at \$20.00, Leetonia EVSD at \$25.00, South Range LSD at \$19.20, and Springfield LSD at \$23.54. Savings could not be quantified given the different compensation methods. However, Crestview LSD LPDC members would need to meet more than 18 times per year to receive compensation equal to EPCSD while Leetonia EVSD LPDC members would have to meet for more than 92 hours per year. ORC § 3319.22, which includes the standards and requirements for LPDCs, does not require compensation.
- **Resident Educator Program Mentor/Facilitator Compensation:** Mentors/facilitators work with newly licensed educators to provide mentoring and guidance. Successful completion of the residency program is required for educators to advance to a five-year professional educator license. The District compensates its resident educator mentors/facilitators at 7.0 percent of the District's base salary, equal to \$2,309.55 in FY 2018-19, for one resident educator. The local peer average compensation for a mentor/facilitator with one resident educator is \$812.76, which is \$1,496.79 lower than EPCSD. Savings could not be quantified given the different compensation methods and variability in number of resident educators in the program each year, as well as the number of resident educators a mentor/facilitator may be assigned each year.
- **Athletic Event Admission:** The District provides its certificated employees and their families with free admission to EPCSD athletic events. None of the local peer CBAs includes a similar provision. The District was not able to quantify the cost of providing the passes because employees do not consistently sign-in to all events. However, providing this benefit decreases extracurricular activities revenues and increases the General Fund subsidy (see **Table B-1**).

The District should consider renegotiating the above provisions in order to increase management control over District operations and provide cost savings.

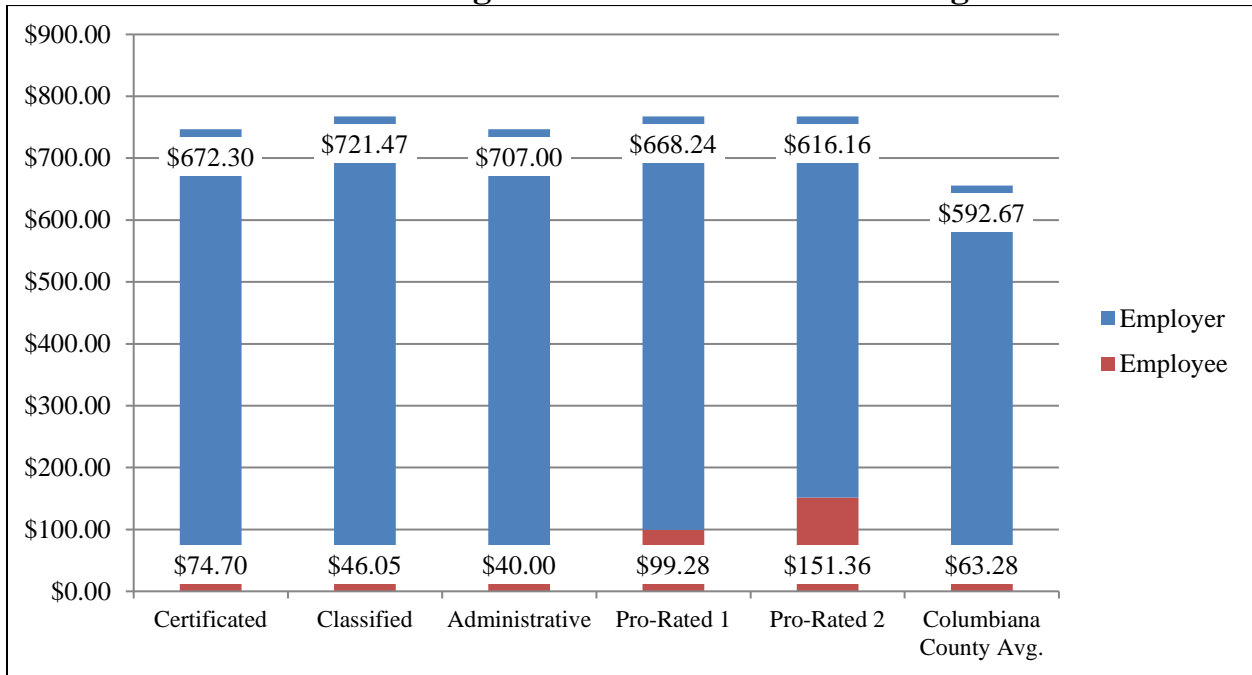
R.5 Decrease employer cost of medical insurance

EPCSD is self-funded and purchases medical insurance, including prescription coverage, through the Portage Area Schools Consortium. The District offers one medical insurance plan and eligible employees can select either single or family coverage. In FY 2018-19, 100 employees enrolled in these plans, 35 in the single plan and 65 in the family plan. While the single and family medical plans offered are the same, the premium contributions are different for certificated, classified, and administrative employees. Certificated employees contribute 10

percent of the premium for single and family plans, classified employees contribute 6 percent of the premium for single and family plans, and administrative employees contribute \$40 towards single plan premiums and \$90 towards family plan premiums. Additionally, two employees who do not work full-time are eligible for insurance on a pro-rated basis and contribute 12.9 percent and 19.7 percent, respectively.

Ohio’s State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in *The Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2018). **Chart 3** and **Chart 4** show EPCSD’s FY 2018-19 monthly medical premium costs for single coverage and family coverage in comparison to the Columbiana County school district average monthly premiums as reported to SERB as of January 1, 2018. This provides regional context on the appropriateness of both the total premium as well as the employer/employee cost split.

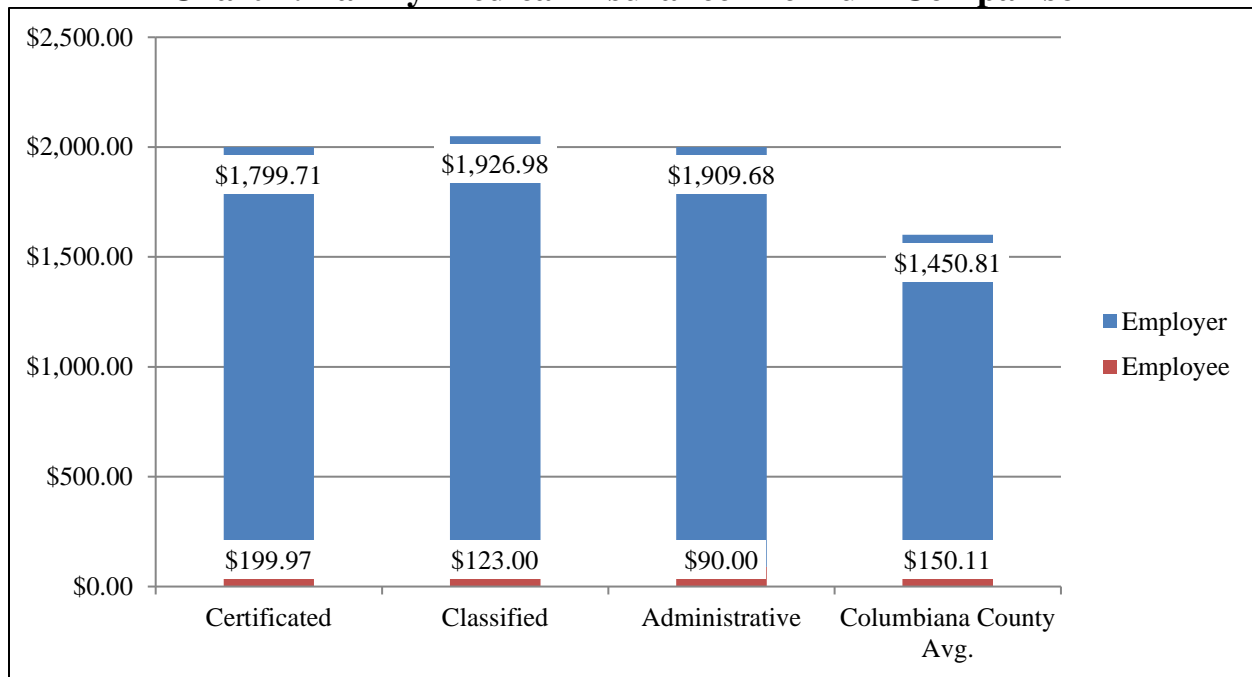
Chart 3: Single Medical Insurance Coverage



Source: EPCSD and SERB

Note: Two district classified employees who do not work full-time are eligible for insurance on a pro-rated basis and contribute 12.9 percent and 19.7 percent, respectively.

Chart 4: Family Medical Insurance Premium Comparison



Source: EPCSD and SERB

As shown in **Chart 3** and **Chart 4**, EPCSD’s employer costs for medical insurance were higher than the Columbiana County schools average for all plan types. Given that the total premium costs of all plan types are higher than the Columbiana County schools average, higher employer costs could be attributed to the District’s selection of a more costly medical insurance plan design.

Table 8 shows EPCSD’s key medical plan design elements compared to the Columbiana County schools average. This comparison is important as insurance costs are recognized as sensitive to local conditions, and other comparable plans in the county provide the most appropriate benchmarks for the relative price competitiveness.

Table 8: Medical Insurance Plan Design Comparison

	EPCSD	Columbiana County Avg.	Difference
Copayments			
Office Visit	\$10	\$10	\$0
Urgent Care Visit	\$35	\$21	\$14
Emergency Room Visit	\$75	\$58	\$17
Deductible			
Network			
Single	\$150	\$355	(\$205)
Family	\$300	\$710	(\$410)
Non-Network			
Single	\$300	\$705	(\$405)
Family	\$600	\$1,435	(\$835)
Out-of-Pocket Maximum			
Network			
Single	\$650	\$1,565	(\$915)
Family	\$1,300	\$3,090	(\$1,790)
Non-Network			
Single	\$1,300	\$2,022	(\$722)
Family	\$2,600	\$3,944	(\$1,344)
Coinsurance			
Network	10%	14%	(4%)
Non-Network	20%	30%	(10%)
Prescriptions ¹			
Retail – 30 day supply			
Tier 1 Generic	\$10	\$8	\$2
Tier 2 Formulary-Preferred	\$20	\$18	\$2
Tier 3 Non-formulary	\$35	\$33	\$2
Mail Order – 90 day supply			
Tier 1 Generic	\$20	\$18	\$2
Tier 2 Formulary-Preferred	\$40	\$36	\$4
Tier 3 Non-formulary	\$70	\$66	\$4

Source: EPCSD and SERB

¹ East Liverpool CSD and Beaver LSD only had generic and brand name prescription tiers included in their SERB report insurance costs. Therefore, only the generic tier is included in the Columbiana County average.

As shown in **Table 8**, EPCSD’s office visit copayment is equal to the Columbiana County schools average, while its urgent care visit and emergency room visit copayments are higher. However, the District’s network and non-network deductibles, out-of-pocket maximums, and coinsurance percentage are lower than the Columbiana County schools average. Finally, the District’s prescription copayments for both retail and mail order are higher. Changes to plan design, specifically increasing deductibles, out-of-pocket maximums, and coinsurance, could decrease employer costs.

Although the District’s certificated employee contribution levels are higher than the Columbiana County schools average for both single and family plans, its classified and administrative contribution levels are lower (see **Chart 3** and **Chart 4**). If EPCSD is unable to adequately reduce its employer cost for medical insurance through the aforementioned changes, it may be necessary to increase the employee cost portion of the premium to fully offset the District’s significantly higher employer cost of health insurance.

Table 9 and **Table 10** show the amount that EPCSD would need to reduce the employer share of medical insurance premiums for single and family plans in order to bring them in line with the Columbiana County schools average for each plan type as well as the cost savings of doing so. These comparisons provide context as to the appropriateness of the overall cost share as well as the potential financial impact associated with implementing this change.

Table 9: Single Medical Insurance Employer Cost

EPCSD Employees Enrolled by Plan Type		
Administrative		5
Certificated		25
Classified		3
Pro-Rated 1 ¹		1
Pro-Rated 2 ²		1
Annual Cost		
	EPCSD Annual Employer Costs	Columbiana County Average
Administrative	\$42,420.00	\$35,560.02
Certificated	\$201,690.00	\$177,800.10
Classified	\$25,972.92	\$21,336.01
Pro-Rated 1	\$8,018.88	\$7,112.00
Pro-Rated 2	\$7,393.92	\$7,112.00
Annual Difference per Employee		
Administrative		\$1,372.00
Certificated		\$955.60
Classified		\$1,545.64
Pro-Rated 1		\$906.88
Pro-Rated 2		\$281.92
Total Annual Cost Savings per Type		
Administrative		\$6,859.98
Certificated		\$23,889.90
Classified		\$4,636.91
Pro-Rated 1		\$906.88
Pro-Rated 2		\$281.92
	Total Annual Savings for Single Plans	\$36,575.59

Source: EPCSD and SERB

¹ Pro-rated employee’s contribution is 12.9 percent, or \$1,191.36 annually, while the District’s cost is \$8,018.88 annually.

² Pro-rated employee’s contribution is 19.7 percent, or \$1,816.32 annually, while the District’s cost is \$7,393.92 annually.

As shown in **Table 9**, EPCSD could generate medical insurance savings of more than **\$36,500** annually by bringing its single coverage employer cost in line with the Columbiana County schools average. This could be achieved by increasing employee contributions and/or selecting a less costly plan. Any changes to the employer/employee cost share, however, are subject to negotiation.

Table 10: Family Medical Insurance Employer Cost

EPCSD Employees Enrolled by Plan Type		
Administrative		6
Certificated		43
Classified		16
Annual Cost		
	EPCSD Annual Employer Costs	Columbiana County Average
Administrative	\$137,496.96	\$104,458.10
Certificated	\$928,650.36	\$748,616.41
Classified	\$369,980.16	\$278,554.94
Annual Difference per Employee		
Administrative		\$5,506.48
Certificated		\$4,186.84
Classified		\$5,714.08
Total Annual Cost Savings per Type		
Administrative		\$33,038.86
Certificated		\$180,033.95
Classified		\$91,425.22
	Total Annual Savings for Family Plans	\$304,498.03

Source: EPCSD and SERB

As shown in **Table 10**, EPCSD could generate medical insurance savings of more than **\$304,400** annually by bringing its family coverage employer cost in line with the Columbiana County schools average. This could be achieved by increasing employee contributions and/or selecting a less costly plan. However, any changes to the employer/employee cost share are subject to negotiation.

Financial Implication: Reducing the District’s cost for medical premiums to a level comparable to the Columbiana County schools average could save the District an average of **\$435,300** in each year of implementation over the forecasted period.⁶

R.6 Right-size the active bus fleet

During the course of the performance audit, the District eliminated one route from each tier.

EPCSD operates with a total of nine active buses, including one special education bus, and one spare bus for FY 2018-19. During the course of the audit, the District purchased a van to transport special education students. In total, the District reported transporting 405 total riders, of which all were resident students.

The District’s practice is to transport all students living greater than one mile from school with exceptions for hazards, such as railroad crossings. ORC § 3327.01 establishes State-minimum transportation requirements, including an obligation to transport all resident K-8 students living

⁶ Medical premiums are forecasted to increase by 10.0 percent annually in FY 2019-20 – FY 2022-23 in the October 2018 five-year forecast. As such, cost savings applied to the five-year forecast are also inflated in each fiscal year by the corresponding projected increased. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**.

two or more miles from their assigned schools and the obligation to transport all non-public riders to their destination locations as long as the destination location is within a 30 minute drive of the otherwise assigned resident school.⁷

For FY 2018-19, the District organized its regular, resident-student routes into two tiers:

- **Tier I** – Including 226 peak middle and high school riders and 8 routes; and
- **Tier II** – Including 197 peak elementary school riders and 7 routes.⁸

Hidden Savings in Your Bus Budget (American Association of School Administrators, 2005), provides a number of cost saving ideas to increase transportation efficiency. One such opportunity is to assess how many children are transported on each bus. The article states that actual capacity use must be measured with 80 percent of rated capacity as a goal.

However, when evaluating opportunities for improved efficiency, without significant changes to tiers, start times, and bell schedules, it is important to evaluate if all routes that are underutilized are reasonably able to be improved. This can be difficult or even impossible for routes that are special purpose, such as special needs transportation.⁹ Routes that already involve a lengthy ride time may also present a challenge as there may be few opportunities to add significant ridership without creating significantly longer ride times.

There is no State law that caps bus ride times. However, the District does have formal administrative guidelines in place stating that it should, “plan routes so that most children do not have to ride in excess of 60 minutes on the way to or from school.” Yet, the District already has at least one route which it reports to be routed to exceed 60 minutes of student ride time. Specifically, there is one Tier I route which the District reports to be routed at 105 minutes, and as such, is excluded from the analysis.

Table 11 shows a baseline overview of the District’s bus utilization, by tier. The purpose of this analysis is to identify opportunities for improved efficiency to bring all possible routes up to the goal of an average of 80 percent of capacity being utilized. Accordingly, the tier with the higher baseline utilization is an initial indicator of which tier is most likely to be a limiting factor when analyzing opportunities for efficiency in greater detail.

⁷ EPCSD did not report transporting any non-public riders in FY 2018-19.

⁸ This analysis uses peak riders, which is defined as the maximum riders per route that were observed during the count week. This is different than the average ridership required to be reported to ODE and is necessary to ensure that a right-sized fleet will have sufficient capacity to accommodate actual ridership fluctuations.

⁹ Special needs transportation, defined as routes with more than 50 percent ridership categorized as special needs are excluded from the scope of this analysis as changes to these routes may impact compliance with IDEA Part B maintenance of effort.

Table 11: Baseline Utilization by Tier

Tier	Total Routes	Average Capacity ¹	Total Capacity	Peak Riders	Baseline Utilization
Tier I	8	50.1	400	226	56.5%
Tier II	7	74.6	522	197	37.7%

Source: EPCSD and ODE

¹ Capacity is based on the manufacturer’s rated capacity for each bus and adjusted to account for a maximum of three riders per seat at the elementary level (i.e., Tier II) and two riders per seat at the middle/high school level (i.e., Tier I). There are several buses that have a half seat and in all cases these seats are counted as one rider.

As shown in **Table 11**, Tier I has a baseline utilization of 56.5 percent while Tier II has a baseline utilization of 37.7 percent. As such, Tier I is necessary to review in detail first as it may represent a more limiting efficiency opportunity.

Table 12 shows a detailed review of Tier I routes after accounting for and excluding those routes that are currently meeting or exceeding the 80 percent utilization goal as well as those that are already at or longer than the 60 minute threshold for reported route times. After these routes are excluded the remaining routes are reviewed for additional efficiency opportunities with a sensitivity analysis showing the capacity and utilization rates resulting from an incremental reduction of routes within the tier.

Table 12: Tier I Detailed Review

Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	8	50.1	401	226
Tier I Exclusions				
Reason for Exclusion	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Already At Standard	1	52.0	52	49
Exceed EPCSD Time Limit	1	52.0	52	34
Tier I Routes Reviewed for Additional Efficiency Opportunity				
Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	6	49.5	297	143
Tier I Route Elimination Sensitivity Analysis and Impact on Utilization				
Routes Eliminated	0	1	2	3
Capacity Eliminated	0.0	49.5	99.0	148.5
Adjusted Total Capacity	297	247	198	148
Adjusted Total Utilization	48.1%	57.9%	72.2%	96.6%

Source: EPCSD and ODE

As shown in **Table 12**, when only considering Tier I needs, it is possible to eliminate up to two routes without exceeding the 80 percent utilization goal. However, a similar analysis of Tier II is necessary to affirm whether this level of reduction is fully achievable. **Table 13** shows a detailed review of Tier II routes based on these same factors.

Table 13: Tier II Detailed Review

Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier II	7	74.6	522	197
Tier II Exclusions				
Reason for Exclusion	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Already At Standard	0	0.0	0	0
Exceed EPCSD Time Limit	0	0.0	0	0
Tier II Routes Reviewed for Additional Efficiency Opportunity				
Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier II	7	74.6	522	197
Tier II Route Elimination Sensitivity Analysis and Impact on Utilization				
Routes Eliminated	1	2	3	4
Capacity Eliminated	74.6	149.2	223.8	298.4
Adjusted Total Capacity	447	372	298	223
Adjusted Total Utilization	44.1%	53.0%	66.1%	88.3%

Source: EPCSD and ODE

As shown in **Table 13**, factoring in Tier II needs shows that the District could eliminate three routes without exceeding the 80 percent utilization goal. However, the District is limited to the elimination of only two routes when considering Tier I needs (see **Table 12**).

Financial Implication: Eliminating two routes on each tier would allow the District to eliminate two buses, which could save an average of **\$81,300** in salaries and benefits in each year of implementation over the forecasted period. This was calculated using the actual salaries and benefits and projected increases of the least-tenured bus driver positions and the average bus insurance, per bus, in FY 2018-19. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.¹⁰

R.7 Make additional reductions to address the deficit

Even after implementing all preceding recommendations, the District’s October 2018 five-year forecast would still project a cumulative deficit of approximately \$1,860,973, or an annual average of approximately \$465,243.¹¹ To address the remaining gap, the District would need to consider additional cost saving measures, including those that would bring staffing levels below primary peer averages. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

¹⁰ The value of the savings from this recommendation was projected to increase by an average of 5.84 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

¹¹ Represents annual savings needed over the last four years of the forecast period.

The following four options represent decisions the District could make to address the remaining \$1,860,973 deficit over the forecast period. The implementation of a combination of these options would be sufficient to eliminate the deficit by the end of the forecast period.

- Implement an 11.0 percent across-the-board staff reduction:** While **R.2** and **R.3** addresses EPCSD’s staffing relative to the primary peer average, the District could make an additional 11.0 percent across-the-board staffing reduction to generate sufficient savings to offset the remaining deficit. **Table 14** shows the nature and savings of this staffing reduction for each staffing category. This provides the District with information necessary to evaluate staffing reductions and the potential savings associated with each.

Table 14: Additional Staffing Reductions

Category	Revised Total FTEs	FTEs after 11.0% Reduction	Rounded FTE Reduction	Avg. Annual Savings
Administrators ¹	4.80	4.27	0.40	\$29,010
Office Support ²	6.13	5.46	0.60	\$31,331
Educational	54.67	48.66	6.00	\$401,091
Operational ³	8.00	7.12	0.50	\$18,292
Support	2.00	1.78	0.00	\$0.00
Total	75.60	67.29	7.50	\$479,724

Source: EPCSD

¹ Excludes the Superintendent, Treasurer, and Special Education Coordinator. The administrator FTE reduction is based on the actual full-time equivalency of the least tenured employee.

² The office support FTE reduction is based on the actual full-time equivalency of the least tenured employee.

³ Transportation staffing is excluded as levels were determined by industry benchmarks (see **R.6**). Further, all staff not paid out of the General Fund are excluded from this table, as any reductions to non-General Fund staff will not have an impact on the five-year forecast.

As shown in **Table 14**, an across-the-board staffing reduction of 11.0 percent would result in the elimination of an additional 7.50 FTEs. Eliminating these FTEs could save the District an average of approximately **\$479,700** in salaries and benefits annually over the forecasted period and would fully address the remaining deficit.¹² This was calculated using the salaries and benefits of the least tenured employees remaining after the position reductions identified in **R.2** and **R.3**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff. Additionally, this option could be fully implemented in FY 2019-20. Although this option would reduce the deficit, it could drastically change service levels within the District. Considering it with a combination of the options presented in this performance audit could enable the District to avoid operating deficits.

- Eliminate 7.5 FTE general education teacher positions:** General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the District-wide ratio of general education teacher to students to be at least 1.0 FTE

¹² The value of the savings from this recommendation was projected to increase by an average of 3.80 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

classroom teacher for every 25 regular students.¹³ **Table 15** shows EPCSD’s general education teacher staffing level required to eliminate the remaining deficit based on its FY 2018-19 students to teacher ratio. It is important to project the impact that eliminating the remaining deficit will have on staffing levels.

Table 15: General Education Teacher Comparison

FY 2018-19 General Education FTEs			48.90
Regular Student Population			889.98
Staffing Ratio (Students:Teachers)			18.20
	Staffing Ratio (Students:Teachers)	Proposed FTE Staffing	Proposed FTE Reduction
Address Remaining Deficit	21.50:1	41.40	7.50
State Minimum	25.00:1	35.60	13.00

Source: EPCSD and OAC

As shown in **Table 15**, the District’s student to teacher ratio was 18.20:1 in FY 2018-19. Based on this ratio, the District would have 13.00 more general education FTEs than minimally required. Reducing general education teacher staffing to a level closer to the State minimum requirement may be necessary to maintain financial solvency depending on the extent to which the District implements other cost saving measures. The selection of the option presented in **Table 15** is ultimately District management’s responsibility based on needs and desires of the stakeholders in the community and any staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. Any option could be implemented in FY 2019-20.

Eliminating 7.5 FTE general education teacher positions could save the District an average of **\$496,300** annually over the forecasted period and would fully address the remaining deficit.¹⁴ The financial implication is calculated using the actual salaries and benefits of the 7.5 FTE least-tenured general education teaching positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

- Implement a base and step freeze on all salaries for the remainder of the forecast:** The District’s certificated CBA expires on June 30, 2019 and its classified CBA expires on July 31, 2019. Due to its financial condition, EPCSD may need to consider implementing a base and step salary freeze for the remainder of the forecast period. The District’s October 2018 five-year forecast assumes no base increase, but does assume step increases for all eligible staff for FY 2019-20 through FY 2022-23. **Table 16** shows the impact of implementing a step increase freeze for FY 2019-20 through FY 2022-23, after taking into account staff reductions previously identified. This analysis provides an indication of the impact of a wage freeze relative to the number of years it is in effect.

¹³ This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

¹⁴ The value of the savings from this recommendation was projected to increase by an average of 4.32 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

Table 16: Impact of Base and Step Salary Freeze

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Salaries and Benefits with Base Increase and Steps	\$5,596,583	\$5,660,556	\$5,720,377	\$5,772,847
Salaries and Benefits with Base and Step Freeze	\$5,526,627	\$5,526,627	\$5,526,627	\$5,526,627
Difference	\$69,956	\$133,929	\$193,750	\$246,220
Cumulative Savings				\$643,855
Average Annual Savings				\$160,964

Source: EPCSD

As shown in **Table 16**, implementing a step freeze for length of the forecasted period and assuming the District does not provide increases to base salaries, as projected in the five-year forecast, could save the District an average of approximately **\$160,900** annually over the forecast period. This option could be implemented in FY 2019-20, if negotiated by the District and would partially address the remaining deficit.

- Eliminate the entire General Fund subsidy of extracurricular activities:** The District incurred a net cost for student extracurricular activities in FY 2017-18 of approximately \$210,625, which required subsidization from the General Fund (see **Table B-1**). Steps to fully eliminate the General Fund subsidy of extracurricular activities include increasing pay to participate fees, increasing admissions and sales, increasing booster club spending, reducing the supplemental salary schedule, and/or eliminating programs. This action could save the District approximately **\$210,600** annually over the forecast period and would partially address the remaining deficit.

Financial Implication: Making an 11.0 percent across-the-board staffing reduction could save an average of approximately **\$479,700** annually; eliminating an additional 7.5 FTE general education teacher positions could save an average of **\$496,300** annually; implementing a step freeze for FY 2019-20 through FY 2020-23 could save an average of approximately **\$160,900** annually; and fully eliminating the General Fund subsidy of extracurricular activities could save approximately **\$210,600** annually. The District should evaluate these options and determine the appropriate combination of the various options in order to address the remaining annual savings needed of **\$1,860,973**.

Appendix A: Scope and Objectives

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

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, 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 12 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are the District's forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	N/A
Are the District's long-term planning practices consistent with leading practices?	R.1
Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	R.7
Human Resources	
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	R.2, R.3, and R.7
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	R.7
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District's financial condition?	R.4
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	R.5
Facilities	
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	N/A
Are the District's facilities expenditures appropriate in comparison to primary peers, leading practices, and the District's financial condition?	N/A
Transportation	
Is the District's fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District's financial condition?	R.6
Is the District's fleet maintained efficiently and appropriately in comparison to transportation peers, leading practices, industry standards, and the District's financial condition?	N/A
Are the District's fuel procurement practices cost effective in comparison to DAS benchmarks and consistent with leading practices and industry standards?	N/A

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives. This performance audit did not identify internal control deficiencies which would have required a separate District communication to be issued.

Appendix B: Additional Comparisons

Extracurricular Activities

Table B-1 shows the District's net cost for student extracurricular activities in FY 2017-18 compared to the local peer average. This analysis illustrates the net revenue or loss generated by student extracurricular activities.

Table B-1: Student Extracurricular Activity Net Cost Comparison

	EPCSD			Local Peer Avg.
Students			1,098	1,178
Activity Type	Rev.	Exp.	Net Cost	
Academic Oriented	\$0	\$82,964	(\$82,964)	(\$84,321)
Occupation Oriented	\$0	\$0	\$0	(\$168)
Sport Oriented	\$0	\$290,148	(\$290,148)	(\$324,822)
School & Public Service Co-Curricular	\$0	\$108,326	(\$108,326)	(\$77,962)
Bookstore Sales	\$0	N/A	\$0	\$0
Other Extracurricular	\$134,981	N/A	\$134,981	\$33,211
Non-specified ¹	\$98,251	N/A	\$98,251	\$166,255
Total	\$233,232	\$481,438	(\$248,206)	(\$287,807)
Total General Fund Direct Revenue				
			\$0.00	\$11,103.84
Total General Fund Direct Expenditures				
			\$210,625.18	\$261,055.56
Total General Fund Transfers				
			\$0.00	\$0.00
Total General Fund Subsidy of Extracurricular Activities			\$210,625.18	\$249,951.72
Total General Fund Subsidy of Extracurricular Activities per Pupil				
			\$191.83	\$212.18
Total Difference in General Fund Subsidy to Local Peer Average			(\$22,344.30)	
Remaining General Fund Subsidy			\$210,625.18	

Source: EPCSD, local peers, and ODE

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

As shown in **Table B-1**, EPCSD's net cost for student extracurricular activities of \$210,625 was lower than the local peer average net cost of \$249,952 in FY 2017-18. The District was also lower than the local peer average when normalized on a per pupil basis.

Staffing

EPCSD’s FY 2018-19 FTE staffing levels by category are shown in **Chart 1** and **Chart 2**.¹⁵ Analyses of staffing levels that resulted in recommendations include: eliminate 1.0 FTE counselor position (**R.2**) and 3.6 FTE monitor positions (**R.3**). Staffing comparisons where the analysis did not result in a recommendation based on comparison to the primary peer average are presented for informational purposes below. Staffing comparisons show total FTEs only when the evaluation of the category as a whole is relevant.

Central Office Administrators

Table B-2 shows the District’s FY 2018-19 central office administrators per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-2: Central Office Administrator Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (Thousands)	1.026		0.931	0.095	
	EPCSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTE Per 1,000 Students	Total Above/ (Below) ²
Supervisor/Manager	0.00	0.00	0.63	(0.63)	(0.65)
Coordinator	0.80	0.78	0.95	(0.17)	(0.17)
Education Administrative Specialist	0.50	0.49	0.00	0.49	0.50
Director	0.00	0.00	0.24	(0.24)	(0.25)
Other Official/Administrative	1.00	0.97	0.86	0.11	0.11
Total	2.30	2.24	2.68	(0.44)	(0.45)

Source: EPCSD and primary peers

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

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

As shown in **Table B-2**, EPCSD employs 0.45 fewer FTE central office administrator staff than the primary peer average.

¹⁵ The individual positions within each staffing category in **Chart 2** are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2018).

Building Administrators

Table B-3 shows the District’s FY 2018-19 building administrators per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-3: Building Administrator Staff Comparison

	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (Thousands)	1.026		0.931	0.095	
	EPCSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/(Below) ²
Assistant Principal	1.00	0.97	0.59	0.38	0.39
Principal	2.00	1.95	2.73	(0.78)	(0.80)
Total	3.00	2.92	3.32	(0.40)	(0.41)

Source: EPCSD and primary peers

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

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

As shown in **Table B-3**, EPCSD employs 0.41 FTE fewer building administrator staff than the primary peer average.

Teaching Staff

Tables B-4 shows the District’s FY 2018-19 teaching staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-4: Teaching Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
General Education	48.90	47.66	49.58	(1.92)	(1.97)
Gifted and Talented	0.10	0.10	0.54	(0.44)	(0.45)
Career-Technical Programs/Career Pathways	0.00	0.00	0.97	(0.97)	(1.00)

Source: EPCSD and primary peers

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

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

As shown in **Table B-4**, EPCSD employs fewer teaching staff than the primary peer average in each category.

Table B-5 shows the District’s FY 2018-19 K-8 art, music, and physical education teaching staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-5: K-8 Art/Music/Physical Education Teaching Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated	679		650	29	
Students Educated (thousands) ¹	0.679		0.650	0.029	

Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/(Below) ²
Art Education K-8	1.00	1.47	1.54	(0.07)	(0.05)
Music Education K-8	1.00	1.47	2.27	(0.80)	(0.54)
Physical Education K-8	1.00	1.47	2.05	(0.58)	(0.39)

Source: EPCSD and primary peers

¹ Reflects K-8 students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table B-5**, EPCSD employs fewer K-8 art, music, and physical education teaching staff than the primary peer average in each category.

Non-Teaching Educational Staff

Table B-6 shows the District’s FY 2018-19 non-teaching educational staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-6: Non-Teaching Educational Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Curriculum Specialist	0.00	0.00	0.11	(0.11)	(0.11)
Counseling	3.00	2.92	1.83	1.09	1.12
Remedial Specialist	0.00	0.00	0.56	(0.56)	(0.57)
Tutor/Small Group Instructor	0.00	0.00	0.97	(0.97)	(1.00)
Other Educational	0.00	0.00	0.32	(0.32)	(0.33)

Source: EPCSD and primary peers

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

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

As shown in **Table B-6**, EPCSD employs fewer non-teaching educational staff than the primary peer average in all categories with the exception of counseling (see **R.2**).

Professional Staff

Table B-7 shows the District’s FY 2018-19 professional staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-7: Professional Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Psychologist	1.00	0.97	0.31	0.66	0.68

Source: EPCSD and primary peers

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

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

As shown in **Table B-7**, EPCSD employs 0.68 FTE more psychologist positions than the primary peer average. However, seven of the primary peers contract for psychological services and subsequently do not report psychologist FTEs, thereby lowering the primary peer average. The three remaining primary peers that have a psychologist position also have 1.0 FTE. Further, EPCSD’s psychological services expenditures in FY 2017-18 were lower than the primary peer average. Therefore, no recommendation is warranted.

Technical Staff

Table B-8 shows the District’s FY 2018-19 technical staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-8: Technical Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Other Technical	0.00	0.00	0.11	(0.11)	(0.11)

Source: EPCSD and primary peers

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

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

As shown in **Table B-8**, EPCSD does not employ staff in the other technical category. EPCSD’s technical staff are coded as coordinator positions and analyzed in the central office administrator staffing comparison to staff at the primary peers performing the same functions (see **Table B-2**).

Central Office Support Staff

Table B-9 shows the District’s FY 2018-19 central office support staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-9: Central Office Support Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Administrative Assistant	0.60	0.58	0.11	0.47	0.48
Accounting	0.00	0.00	0.32	(0.32)	(0.33)
Bookkeeping	0.00	0.00	0.95	(0.95)	(0.97)
Central Office Clerical	2.00	1.95	1.56	0.39	0.40
Records Managing	0.00	0.00	0.11	(0.11)	(0.11)
Other Office/Clerical	0.00	0.00	0.13	(0.13)	(0.13)
Total	2.60	2.53	3.18	(0.65)	(0.67)

Source: EPCSD and primary peers

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

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

As shown in **Table B-9**, EPCSD employs 0.67 fewer FTE central office support staff than the primary peer average.

Building Office Support Staff

Table B-10 shows the District’s FY 2018-19 building office support staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-10: Building Office Support Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
School Building Clerical	3.50	3.41	3.72	(0.31)	(0.32)
Bookkeeping	0.00	0.00	0.11	(0.11)	(0.11)
Records Managing	0.00	0.00	0.11	(0.11)	(0.11)
Total	3.50	3.41	3.94	(0.53)	(0.54)

Source: EPCSD and primary peers

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

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

As shown in **Table B-10**, EPCSD employs 0.54 fewer FTE building office support staff than the primary peer average.

Library Staff

Table B-11 shows the District’s FY 2018-19 library staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-11: Library Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/(Below) ²
Librarian/Media	0.00	0.00	0.48	(0.48)	(0.49)
Library Aide	0.70	0.68	1.21	(0.53)	(0.54)
Total	0.70	0.68	1.69	(1.01)	(1.04)

Source: EPCSD and primary peers

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

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

As shown in **Table B-11**, EPCSD employs 1.04 fewer FTE library staff than the primary peer average.

Nursing Staff

Table B-12 shows the District’s FY 2018-19 nursing staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-12: Nursing Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Registered Nursing	0.00	0.00	0.86	(0.86)	(0.88)
Practical Nursing	0.00	0.00	0.05	(0.05)	(0.05)
Total	0.00	0.00	0.91	(0.91)	(0.93)

Source: EPCSD and primary peers

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

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

As shown in **Table B-12**, EPCSD does not employ staff in the registered nursing or practical nursing categories because the District contracts out for nursing services.

Classroom Support Staff

Table B-13 shows the District’s FY 2018-19 classroom support staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-13: Classroom Support Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Instructional Paraprofessional	0.00	0.00	1.43	(1.43)	(1.47)
Teaching Aide	0.00	0.00	5.09	(5.09)	(5.22)
Total	0.00	0.00	6.52	(6.52)	(6.69)

Source: EPCSD and primary peers

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

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

As shown in **Table B-13**, EPCSD does not employ staff in the instructional paraprofessional or teaching aide categories.

Extra-curricular/Intra-curricular Staff Comparison

Table B-14 shows the District’s FY 2018-19 extra-curricular/intra-curricular staff per 1,000 students compared to the primary peer average for FY 2017-18. This comparison is based only on those FTEs coded by school districts as regular contracts and excludes those FTEs coded as supplemental contracts. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-14: Extra-curricular/Intra-curricular Staff Comparison

Students	EPCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,026		931	95	
Students Educated (thousands)	1.026		0.931	0.095	
Position	EPCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Coaching	0.00	0.00	0.21	(0.21)	(0.22)
Other Extra/Intra - Curricular Activities	0.00	0.00	0.21	(0.21)	(0.22)

Source: EPCSD and primary peers

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

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

As shown in **Table B-14**, EPCSD employs its coaching and other extra-curricular/intra-curricular activities staff under supplemental contracts which are excluded from this analysis

Salaries

Table B-15 shows the District’s FY 2018-19 certificated and classified salary schedules compared to the local peer average over the course of a 30-year career. Comparing career compensation to the local peer average takes into account regional variations in the labor market.

Table B-15: Career Compensation Comparison

Certificated				
	EPCSD	Local Peer Avg.	Difference	% Difference
Bachelor’s	\$1,404,207	\$1,510,597	(\$106,390)	(7.0%)
Bachelor’s 150	\$1,505,498	\$1,611,292	(\$105,794)	(6.6%)
Master’s	\$1,616,686	\$1,745,389	(\$128,703)	(7.4%)
Master’s +15 ¹	\$1,732,824	\$1,866,825	(\$134,001)	(7.2%)
Classified ²				
	EPCSD	Local Peer Avg.	Difference	% Difference
Bus Driver	\$409,154	\$420,547	(\$11,393)	(2.7%)
Custodian	\$1,049,589	\$1,044,104	\$5,485	0.5%
Instruction Monitor Aide ³	\$512,366	\$484,637	\$27,729	5.7%
Secretary	\$1,048,341	\$1,017,597	\$30,744	3.0%

Source: EPCSD and local peers

¹Beaver LSD is excluded because they do not offer a Master’s +15 contract.

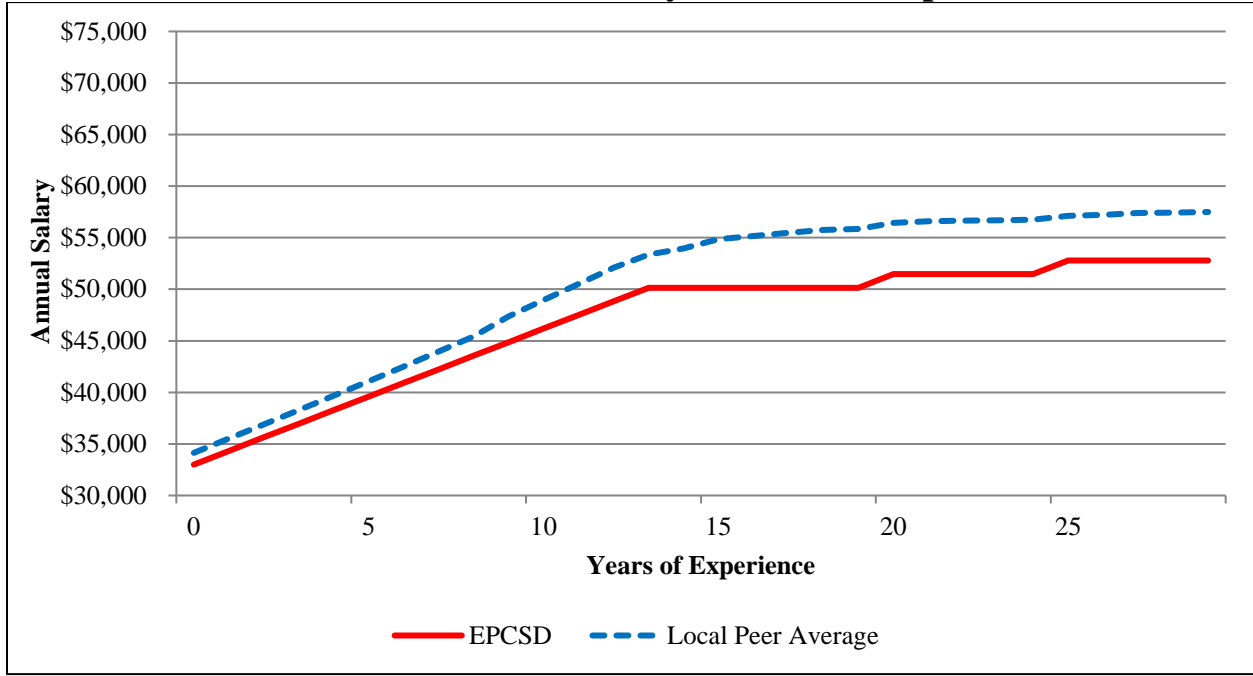
²Annual classified compensation was calculated using the average annual hours worked for each job classification at EPCSD.

³Crestview LSD is excluded because aides are not part of the collective bargaining agreement.

As shown in **Table B-15**, the District’s career compensation for certificated staff and classified staff is lower than, or comparable to, the local peer average in every category except for instruction monitor aide and secretary.

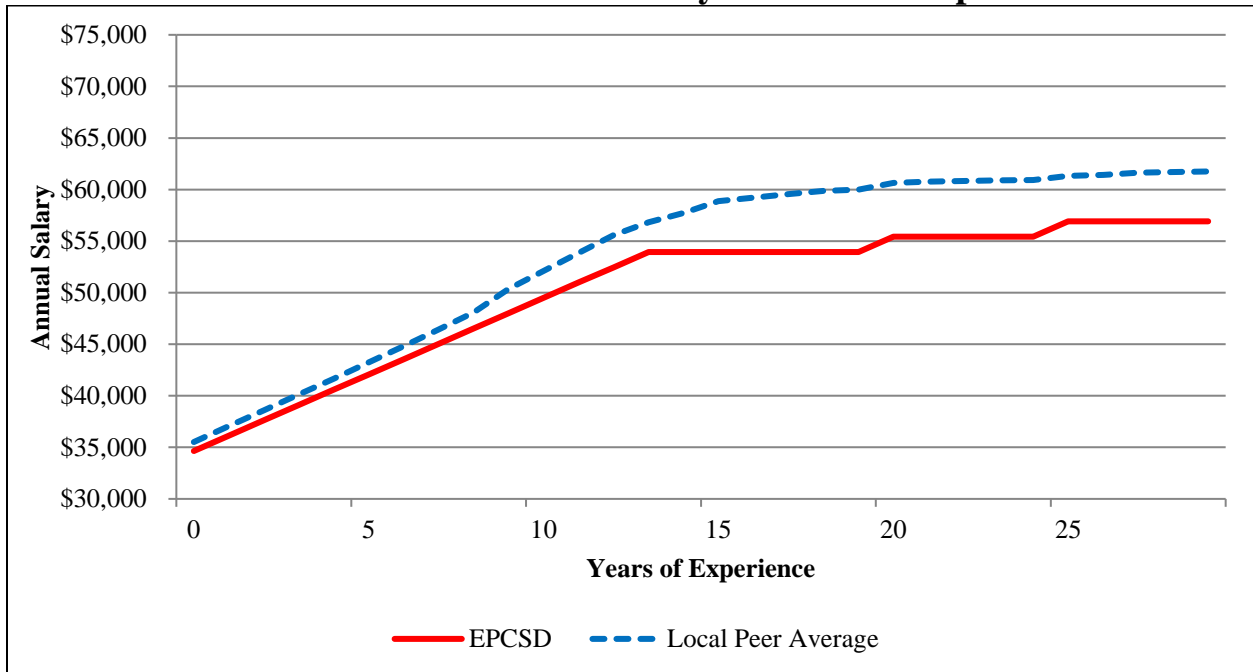
Charts B-1 through B-8 provide additional context to the analysis shown in Table B-15 by showing comparisons of EPCSD’s certificated and classified salary schedules to the local peer averages for FY 2018-19.

Chart B-1: Bachelor’s Salary Schedule Comparison



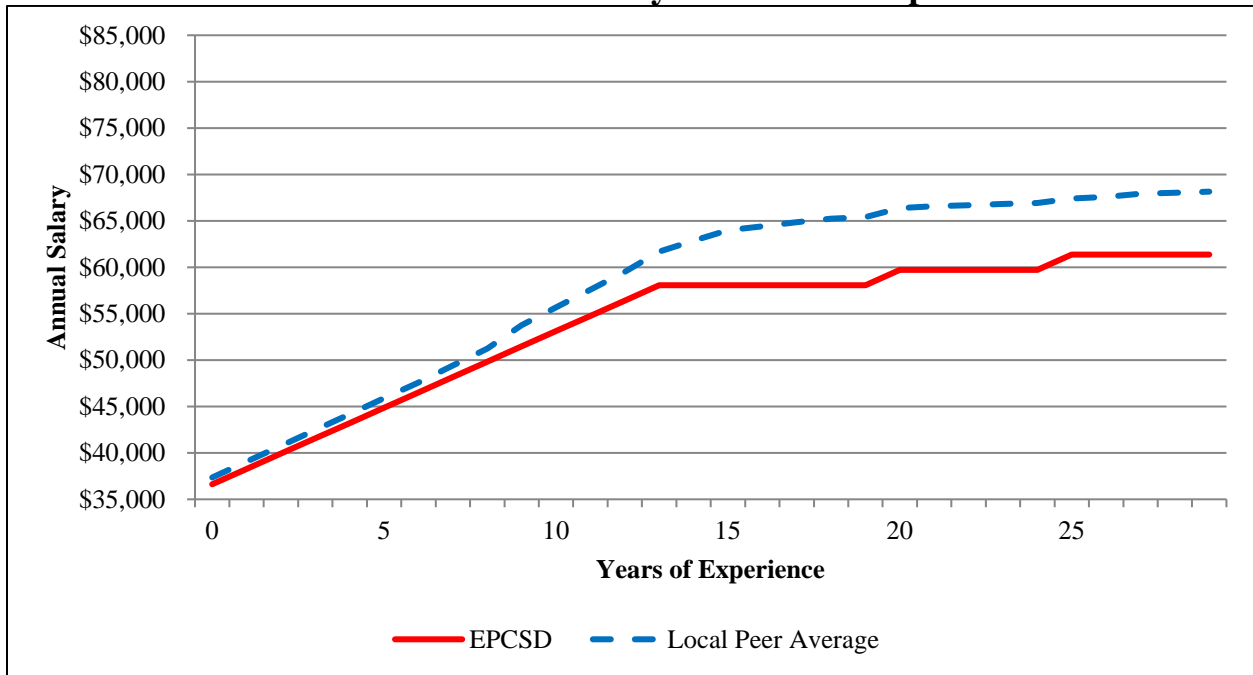
Source: EPCSD and local peers

Chart B-2: Bachelor’s 150 Salary Schedule Comparison



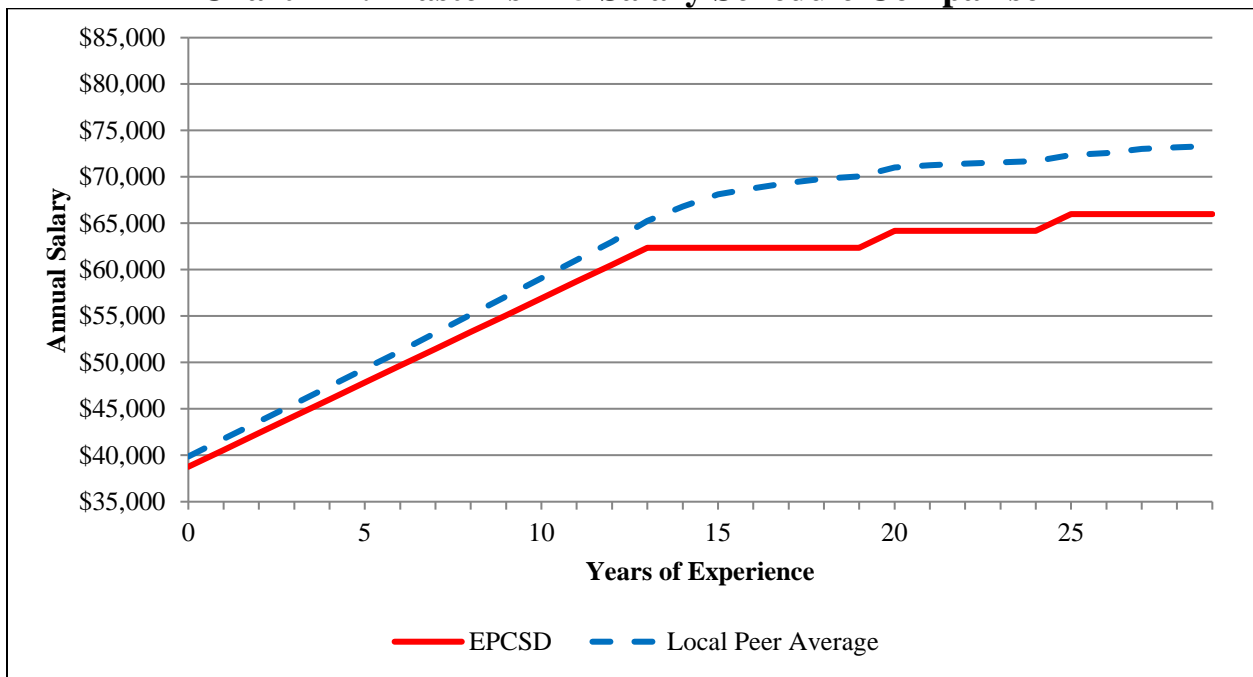
Source: EPCSD and local peers

Chart B-3: Master's Salary Schedule Comparison



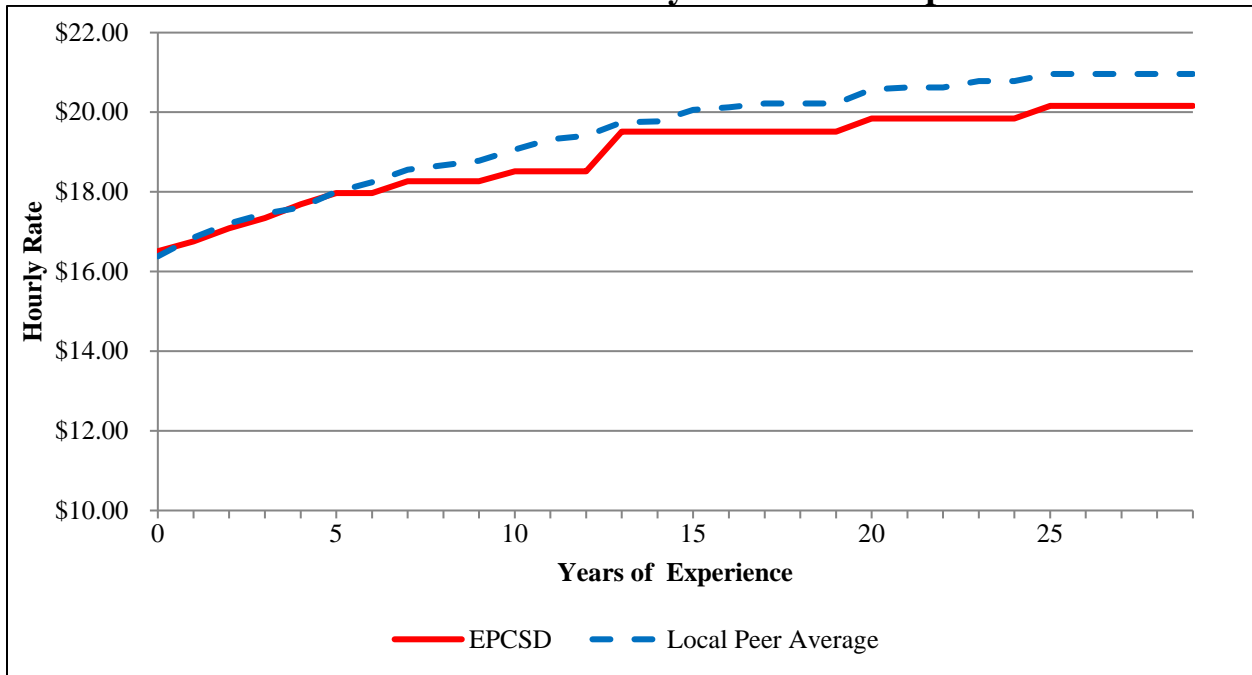
Source: EPCSD and local peers

Chart B-4: Master's +15 Salary Schedule Comparison



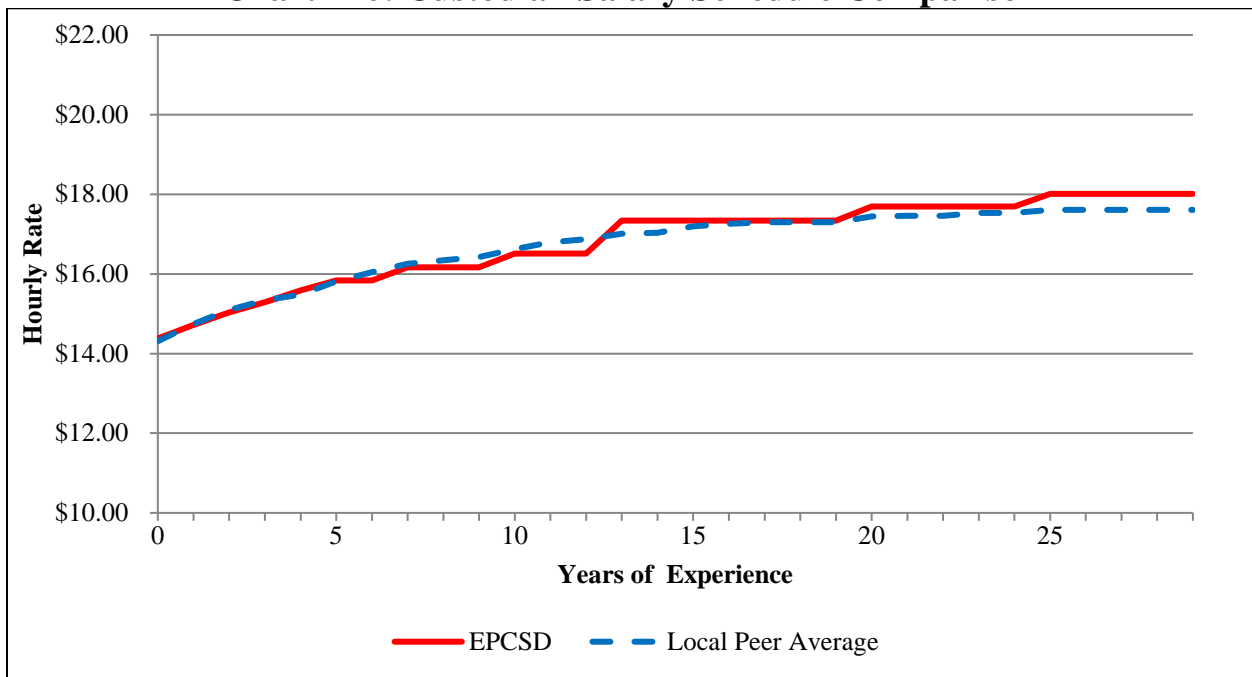
Source: EPCSD and local peers

Chart B-5: Bus Driver Salary Schedule Comparison



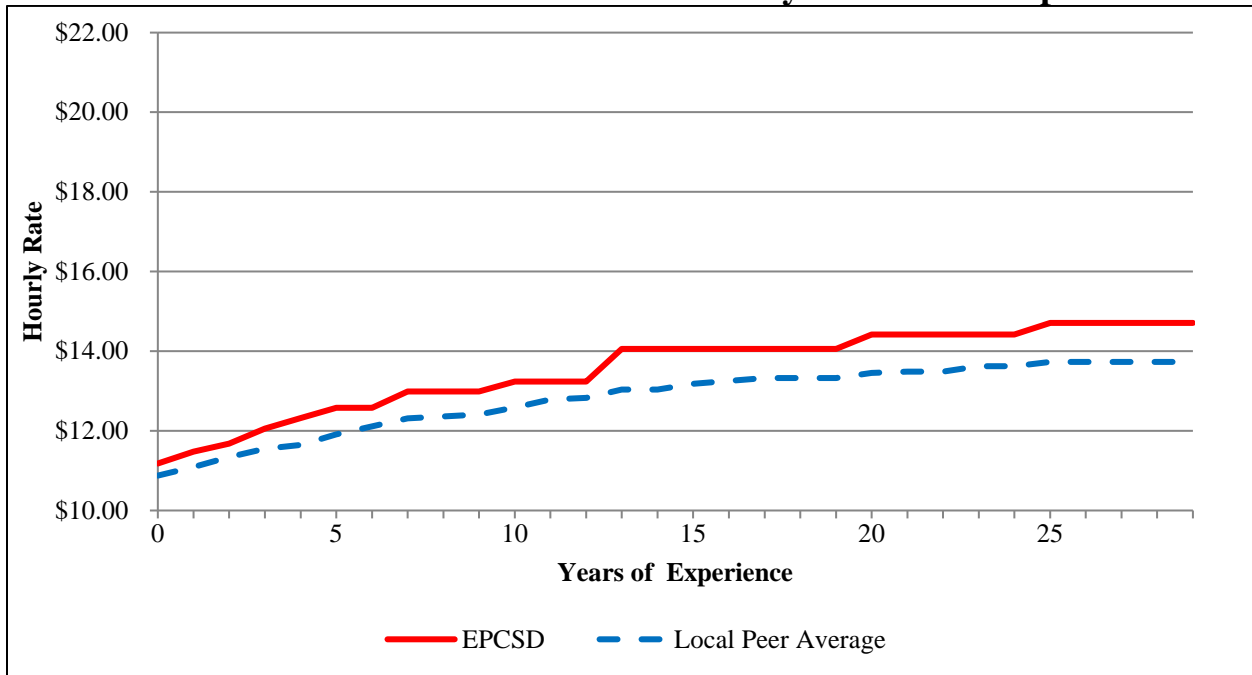
Source: EPCSD and local peers

Chart B-6: Custodian Salary Schedule Comparison



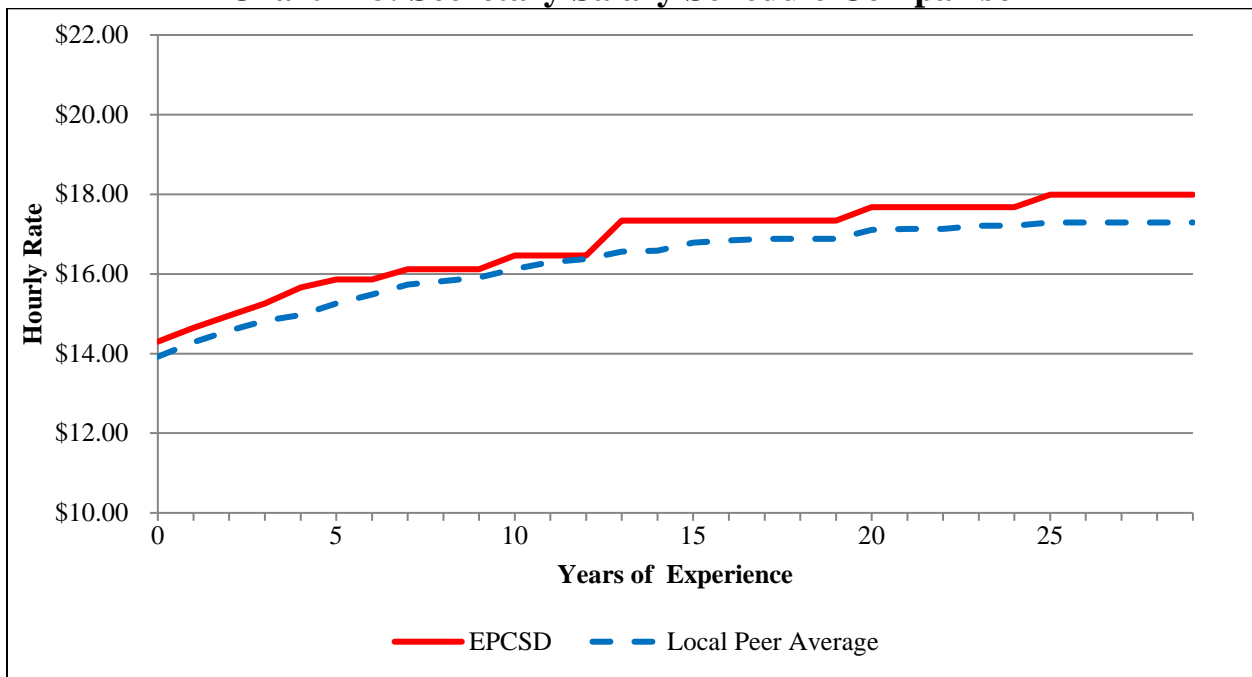
Source: EPCSD and local peers

Chart B-7: Instruction Monitor Aide Salary Schedule Comparison



Source: EPCSD and local peers

Chart B-8: Secretary Salary Schedule Comparison



Source: EPCSD and local peers

Sick Leave Severance

Table B-16 shows the District’s maximum financial liability for sick leave severance by position, in comparison to its projected liability resulting from bringing its CBA provisions for sick leave payouts in line with the ORC minimums (see **R.4**). This analysis provides an indication of the District’s maximum sick leave severance exposure compared to the minimum levels required.

Table B-16: Difference between ORC and EPCSD for Severance Liability

Certificated Employees						
	Final Daily Rate of Pay	CBA Maximum Severance Days	Maximum Payout	ORC Minimum	Pay Out at ORC	Difference
Bachelor’s	\$288.47	51.6	\$14,885.05	30	\$8,654.10	\$6,230.95
Bachelor’s 150 hours	\$311.01	51.6	\$16,048.12	30	\$9,330.30	\$6,717.82
Master’s	\$335.34	51.6	\$17,303.54	30	\$10,060.20	\$7,243.34
Master’s +15	\$360.59	51.6	\$18,606.44	30	\$10,817.70	\$7,788.74
Average Certificated Difference						\$6,995.21
Classified Employees						
Bus Driver	\$80.64	50	\$4,032.00	30	\$2,419.20	\$1,612.80
Custodian	\$144.08	50	\$7,204.00	30	\$4,322.40	\$2,881.60
Instruction Monitor Aide	\$102.97	50	\$5,148.50	30	\$3,089.10	\$2,059.40
Secretary	\$143.92	50	\$7,196.00	30	\$4,317.60	\$2,878.40
Average Classified Difference						\$2,358.05

Source: EPCSD and ORC

As shown in **Table B-16**, EPCSD employees are entitled to receive severance payouts for more days at retirement than the ORC minimum. Adjusting payouts to the ORC minimum could decrease the District’s future severance liability by an average of approximately \$6,900 for certificated staff and \$2,300 for classified staff.

Facilities

Table B-17 shows the District's FY 2017-18 facilities operating costs per square foot compared to the primary peer average. Comparing expenditures per square foot gives an indication of the cost effectiveness of the District's facilities operation as it normalizes size variances between districts.

Table B-17: Facilities Expenditures per Square Foot Comparison

	EPCSD	Peer Average	Difference	% Difference
Salaries and Wages	\$1.38	\$1.75	(\$0.37)	(21.1%)
Employee Benefits	\$1.00	\$0.82	\$0.18	22.0%
Purchased Services (Excluding Utilities)	\$0.96	\$1.09	(\$0.13)	(11.9%)
Utilities	\$1.23	\$1.50	(\$0.27)	(18.0%)
Water & Sewage	\$0.08	\$0.14	(\$0.06)	(42.9%)
Sub-Total Energy	\$1.15	\$1.36	(\$0.21)	(15.4%)
Electric	\$0.88	\$1.13	(\$0.25)	(22.1%)
Gas	\$0.27	\$0.23	\$0.04	17.4%
Other Energy Sources	\$0.00	\$0.00	\$0.00	0.0%
Supplies & Materials	\$0.21	\$0.56	(\$0.35)	(62.5%)
Capital Outlay	\$0.00	\$0.62	(\$0.62)	(100.0%)
Other Objects	\$0.00	\$0.02	(\$0.02)	(100.0%)
Total Expenditures per Square Foot	\$4.78	\$6.36	(\$1.58)	(24.8%)

Source: EPCSD, ODE, and primary peers

As shown in **Table B-17**, EPCSD spent \$1.58, or 24.8 percent, less than the primary peer average for the operation of its facilities. Further, all classifications were less than the primary peer average except for employee benefits (see **R.5**) and gas.

Table B-18 shows the District's FY 2018-19 buildings and grounds staffing compared to industry benchmarks established by the National Center for Education Statistics (NCES)¹⁶ and American School and University (AS&U).¹⁷ It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

¹⁶ The NCES is the primary federal entity for collecting, analyzing, and reporting data related to education in the US and other nations and publishes a planning guide for maintaining school facilities.

¹⁷ AS&U is a trade organization focused on school facility management which published school facility management related survey data collected from 2005 through 2009.

Table B-18: Buildings and Grounds Staffing Comparison

Grounds Staffing	
Grounds FTEs ¹	0.0
Acreage Maintained ²	7.2
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	0.2
Grounds FTEs Above/(Below) Benchmark	(0.2)
Custodial Staffing	
Custodial FTEs	7.0
Square Footage Cleaned ³	231,604
NCES Level 3 Cleaning Benchmark ⁴ - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	7.9
Custodial FTEs Above/(Below) Adjusted Benchmark	(0.9)
Maintenance Staffing	
Maintenance FTEs	1.0
Square Footage Maintained	244,998
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.6
Maintenance FTEs Above/(Below) Benchmark	(1.6)
Total Building & Grounds Staffing	
Total FTEs Employed	8.0
Total Benchmarked Staffing Need	10.7
Total FTEs Above/(Below) Benchmark	(2.7)

Source: EPCSD, AS&U, and NCES

¹ EPCSD does not employ dedicated grounds staff; rather, these duties are completed by the maintenance staff.

² Excludes the wooded acreage not maintained by the District. EPCSD owns a total of 40.9 acres.

³ Custodial staff does not clean the bus garage and only cleans the stadium buildings on a seasonal basis. The stadium field house is included because custodial staff routinely cleans it throughout the year.

⁴ 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.

As shown in **Table B-18**, EPCSD's grounds, custodial, and maintenance staffing levels are each below their respective benchmarks and are lower in total by 2.7 FTEs.

Appendix C: Five-Year Forecast

Chart C-1 shows EPCSD’s October 2018 five-year forecast.

Chart C-1: EPCSD October 2018 Five-Year Forecast

Line	Actual			Forecasted				
	2016	2017	2018	2019	2020	2021	2022	2023
1.010 General Property (Real Estate)	2,373,111	2,358,627	2,331,648	2,400,000	2,400,000	2,450,000	2,500,000	2,550,000
1.020 Tangible Personal Property Tax	1,648							
1.035 Unrestricted Grants-in-Aid	8,071,344	8,377,116	8,485,541	8,505,516	8,500,000	8,500,000	8,550,000	8,550,000
1.040 Restricted Grants-in-Aid	55,127	41,812	96,005	90,000	60,000	60,000	60,000	60,000
1.050 Property Tax Allocation	367,025	371,291	370,210	375,000	382,500	385,000	387,500	390,000
1.060 All Other Operating Revenue	338,912	521,003	402,881	385,000	350,000	350,000	350,000	350,000
1.070 Total Revenue	11,207,167	11,669,849	11,686,285	11,755,516	11,692,500	11,745,000	11,847,500	11,900,000
2.040 Operating Transfers-In	100,000	100,000	50,000	100,000	75,000	50,000	100,000	50,000
2.050 Advances-In		40,000						
2.070 Total Other Financing Sources	100,000	140,000	50,000	100,000	75,000	50,000	100,000	50,000
2.080 Total Revenues and Other Financing Sources	11,307,167	11,809,849	11,736,285	11,855,516	11,767,500	11,795,000	11,947,500	11,950,000
3.010 Personnel Services	5,047,790	5,087,389	5,467,234	5,284,860	5,360,006	5,428,133	5,492,852	5,548,999
3.020 Employees' Retirement/Insurance Benefits	2,536,601	2,703,483	2,904,495	2,989,080	3,220,178	3,457,036	3,715,624	3,997,350
3.030 Purchased Services	3,200,206	2,581,278	2,679,765	2,625,000	2,600,000	2,650,000	2,700,000	2,750,000
3.040 Supplies and Materials	345,030	225,185	261,793	230,000	250,000	275,000	300,000	300,000
3.050 Capital Outlay	33,310	30,897	23,318	20,293	23,000	25,000	27,000	29,000
4.050 Debt Service: Principal - HB 264 Loans	44,293	44,437	44,553	45,027	45,000	45,000	45,000	45,000
4.300 Other Objects	327,604	1,091,353	822,768	815,000	815,000	815,000	815,000	815,000
4.500 Total Expenditures	11,534,834	11,764,022	12,203,926	12,009,260	12,313,184	12,695,169	13,095,476	13,485,349
5.010 Operational Transfers - Out	122,000	100,000	50,000	100,000	75,000	50,000	100,000	50,000
5.020 Advances - Out	40,000	42,500	20,371					
5.040 Total Other Financing Uses	162,000	142,500	70,371	100,000	75,000	50,000	100,000	50,000
5.050 Total Expenditure and Other Financing Uses	11,696,834	11,906,522	12,274,297	12,109,260	12,388,184	12,745,169	13,195,476	13,535,349
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-389,667	-96,673	-538,012	-253,744	-620,684	-950,169	-1,247,976	-1,585,349
7.010 Beginning Cash Balance	1,400,848	1,011,181	914,508	376,496	122,752	-497,932	-1,448,101	-2,696,077
7.020 Ending Cash Balance	1,011,181	914,508	376,496	122,752	-497,932	-1,448,101	-2,696,077	-4,281,426
8.010 Outstanding Encumbrances	234,758	111,680	91,404	125,000	125,000	125,000	125,000	125,000
9.010 Textbook and Instructional Materials	20,898	48,631	10,500	37,321	33,849	35,793	35,654	35,099
9.030 Budget Reserve	133,794	133,794	133,794	133,794	133,794	133,794	133,794	133,794
9.080 Total Reservations	154,692	182,425	144,294	171,115	167,643	169,587	169,448	168,893
10.010 Fund Balance June 30 for Certification of Appropriations	621,731	620,403	140,798	-173,363	-790,575	-1,742,688	-2,990,525	-4,575,319
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	621,731	620,403	140,798	-173,363	-790,575	-1,742,688	-2,990,525	-4,575,319
15.010 Unreserved Fund Balance June 30	621,731	620,403	140,798	-173,363	-790,575	-1,742,688	-2,990,525	-4,575,319

Source: EPCSD and ODE

Client Response

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



EAST PALESTINE CITY SCHOOLS

200 WEST NORTH AVENUE EAST PALESTINE, OHIO 44413
Mr. Chris Neifer, Superintendent (PHONE) 330 426-4191

April 1, 2019

Mr. Keith Faber
Auditor of State
88 East Broad Street, 5th Floor
Columbus, OH 43215

Dear Auditor of State Faber,

On behalf of the East Palestine City School District, we would like to thank you and the entire Performance Audit Team for the efficiency and professionalism in preparing the audit report for our district. The audit process and final report will be invaluable tools as we evaluate district processes and budgeting practices as we work towards creating a plan that will produce fiscal sustainability and a positive five year forecast.

The District Administrative Team and Board of Education have reviewed the recommendations from the performance audit and are developing a plan to address each area of recommended cost savings. Some of the recommendations of the report (R.4 & R.5) are topics that require renegotiation of the districts collective bargaining agreements which are scheduled for the end of the 2018-19 school year. Recommendation #6 involving transportation and the utilization of the current bus fleet have already been impactful as we have reduced a tier I and tier II bus route as of February. This reduction will create cost savings in vehicle usage and personnel. There is a plan to reduce an additional route prior to the next school year. This will allow us to reduce the fleet size by three vehicles. We have also engaged in the process of installing our own fuel tank on school property to increase the efficiency and control of our fuel costs versus our current system of wet fueling weekly. A district staffing analysis is underway (R.2 & R.3) that will result in the elimination of identified positions through attrition and reduction in force (RIF). The district has established a plan to embark on a 5 year strategic and capital planning process (R.1) that will begin in August of 2019.

East Palestine City School District will continue to review all of our district processes to inform decisions that will ensure a positive financial future and continuous improvement for our district. On behalf of the East Palestine Community we would like to thank you for the time, effort, and resources that your team put into the process.

Respectfully,

Chris Neifer, Superintendent

Rick Ellis, Treasurer

Bulldog PRIDE

OHIO AUDITOR OF STATE
KEITH FABER



EAST PALESTINE CITY SCHOOL DISTRICT

COLUMBIANA 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, 2019**