



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

PORTSMOUTH CITY SCHOOL DISTRICT PERFORMANCE AUDIT

JUNE 26, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

To the Residents and Board of Education of the Portsmouth City School District:

On April 19, 2001, the State Superintendent of Public Instruction placed the Portsmouth City School District under fiscal caution. In accordance with the provisions of ORC §3316.041, the Auditor of State initiated a performance audit of PCSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children and to assist PCSD in eliminating the conditions which brought about the declaration of fiscal caution.

The performance audit contains recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. The performance audit also provides an independent assessment of PCSD's financial situation and a framework for PCSD's financial recovery plan. The recommendations contained within the performance audit are resources designed to assist PCSD in developing and refining its financial recovery plan. However, PCSD is also encouraged to assess overall operations and to develop other recommendations independent of the performance audit.

An executive summary has been prepared which includes the project history, a discussion of the fiscal caution designation, district overview, purpose and objective of the performance audit and a summary of findings, commendations, recommendations and financial implications. This report has been provided to the Portsmouth City School District and its contents discussed with appropriate District officials and management. The District has been encouraged to utilize the results of the performance audit as a resource in improving its overall operations, service delivery and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or the toll free number in Columbus, (800) 282-0370. This performance audit can also be obtained on-line through the Auditor of State's website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 26, 2002

EXECUTIVE SUMMARY

Project History

Pursuant to Ohio Revised Code (ORC) §3316.042, the Auditor of State's Office (AOS) may conduct a performance audit of a school district in a state of fiscal caution, watch or emergency and review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced program results can be achieved.

In accordance with ORC § 3316.03, AOS can declare a school district to be in a state of fiscal watch if the district has an operating deficit which exceeds 8.0 percent of the preceding year's general fund revenues, the district's unencumbered cash balance for the preceding fiscal year was less than 8.0 percent of the General Fund expenditures and a levy has not been passed which will raise sufficient revenues to eliminate these conditions. ORC §3316.04 allows AOS to declare a school district to be in a state of fiscal emergency if the district's board of education fails to submit an acceptable financial recovery plan to the State Superintendent of Public Instruction within 120 days of being placed in fiscal watch.

On April 19, 2001, the Auditor of State certified an operating deficit in the amount of \$826,000 for the fiscal year ended June 30, 2001 for the Portsmouth City School District (PCSD). The Auditor of State determined that there was a deficit between two percent and eight percent, but that no declaration of fiscal watch or fiscal emergency would be declared. As a result, under ORC §3316.031 (B)(3), the State Superintendent of Public Instruction placed the Portsmouth City School District under fiscal caution.

Pursuant to ORC §3316.041, AOS initiated a performance audit of PCSD. The following four functional areas were selected for assessment in the performance audit:

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

Planning for the performance audit began in June 2001, and the actual performance audit was conducted primarily during the months of August through December, 2001.

The performance audit process will assist PCSD in eliminating the conditions which brought about the declaration of fiscal caution. The performance audit contains recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. The performance audit also

provides an independent assessment of PCSD's financial situation and a framework for PCSD's financial recovery plan. The recommendations contained within the performance audit are a resource which may aid PCSD in developing and refining its financial recovery plan. However, PCSD is encouraged to assess overall operations and to develop other recommendations independent of the performance audit.

Fiscal Caution

The Ohio Department of Education (ODE), in consultation with the Auditor of State, has established fiscal practices and budgetary conditions as guidelines for the State Superintendent of Public Instruction to place a school district in fiscal caution. The failure to correct any of the following situations could result in the declaration of a fiscal watch or fiscal emergency by the Auditor of State.

- Failure to submit or update a 5-year forecast as required by ORC §5705.391 and by Administrative Rule 3301-92-04.
- District projection of a current year ending fund balance equal to two (2) percent or less of current year projected revenue.
- Failure to submit an acceptable plan to address a potential future year deficit within the timeframe allowed when notified under ORC §5705.391 (B).
- ODE discovery of fiscal practices or conditions that could lead to a declaration of fiscal watch or fiscal emergency.
- The district must be placed in fiscal caution, as required by ORC §3316.031 (B)(3), if the Auditor of State certifies a deficit between two (2) percent and eight (8) percent with no declaration of fiscal watch.
- Declaration that a school district's financial records are unauditible by the Auditor of State.
- Failure to submit financial statements according to Generally Accepted Accounting Principles as reported by the Auditor of State.
- Failure to comply with ORC §5705.412 by attaching a signed certificate to an appropriation measure, qualifying contract or salary schedule as reported by the Auditor of State.
- Identification of reportable conditions, material weaknesses, direct and material legal noncompliance or management letter comments, by the Auditor of State, which in the Auditor of States' opinion, the aggregate effect of all such reported issues has a significant effect on the financial condition of the district.

District Overview

Portsmouth City School District (PCSD) is located in Scioto County and encompasses approximately 20 square miles. According to average daily membership (ADM) data, PCSD served approximately 2,987 students in FY 2000-01, a decrease of 132 when compared to the previous year's ADM of 3,119. In FY 2000-01, PCSD had 320.5 FTE employees consisting of 17.5 administrators, 184 teachers and 119 classified employees.

According to PCSD's 2000 and 2001 local report cards, the District has been in academic emergency for two consecutive years, meeting only 5 of 27 academic performance standards in FY 1998-99 and 6 of 27 standards in FY 1999-00. Information for FY 2000-01 shows an increase in the number of performance standards met to 8, placing PCSD in academic watch.

PCSD's current financial condition is due, in part, to a lack of accurate financial forecasting, high per pupil expenditures and ADM losses to open enrollment, and more recently, to the opening of a community school serving middle and high school students. PCSD's per pupil expenditures exceed those of like-sized districts by approximately 4.8 percent. In FY 2000-01, per pupil expenditures were the highest of the peers, driven by high salary and benefits costs and limited discretionary spending. As a labor intensive organization, PCSD spends 79.6 percent of its operating budget to fund payroll and fringe benefit costs. In addition, PCSD has not adjusted staffing levels consistent with the declining enrollment.

PCSD has experienced a significant declining enrollment trend, which has been affected by open enrollment and the creation of a community school within the District. While total employee FTEs have decreased since FY 1999-00, they have not decreased at a rate comparable to the decrease in enrollment. Analyses indicate that up to 28 FTEs could be reduced (2 administrative, 2 ESP, 6 clerical, and 18 teaching FTEs). Recommendations for 23 FTE reductions are identified in the **human resources** section of this report (2 administrative, 2 ESP, 6 clerical and 13 teaching FTEs). Custodial and food service staffing levels are discussed in the **facilities** and **financial systems** section of this report. In addition to these reductions, PCSD should consider increasing employee contributions to the cost of healthcare through appropriate negotiations with union groups. PCSD has made a significant effort to address the staff reductions. As of April 30, 2002, the District has reduced the following staff: an assistant treasurer, a principal, nine teachers, a cook, four aids and a custodian.

PCSD's facilities consist of four elementary buildings, one middle school building, and one high school building. As part of the Ohio School Facilities Commission (OSFC) Classroom Assistance Program, PCSD was provided with approximately \$52.6 million for construction of three elementary schools, one middle school and one high school. The construction projects will be complete in the summer of 2005. In November 2001, PCSD passed an \$11.5 million bond levy for its match portion of the construction costs, which are estimated to total \$64.1 million. A portion (.5 mill) of the bond levy is designated for maintenance of the new facilities.

Custodial staff at PCSD are responsible for more square footage per custodian than the peer average and the AS&U benchmark. However, the ratio does not consider that PCSD is operating 74.3 percent under capacity and when considered with the declining ADM, indicates a somewhat high staffing level. One FTE custodial position could be reduced. The comparison of PCSD's current staffing level to the proposed staffing levels after the construction of the new facilities shows that the custodial staffing level will not need to increase. In fact, a reallocation of resources (1 FTE) from the custodial staff to the maintenance staff could be done to help ensure that routine maintenance is performed. The average square footage maintained per custodian (23,374) is the highest among the peer districts and higher than the AS&U Region 5 average.

PCSD's transportation operating ratios for regular and special needs students are lower than the peer district ratios. PCSD reported that it served 2,030 students on 7 school buses. Regular per student transportation costs were the second highest among the peers. PCSD had a cost per student of \$300 compared to Alliance City School cost of \$356. In addition, the per student transportation costs for special needs students (\$1,154) was the second highest among the peers.

During the course of this performance audit, several issues and assumptions were identified that should be considered by the Portsmouth City School Board, in light of the findings, recommendations, and assessments contained in this report.

- The financial forecast assumes the reduction of 24 FTE staffing positions at the end of FY 2001-02.
- Even though the financial forecast presented in **Table 2-2** shows a positive fund balance for the years forecasted, there are deficit results of operations for FY 2002-03 through FY 2005-06 and the extension of the forecast through FY 2006-07 would show a deficit fund balance for the year.
- The Anthem demutualization revenue in FY 2001-02 is a one-time revenue source and should not be used for supplementing high staffing levels.
- The forecast presented in **Table 2-2** includes a 2.0 percent COLA increase in FY 2002-03 and through FY 2005-06 for all staff members.
- Future Ohio Supreme Court decisions may affect the funding formula and, therefore, State funding amounts may be different from those depicted in the forecast.
- For the purpose of the projections in this report, student enrollment is projected to hold steady at 2,660 students through FY 2005-06. If PCSD experiences an enrollment decline, State Foundation funding could potentially decrease from the projected levels.

- State Foundation Program funding includes new funding through Parity Aid, which has the potential to provide PCSD with a valuable opportunity to improve academic programs and increase Report Card performance without implementing new programs.

In order to achieve and maintain financial stability, PCSD faces several difficult challenges including curbing the growth of payroll and benefit costs and meeting statutory requirements established by House Bill 412, while maintaining high standards in educating its students. In addition, the District must be ready to adjust staffing levels as changes in ADM occur. Delays in addressing these changes will negatively affect the financial condition of the District. The performance audit provides a series of recommendations, many of which include associated cost reductions, redirected services or improved efficiency. PCSD management should carefully consider these recommendations when making the important decisions necessary to establish financial stability and improve the quality of educational services.

Summary Results

The summary results of the performance audit are contained on pages 1-6 through 1-18. The summary results are followed by a definition of performance audits, the objective and methodology of performance audits and peer district comparisons of key information.

The performance audit addresses four major areas of PCSD operations. The **financial systems** area is further separated into financial planning as well as revenues, expenditures and financial operations. A summary of background information; major findings, commendations, recommendations; and financial implications is provided for each area. A thorough analysis of each of the four areas, including detailed findings and recommendations, is contained within the corresponding section of the report. All interested parties are encouraged to read the entire report.

The results of this performance audit should not be construed as criticism of PCSD management. Rather, the performance audit should be used as a management tool by PCSD and the community to improve operations within the District and aid in the preparation and refinement of PCSD's financial recovery plan.

A table representing a summary of the financial implications of the recommendations is presented on page 1-18. However, the performance audit also contains a number of recommendations which may not generate estimated cost savings, but will result in enhanced service delivery. If implemented, these recommendations would improve PCSD's operational efficiency and its effectiveness in achieving its educational mission.

The performance audit is not a financial audit. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of PCSD's fiscal records and past financial transactions. However, copies of the financial audits are available through the Auditor of State's Office at 88 East Broad Street, Columbus, Ohio 43215, or on the Internet at www.auditor.state.oh.us.

Financial Systems

Background

The AOS declared a \$826,000 operating deficit for PCSD for the fiscal year ending June 30, 2001, which met the criteria necessary to be placed in fiscal caution and the ODE formally declared PCSD in fiscal caution on April 19, 2001.

PCSD operates under the governance of a locally elected five-member board, with each member serving a four-year term. There is no separate department responsible for budgeting within PCSD. Under Board policy, this function is centralized in the offices of the Superintendent and Treasurer. The Superintendent and the Board establish the overall fiscal objectives for PCSD while the actual budget preparation, presentation and subsequent management reporting falls under the authority of the treasurer.

Findings: The significant findings in the **financial systems** section are summarized below:

- PCSD's forecast document, submitted to ODE in June 2001, lacks detailed information and has several deficiencies. The prior financial forecasts prepared by PCSD do not present an accurate picture of the financial condition PCSD is likely to encounter. Given the significant financial issues facing PCSD, a properly developed, detailed financial forecast is essential to the District's attempts to regain financial solvency.
- Several of the reports provided by the District did not accurately present PCSD's financial data. Inquires into the discrepancies revealed that roughly 40 revenue accounts and several expenditure accounts were deleted without following the recommended Uniform School Accounting System procedures. The deleted financial information was subsequently restored.
- PCSD engages the Auditor of State's office to perform a year-end conversion of the cash accounting records to the accrual method required by GAAP.
- The Ohio Department of Education (ODE) conducted a Staff Organization and Utilization Study of the PCSD treasurer's office. A review of the current procedures within the District treasurer's office revealed that several significant recommendations from the ODE Office Staff Utilization Study performed in February 1998 were not implemented by the District.
- The treasurer's office lacks formal policies and procedures for management of Grant Funds. In FY 2000-01, Grant Funds in the amount of \$848,680 were due to PCSD by grantors. Failure to request payment from the grantor in the specified time-frame could cause PCSD to lose grant monies.

- PCSD's Food Service Division pays salaries and benefits for employees who do not provide direct service to the food service operation which decreases operating income, overstates expenditures and increases the cost of providing the services to the users.

Commendations: The significant commendation in the **financial systems** section is summarized below.

- In an effort to alleviate its financial difficulties, OCSO reduced its expenditures for Purchased Services and Materials and Supplies in FY 2000-01.

Recommendations: The significant recommendations in the financial systems section are summarized below.

- The Board should use the financial recovery plan and the recommendations in this performance audit to determine the impact of the related cost savings on PCSD's financial condition. PCSD should closely examine its spending patterns and reallocate monies towards those programs and priorities which will have the greatest impact on improving student education and proficiency test results. The expenditures highlighted in the **financial systems** assessments show a relatively costly educational environment in comparison to the peers.
- PCSD should ensure that its forecast is accurate and up-to-date. All relevant revenues for the General Fund should be included in the forecast and articulated in the notes. The Board may benefit from more frequent reviews and in-depth discussion of the financial projections and underlying assumptions.
- Before any account is deleted from the District's USAS programs, the treasurer's office should follow the recommended procedures outlined in the USAS reference manual. Because this information is used in developing its five-year forecast, the Board should establish policies for the treasurer's office in the use of the USAS software programs.
- PCSD should consider training treasurer's office staff to prepare the GAAP basis financial statements in-house. PCSD could save approximately \$19,700 annually.
- The Board should develop a process to provide a timely, detailed work plan to address the recommendations of any operational study and establish a follow-up procedure to ensure compliance with the work plan.
- The Board should adopt formal policies and procedures for managing grants. By adopting formal policies and procedures for grant management, the Board will ensure that additional resources obtained by the staff are received and expended for their intended purpose. In addition, PCSD should develop a coordinated grant program to include teachers and administrators in the grant search and application process.

- The Board should review the allocation percentages of salaries and benefits being charged to the Food Service Division. In its accounting, PCSD should charge back the Food Service Division only for items or services which the Food Service Division actually receives. Furthermore, PCSD should conduct a comprehensive review of the duties and responsibilities of its food service staff and determine if resources are being used efficiently and effectively in relation to the need of the District.

Human Resources

Background:

PCSD does not have a separate human resources department, rather, all human resources functions have been delegated to various positions within the central office. All PCSD employees are categorized either as certificated or classified (non-certificated) staff. Certificated staff include principals, teachers, counselors and librarians. Classified staff includes instructional teaching aides, library aides, custodians, food service workers, secretaries and bus drivers.

Findings: The significant findings in the **human resources** section are summarized below.

- The State Board of Education developed and implemented the Educational Management Information System (EMIS) to assist school districts in effectively and efficiently managing student and personnel demographic information. All schools are required to provide specific student, staff and financial data to the Ohio Department of Education (ODE) through EMIS. To ensure that staff personnel demographic information is timely and accurate, PCSD has one employee devoted to entering EMIS information.
- PCSD management has recognized a declining enrollment trend. However, the District has not decreased total FTEs at a rate comparable to the decrease in enrollment. It is important for districts to monitor staffing levels in conjunction with enrollment, as State funding is based on the number of students enrolled.
- Although PCSD's FTEs per administrator increased from FY 2000-01 to FY 2001-02, the ratio still remains lower than the peer average. However, the significant decrease in ADM caused PCSD's administrators per 1,000 ADM to increase to 7.3, indicating that PCSD has one more administrative FTE per 1,000 pupils than the peer average.
- PCSD has more clerical FTEs per administrative FTEs than the peer average for FY 2001-02. In addition, the ratio between total district personnel and clerical personnel was significantly lower than the peer average in FY 2000-01. Despite PCSD decreasing total staffing for FY 2001-02, total district personnel to clerical personnel is still lower than the peer average. A lower ratio of total district personnel to clerical personnel would indicate that PCSD could be overstaffed in the clerical classification.

- The staff reductions implemented for FY 2001-02 lowered PCSD's percentage of direct instructional personnel to 65.7 percent, 1.2 percent lower than the FY 2000-01 peer average. In contrast, the percentage of educational support personnel increased to 34.3 percent, 1.2 percent higher than the peer average. Although PCSD is dedicating a majority of its staff to direct instruction, the lower percentage of direct instructional personnel compared to the peers may indicate that PCSD could shift some of its resources away from educational support staff and into direct instructional staff.
- Analysis indicates that 59.0 percent of middle and high school classes consist of 15 or more students. However, 12.3 percent of the middle and high school classes consist of 5 or fewer students. Although a low number of students per class increases the amount of student contact time spent in the classroom educating students, it may not be feasible for the District to offer classes that receive a low level of student interest.
- PCSD's student-to-teacher ratio was higher than the state average in FY 2000-01, but below the state average after implementing reductions in FY 2001-02. After PCSD's reductions, the District's student-to-teacher ratio is 29.2 percent lower than the state minimum standard of one FTE teacher for every 25 students in average daily membership.
- PCSD has 7.4 FTEs per 1,000 students in ESP personnel which is greater than the minimum standards identified in OAC 3301-35-05(A)(4) but less than the peer average. Approximately 43.2 percent of PCSD's ESP staff are art, music or physical education teachers which have direct instructional contact with students throughout the day. While the total staffing level is less than the peer average, PCSD is higher than the minimum standards which could indicate overstaffing in the ESP classification.
- PCSD has the lowest average supplemental pay amount for the selected positions when compared to the peer districts. However, PCSD has a higher number of supplemental contract positions than the peer average-- almost double the number of positions when compared to the next closest district. PCSD has proposed reducing the number of supplemental contract positions as part of its FRP. PCSD will not fund 27 supplemental positions in FY 2001-02 for a savings of approximately \$49,000.
- PCSD's teachers took an average of 1.7 more professional days than the peer average. Although the certificated employees negotiated agreement only provides the teachers with 120 total professional days to use, additional days may be used with the approval of the superintendent. The use of leave days has a direct impact on school district costs as both the teacher's regular salary and the substitute cost must be paid by the district. Also, the excessive use of leave days may increase administrative time and impact the quality of education by interrupting the flow of the teachers' curriculum. PCSD teachers' leave usage is high when compared to the peers which signifies that the District's leave incentive policy is not effective.

- PCSD's classified staff averaged 10.7 sick leave days during FY 2000-01 which was lower than the peer average (13.3 days) and was the lowest sick leave usage among the peers. Specifically, PCSD's clerical/office, food service and maintenance staff used a lower number of sick leave days when compared to the same positions at the peer districts.
- PCSD also offers a sick leave incentive to classified employees based on absences incurred each semester. For classified employees who do not take sick leave, a \$200 bonus is awarded per semester. For classified employees who do not take sick leave for the entire school year, the second semester bonus is \$300, giving the employee a total bonus of \$500. In FY 2000-01, only eight classified employees received sick leave incentive pay for a total payout by PCSD of \$1,600.
- PCSD's medical premiums for certificated employees were significantly higher than the State average by plan type and like-sized school districts. The average single plan premium for like-sized school districts was 21.0 percent lower than PCSD's single plan premium and 34.2 percent lower for the family plan. When compared to the State PPO average, PCSD's certificated and classified employee contributions were significantly lower than the state average for single and family plans. In addition, PCSD's certificated employee contributions were extremely low when compared to the like-sized school district average for single and family plans.

Recommendations: The significant recommendations in the **human resources** section are summarized below.

- PCSD should continually monitor enrollment and develop detailed projections which should be used to adjust staffing levels accordingly. Because State funding is based on the number of students enrolled in a school district, PCSD should maintain staffing levels in accordance with enrollment levels to ensure sufficient funding is available.
- PCSD should conduct a detailed analysis of the duties and responsibilities of its administrators and determine if resources are being used efficiently and effectively in relation to the needs of the District. Considering PCSD's current financial position and its possible future financial situation, it may need to seek savings in certain areas in order to have additional resources which can be allotted to the direct instruction of students. If PCSD can obtain a staffing level per 1,000 ADM in the administrator classification similar to the peer average, it could potentially reduce 2.0 administrators. This recommendation could save the District approximately \$194,000 annually in salaries and benefits.
- PCSD should conduct a detailed analysis of the duties and responsibilities of its clerical personnel and determine if resources are being used efficiently and effectively in relation to its needs. Considering PCSD's current financial position and its possible future financial situation, the District may need to seek savings in certain areas in order to have additional

resources which can be allotted to the direct instruction of students. If PCSD can obtain a staffing level per 1,000 ADM in the clerical classification similar to the FY 2000-01 peer average, it could potentially reduce approximately 6.0 clerical FTEs. This recommendation could save the District approximately \$228,000 annually in salaries and benefits.

- PCSD should assess its current and proposed staffing levels to determine the appropriate mix of direct instructional and district educational support personnel and continually monitor these staffing levels. Additionally, PCSD should allocate any realized cost savings to offset proposed reductions in direct instructional personnel in order to ensure the appropriate mix of personnel and student-to-teacher ratios. It is possible that PCSD's ability to attain its educational goals could be compromised without a sufficient number of direct instructional personnel.
- PCSD should assess class enrollment and determine the feasibility of consolidating classes with fewer than 10 students. PCSD should also consider the option of offering classes with low enrollment on an biennial basis to increase enrollment in low census classes. Increasing classroom enrollment through consolidation and biennial course offerings may assist PCSD in accommodating the proposed reductions in teaching staff. In addition, PCSD could develop a procedure that would set a minimum number of students that must be enrolled in a class before the class is offered.
- PCSD should closely monitor enrollment and staffing levels to determine optimal staffing levels which will best serve the District in achieving its desired educational goals. PCSD had approximately eight more teachers per 1,000 students than the peer average. Analysis indicates that up to 18.0 FTE teaching positions could be reduced. However, by eliminating 13.0 FTE teaching positions, PCSD's teachers per 1,000 students ratio would decrease to a ratio comparable to the peer average. In addition, PCSD's student-to-teacher ratio would increase to over 20 students per teacher; a ratio higher than the peer average, but below the state average. When contemplating teaching staff reductions, PCSD should ensure that the student-to-teacher ratio does not go above the State minimum standard of 25 to 1. This recommendation could save the District approximately \$769,000 annually in salaries and benefits.
- PCSD should review its staffing in the ESP classification for potential reductions. Classifications which should be reviewed for possible reductions would include art teachers, music teachers, physical education teachers and counselors. However, before the District makes any reductions, it should determine the potential impact on the attainment of the PCSD's mission and goals. Additional factors which PCSD should consider are the impact on student contact time as well as the financial situation in the District. If PCSD was to adjust its ESP staffing ratio to the minimum standards identified in OAC 3301-35-05(A)(4), it could reduce current staffing levels by approximately 2.0 FTEs. This recommendation could save the District approximately \$129,000 annually in salaries and benefits.

- PCSD should review the number of eligible supplemental positions offered to determine if there is an excessive number of positions being offered. If PCSD were to experience financial problems in the future, decreasing the number of supplemental positions could assist PCSD in allocating financial resources to other areas within its operations.
- While professional leave is a valuable tool which can improve a teacher's skills and abilities in the classroom, PCSD should assess whether the high number of professional leave days currently being used is providing a positive benefit to the District.
- PCSD should monitor sick leave for possible misuse. If PCSD determines that classified employees are misusing sick leave for non-medical reasons, the District should consider implementing additional policies to assist with reducing sick leave usage.
- PCSD should perform an analysis on the costs and benefits of continuing its current leave incentive policies. The leave incentives for employees do not appear to have a positive impact on PCSD employees' use of sick leave. However, PCSD should ensure that the incentive amounts are providing the district a cost savings while continuing to provide an incentive to employees to limit their leave usage. PCSD should use the information from the cost-benefit analysis as part of the negotiation process for future bargaining agreements.
- PCSD should explore options which would reduce the District's health care costs. For example, increasing current employee's contribution to 10.0 percent would save approximately \$104,000 annually.

Commendations: A summary of the significant commendations in the **human resources** section is as follows:

- For FY 2001-02, PCSD hired a consultant to develop policies and procedures to ensure that the District's reports are accurate and are prepared and reconciled before submission to EMIS and ODE. The consultant will work through FY 2002-03 with PCSD employees to develop adequate EMIS procedures and ensure that the District's employees are knowledgeable in the preparation of EMIS reports.
- By setting employee contributions to a fixed percentage of plan premiums, PCSD is positioned to partially offset rising medical insurance costs. As future premiums increase, PCSD employee contributions will also increase.

Facilities

Background:

The facilities support staff is responsible for maintaining Portsmouth City School District's (PCSD) buildings and grounds. The Director of Business Affairs is responsible for overseeing the transportation and food service operations as well as supervising the maintenance staff and, with the assistance of the building principals, the custodial staff. Eighteen full-time custodial employees are currently employed by PCSD. PCSD owns eight school buildings : five elementary, one middle, one high and one middle/high school building. However, PCSD is only using six of the eight buildings. One elementary building is vacant and the middle/high school building was closed at the conclusion of the 2000-01 school year and is leased to a community school. A total of 438,502 square feet are maintained in the six buildings.

Findings: The significant findings in the **facilities** section are as follows:

- Several custodial job descriptions have not been updated since August, 1997. While general custodial job responsibilities may not have changed, the decrease in staff and reliance on custodians to provide maintenance services have changed the breadth of the responsibilities.
- Square footage analysis indicates appropriate custodial staffing levels. However, the student population at PCSD has declined every year for the last 10 years. As a result, both the middle and high school buildings are operating at 48 and 71 percent capacity, respectively. When these additional factors are taken into consideration, it appears that PCSD's current custodial staffing level could be reduced.
- In November 2001, the citizens of Portsmouth passed an \$11.5 million bond issue as part of PCSD's participation in the Ohio School Facilities Commission's Classroom Facilities Assistance Program. Five new schools will be constructed.
- PCSD spent \$76,280 or 11.8 percent of total custodial salary expenditures on overtime while only incurring \$27,000 in custodial substitute costs. PCSD has only four substitutes available for callout and has had difficulties qualifying potential substitutes through the Civil Service Commission's testing procedures.
- PCSD may not be recovering all of the labor costs associated with facilities' rental for various school activities and other non-school related events requiring custodial/maintenance support.
- PCSD's work order system is a manual process. Key data items are not documented on the form, such as the hours spent on the maintenance task or parts and supplies needed.

- PCSD provides calamity day compensation for all employees. The rate of compensation provided to classified staff for working on a calamity day - regular rate of pay plus compensatory time - is in excess of ORC § 3317.010 minimum requirements.
- PCSD does not have a comprehensive facilities maintenance plan (FMP). A comprehensive FMP provides facilities support staff with a clearer, more detailed plan for deploying its limited resources.

Recommendations: The significant recommendations in the **facilities** section are as follows:

- All custodial job descriptions should be reviewed and updated. Ideally, this review should be in conjunction with performance evaluations.
- PCSD should reduce the custodial staffing level by two custodial FTEs to 16 custodians. With the reallocation of one custodian to maintenance responsibilities, the reduction of one custodial position would bring the staffing ratios in line with the peer average. This recommendation could save the District approximately \$39,000 annually in salaries and benefits.
- PCSD should adopt a custodial staffing methodology, taking into consideration the building configurations, size and age of the student population, and cleaning schedules, prior to the new buildings coming on-line.
- PCSD should increase the use of custodial substitutes by increasing the custodial substitute pool and urging the Civil Service Commission to test and establish a current list of qualified applicants. PCSD could save \$31,350 in costs if custodial substitutes were used for absentee hours.
- PCSD should maximize the fees charged for use of district facilities. Fees should capture the total labor costs incurred for the rental.
- PCSD should develop and implement a work order process that provides for the electronic tracking of requests and related task information.
- PCSD should establish a policy which defines essential employees and begin to address calamity day work requirements and compensation rates in future contract negotiations.
- PCSD should develop a comprehensive facilities maintenance plan to prepare for the opening of new facilities.

Transportation

Background:

PCSD provides transportation for regular and special needs students to and from school using district owned buses and vans. Transportation is provided for any student living more than one mile from school. Although PCSD has a formal transportation policy, they do not exclude any student from transportation eligibility, regardless of grade level or distance from assigned school. PCSD's regular transportation program buses traveled approximately 223,380 miles during FY 2000-01, carrying 2,030 public students daily. The total cost of the regular transportation program was \$312,500, or \$300 per student transported. Also, the special education program transported 65 students daily. PCSD transported all of the District's special education students. The cost for special needs transportation was \$1,154 per student. Seventy two percent or \$278,878 of all transportation expenditures were reimbursed by the State.

Findings: The significant findings in the **transportation** section are as follows:

- PCSD's formal transportation policy aims to provide "a safe, efficient, and economical method of getting students to and from school. It is the desire of the Portsmouth Board of Education (Board) that transportation be scheduled in a way that the best educational interests of the students can be served."
- PCSD's T-forms for FY 2000-01 appears to be incorrectly completed. There is no formal process or procedure for compiling information needed for filling out the T-forms at PCSD. It appears that there is no verification by the transportation department to assess whether the expenses tabulated by the treasurer's office reflect the actual expenditures incurred by the transportation department.
- PCSD could not provide AOS with documentation showing the actual number of students who rode the buses for FY 2000-01. According to the transportation department, the numbers denoted on the T-forms reflect the students eligible to ride PCSD buses and not the number of students who actually rode the buses.
- The expenditure figures reported by PCSD's transportation department on the T-2 Forms for FY 2001 do not match those reported on the 4502 and the BUDSUM by the PCSD treasurer's office. Because of incorrect T-forms and the lack of supporting documentation used in various reports, PCSD's transportation reimbursement may have been affected. PCSD's high reimbursement percentage appears to be a result of overstating student ridership.

- PCSD has four buses that have exceeded the age replacement parameter and one bus that has exceeded the parameter for replacement due to high mileage.
- PCSD currently has no software in place to assist in the management or provision of transportation services. According to the director of business affairs, bus routes are designed based on historical routes with changes made to accommodate new students.

Recommendations: The significant recommendations in the **transportation** section are as follows:

- PCSD should revise its transportation policy and establish pragmatic criteria to determine transportation eligibility.
- PCSD should follow the instructions prescribed by ODE when preparing the T-Forms. The PCSD transportation department should also retain copies of all documentation that reflect transportation related expenditures. PCSD should develop internal procedures to ensure that future forms are completed accurately and within the time frames mandated by ODE.
- PCSD should start recording the number of students who actually ride the buses. In addition, actual student ridership and the actual miles driven are the basis on which reimbursement is determined by ODE.
- PCSD should become compliant with ORC and ODE regulations and should complete the T-Forms accurately as detailed by the instructions. PCSD should also count and document the actual number of students riding the buses. Accurate counting of students riding the buses and proper documentation will enable PCSD to reflect the correct figures on the respective T-Forms.
- PCSD should prepare a plan for the replacement of buses that have exceeded, or are about to exceed, the generally accepted parameters for replacement. PCSD should investigate and analyze the various funding methods for the bus purchases.
- PCSD should consider acquiring transportation-related software in the future. Software packages are available that design bus routes based on maximum efficiency and indicate needed or preventative maintenance for each bus.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which PCSD should consider when making the important decisions necessary to establish financial stability, to meet the needs of students and to improve educational standards. Certain recommendations are dependent on labor negotiations or community approval. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit report.

Estimated Revenue Enhancements, Cost Savings and Cost Avoidance		
Ref. No.	Recommendations From All Sections	Cost Savings (Annual)
	<i>Financial Systems</i>	
R2.3	Prepare GAAP basis financial statements in-house	\$19,700
	<i>Human Resources</i>	
R3.2	Reduction of 2 administrative personnel	\$194,000
R3.3	Reduction of 6 clerical personnel	\$228,000
R3.6	Reduction of 13 teaching personnel	\$769,000
R3.7	Reduction of 2 ESP personnel	\$129,000
	<i>Subject to Negotiation</i>	
R3.13	Increase in insurance premium contribution	\$104,000
	<i>Facilities</i>	
R4.2	Reduction of 1 custodial position	\$39,000
R4.3	Increased use of custodial substitutes	\$31,300
	<i>Not Included in the Forecast</i>	
R2.10	Reduction of 1 food service position	\$21,700
R3.6	Potential additional reduction of 5.0 FTE teaching personnel	\$295,000
	Total	\$1,830,700

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

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits.

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine if management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences. This audit was primarily designed as an economy and efficiency audit.

The objectives of performance audits may vary. AOS has designed this performance audit with the objective of reviewing systems, organizational structures, finances and operating procedures to develop recommendations for reducing operating costs, increasing revenues or improving efficiency. This performance audit included several specific objectives.

- Identify opportunities for improving district effectiveness, responsiveness and quality of service delivery;
- Identify opportunities for improving district procedures, work methods and capital asset utilization;
- Determine if the district's current organization is flexible and effectively structured to meet future demands;
- Evaluate financial policies and procedures and provide recommendations for enhanced revenue flow, expenditure reductions or alternative financing techniques;
- Assure administrative activities are performed efficiently and effectively without unnecessary duplication;
- Determine if support activities are sufficient to meet educational objectives;
- Ensure education goals and objectives are supported by the administrative organization; and
- Perform an independent assessment of the district's financial situation, including the development of a framework for a financial recovery plan.

The performance audit topics focus primarily on the systems/business side of school district operations. By focusing on systems, the audit provides PCSD with recommendations which may enable it to operate more efficiently and economically. Enhancements to the systems may also improve the delivery of educational services to students.

The performance audit on PCSD covers the following areas of operations:

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

Within PCSD operations, these areas are important to assess because they typically are major cost centers and have the potential to create a significant financial or operational risk.

Methodology

To complete the performance audit, the auditors gathered and assessed a significant amount of data pertaining to PCSD, conducted interviews with various groups associated with PCSD and conducted interviews and assessed information from the peer districts and other nearby school districts. An explanation of the methodology is outlined in *Studies, Reports and other Data Sources, Interviews, Discussions and Surveys*, and *Benchmark Comparisons with Other Districts*.

Studies, Reports and other Data Sources

PCSD was asked to provide any previous studies or analyses already prepared on the performance audit areas. In addition to assessing this information, the auditors spent a significant amount of time gathering and assessing other pertinent documents or information. Examples of the studies and other data sources which were studied include the following:

- Financial forecasts;
- Financial and budgetary reports;
- Board policy manuals and meeting minutes, including appropriation resolutions and amendments;
- Negotiated union contracts;
- Organizational charts and position descriptions;
- Various reports from the Education Management Information System (EMIS);
- Cost of Health Insurance in Ohio's Public Sector Report from the State Employee Relations Board (SERB);
- Data from the Bureau of Workers' Compensation (BWC);
- Various ODE transportation forms;
- AS & U 2000 Annual Maintenance and Operating Cost Study; and
- ORC and Ohio Administrative Code.

Interviews, Discussions and Surveys

Interviews and discussions were held with many levels and groups of individuals involved internally and externally with PCSD. These interviews were invaluable in developing an overall understanding of PCSD operations and in some cases, were useful sources in identifying concerns with PCSD's operations and in providing recommendations to address these concerns. Examples of the organizations and individuals who were interviewed include the following:

- Administrators, teachers, and support staff;
- Union representatives;
- ODE;
- OSFC; and
- Representatives from the Scioto County Auditor's Office.

Benchmark Comparisons with Other Districts

Three school districts, Alliance City, Ironton City and Steubenville City, were selected to provide benchmark comparisons with PCSD. Performance indicators were established for the various performance audit areas to develop a mechanism for determining how effectively and efficiently PCSD is providing necessary functions. The information was gathered primarily through information contained within EMIS and information provided by the selected peer districts named above.

Information or suggested procedures from other performance audits were used where applicable. These suggested procedures were selected to provide certain benchmark comparisons with PCSD's operations.

Comparative Districts

Peer district comparisons provide information on like practices, statistics and benchmarking data. Alliance City, Ironton City and Steubenville City school districts were selected as peers because of similar demographic statistics. In the comparisons, the group average excludes Portsmouth City School District, unless otherwise noted. The statewide average includes all school districts within the state of Ohio. Certain information contained within this executive summary may differ from the individual sections due to the timing of the data from ODE.

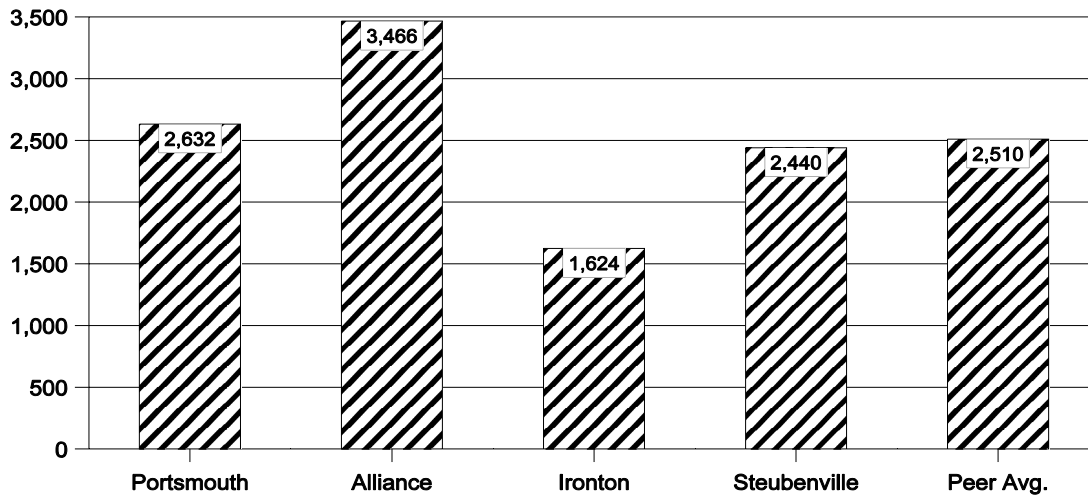
Average daily membership (ADM) differs from standard enrollment in that it makes adjustments for kindergarten, special and vocational education students as well as for attendance. From FY 1997-98 to FY 2000-01, PCSD's ADM decreased by 11 percent, which was the only decrease over the four year period among the peer districts. However, PCSD's ADM (2632) in FY 2000-01 was the second highest among the peer districts and above the peer average (2510).

Average Daily Membership

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	2,956	3,220	3,119	2,632	(11.0)%
Alliance CSD	2,987	3,455	3,376	3,466	16.0%
Ironton CSD	1,565	1,702	1,663	1,624	3.8%
Steubenville CSD	2,003	2,313	2,245	2,440	21.8%
Peer Average	2,185	2,490	2,428	2,510	14.9%
State Average	2,953	2,962	N/A	N/A	N/A

Source: ODE SF-12 reports for FY 1997-98, and SF-3 reports for FY 1998-99, FY 1999-00 and FY 2000-01

Average Daily Membership Fiscal Year 2000-01



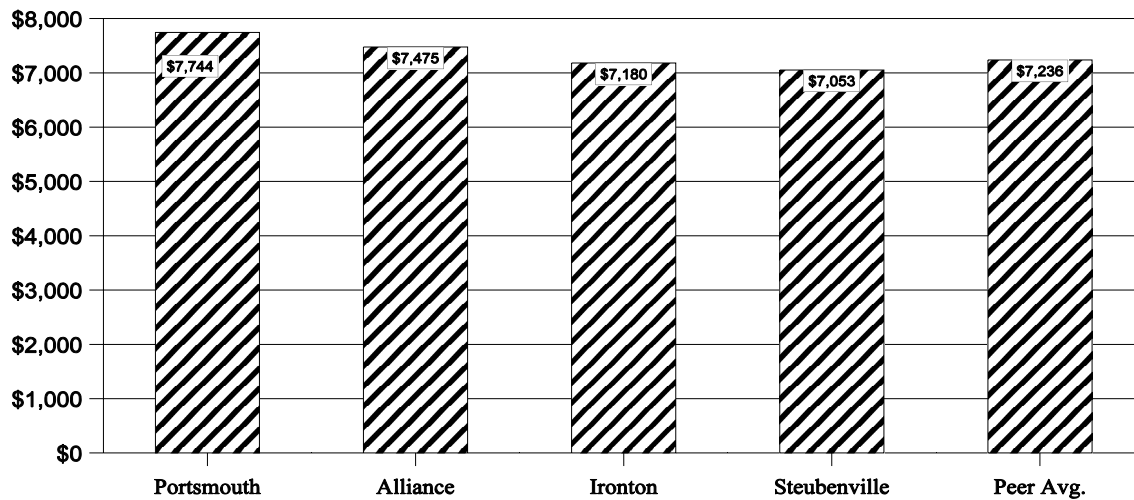
PCSD’s FY 1999-00 per pupil expenditures (\$7,744 per pupil) were the highest among the peer districts. In addition, PCSD’s percentage increase in expenditures per pupil over the four year period was also the highest among the peer districts.

Expenditures Per Pupil

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	\$6,257	\$6,615	\$7,145	\$7,744	23.8%
Alliance CSD	\$6,514	\$6,946	\$7,000	\$7,475	14.8%
Ironton CSD	\$6,129	\$6,649	\$6,895	\$7,180	17.1%
Steubenville CSD	\$6,041	\$6,224	\$6,556	\$7,053	16.8%
Peer Average	\$6,228	\$6,606	\$6,817	\$7,236	16.2%
State Average	\$6,232	\$6,642	\$7,057	N/A	N/A

Source: ODE School District Report Cards

**Expenditures Per Pupil
Fiscal Year 2000-01**



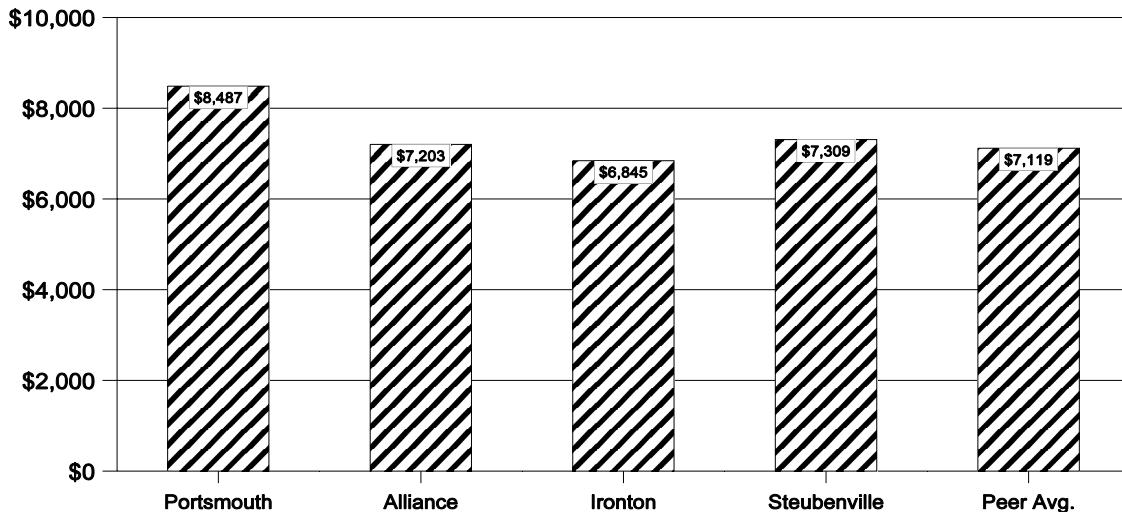
PCSD’s revenues per pupil were approximately \$743 more than its expenditures per pupil for FY 2000-01. PCSD had the highest revenues per pupil among the peer districts in FY 2000-01 and experienced the highest rate of increase over the four year period at 29.9 percent. Furthermore, PCSD’s percentage increase in revenues per pupil was 9.5 percent greater than the peer average over the four year period. It should be noted, however, that PCSD’s revenues per pupil were 19.2 percent higher than the peer average in FY 2000-01.

Revenues Per Pupil

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	\$6,531	\$6,867	\$7,372	\$8,487	29.9%
Alliance CSD	\$6,231	\$6,546	\$6,812	\$7,203	15.6%
Ironton CSD	\$5,548	\$6,136	\$5,974	\$6,845	23.4%
Steubenville CSD	\$5,964	\$6,420	\$6,841	\$7,309	22.6%
Peer Average	\$5,914	\$6,367	\$6,542	\$7,119	20.4%
State Average	\$6,177	\$6,681	\$7,013	N/A	N/A

Source: ODE School District Report Cards

**Revenues Per Pupil
Fiscal Year 2000-01**



PCSD had the highest percentage of students receiving Temporary Assistance for Needy Families (TANF) among the peer districts in FY 1999-00. Almost 45 percent of PCSD’s students received TANF in FY 1999-00, which was 56.5 percent higher than the peer average and 227.9 percent higher than the State average. Over the four year period, PCSD’s percentage of students receiving TANF increased 2.8 percent while the peer average rate decreased 11.3 percent and the state average decreased by 14.5 percent over the four year period.

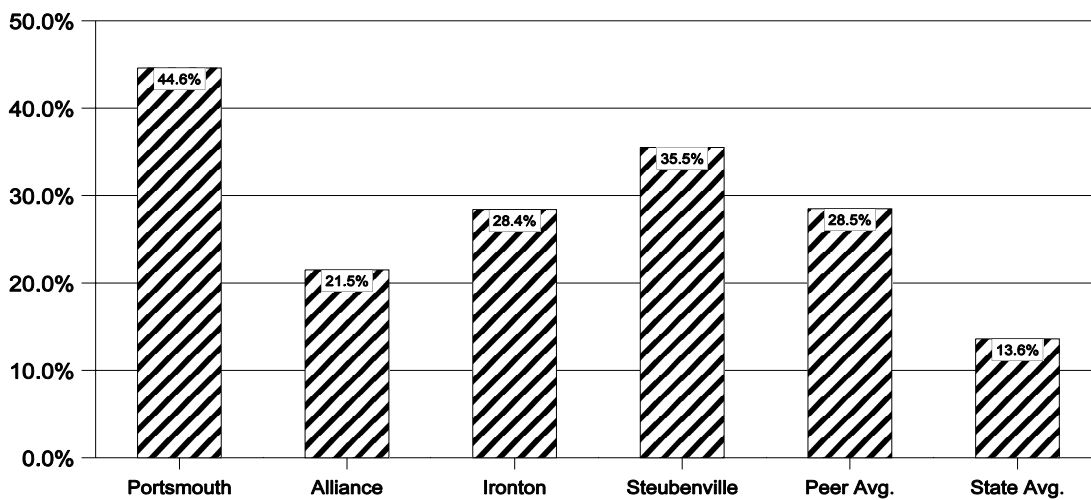
Percentage of Students Receiving TANF

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	% Change 1997-00
Portsmouth CSD	43.4%	43.0%	44.4%	44.6%	2.8%
Alliance CSD	24.2%	22.8%	21.1%	21.5%	(11.2)%
Ironton CSD	30.0%	29.9%	28.5%	28.4%	(5.3)%
Steubenville CSD	42.1%	40.9%	34.9%	35.5%	(15.7)%
Peer Average	32.1%	31.2%	28.2%	28.5%	(11.3)%
State Average	15.9%	15.0%	13.4%	13.6%	(14.5)%

Source: ODE School District Report Cards

Percentage of TANF Students

Fiscal Year 1999-00



The assessed average property valuation per pupil is an important factor in determining a school district’s funding. Because school district funding in the State of Ohio is driven by local property tax revenue, a higher average property valuation indicates a greater potential to generate income for a school district. Likewise, a higher valuation per pupil indicates that the potential exists to generate greater amounts of local property taxes for a school district.

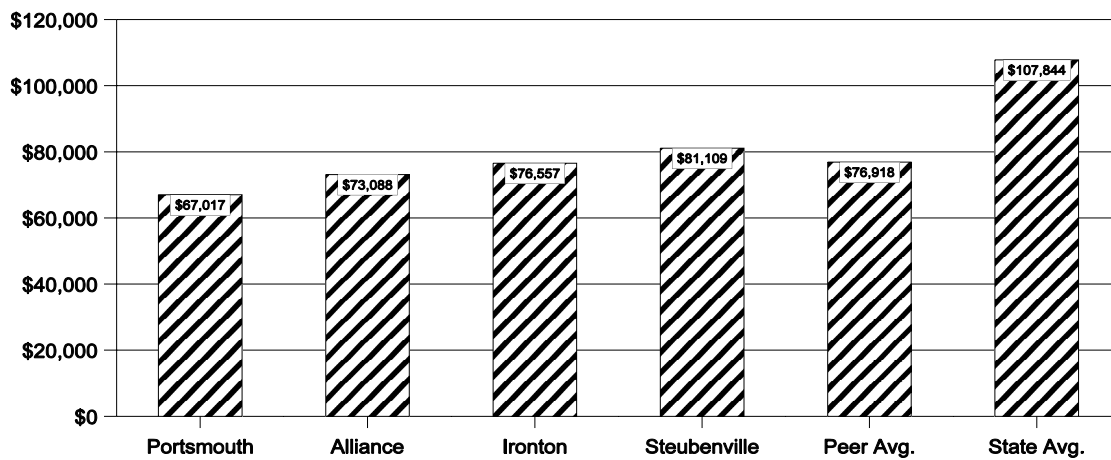
PCSD’s average property valuation per pupil was \$67,017 in FY 2000-01, the lowest among the peer districts. Furthermore, PCSD’s average valuation was 37.9 percent below the State average valuation per pupil for the same year. PCSD’s average property valuation increase of 24.5 percent over the four year period was the lowest among the peer districts but above the State average. Compared to the peer districts, PCSD has a diminished potential to generate significant amounts of local property tax revenue.

Average Valuation Per Pupil

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	\$53,844	\$60,802	\$63,369	\$67,017	24.5%
Alliance CSD	\$58,487	\$60,089	\$63,951	\$73,088	25.0%
Ironton CSD	\$55,613	\$70,454	\$72,598	\$76,557	37.7%
Steubenville CSD	\$62,002	\$65,671	\$65,330	\$81,109	30.8%
Peer Average	\$58,701	\$65,405	\$67,293	\$76,918	31.0%
State Average	\$91,143	\$95,461	\$99,831	\$107,844	18.3%

Source: Ohio Department of Taxation, School District Average Values per Pupil (SD-1) reports

**Average Valuation Per Pupil
Fiscal Year 2000-01**



Total millage and effective millage are the measurement units of assessed local property taxes. A mill will raise \$1.00 of tax revenue for every \$1,000 of taxable property value. Total millage is the voted rate assessed to the entire local tax base, while effective mills are the rates applied to real property in each school district after the application of the tax reduction factor.

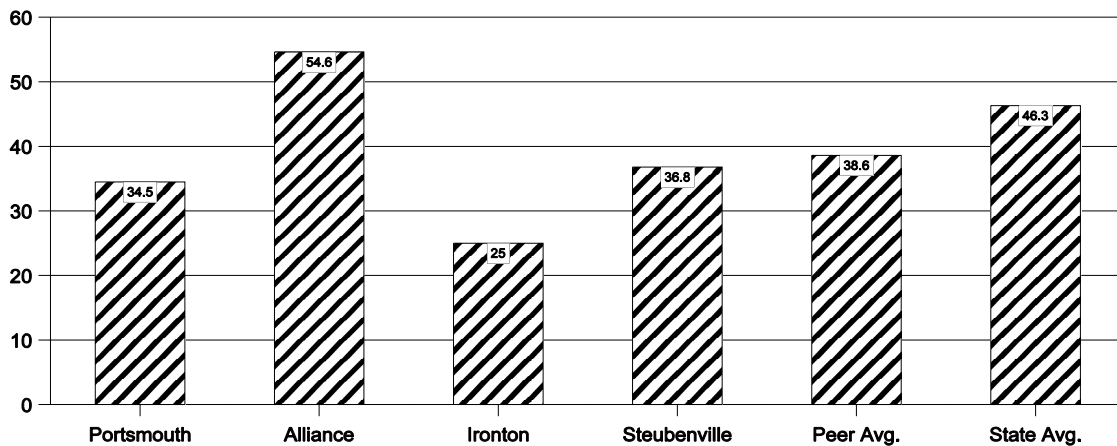
PCSD had the second lowest total millage figure of the peer districts for FY 2000-01. PCSD’s total millage of 34.5 was 10.6 percent lower than the peer average but 25.5 percent lower than the State average in FY 2000-01. PCSD’s total millage remained constant over the four year period. The peer average increase was 5 percent while the state average was 2 percent over the four year period.

Total Millage

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	34.5	34.5	34.5	34.5	0.0%
Alliance CSD	50.7	50.4	54.6	54.4	7.3%
Ironton CSD	25.0	25.0	25.0	25.0	0.0%
Steubenville CSD	34.7	34.7	36.8	36.5	5.2%
Peer Average	36.8	36.7	38.8	38.6	5.0%
State Average	45.4	45.7	49.9	46.3	2.0%

Source: Ohio Department of Taxation, Compilation of School District Published Data reports

**Total Millage
Fiscal Year 2000-01**



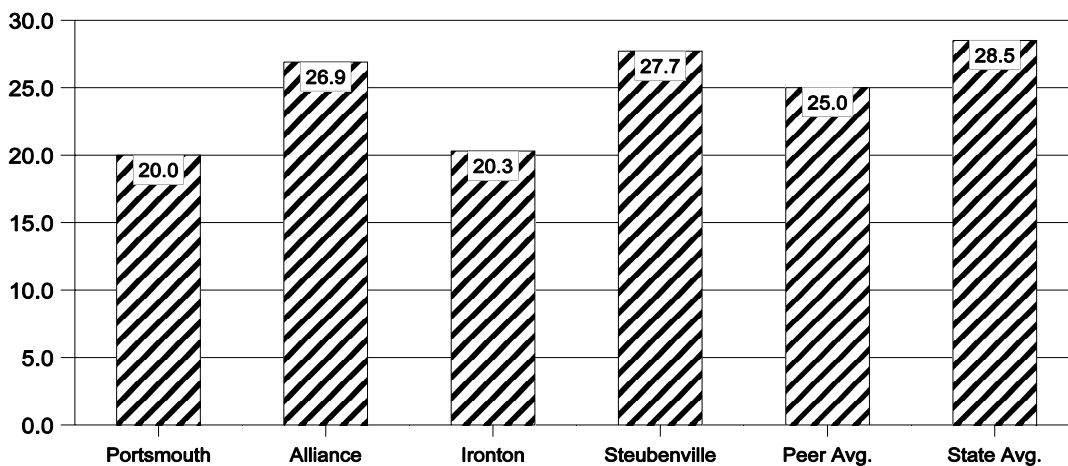
Because of the impact of H.B. 920, effective millage is a more accurate gauge in assessing the amount of revenues school districts generate from property taxes. PCSD’s effective millage was 20.0 mills in FY 2000-01, the lowest of the peer districts. Furthermore, PCSD’s effective millage was 20 percent lower than the peer average and 29.8 percent lower than the State average for the same year. PCSD had the highest percentage decrease (9.5 percent) in effective millage over the four year period.

Effective Millage

	FY 1997-98	FY 1998-99	FY 1999-2000	FY 2000-01	% Change 1998-01
Portsmouth CSD	22.1	20.0	20.0	20.0	(9.5)%
Alliance CSD	27.1	26.7	30.6	26.9	(0.7)%
Ironton CSD	20.0	20.0	20.2	20.3	1.5%
Steubenville CSD	25.9	25.9	28.1	27.7	7.0%
Peer Average	24.3	24.2	26.3	25.0	2.6%
State Average	29.5	29.2	29.2	28.5	(3.4)%

Source: Ohio Department of Taxation, Compilation of School District Published Data reports

**Effective Millage
Fiscal Year 2000-01**



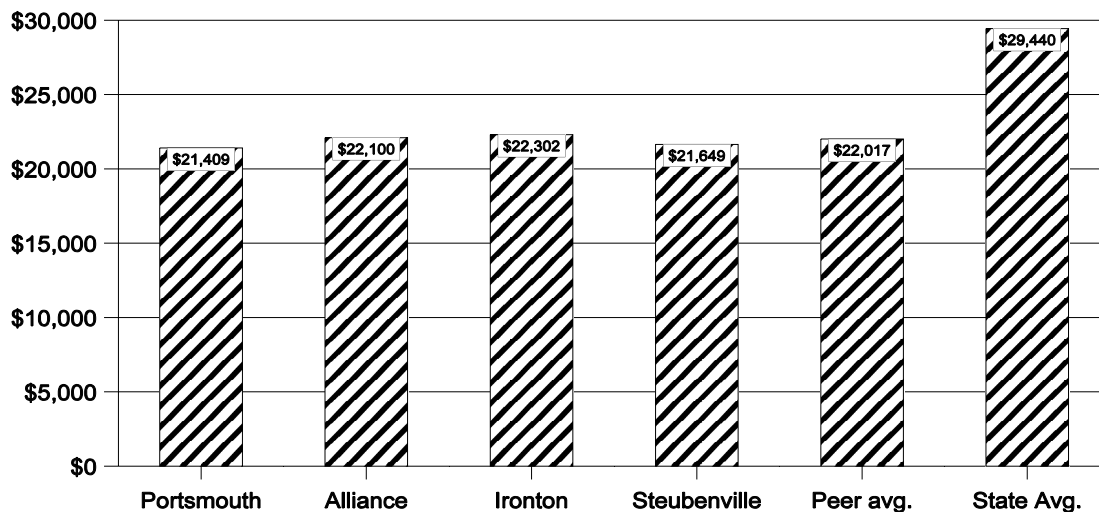
PCSD’s median income of \$21,409 in FY 1999-00 was the lowest of the peer districts. For FY 1999-00, PCSD’s median income was \$608 lower than the peer average and \$8,031 lower than the State average. Over the four year period, PCSD’s median income increased at the smallest rate among the peer districts– 40 percent below the peer average increase and 70.6 percent below the State average increase.

Median Income

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	% Change 1997-00
Portsmouth CSD	\$20,191	\$21,336	\$21,671	\$21,409	6.0%
Alliance CSD	\$19,877	\$21,265	\$22,669	\$22,100	11.2%
Ironton CSD	\$19,785	\$20,807	\$22,977	\$22,302	12.7%
Steubenville CSD	\$20,390	\$20,807	\$22,112	\$21,649	6.2%
Peer Average	\$20,017	\$20,960	\$22,586	\$22,017	10.0%
State Average	\$24,446	\$26,075	\$27,244	\$29,440	20.4%

Source: Ohio Department of Taxation, Personal Income Tax Return by School District (Y-2) reports

Median Income Fiscal Year 1999-00



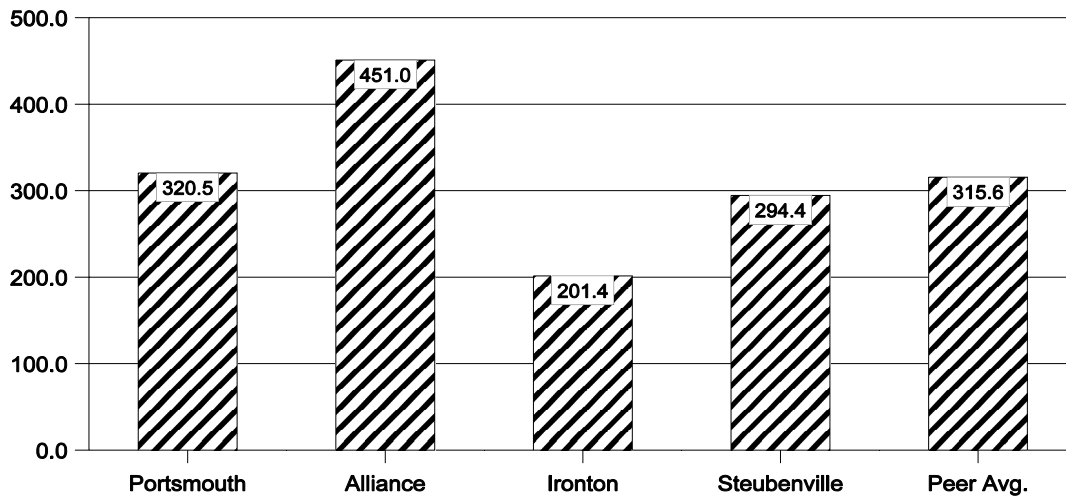
In FY 2000-01, PCSD had 320.5 total employees which was the second highest among the peer districts. PCSD’s total number of employees was approximately 1.5 percent higher than the peer average of 315.6 total employees. Over the four year period, PCSD experienced a slight decrease in the number of employees among the peer districts.

Total Employees

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1997-01
Portsmouth CSD	322.9	332.9	342.3	320.5	(0.7)%
Alliance CSD	456.9	450.9	436.9	451.0	(1.3)%
Ironton CSD	196.2	205.7	210.8	201.4	2.7%
Steubenville CSD	282.7	295.0	291.7	294.4	4.1%
Peer Average	311.9	317.2	313.1	315.6	1.2%

Source: Educational Management Information System (EMIS) Staff Summary reports

**Total Employees
Fiscal Year 2000-01**



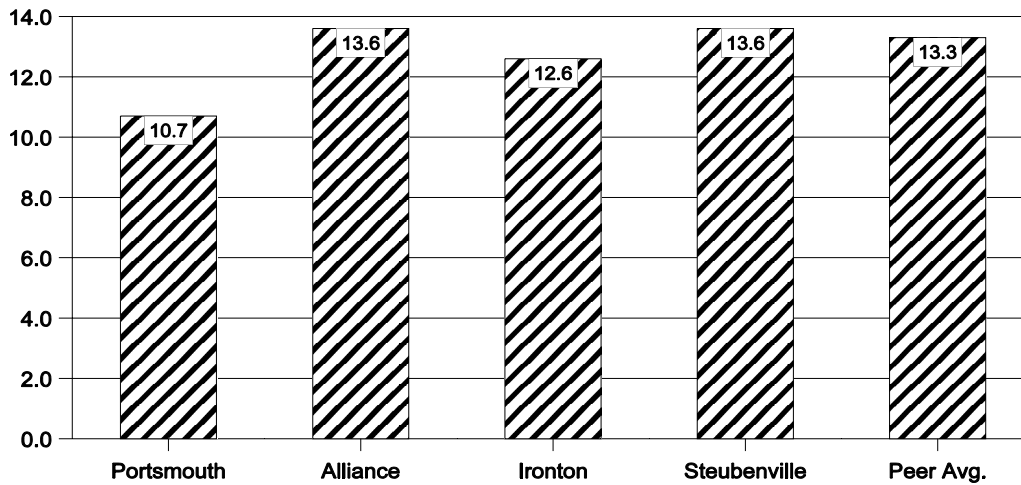
PCSD had 10.7 employees per 100 students in FY 2000-01 which was the lowest among the peer districts. However, PCSD experienced 1.8 percent rate of decrease over the four year period compared to the peer average decrease of 5.0 percent.

Employees per 100 Students

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	10.9	10.3	11.0	10.7	(1.8)%
Alliance CSD	15.3	13.1	12.9	13.6	(11.1)%
Ironton CSD	12.5	12.1	12.7	12.6	0.8%
Steubenville CSD	14.1	12.8	13.0	13.6	(3.5)%
Peer Average	14.0	12.7	12.9	13.3	(5.0)%

Source: ODE SF-12 reports for FY 1997-98, and SF-3 reports for FY 1998-99, FY 1999-00 and FY2000-01; and EMIS Staff Summary reports

**Employees Per 100 Students
Fiscal Year 1999-00**



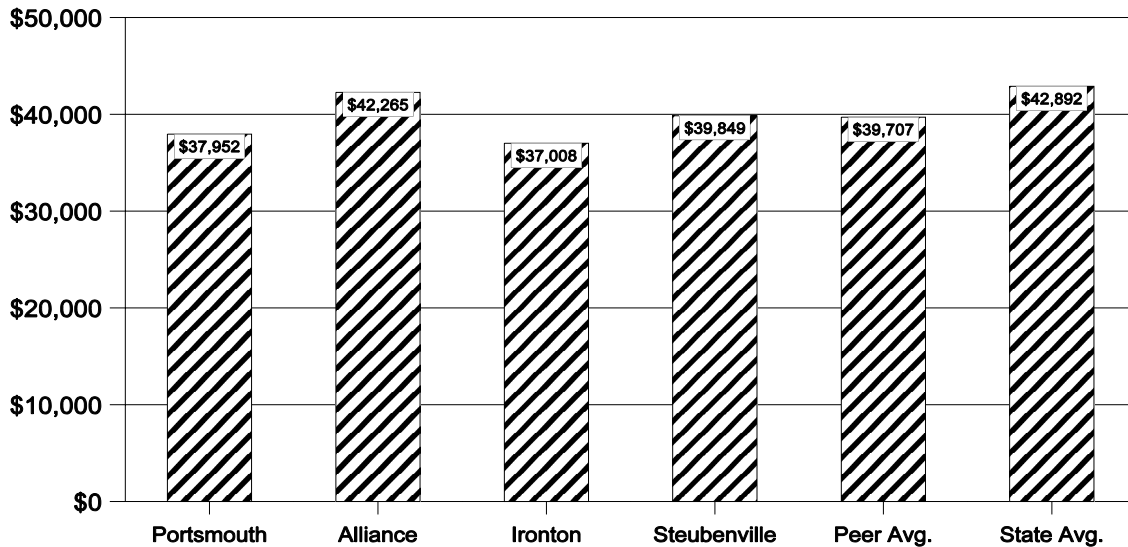
PCSD’s average teacher salary of \$37,952 in FY 2000-01 was the second lowest among the peer districts. Furthermore, PCSD’s average teacher salary increased at the lowest rate among the peer districts over the four year period. The next highest percentage increase was Ironton at 6.4 percent, over three times the 2.1 percent change experienced by PCSD. In addition, PCSD’s average teacher salary was 11.5 percent below the state average for FY 2000-01.

Average Teacher Salary

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	\$37,175	\$36,246	\$36,872	\$37,952	2.1%
Alliance CSD	\$36,469	\$39,164	\$41,187	\$42,265	15.9%
Ironton CSD	\$34,796	\$35,861	\$36,358	\$37,008	6.4%
Steubenville CSD	\$36,399	\$37,510	\$37,790	\$39,849	9.5%
Peer Average	\$35,888	\$37,512	\$38,445	\$39,707	10.6%
State Average	\$39,714	\$40,746	\$41,713	\$42,892	N/A

Source: EMIS Average Salary of Classroom Teachers by District

**Average Teacher Salary
Fiscal Year 2000-01**



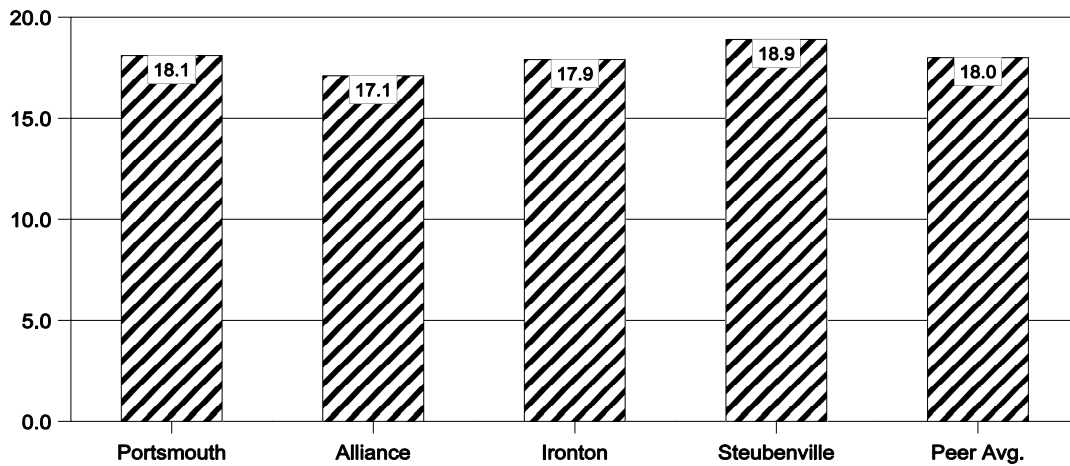
PCSD’s average pupil/teacher ratio (class size) was 18.1 for FY 2000-01, the second highest among the peer districts. Over the four year period, PCSD’s average class size decreased more significantly (20.6 percent) than the peers or the peer average.

K-12 Pupil/Teacher Ratio

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	22.8	17.3	16.7	18.1	(20.6)%
Alliance CSD	19.6	17.9	17.7	17.1	(12.8)%
Ironton CSD	19.7	18.2	18.1	17.9	(9.1)%
Steubenville CSD	18.0	17.5	18.1	18.9	5.0%
Peer Average	19.1	17.9	18.0	18.0	(5.9)%
State Average	20.4	18.6	18.1	N/A	N/A

Source: ODE School District Report Cards

**K to 12 Pupil to Teacher Ratio
Fiscal Year 2000-01**



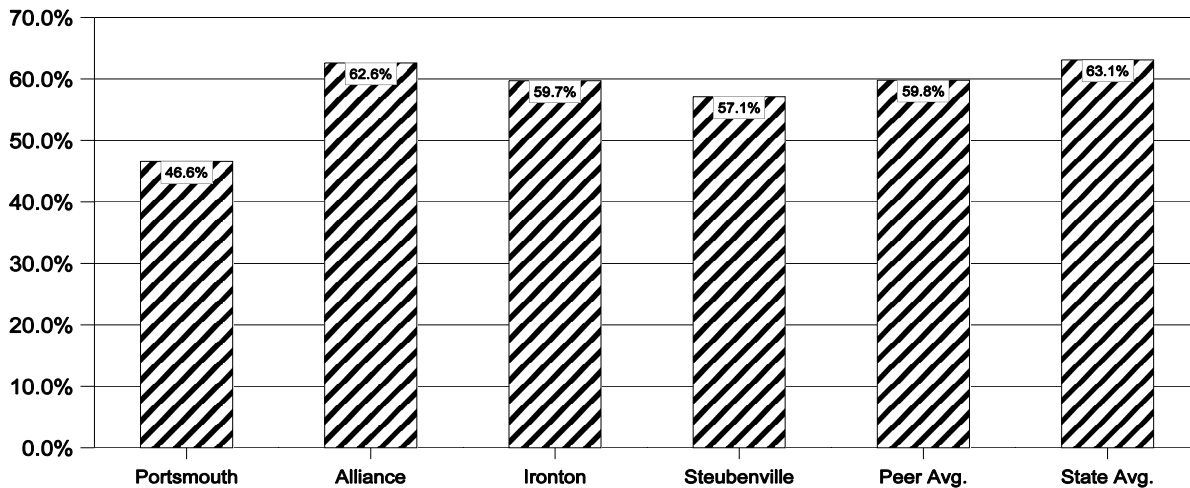
For FY 1999-00, PCSD’s ninth grade proficiency passage rate was the lowest among the peer districts. Furthermore, PCSD’s passage rate was 26.1 percent below the State average. However, over the four year period, PCSD’s passage rate increased by 32 percent– the second highest rate among the peer districts. Also, PCSD’s percentage increase from FY 1996-97 through FY 1999-00 was over twice that of the State average increase.

Ninth Grade Proficiency Test Passage Rate (All Subjects)

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	% Change 1997-00
Portsmouth CSD	35.3	32.1	31.3	46.6	32.0%
Alliance CSD	42.3	41.7	65.2	62.6	48.0%
Ironton CSD	57.4	47.5	54.7	59.7	4.0%
Steubenville CSD	60.1	52.4	53.9	57.1	-5.0%
Peer Average	53.3	47.2	57.9	59.8	12.3%
State Average	55.0	55.6	61.1	63.1	14.7%

Source: ODE School District Report Cards

**Ninth Grade Proficiency Test Pass Rate
Fiscal Year 1999-00**



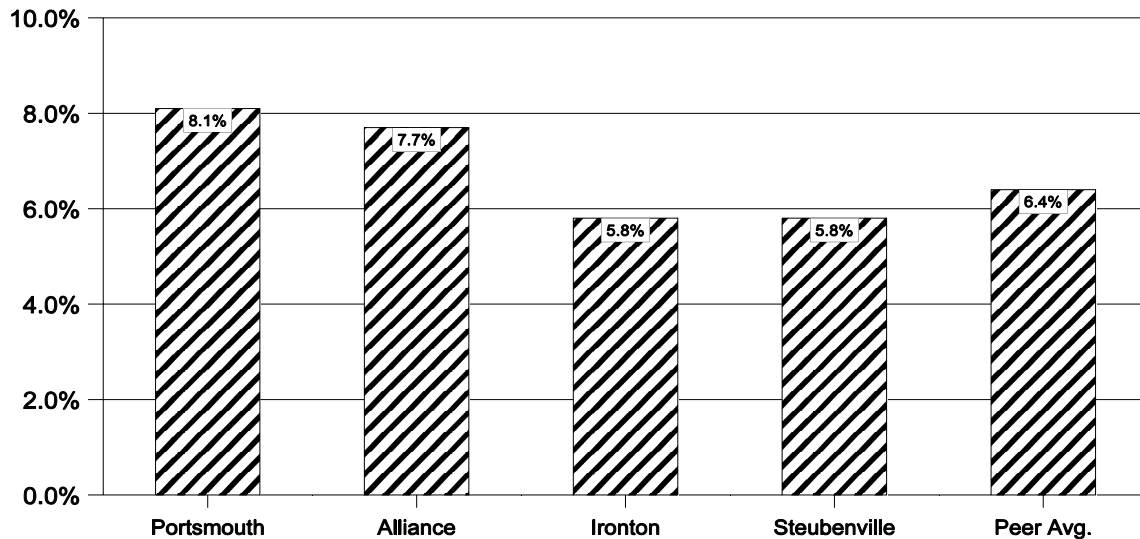
In FY 2000-01, PCSD’s student absentee rate was 8.1 percent– the highest rate among the peer districts and higher than the peer average. PCSD experienced a slight increase in student absenteeism over the four year period. Steubenville and Ironton experienced a decrease in the student absentee rate over the four year period.

Student Absentee Rate

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	% Change 1998-01
Portsmouth CSD	8.0%	8.2%	7.5%	8.1%	1.3%
Alliance CSD	6.5%	6.6%	6.3%	7.7%	18.5%
Ironton CSD	7.1%	7.2%	6.3%	5.8%	(18.3)%
Steubenville CSD	5.9%	5.6%	5.8%	5.8%	(1.7)%
Peer Average	6.5%	6.5%	6.1%	6.4%	(1.0)%
State Average	6.1%	6.4%	6.4%	N/A	N/A

Source: ODE School District Report Cards

**Student Absentee Rate
Fiscal Year 2000-01**



ODE annually issues school district report cards which measure attainment of statewide performance standards. These report cards reflect data for the school year prior to the one in which the report card is issued (for example, the 2001 report cards reflect data for the 1999-00 school year). It is important to note that the number of standards increased from 18 to 27 in FY 1998-99.

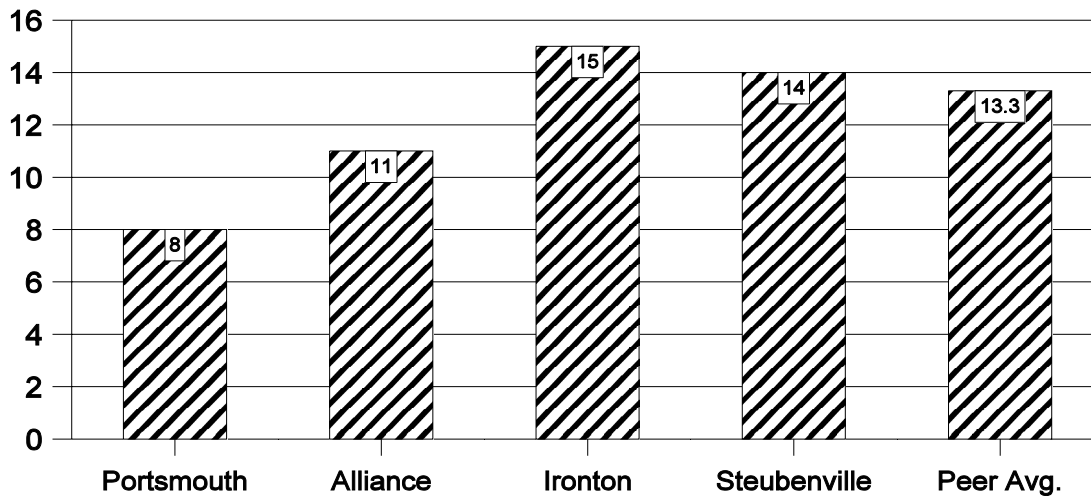
For all years presented, PCSD’s report card scores have been lower than the peer averages. PCSD’s 1999-00 report card scores placed the District in academic emergency. However, the District attained eight performance standards and places PCSD in academic watch for 2000-01.

Report Card Standards Met

District	1997-1998	1998-1999	1999-2000	2000-2001
Portsmouth CSD	3	5	6	8
Alliance CSD	8	11	9	11
Ironton CSD	9	11	14	15
Steubenville CSD	11	14	14	14
Peer Average	9.3	12.0	12.3	13.3
Total Standards Possible	18	27	27	27

Source: ODE School District Report Cards

Report Card Standards Met Fiscal Year 2000-01



Of the four peer districts, PCSD had the lowest percentage of revenues from local sources and Federal sources for FY 2000-01. PCSD was second highest percentage of revenues from State sources. It is important to note that over the four year period, PCSD’s percentage of revenue from local sources decreased by 9.1 percent while the percentage of local revenue for the peer districts increased by an average 5.1 percent. In addition, PCSD’s percentage of revenue from State sources decreased by 6.7 percent. However, PCSD’s percentage of revenue from Federal sources increased approximately 51.6 percent over the four year period while the peer average increased by 2.9 percent.

Percentage of Revenue - Local

	Fiscal Year 1997-98	Fiscal Year 1998-99	Fiscal Year 1999-00	Fiscal Year 2000-01	% Change 1998-2001
Portsmouth CSD	23.1	22.8	21.8	21.0	(9.1)%
Alliance CSD	29.7	29.0	28.3	28.8	(3.0)%
Ironton CSD	24.1	23.6	26.3	24.4	1.2%
Steubenville CSD	24.3	23.6	22.8	28.9	18.9%
Peer Average	26.0	25.4	25.8	27.4	5.1%
State Average	51.5	51.0	50.5	N/A	N/A

Source: ODE School District Report Cards

Percentage of Revenue - State

	Fiscal Year 1997-98	Fiscal Year 1998-99	Fiscal Year 1999-00	Fiscal Year 2000-01	% Change 1998-2001
Portsmouth CSD	64.5	65.4	63.5	60.2	(6.7)%
Alliance CSD	60.1	61.0	61.4	59.2	(1.5)%
Ironton CSD	62.1	62.9	66.9	62.1	0.0%
Steubenville CSD	61.2	62.1	63.3	56.9	(7.0)%
Peer Average	61.1	62.0	63.9	59.4	(2.8)%
State Average	42.6	43.4	43.7	N/A	N/A

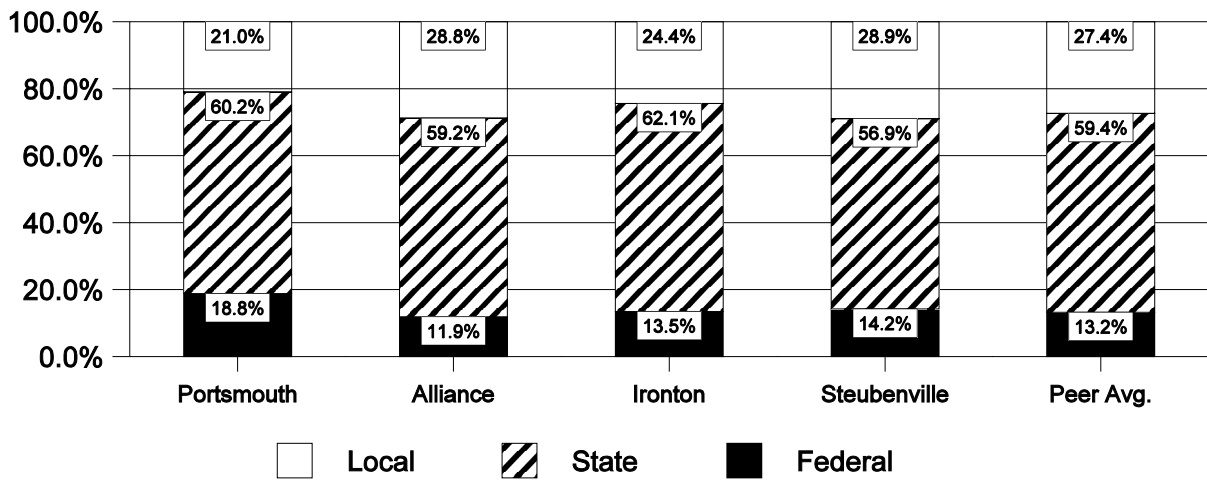
Source: ODE School District Report Cards

Percentage of Revenue - Federal

	Fiscal Year 1997-98	Fiscal Year 1998-99	Fiscal Year 1999-00	Fiscal Year 2000-01	% Change 1998-2001
Portsmouth CSD	12.4	11.8	14.7	18.8	51.6%
Alliance CSD	10.2	10.0	10.3	11.9	16.7%
Ironton CSD	13.8	13.5	6.8	13.5	(2.2)%
Steubenville CSD	14.5	14.3	13.9	14.2	(2.1)%
Peer Average	12.8	12.6	10.3	13.2	2.9%
State Average	5.7	5.6	5.8	N/A	N/A

Source: ODE's School District Report Cards

Percentage of Revenue by Source
Fiscal Year 2000-01



Note: The top section of the graph represents local revenue, the middle section represents State revenue and the bottom section represents Federal revenue. As shown, Portsmouth received 21.0 percent of its revenue from local sources, 60.2 percent from State sources and 18.8 percent from Federal sources.

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Financial Systems

Introduction

This section focuses on the financial systems within Portsmouth City School District (PCSD). The objective of this section is to analyze the current financial condition of PCSD, to evaluate internal controls and to develop recommendations for improvements and efficiencies. Findings and recommendations have been segregated into two subsections: (A) Financial Planning, which includes an assessment of PCSD’s financial condition and the potential impact of the recommendations contained throughout this report on future revenues and expenditures; (B) Revenues, Expenditures and Financial Operations which includes assessments of various factors affecting PCSD’s finances. PCSD did make staffing reductions and building closures to address the drop in student enrollment, but their efforts were not sufficient to cover the declining enrollment effect on their financial forecast. Recommendations for cost savings and revenue enhancements presented herein are intended to aide PCSD in producing a financial recovery plan.

This section focuses primarily on the General Fund, which accounts for 72 percent of the revenue collected in all funds. The General Fund supports general operations and is used to account for all financial resources except those required by law or contract to be accounted for in a separate fund. The General Fund is available for any purpose, provided the expenditures or transfers are made according to the laws of Ohio.

A. Financial Planning

Background

In accordance with Ohio Revised Code (ORC) §3316.031, unless the Auditor of State has already elected to place the district under fiscal watch, the State Superintendent of Public Instruction, in consultation with the Auditor of State, is required to place a school district in a state of fiscal caution if the following conditions exist:

- The State Superintendent upon examination of the district’s five-year forecast, or a report from the Auditor of State, finds that the district is engaged in such fiscal practices or that unstable budgetary conditions exist which could result in fiscal watch or fiscal emergency, may declare a district to be under fiscal caution after consulting the district.

- The district has a certified operating deficit between 2 percent and 8 percent of the preceding year's General Fund revenue.
- The district's voters have not approved a tax levy that will raise enough money to eliminate the deficit in the next fiscal year.

A declaration of fiscal caution requires the State Superintendent to request the district's board of education (Board) to provide written proposals for correcting the fiscal practices or budgetary conditions that prompted the declaration and for preventing further financial difficulties that could result in the district being declared to be in a state of fiscal watch or fiscal emergency. The State Superintendent may determine that the district should be in a state of fiscal watch if the district has not made reasonable proposals or otherwise taken action to discontinue or correct the fiscal practices or budgetary conditions that prompted the declaration of fiscal caution. The State Superintendent can advise the Auditor of State to place a district in a state of fiscal watch, but the Auditor of State is the only entity which can declare a district in fiscal watch.

After conducting an analysis of PCSD's financial forecast, the Local Government Services (LGS) Division within the Auditor of State's office declared a projected \$826,000 operating deficit for the fiscal year ending June 30, 2001, which is 4.7 percent of FY 1999-00 General Fund revenue. The projected FY 2000-01 operating deficit met the criteria necessary for the State Superintendent to place PCSD in fiscal caution.

Financial Forecast

The financial forecast presented in **Table 2-1** represents the Auditor of State's projection of PCSD's present and future financial condition in the absence of significant increases in revenues or reductions in expenditures. The projections, which incorporate the combined General and Disadvantaged Pupil Impact Aid (DPIA) Funds, selected Special Revenue Funds (Parity Aid, Alternative School and Extended Summer School) and that portion of the Debt Service Fund related to General Fund obligations, are accompanied by three years of comparative historical results, general assumptions and explanatory comments.

Since the declaration of fiscal caution, PCSD worked cooperatively with the Ohio Department of Education (ODE) and the Auditor of State's office to develop a Financial Recovery Plan intended to address the conditions which led to the declaration of fiscal caution. On October 5, 2001, PCSD Board adopted a formal Financial Recovery Plan. However, the plan shows the District will have deficit balances in FY 2004-05 and FY 2005-06 in the amounts of \$266,000 and \$739,000, respectively. **Table 2-2** details a five-year forecast which includes recommendations for expenditure reductions and operational changes to eliminate the deficit conditions within the District contained in this performance audit.

Table 2-1: Five-Year Forecast with Three Years' Historical Data (Amounts in 000's)

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06
Real Estate Property Tax	\$3,527	\$3,498	\$3,493	\$3,507	\$3,515	\$3,524	\$3,533	\$3,543
Tangible Personal Property Tax	706	737	705	732	736	740	739	742
Unrestricted Grants-in-Aid	11,457	10,833	10,920	10,944	11,069	11,105	11,515	11,937
Restricted Grants-in-Aid	1,183	1,569	1,691	2,407	2,552	2,879	3,263	3,649
Property Tax Allocation	481	480	480	480	480	480	480	480
Anthem Demutualization	0	0	0	1,581	0	0	0	0
Other Revenues	572	531	624	514	519	524	529	534
Total Operating Revenues	17,926	17,648	17,913	20,165	18,871	19,252	20,059	20,885
Salaries & Wages	10,671	10,712	9,934	9,209	9,550	9,718	9,984	10,251
Fringe Benefits	3,591	3,689	3,976	3,972	4,391	4,875	5,404	6,018
Purchased Services	2,471	2,711	2,775	4,986	5,127	5,274	5,424	5,582
Supplies, Materials & Textbooks	421	503	348	591	594	598	601	604
Capital Outlay	169	139	131	247	252	218	223	229
Other Expenditures	267	296	288	479	365	371	377	382
Debt Service: Principal-Asbestos Loan	14	14	14	14	14	14	14	14
Total Operating Expenditures	17,604	18,064	17,466	19,498	20,293	21,068	22,027	23,080
Other Financing Sources/Uses (Uses)	6	(11)	(17)	(10)	(10)	(10)	(10)	(10)
Net Transfers/ Advances - In/Out (Out)	(165)	(46)	48	(50)	(50)	(50)	(50)	(50)
Net Financing	(159)	(57)	31	(60)	(60)	(60)	(60)	(60)
Results of Operations (Net)	163	(473)	478	607	(1,482)	(1,876)	(2,028)	(2,255)
Beginning Cash Balance	1,097	1,260	787	1,265	1,872	390	(1,486)	(3,514)
Ending Cash Balance	1,260	787	1,265	1,872	390	(1,486)	(3,514)	(5,769)
Outstanding Encumbrances	238	136	181	175	175	175	175	175
Bus Purchase	0	48	77	38	0	0	0	0
Capital Improvements	9	91	159	127	95	63	31	0
DPIA	312	252	265	0	0	0	0	0
"412" Textbook/Instructional Set-Asides	12	37	173	138	103	68	33	0
"412" Budget Set-Asides	114	114	0	0	0	0	0	0
Ending Fund Balance	\$575	\$109	\$410	\$1,394	\$17	(\$1,792)	(\$3,753)	(\$5,944)

Source: PCSD records; performance audit projections and estimates; and PCSD estimates

*Notes to Financial Forecast***I. Nature and Purpose of Presentation**

This financial projection presents the expected revenues, expenditures and fund balances of the General Fund of PCSD for each of the fiscal years including June 30, 2002 through June 30, 2006, with historical (unaudited) information presented for the fiscal years ended June 30, 1999, 2000 and 2001. The General Fund financial data also includes amounts recorded in the DPIA Fund, selected Special Revenue Funds (Parity Aid, Alternative School and Extended Summer School) and those portions of the Debt Service Fund which are considered to be General Fund obligations.

The assumptions disclosed herein are based on information obtained from PCSD, ODE and relevant sources necessary to project a five-year forecast for the District. Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Set-aside Requirements: These projections include the effects of legislation concerning school funding as outlined in House Bill (HB) 94, HB 650, HB 412 and HB 282, as well as Senate Bill (SB)55, which requires certain educational enhancements. The requirements under HB 412 for textbooks and instructional materials are incorporated into this forecast through the textbook and instructional materials account within the supplies and materials line item. The requirements under HB 412 for capital improvements and maintenance are satisfied by the property services account included in the material, supplies and textbook line item, and by expenditures from the Capital Improvement Fund. For FY 1998-99, FY1999-00 and FY 2000-01, PCSD did not meet the spending requirements for Textbooks/Instructional Supplies and Capital Improvements; therefore, reserve accounts were established.

The forecast assumes that PCSD will spend the required Textbooks/Instructional Supplies amounts in FY 2001-02 through FY 2005-06 and the reserve amount will be expended in increments of \$35,000 for FY 2001-02 through 2004-05 and \$33,000 for FY 2005-06. The forecast also assumes that PCSD will spend the required Capital Improvement amounts in FY 2001-02 through FY 2005-06 and the reserve amount will be expended in increments of \$35,000 for FY 2001-02 through FY 2004-05 and \$33,000 in FY 2005-06. In addition, a recent change in the HB 412 legislation lifted the requirement of a Budget Reserve account and PCSD transferred its budget reserve balance of \$117,000 to the General Fund in FY 2000-01.

II. Description of the School District

PCSD operates under the governance of a locally elected five-member board, with each member serving a four-year term. PCSD provides educational services as authorized by State statute and/or Federal guidelines.

PCSD’s estimated average daily membership (ADM) of 2,147 students are enrolled in four elementary schools, one middle school and one high school in FY 2001-02. Currently, PCSD employs 289 full-time equivalent (FTE) staff members.

A. Financial Planning

On June 8, 2001, the State Superintendent declared PCSD to be in a state of fiscal caution as defined by ORC §3316.031. In accordance with the legislation, the Board must adopt a Financial Recovery Plan within 30 days of PCSD being declared in fiscal caution. On July 19 and September 5, 2001, PCSD requested and was granted 30-day extensions of the deadline for filing its Financial Recovery Plan. PCSD Financial Recovery Plan was submitted to the ODE on October 5, 2001. The plan, which is continuously amendable based on changes in facts and circumstances, requires a five-year financial projection delineating PCSD’s return to financial stability. According to PCSD Financial Recovery Plan, the district will have deficit balances in the General Fund in FY 2004-05 and FY 2005-06 in the amount of \$266,000 and \$739,000, respectively.

B. Basis of Accounting

Generally Accepted Accounting Principals (GAAP) requires receipts to be recorded when they are earned and disbursements when they are incurred. This financial forecast has been prepared on the cash receipts and disbursements basis of accounting, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this method, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligations are incurred. Under Ohio law, PCSD is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

C. Fund Accounting

PCSD maintains its accounting in accordance with the principles of “fund” accounting. Fund accounting is used by governmental entities, such as school districts, to report the entity’s financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid in district financial management by segregating transactions related to certain district functions or activities. The transactions of each fund

are reflected in a self-balancing group of accounts which presents an accounting entity that stands separate from the activities reported in other funds.

III. General Assumptions

Summarized in the following pages are the significant assumptions underlying the financial forecast shown in **Table 2-1**. Parts IV through VII provide further detail on specific assumptions.

A. Enrollment/ Average Daily Membership (ADM):

Under the current State Foundation Funding formula, a kindergarten student is only counted at 50 percent of a full-time equivalent (FTE) in determining average daily membership (ADM). Once the current year ADM is calculated, ODE averages the district’s total current year ADM and the previous two years to determine the three-year Average Formula ADM (funding ADM). The three-year average is designed to prevent sharp decreases in a school district’s formula funding from one year to the next year.

Table 2-1A: Total Funding ADM (Three-Year Average)

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
PCSD	2,919.8	2,784.1	2,657.5	2,147.6	1,929.0	1,929.0	1,929.0	1,929.0
Open Enrollment	300.5	334.5	329.9	441.0	441.0	441.0	441.0	441.0
Community School	0.0	0.0	0.0	290.0	290.0	290.0	290.0	290.0
Total ADM	3,220.3	3,118.6	2,987.4	2,878.6	2,660.0	2,660.0	2,660.0	2,660.0

Source: ODE SF-3 final reports for FY 1998-1999, FY 1999-00 and FY 2000-01, FY 2001-02 March No. 1 payment and ODE’s simulation for FY 2002-03.

As presented in **Table 2-1A**, the ADM for funding purposes decreased to 2,878 students in FY 2001-02. ODE has projected funding ADM to decrease in FY 2002-03 to 2,660 and to hold constant for future years. For the purpose of the forecasts shown in **Table 2-1** and **Table 2-2**, funding ADM for FY 2003-04 through FY 2005-06 is held constant at 2,660.

Additionally, students educated in another district are counted in their resident district. Therefore, students residing in a regular school district who elect to attend a school in a different district and or a community school are included in the resident school district ADM. However, a line item deduction is made in the State Foundation Funding with money being transferred from the resident district to the educating district/school. (See **Table 2-1H** for Open Enrollment and Community School line item deductions/expenditures.) Furthermore, the additional funding for the all-day kindergarten program is accounted for in the DPIA Fund restricted grants-in-aide.

B. Staffing

Table 2-1B summarizes PCSD’s historical staffing for FY 1999-00 and FY 2000-01. All staffing levels are presented in FTEs.

Table 2-1B: PCSD Staffing

Category	Actual Staffing for FY2000	Actual Staffing Changes for FY2001	Actual Staffing for FY2001	Actual Staffing Changes for FY2002	Actual Staffing For FY2002	Proposed Staffing for FY2003	Proposed Staffing for FY2003	Proposed Staffing for FY2004	Proposed Staffing for FY2005	Proposed Staffing for FY2006
Administration	20.9	(3.4)	17.5	(2.0)	15.5	15.5	15.5	15.5	15.5	15.5
Certificated Staff	206.0	(22.0)	184.0	(22.0)	162.0	162.0	162.0	162.0	162.0	162.0
Classified Staff	115.8	3.2	119.0	(7.5)	111.5	111.5	111.5	111.5	111.5	111.5
Total Staff	342.7	(22.2)	320.5	(31.5)	289.0	289.0	289.0	289.0	289.0	289.0

Source: ODE’s EMIS data for FY 2000, FY 2001 and FY 2002

At the end of FY 1999-00, PCSD closed two school buildings within the district and 22.2 FTEs were eliminated. In FY 2000-01, Sciotoville community members advised PCSD of their plans to open a community school within the district. Negotiations between PCSD and the Sciotoville Community School were completed by the end of FY 2000-01 and 31.5 FTEs were eliminated and an additional school building was closed. **Table 2-1B** reflects actual staffing changes which have occurred. The proposed staffing changes outlined in PCSD’s Financial Recovery Plan and this performance report are contained in **Table 2-2C**. Further detailed information on PCSD’s staffing can also be found in the **human resources** section of this report.

B. Inflation

Inflation is assumed to remain at a low level ranging from two to three percent which is consistent with recent years. Certain items shown in the assumptions were projected based on a combination of historical data and inflationary increases.

IV. Revenues - Local, State and Federal

PCSD’s primary sources of revenue are from the State of Ohio, through the State Foundation Program, and from the levying of property taxes on real, public utility and tangible personal property located within its boundaries.

A. Local Sources

(1) Real Estate Taxes and Tangible Personal Property Taxes: Property taxes are levied and assessed on a calendar year basis against real, public utility and tangible personal (used in business) property located in PCSD. Assessed values for real

property taxes are established by State law at 35 percent of the appraised market value. All real property is required to be revalued every six years and updated mid-way through the six-year period. The next scheduled reappraisal will be conducted in calendar year 2003 and will take effect in calendar year 2004.

The projections for real estate taxes (residential, agricultural and public utility tangible), tangible personal property taxes and rollback and homestead are based on the following factors:

FY 2001-02 real estate taxes (residential, agricultural and public utility tangible) and tangible personal property taxes are based on property valuations and effective millage amounts certified by the Scioto County Auditor.

- An annual growth in assessed valuation of less than one percent in residential/agricultural is projected for FY 2002-03, FY 2003-04 and FY 2005-06 based on historical trends. The growth in assessed valuation for FY 2004-05 is forecast at approximately five percent for residential/agricultural based on historical trends during reappraisal years.
- Commercial/industrial property has experienced a continual marginal downturn except in reappraisal years. Accordingly, a less than one percent decrease in commercial/industrial is projected for FY's 2002-03, 2003-04 and 2005-06 based on the ten-year average. In FY 2004-05, the reappraisal year, commercial industrial is forecast to increase less than one percent, based on historical trends during reappraisal years.
- Public utility valuations have stagnated and have experienced significant declines during reappraisal and revaluation years. Furthermore, SB 3 and SB 287 will reduce the listing percentages on electric utility and natural gas utility tangible personal property beginning in FY 2002-03. To prevent school districts from experiencing lower tax revenues from the lower taxable values, SB 3 and SB 287 created a reimbursement mechanism whereby the State will fully reimburse school districts for any lost revenues. Based on historical trends, public utility valuations are projected to increase at 1.29 percent in FY 2002-03, FY 2003-04 and FY 2005-06 and to decrease by 1.39 percent in FY 2004-05 due to the reappraisal.
- Tangible personal property taxes have increased slightly in Scioto county during the historical period. Based on historical trends, a 1.37 percent increase in assessed tangible personal property is projected for FY 2002-03, FY 2003-04 and FY 2005-06 while a less than one percent decrease is forecast for FY 2004-05 due to the reappraisal.

Additionally, beginning in FY 2002-03, HB 283 enacts an assessment rate reduction, phasing out the tax on inventory property over a 25-year period. The inventory reductions slow down the rate of tangible tax growth rather than causing an absolute decline in revenue. A portion of the tax losses from the reductions in inventory valuations will be recovered through increased State Foundation aid.

- Property tax allocations (Homestead/Rollback) include a 10 percent property tax rollback for all real property tax owners. In 1979, an additional 2.5 percent rollback was enacted for owner-occupied homes. These tax credits are reimbursed to PCSD by the State and are calculated by applying the appropriate percentages to the residential and commercial properties. Also, included in this category is an exemption for businesses for the first \$10,000 in personal property tax valuation. This exemption is reimbursed by the State and is estimated based on historical trends.

The detailed valuation, millage and revenue projections are summarized in **Table 2-1C**.

Table 2-1C: Property Valuation and Millage

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Residential/Agricultural - Assessed Valuation	\$127,228,000	\$127,313,000	\$127,397,000	\$133,767,000	\$133,856,000
Commercial/Industrial - Assessed Valuation	\$52,979,000	\$52,622,000	\$52,267,000	\$52,372,000	\$52,019,000
Public Utility - Assessed Valuation	\$15,321,000	\$15,516,000	\$15,713,000	\$15,498,000	\$15,696,000
Personal Tangible - Assessed Valuation	\$26,115,000	\$26,472,000	\$26,834,000	\$26,789,000	\$27,155,000
Authorized Mills ¹					
Permanent Operating	30.87	30.87	30.87	30.87	30.87
Inside ²	3.66	3.66	3.66	3.66	3.66
Total Authorized Mills	34.53	34.53	34.53	34.53	34.53
Effective Mills to be Levied ³					
Permanent Operating ⁴	16.34	16.34	16.34	16.34	16.34
Inside ²	3.66	3.66	3.66	3.66	3.66
Total Effective Mills to be Levied ⁵	20.00	20.00	20.00	20.00	20.00
Total Projected Real Property Taxes ⁶	\$3,507,000	\$3,515,000	\$3,524,000	\$3,533,000	\$3,543,000
Total Projected Personal/Tangible	\$732,000	\$736,000	\$740,000	\$739,000	\$742,000
Total Property Tax Allocation	\$480,000	\$480,000	\$480,000	\$480,000	\$480,000

Source: Scioto County Auditor’s

¹ Authorized mills include all inside and voted mills approved.

² Inside mills are levied without a vote of the people.

³ Effective mills to be levied take into account inflationary increases and prevent an increase in the tax bill when a reassessment or update in the value of real property has increased due to inflation; a tax credit factor is then applied to the voted mills.

⁴ PCSD has not increased permanent operating mills since 1988.

⁵ State law protects districts with low millage, prohibiting tax reduction below 20 effective mills. Therefore, although PCSD’s actual effective millage would be below 20 mills, the property tax revenue projected in **Table 2-1** is forecasted based on 20 effective mills.

⁶ Presented net of Homestead and Rollback

B. State Revenue

- (1) **Foundation Program:** Under the ORC, State Foundation payments are calculated by ODE on the basis of pupil enrollment and classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision identified aspects of the current plan that required modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001 although a time line for distribution is not specified.
- Fully funding Parity Aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 24, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the bases for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of this forecast, PCSD is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations. Because of the uncertainty as to how the State Legislators and Supreme Court will remedy the funding, this forecast projects State Foundation revenue under the laws and regulations currently in place as defined in HB 94.

The main components of the State Foundation Program revenues and the projections by component are presented in **Table 2-1D**.

Table 2-1D: State Foundation Revenues

	FY 1998-99 Actual	FY 1999-00 Actual	FY 2000-01 Actual	FY 2001-02 Forecast	FY 2002-03 Forecast	FY 2003-04 Forecast	FY 2004-05 Forecast	FY 2005-06 Forecast
Unrestricted Grants In Aid								
State Foundation	\$10,384,000	\$9,779,000	\$9,993,000	\$10,277,000	\$10,254,000	\$10,272,000	\$10,665,000	\$11,068,000
Special Ed.	587,000	635,000	686,000	599,000	690,000	710,000	729,000	750,000
Vocational Ed.	37,000	110,000	57,000	60,000	119,000	119,000	119,000	119,000
Equity	401,000	309,000	184,000	8,000	6,000	4,000	2,000	0
Textbook Subsidy	48,000	0	0	0	0	0	0	0
Subtotal: Unrestricted Grants In Aid	\$11,457,000	\$10,833,000	\$10,920,000	\$10,944,000	\$11,069,000	\$11,105,000	\$11,515,000	\$11,937,000
Restricted Grants In Aid								
DPIA	\$1,183,000	\$1,569,000	\$1,691,000	\$2,107,000	\$1,951,000	\$1,979,000	\$2,063,000	\$2,149,000
Parity Aid	0	0	0	300,000	600,000	900,000	1,200,000	1,500,000
Subtotal: Restricted Grants In Aid	\$1,183,000	\$1,569,000	\$1,691,000	\$2,407,000	\$2,551,000	\$2,879,000	\$3,263,000	\$3,649,000
Total State Foundation Revenues	\$12,640,000	\$12,402,000	\$12,611,000	\$13,351,000	\$13,620,000	\$13,984,000	\$14,778,000	\$15,586,000

Source: ODE's SF-3 final reports for FY 1998-99, FY 1999-00, FY 2000-01, FY 2001-02 March No. 1 payment, and SF-3 simulation for FY 2002-03.

State Foundation: State Foundation aid for FY 2001-02 is based on ODE SF-3 Report March No. 1, 2002 payment. For FY 2002-03, projections are based on ODE funding simulations. Projections for FY 2003-04 and beyond are based on formula amounts outlined in HB 94.

The per pupil amount established by HB 94 for FY 2001-02 is \$4,814. For periods after FY 2001-02, the per pupil funding amounts are tentatively scheduled to be \$4,949 in FY 2002-03; \$5,088 in FY 2003-04; \$5,230 in FY 2004-05 and \$5,376 in FY 2005-06.

Special & Vocational Education: The current State funding formula provides additional funding to districts to be used in educating students classified as special education or vocational education. The additional funding amounts districts receive are determined based on formulas which incorporate weighted average indices applied to the number of students qualifying under each classification. Beginning in FY 1999-00, a new *speech only* calculation is included in the amount shown for special education. This allowance is for pupils whose special education services consist only of speech therapy. Additionally, other adjustments are made to special and vocational education funding for services provided to special needs pupils

attending a district other than their district of residence. The amounts projected for Special and Vocational Education funding for FY 2001-02 are based on ODE's SF-3 March No. 1, 2002 payment. For FY 2002-03, projections are based on the ODE State Foundation funding simulations. Projections for FY 2003-04 through FY 2005-06 are based on ODE State Foundation formula amounts and the corresponding projected per pupil base cost.

Equity Aid: Recent changes to State Foundation calculations have resulted in a phase-out of Equity Aid payments by reducing the number of districts which receive this type of payment and the amount received. Beginning in FY 2001-02, the State implemented the phase-out period from FY 2001-02 through FY 2004-05. Equity Aid districts, such as PCSD will receive an adjusted amount in FY 2001-02 which will be reduced to 75 percent in FY 2002-03, 50 percent in FY 2003-04, 25 percent in FY 2004-05, and zero percent in FY 2005-06. The amounts shown in **Table 2-1D** are based on ODE State Foundation SF-3 March No. 1, 2002 payment and ODE's SF-3 simulation for FY 2002-03. For FY 2003-04 and beyond, the percentages outlined above based on FY 2002-03 ODE simulation amount.

DPIA: DPIA funds provide additional funding for school districts that have a certain percentage of students whose families receive funds from the State's Ohio Works First (OWF) program. These funds can be used for all-day kindergarten, class-size reduction, safety, security and remediation. Another component of restricted grants-in-aid is a bus purchase allowance which is a State subsidy to school districts for pupil transportation. The amount projected for FY 2001-02 is based on ODE's March No. 1, 2002 payment. The amount projected for FY 2003-03 is based on ODE's funding simulation. Projections for FY 2003-04 through FY 2005-06 are based on ODE State Foundation formula amounts and the corresponding projected change from FY 2001-02 to FY 2002-03.

Parity Aid: With the phase-out of Equity Aid, HB 94 phases in a new Parity Aid funding program to districts that meet certain conditions. Parity Aid is based on district wealth and the county cost-of-doing business factor as calculated by ODE. The new funding is based on an ODE calculation for determining the district's wealth and will be phased in as follows:

- 20 percent in FY 2001-02;
- 40 percent in FY 2002-03;
- 60 percent in FY 2003-04;
- 80 percent in FY 2004-05; and
- 100 percent in FY 2005-06.

The Parity Aid for PCSD in FY 2001-02 is based on ODE State Foundation SF-3 March No. 1, 2002 payment. For FY 2002-03, projections are based on ODE's funding simulations. FY 2003-04 through FY 2005-06 were based on the above percentages applied against the amount projected by ODE for FY 2002-03. State funding for Parity Aid is restricted to new programs the school district implements in the year the funding is received. However, on September 17, 2001, PCSD was granted a waiver from ODE which allows it to use this funding for existing continuous improvement programs without implementing new programs.

- (2) **Property Tax Allocation (Rollback and Homestead Exemptions):** State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a basic 2.5 percent rollback is granted on residential property taxes and additional relief is granted to qualified elderly and disabled homeowners based on income. However, the State reimburses PCSD for the revenue lost due to these property tax exemptions. Rollback and Homestead exemption revenues are included within the assumptions for real estate taxes and tangible personal property taxes.

- C. **Anthem Demutualization Revenue:** the Anthem Insurance Companies, Inc. recently completed plans to convert from a mutual insurance company to a publicly traded stock company before the end of 2001. Under the plan, the entire value of the mutual company would be paid to Anthem's eligible members (i.e., customer such as PCSD) in stock. Because public bodies such as PCSD are prohibited from becoming a 'stockholder' in any joint stock company, corporation or association, the Auditor of State recommends each public body receiving stock should sell the stock at a reasonable, prompt and beneficial time at the discretion of the public body. PCSD received its distributional shares of stock in February 2002 and sold its shares for \$1.58 million in March 2002 and placed the proceeds in the General Fund. It should be noted that the Anthem Demutualization revenue is a one-time revenue source and projections for future years are zero.

D. Other Revenue Sources

The main components of Other Revenues and a detailed projection by component are as follows:

Table 2-1E: Other Revenues

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Earnings on Investments	\$194,000	\$179,000	\$154,000	\$158,000	\$163,000	\$168,000	\$173,000	\$178,000
Transportation	1,000	13,000	29,000	29,000	29,000	29,000	29,000	29,000
Personal Property Exemption	112,000	117,000	109,000	112,000	112,000	112,000	112,000	112,000
SCOESC/Alternative School	28,000	0	95,000	75,000	75,000	75,000	75,000	75,000
Federal Restricted Grants	0	34,000	25,000	25,000	25,000	25,000	25,000	25,000
Latchkey Fees	38,000	39,000	26,000	26,000	26,000	26,000	26,000	26,000
Extended Summer School	0	0	43,000	0	0	0	0	0
Tuition	0	0	29,000	29,000	29,000	29,000	29,000	29,000
Rent	8,000	7,000	5,000	5,000	5,000	5,000	5,000	5,000
CAFS Reimbursement/ Fed Subs PL 874	63,000	129,000	48,000	48,000	48,000	48,000	48,000	48,000
OH Excess Costs	88,000	0	54,000	0	0	0	0	0
Miscellaneous	40,000	13,000	7,000	7,000	7,000	7,000	7,000	7,000
Total Other Revenue	\$572,000	\$531,000	\$624,000	\$514,000	\$519,000	\$524,000	\$529,000	\$534,000

Source: Treasurer’s office and district 4502 reports

With the exception of Earnings on Investments, all line items are assumed to remain flat based on PCSD estimates and prior year actual amounts.

Earnings on Investments: Investment earnings are generated from a fluctuating balance of temporarily available cash. The cash is primarily held in an interest-bearing checking account or invested in a STAR Ohio account. A bank sweep account is also used to invest cash overnight. Interest rates are assumed to remain fairly stable over the period covered by the projections and the district will be receiving increased funding. Therefore, in projecting investment earnings for FY 2001-02 through FY 2004-05, a 3.0 percent annual inflationary increase is assumed for each year.

V. Expenditures

A. Operating Expenditures

- (1) **Salaries and Wages:** To project increases in Salaries and Wages from step increases, a spreadsheet was created to model the step amount each employee is

scheduled to receive during the forecast period. For certificated employees, step increases ranged from approximately 2.8 to 4.5 percent of annual salaries, depending on the years of experience, type of degree and educational credits. PCSD's current contract with the Portsmouth City Teachers' Association states a 3.0 cost-of-living adjustment (COLA) for FY 2001-02. The current contract does not specify a COLA percentage increase for FY 2002-03 and FY 2003-04. However, the contract does contain re-opener language for the two years. Therefore, based on past history, the COLA percentage increase for certificated employees for all forecasted years is projected at 2.0 percent based on the past history.

Classified employees' step increases ranged from 1.6 to 5.3 percent of their hourly salary, depending on years of experience. The COLA for classified employees for FY 2001-02 years is 3.0 percent based on the negotiated increases. The classified agreement contains language that will give classified employees the same COLA increase given to other District employees. Therefore, the COLA amount projected for FY 2002-03 through FY 2005-06 is 2.0 percent based on past history.

Based on the model developed by the Auditor of State's Office, the cost associated with the effects of steps and COLAs for certificated and classified employees (including those who had stepped out) was projected to increase total regular Salaries and Wages by 2.9 percent for FY 2002-03, 2.8 percent for FY 2003-04, 2.7 percent for FY 2004-05 and 2.6 percent for FY 2005-06. The low average-cost increases result from the short step schedule for PCSD employees and the large number of employees at the top of the step schedule. Assuming that no changes are made in current staffing, the number of certificated employees at the top of the step schedule increases from 62.2 percent to 72.8 percent during the forecast period while the number of classified employees at the top of the step schedule increases from 89 percent to 100 percent during the forecast period.

For purposes of developing a realistic forecast, it is assumed that a 2.0 percent increase in the base salary amount will be granted to all employees for FY 2002-03 through FY 2004-06. However, the deficits in the forecast indicate that, without significant reductions, PCSD is not in a position to support a 2.0 percent wage increase.

ORC §5705.412 states that "no school district is to adopt any appropriation measure, make any contract, give any order to expend money or increase salary schedules during any school year without attaching a certificate of available resources...." (412 certificate). This certificate is to be signed by the treasurer, superintendent and the Board president, and certifies that the district will have the revenues necessary to maintain all personnel, programs and services essential to the provision of an educational program for the remaining days in the current and succeeding fiscal

years. PCSD management will have substantial difficulty in issuing a valid 412 certificate stating that PCSD has resources in excess of the appropriations for such expenditures unless staffing reductions occur.

The projected Salaries and Wages (through June 30, 2002) are based on the terms of the existing union agreements and actual figures. PCSD union contracts for teachers' base salary and classified wages for FY 2002-03 and future years are open to future negotiations. Therefore, for forecasting purposes, it is assumed that the base teacher salary will increase by 2.0 percent annually for the forecasted period based on past historical trends. The wage and salary projections are presented in **Table 2-1F**.

Table 2-1F: Salaries and Wages

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Regular Salaries & Wages	\$9,794,000	\$9,633,000	\$9,220,000	\$8,586,000	\$8,859,000	\$9,111,000	\$9,361,000	\$9,611,000
Overtime & Substitutes	381,000	349,000	334,000	309,000	319,000	328,000	337,000	346,000
Supplemental Contracts	305,000	316,000	268,000	214,000	222,000	229,000	236,000	244,000
Severance	191,000	414,000	112,000	100,000	150,000	50,000	50,000	50,000
Total Salaries & Wages	\$10,671,000	\$10,712,000	\$9,934,000	\$9,209,000	\$9,550,000	\$9,718,000	\$9,984,000	\$10,251,000

Source: Treasurer's office and Statement P from the District's 4502 financial report

As illustrated in **Table 2-1F** regular Salaries and Wages decreased significantly in the past several years. In FY 1999-00, the decrease is attributed to PCSD closing two school buildings within the district and eliminating 22.2 FTEs. Additionally, negotiations between PCSD and the Sciotoville Community School were completed by the end of FY 2000-01, and 31.5 FTEs were eliminated and an additional school building was closed. The primary reason for the elimination of staff is declining enrollment within the District.

Overtime, Substitutes and Supplementals: In projecting the cost of Overtime, Substitutes and Supplementals from FY 2001-02 through FY 2005-06, the forecast assumes the costs for Overtime and Substitutes at 3.6 percent of regular salaries and wages and Supplemental contracts was projected at 2.9 percent of regular salaries and wages based on historical trends less the costs associated with the termination of the extended summer school program.

Severance: Severance costs equaled \$112,000 in FY 2000-01, due to the separation of a number of employees. Severance cost for FY 2001-02 is projected at \$100,000 based on discussions with the Treasurer. For FY 2002-03 the Superintendent

estimates that Severance cost will be approximately \$150,000. In total, the Superintendent anticipates that 3 teaching FTEs will be eliminated in FY 2002-03 and an additional 14 unidentified FTEs will be eliminated in FY 2003-04 for a combined total of 17 FTEs. Additional Severance costs for certificated and classified staff retiring from FY 2004-05 through FY 2005-06 are estimated at \$50,000 based on contractual requirements and information provided by the Superintendent.

- (2) **Fringe Benefits:** The main components of Fringe Benefits and a detailed projection by component are presented in **Table 2-1G**.

Table 2-1G: Fringe Benefits

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Retirement Contributions	\$1,434,000	\$1,469,000	\$1,422,000	\$1,296,000	\$1,338,000	\$1,376,000	\$1,414,000	\$1,451,000
Health Care Insurance	2,021,000	2,118,000	2,376,000	2,500,000	2,875,000	3,306,000	3,802,000	4,373,000
Workers' Compensation	68,000	16,000	87,000	90,000	92,000	95,000	98,000	101,000
Medicare	65,000	77,000	75,000	77,000	80,000	82,000	84,000	87,000
Unemployment	2,000	5,000	15,000	5,000	5,000	15,000	5,000	5,000
Reimbursements	1,000	4,000	1,000	4,000	1,000	1,000	1,000	1,000
Total Fringe Benefits	\$3,591,000	\$3,689,000	\$3,976,000	\$3,972,000	\$4,391,000	\$4,875,000	\$5,404,000	\$6,018,000

Source: Treasurer's office, PCSD 4502 report

Retirement Contributions: Retirement payments represent PCSD's portion of the required retirement payment to the State retirement systems. These payments have historically averaged 15.1 percent of total salary and wage expenditures for PCSD. Therefore, the forecasted retirement payments were calculated as 15.1 percent of the expected salary and wage expenditure for the respective period.

Health Care Insurance: PCSD closed three school buildings within the past two school years and reduced staff accordingly. However, insurance costs have increased significantly from FY 1998-99 to FY 2000-01. Therefore, insurance expenditures have not decreased. Health Care Insurance expenditures for FY 2001-02 are based on information provided by the district treasurer. The remaining forecast years are projected to increase 15 percent annually based on the most recent State Employees Retirement Board (SERB) and health insurance industry projections. In addition, industry trends and State forecasts indicate that recent double digit increases in health insurance premium costs will continue for the foreseeable future.

Workers' Compensation: In general, claims filed with the Ohio Bureau of Workers' Compensation (BWC) are classified as lost time or medical only. Lost-time claims are defined as those claims exceeding eight days. These types of claims are the most taxing on the system and have the greatest effect on the premium costs. The fluctuation in the historical figures for workers' compensation occurred because the BWC reduced the premium by 75 percent in FY 1999-00. This reduction is not expected to repeat in FY 2001-02 and therefore, the remaining years are projected to increase 3.0 percent. See the **human resources** section of this report for additional information on Workers' Compensation costs.

Medicare: Medicare benefits are based on anticipated payroll costs for the forecasted period. For FY 2001-02 through FY 2005-06, the forecast assumes a 3.0 percent annual inflationary increase.

Unemployment: An analysis for the past three years indicates that Unemployment expenditures have fluctuated between \$2,000 and \$15,000. Because of its financial condition, PCSD management has indicated that staff reductions will occur in FY 2003-04. Therefore, unemployment cost are projected at \$5,000 for all years except FY 2003-04.

- (3) **Purchased Services:** The main components of Purchased Services, and a detailed projection by component, are presented in **Table 2-1H**. For the Purchased Services line items, a 3.0 percent inflationary factor was used for future projections, excluding those detailed below.

Table 2-1H: Purchased Services

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Professional/ Technical Services	\$140,000	\$142,000	\$98,000	\$101,000	\$104,000	\$107,000	\$110,000	\$114,000
Property Services	401,000	362,000	406,000	418,000	431,000	444,000	457,000	471,000
Travel/Meeting	19,000	18,000	22,000	23,000	23,000	24,000	25,000	26,000
Communication	72,000	54,000	55,000	57,000	58,000	60,000	62,000	64,000
Utilities	266,000	268,000	360,000	371,000	382,000	393,000	405,000	417,000
Printing	4,000	15,000	9,000	9,000	10,000	10,000	10,000	11,000
Tuition	405,000	462,000	386,000	398,000	410,000	422,000	434,000	447,000
Open Enrollment	1,157,000	1,385,000	1,428,000	2,128,000	2,186,000	2,249,000	2,312,000	2,377,000
Community School	0	0	0	1,470,000	1,511,000	1,553,000	1,597,000	1,642,000
Pupil Transportation	7,000	5,000	11,000	11,000	12,000	12,000	12,000	13,000
Totals	\$2,471,000	\$2,711,000	\$2,775,000	\$4,986,000	\$5,127,000	\$5,274,000	\$5,424,000	\$5,582,000

Source: Treasurer’s Office; PCSD 4502 reports, Statement P

Open Enrollment and Community School: The Open Enrollment and Community School line items reflect an adjustment equal to the State Foundation allotment for each child who attends another district/school under Ohio’s Open Enrollment Law. PCSD pays the per pupil amount for each student who leaves the district and receives the same amount for each pupil entering the district. These line items represent the net effect on funding of students entering and leaving PCSD. Open Enrollment and Community School projections for FY 2001-02 are based on the ODE State Foundation funding simulation. The most recent ODE calculations (SF-3 report March No. 1, 2002 payment) show Open Enrollment as a net reduction from State Foundation Funding in the amount of \$2,128,000 (441 ADM students) and the Community School net reduction of \$1,470,000 (290 ADM students). These figures have been applied through the forecast period at the rate of the per pupil amount established by HB 94.

- (4) **Materials, Supplies and Textbooks:** Qualifying HB 412 expenditures used to meet the Textbook and Instructional Supplies set-aside requirements are expected to be made from the instructional supplies and materials line-items within the General Fund. This account typically includes supply and material items used for both

instructional purposes and support activities, such as maintenance, transportation, central office and administration.

The forecast assumes that only instructional-related expenditures qualify to meet set-aside requirements. Future expenditures for instructional Materials and Supplies are forecasted in amounts sufficient to meet the spending requirements. Expenditures for non-instructional Supplies and Materials, such as supplies for maintenance, repairs and operations, are assumed to increase annually by an inflationary factor of 3.0 percent. The forecast also assumes that each year the set-aside requirements will be fully expended and no additional unused balance will be carried forward to the succeeding year. Qualifying purchases include textbooks, library books and periodicals and other media forms. The projected expenditures for Supplies, Materials and Textbooks are presented in **Table 2-1I**.

Table 2-1I: Supplies, Materials and Textbooks

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
General Supplies	\$203,000	\$196,000	\$183,000	\$183,000	\$183,000	\$183,000	\$183,000	\$183,000
Textbooks	80,000	137,000	40,000	275,000	275,000	275,000	275,000	275,000
Library Books	15,000	27,000	10,000	15,000	15,000	15,000	15,000	15,000
Periodical, Newspapers, Film & Filmstrips	6,000	12,000	13,000	13,000	13,000	13,000	13,000	13,000
Supplies and Material for Operations, Maintenance and Repair	81,000	87,000	52,000	54,000	55,000	57,000	59,000	60,000
Supplies and Materials for Operations	35,000	43,000	49,000	50,000	52,000	54,000	55,000	57,000
Miscellaneous	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Supplies, Materials & Textbooks	\$421,000	\$503,000	\$348,000	\$591,000	\$594,000	\$598,000	\$601,000	\$604,000

Source: Treasurer's Office; PCSD 4502 reports, Statement P

General Supplies: General Supplies have fluctuated over the historical period. PCSD experienced a decrease in expenditures in FY 2000-01 to \$183,000 (6.6 percent) because of the closing of three school buildings. Therefore, because of the wide variance between expenditures in FY 1998-99 through FY 2000-01 and the current financial health of PCSD, General Supplies are projected at a flat rate based on FY 2000-01 expenditures (\$183,000) over the life of the forecast.

Textbooks: In FY 2000-01 the Textbook line item was insufficient to meet the set-aside (spending) requirements and the total amount included in the forecast has been increased to reflect the additional required spending amounts. The Textbook line item is projected at amounts sufficient to meet set-aside (\$240,000) requirements.

The line item also includes an additional \$35,000 for FY 2001-02 through FY 2004-05 and \$32,000 for FY 2005-06 to fully expend the HB 412 reserve. Although PCSD revenues will increase for the forecasted period, a line-item deduction for the community school from its foundation settlement payment will offset any increase. Therefore, the spending amounts for the forecasted period will remain relatively flat.

Library Books, Periodical, Newspapers, Film & Filmstrips and Supplies and Material for Operations, Maintenance and Repair: Library Books; Periodical, Newspapers, Film & Filmstrips; and Supplies and Material for Operations, Maintenance and Repair have fluctuated over the historical period. Because of the wide variance between expenditures in FY 1998-99 through FY 2000-01 and the current academic performance of PCSD, library books are projected at a flat rate of \$15,000 over the life of the forecast. Periodical, Newspapers, Film & Filmstrips are projected flat at \$13,000. Supplies and Material for Operations, Maintenance and Repair are projected to increase at an inflationary rate of 3.0 percent for forecast period.

- (5) **Capital Outlay:** The main components of Capital Outlay and a detailed projection by component are as follows:

Table 2-1J: Capital Outlay

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Equipment	93,000	51,000	111,000	114,000	118,000	121,000	125,000	129,000
Equipment - Replacements	10,000	22,000	4,000	15,000	15,000	16,000	16,000	17,000
Bus Purchase	64,000	63,000	0	102,000	102,000	64,000	64,000	64,000
Building Improvements	2,000	3,000	16,000	16,000	17,000	17,000	18,000	19,000
Totals	\$169,000	\$139,000	\$131,000	\$247,000	\$252,000	\$218,000	\$223,000	\$229,000

Source: Treasurer’s Office; PCSD 4502 reports, Statement P

With the exception of Building Improvement and Bus Purchase, all line items are assumed to increase 3.0 percent to account for inflation using FY 2000-01 actuals as a base.

Building Improvement and Bus Purchase: In FY 2000-01, Building Improvement (capital improvement) and Bus Purchase line items were insufficient to meet the set-aside (spending) requirements. The total spending amount included in the forecast has been increased to reflect the additional required set-aside amounts. Building

Improvement and Bus Purchase line items are projected at amounts sufficient to meet set-aside (spending) requirements.

- (6) **Other Expenditures:** The main components of PCSD’s Other Expenditures and a detailed projection by component are presented in **Table 2-1K**.

Table 2-1K: Other Expenditures

	FY 1998-99 ¹	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
County ESC Deductions	N/A	\$128,000	\$126,000	\$212,000	\$194,000	\$194,000	\$194,000	\$194,000
Dues & Fees	N/A	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Insurance	N/A	19,000	22,000	23,000	23,000	24,000	25,000	26,000
Membership	N/A	9,000	11,000	11,000	12,000	12,000	12,000	13,000
County Auditor Fees	N/A	86,000	72,000	74,000	76,000	79,000	81,000	83,000
State Auditor Fees	N/A	19,000	20,000	21,000	21,000	22,000	23,000	23,000
Election Expenses	N/A	6,000	0	0	0	0	0	0
Judgements	N/A	2,000	0	100,000	0	0	0	0
Delinquent Land Tax	N/A	26,000	36,000	37,000	38,000	39,000	41,000	42,000
Totals	\$267,000	\$296,000	\$288,000	\$479,000	\$365,000	\$371,000	\$377,000	\$382,000

Source: Treasurer’s Office; PCSD 4502 reports, Statement P

¹ The supporting detail for FY 1998-99 was unavailable.

County ESC deductions are based on ODE’s March No. 1, 2002 payment. The amount projected for FY 2003-03 is based on ODE’s funding simulation and projected based on the FY 2002-03 rate and held constant for the forecast period. Expenditures for the Dues and Fees, Insurance and Delinquent Land Tax are assumed to increase annually by an inflationary factor of 3.0 percent.

Judgements: At the end of FY 2000-01, PCSD was party to two legal proceedings from prior years and both plaintiffs were awarded settlements. Accordingly, both plaintiffs will be awarded lump sum settlement payments of \$50,000 in January 2002. Therefore, judgement cost for FY 2001-02 is projected at \$100,000.

VI. Debt Service

Outstanding debt balances as of March 31, 2001 are presented in **Table 2-1L**. **Table 2-1L** shows the annual Debt Service requirement in each issue for the forecasted period. The forecast assumes PCSD will pay debt obligations as they come due.

Table 2-1L: Debt Service

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Asbestos Loan	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Total Principal	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Total Debt Service	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000

Source: Statement L from 4502 reports and PCSD debt schedule

In December 1988, the U.S. Environmental Protection Agency (EPA) awarded PCSD an asbestos abatement grant/loan in the amount of \$283,774 for asbestos abatement and removal. The loan portion of \$257,106 is to be repaid over 20 years, interest free, unless there are payments in default. The current outstanding balance is \$92,842.

VII. Other Sources and Uses of Funds

A. Other Financing Sources/Uses

The forecast assumes the net effect of any Other Financing Sources/Uses is to be \$10,000. This is based on past historical averages which will be used to refund unused prior year revenues.

B. Transfers and Advances In/Out

The forecast assumes the net effect of any Transfers or Advances is to be \$50,000. This is based on past historical averages which will be used to cover deficit balances in other funds.

C. Encumbrances

In accordance with ORC, PCSD is required to consistently use the encumbrance method of accounting for budget management and control. Under this method of accounting, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation for future payments.

Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as of year-end. The projection through FY 2005-06 assumes the outstanding encumbrances for each year during the forecast period will be \$175,000 based on the three-year historical average.

D. Set-Asides

PCSD is required by State statute to annually reserve in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years.

For the fiscal year ended June 30, 2001, PCSD was no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes. PCSD may continue to set money aside at its discretion, but it is no longer required by law.

Summary of Performance Audit Recommendations

Table 2-2 is presented as a potential financial forecast for PCSD management and the Board. The forecast is a management tool that can be used to assess the impact that implementation of the various performance audit recommendations would have on PCSD's financial condition. The forecast contains the same financial projections as presented in **Table 2-1**, with additional lines to include the following:

- The financial implications associated with the performance audit recommendations;
- Implementation costs for performance audit recommendations; and
- Any action taken to date by PCSD Board of Education.

Tables 2-2A through **2-2C** summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others would require further management action to realize the proposed savings.

The performance audit recommendations presented in **Table 2-2A** which affect PCSD's General Fund are segregated into two categories: those recommendations subject to negotiation and those recommendations not subject to negotiation. Difficult management decisions may be necessary during the process of achieving financial stability within PCSD. This performance audit provides a series of ideas and recommendations which PCSD and the Board should consider. However, this audit is not all-inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan. PCSD and the Board should update the financial recovery plan on an ongoing basis as critical financial issues are addressed.

Table 2-2: Proposed Financial Recovery Plan (Amounts in 000's)

	Actual FY 1998-99	Actual 1999-00	Actual 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06
Real Estate Property Tax	\$3,527	\$3,498	\$3,493	\$3,507	\$3,515	\$3,524	\$3,533	\$3,543
Tangible Personal Property Tax	706	737	705	732	736	740	739	742
Unrestricted Grants-in-Aid	11,457	10,833	10,920	10,944	11,069	11,105	11,515	11,937
Restricted Grants-in-Aid	1,183	1,569	1,691	2,407	2,552	2,879	3,263	3,649
Property Tax Allocation	481	480	480	480	480	480	480	480
Anethem Demutualization	0	0	0	1,581	0	0	0	0
Other Revenues	572	531	624	514	519	524	529	534
Total Operating Revenues	17,926	17,648	17,913	20,165	18,871	19,252	20,059	20,885
Salaries & Wages	10,671	10,712	9,934	9,209	9,550	9,718	9,984	10,251
Fringe Benefits	3,591	3,689	3,976	3,972	4,391	4,875	5,404	6,018
Purchased Services	2,471	2,711	2,775	4,986	5,127	5,274	5,424	5,582
Supplies, Materials & Textbooks	421	503	348	591	594	598	601	604
Capital Outlay	169	139	131	247	252	218	223	229
Other Expenditures	267	296	288	479	365	371	377	382
Debt Service: Principal-Asbestos Loan	14	14	14	14	14	14	14	14
Performance Audit Rec (Table 2-2A)	0	0	0	0	(1,410)	(1,478)	(1,544)	(1,618)
Board Reductions (Table 2-2B)	0	0	0	0	(24)	(24)	(24)	(24)
Total Operating Expenditures	17,604	18,064	17,466	19,498	18,883	19,590	20,483	21,462
Other Financing Sources/Uses(Uses)	6	(11)	(17)	(10)	(10)	(10)	(10)	(10)
Net Transfers/ Advances - In/Out (Out)	(165)	(46)	48	(50)	(50)	(50)	(50)	(50)
Net Financing	(159)	(57)	31	(60)	(60)	(60)	(60)	(60)
Results of Operations (Net)	163	(473)	478	607	(72)	(398)	(484)	(637)
Beginning Cash Balance	1,097	1,260	787	1,265	1,872	1,800	1,402	918
Ending Cash Balance	1,260	787	1,265	1,872	1,800	1,402	918	281
Outstanding Encumbrances	238	136	181	175	175	175	175	175
Bus Purchase	0	48	77	38	0	0	0	0
Capital Improvements	9	91	159	127	95	63	31	0
DPIA	312	252	265	0	0	0	0	0
"412" Textbook/Instructional Set-Asides	12	37	173	138	103	68	33	0
"412" Budget Set-Asides	114	114	0	0	0	0	0	0
Ending Fund Balance	\$575	\$109	\$410	\$1,394	\$1,427	\$1,096	\$679	\$106

Source: District records and performance audit projections and estimates

Table 2-2A details those recommendations reflected in the **Table 2-2** and are further divided into categories requiring negotiation and those not requiring negotiation.

Table 2-2A: Summary of Performance Audit Recommendations

Recommendations	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
RECOMMENDATIONS INCLUDED IN FORECAST (Table 2-2):				
Recommendations Not Subject to Negotiation:				
R2.3 Prepare GAAP basis financial statements in-house	\$19,700	\$19,700	\$19,700	\$19,700
R3.2 Reduce 2.0 FTE administrative personnel	\$194,000	\$204,000	\$213,000	\$224,000
R3.3 Reduce 6.0 FTE clerical personnel	\$228,000	\$239,000	\$250,000	\$262,000
R3.6 Reduce 13.0 FTE teaching personnel	\$769,000	\$807,000	\$845,000	\$887,000
R3.7 Reduce 2.0 FTE ESP personnel	\$129,000	\$136,000	\$142,000	\$149,000
R4.2 Reduce 1.0 FTE custodial personnel	\$39,000	\$41,000	\$43,000	\$45,000
R4.4 Increase use of custodial substitutes	\$31,300	\$31,300	\$31,300	\$31,300
Total Recommendations Not Subject to Negotiations	\$1,410,000	\$1,478,000	\$1,544,000	\$1,618,000
Total Recommendations Included in Forecast	\$1,410,000	\$1,478,000	\$1,544,000	\$1,618,000
RECOMMENDATIONS NOT INCLUDED IN FORECAST (Table 2-2):				
R2.10 Reduction of 1.0 FTE food service personnel	\$21,700	\$22,800	\$23,950	\$25,150
R3.6 Potential additional reduction of 5.0 FTE teaching personnel	\$295,000	\$309,750	\$325,250	\$341,500
Recommendations Subject to Negotiations:				
R3.13 Increase insurance premium contributions	\$104,000	\$104,000	\$104,000	\$104,000
Total Recommendations Subject to Negotiations	\$104,000	\$104,000	\$104,000	\$104,000
Total Recommendations Not Included in Forecast	\$420,700	\$436,550	\$453,200	\$470,650

Source: Financial Implications Summaries for all sections of this performance audit report.

Included in **Table 2-2A** is a total of approximately \$6.1 million of savings identified in recommendations not subject to negotiation and approximately \$416,000 of additional savings subject to negotiations. **Table 2-2** includes only the recommendations which are not subject to negotiations.

Table 2-2B summarizes reductions adopted by the Board which are included in the financial forecast.

Table 2-2B: Board Reductions

Action	Total Savings Projected FY 2002-03	Total Savings Projected FY 2003-04	Total Savings Projected FY 2004-05	Total Savings Projected FY 2005-06
Eliminate cost of rental space at old Scudder School	\$24,000	\$24,000	\$24,000	\$24,000
Total Projected Savings Included in Forecast	\$24,000	\$24,000	\$24,000	\$24,000

Table 2-2C summarizes the proposed staffing changes and adjusted staffing levels for FY 2002-03 through FY 2005-06, assuming the performance audit recommendations are implemented.

Table 2-2C: Revised Staffing Levels

Category	Actual Staffing for FY 2002	Proposed Staffing Changes for FY 2003	Adjusted Staffing for FY 2003	Proposed Staffing Changes for FY 2004	Adjusted Staffing for FY 2004	Proposed Staffing Changes for FY 2005	Adjusted Staffing for FY 2005	Proposed Staffing Changes for FY 2006	Adjusted Staffing for FY 2006
Administration	15.5	(2.0)	13.5	0.0	13.5	0.0	13.5	0.0	13.5
Certificated Staff	162.0	(15.0)	147.0	0.0	147.0	0.0	147.0	0.0	147.0
Classified Staff	111.5	(7.0)	104.5	0.0	104.5	0.0	104.5	0.0	104.5
Totals	289.0	(24.0)	265.0	0.0	265.0	0.0	265.0	0.0	265.0

Source: EMIS Staff Profiles, Superintendent’s Office and Performance Audit estimates

For a further discussion on the proposed staffing changes for FY 2002-03 see the **human resources** section of this report. Additionally, if PCSD continues to experience declining enrollment, staffing changes may be necessary in FY 2003-04 through FY 2005-06.

VIII. Board Considerations

A. Although **Table 2-2** shows recovery for PCSD, this forecast assumes the reduction of 24 FTE staffing positions at the end of FY 2001-02. PCSD’s financial position could be adversely affected if these recommendations are not implemented by the end of FY 2001-02. In the event PCSD management fails to implement these recommendations, the District will need to offset any potential deficits through alternative expenditure reductions or changes to revenue streams. By implementing the financial recovery plan outlined in **Table 2-2**, PCSD’s financial position will improve and the general public should have a more comprehensive understanding of the difficult decisions PCSD’s management undertook to ensure financial stability for the District.

- B.** Although the forecast present in **Table 2-2** shows a positive fund balance in the forecast period, it is important to note that the net results of operations for FY 2002-03 through FY 2005-06 are negative and if the forecast is extended through FY 2006-07, the District would potentially have a projected negative fund balance. Therefore, the District will have to take appropriate action to reduce expenditures or increase revenues to avoid this deficit.
- C.** The Anthem Demutualization revenue in FY 2001-02 is a one-time revenue source which PCSD should not use for supplementing high staffing levels within the District. Per pupil expenditures within PCSD are the second highest of the peers (see **Tables 2-14** and **2-15**), both in the aggregate and in several separate line items. The high per pupil expenditures result from not reducing staffing levels when enrollment declined. High per pupil expenditures limits PCSD's ability to curb expenditures and/or implement programs to raise academic achievement. The Board will be challenged to curtail expenditures and raise proficiency performance within the current revenue stream without adjusting staffing levels.
- D.** Under the Financial Recovery Plan adopted by PCSD's Board, the District assumes a zero cost-of-living adjustment (COLA) increase for FY 2002-02 through FY 2005-06. However, the current contract with PCSD teachers includes salary re-opener clauses for FY 2002-03 and FY 2003-04. Based on past bargaining outcomes with the District and the staff, it is highly unlikely that a zero percent COLA will be awarded for all the forecasted years. Therefore, the forecast presented within this section includes a 2.0 percent COLA increase in FY 2002-02 through FY 2005-06 for all staff members
- E.** As illustrated in **Table 3-12** in the **human resource** section, the average insurance cost per employee is higher than the peers, the peer average and the SERB state average. Recommendations were made in the human resources section on how PCSD can reduce its annual insurance including increasing employee contributions, joining an insurance group with other school districts and negotiating new insurance plans with lower insurance premiums. If PCSD were to implement some of these recommendations, the District's financial position would improve.
- F.** Under the State Foundation Program, the per pupil funding level has been established at \$4,949 for FY 2002-03; \$5,088 for FY 2003-04; \$5,230 for FY 2004-05 and \$5,376 for FY 2005-06. According to the Ohio Supreme Court (the Court) ruling rendered on September 6, 2001, the State legislators have remedied the perceived deficiencies in the current State funding formula. The changes adopted by the State legislature through HB 94 were deemed acceptable by the Court. However, the legislature has filed an appeal with the Court because of the reportedly high cost of the changes to the funding formula. Future Court decisions may affect the funding formula and, therefore, State funding amounts may be different from those depicted in the forecast.

- G.** According to the ORC, State Foundation Payments are calculated by ODE on the basis of pupil enrollment and classroom teacher ratios, plus other factors for transportation, special education units, extended services and other items of categorical funding. For the purpose of the projections, student enrollment is projected to hold steady at 2,660 students through FY 2005-06. If PCSD experiences a decline in enrollment, State Foundation funding will potentially decrease from the projected levels.
- H.** State Foundation Program funding includes new funding through Parity Aid. PCSD is projected to receive approximately \$4.5 million in Parity Aid funding during the forecasted period. The parameters for use of Parity Aid is restricted to enhancing the District's Continuous Improvement Plan, improving academic success and/or promoting achievement of the standard unit of improvement required by ODE. However, PCSD is in academic emergency and met only 6 of the 27 criteria on the 2001 Ohio District Report Card. ODE granted a waiver to PCSD which allows it to use this funding for existing continuous improvement programs without implementing new programs.

Parity Aid has the potential to provide PCSD with a valuable opportunity to improve academic programs and increase Report Card performance without implementing new programs. However, even with the inclusion of Parity Aid, PCSD is not projected to achieve a positive ending fund balance without making additional cost reductions. As PCSD's per pupil expenditures remain the second highest of the peers, PCSD should consider additional reductions that would allow the District to earmark Parity Aid funding for educational programs. Programs emphasizing citizenship, mathematics, reading and science in the elementary grades have potential for expansion as PCSD did not meet report card standards in any of these subjects on either the fourth grade or sixth grade proficiency tests. Funds could also be allocated to programs to improve performance on the ninth and twelfth grade proficiency tests in the areas of citizenship, mathematics and science, and to programs to improve PCSD's graduation rate. PCSD management should ensure that any funds made available through cost savings measures be targeted to academic consideration instead of being spent on excessive staffing levels, salaries and benefits.

B. Revenues, Expenditures and Financial Operations

Background

PCSD's financial situation does not have one specific cause. However, a primary factor which appears to have led to PCSD financial situation is its failure to appropriately adjust staffing levels when enrollment has been declining for the past four years. From FY 1997-98 to FY 2001-02, PCSD's ADM declined 26.4 percent. In an attempt to address declining enrollment, PCSD closed three school buildings and reduced staff over the past two fiscal years. As a result, Salary and Wage expenditures were reduced 14.3 percent from FY 1998-99 to FY 2001-02. However, current management is faced with making difficult decisions in order to reduce staffing levels to be more in line with current enrollment.

PCSD's primary revenue source is State funding. The Ohio General Assembly determines the level of State support for schools and distributes that support through the State Foundation Program. Allocations are based on a formula that guarantees each district will receive a specified amount per student which is deemed sufficient to support an adequate educational program. The distribution formula, which incorporates Average Daily Membership (ADM) and millage minimums applied to PCSD's total assessed property valuation, has undergone significant change through new legislation which became effective in FY 2000-01.

PCSD receives significantly less funding through local property taxes than through State sources. A district can increase its local contribution through a property tax, a school district income tax or a joint city/school district income tax. Each of these tax options requires voter approval. Property taxes are levied on a calendar year basis against the assessed value of real estate, public utility property and tangible (business) personal property located within PCSD. In FY 2000-01, the total assessed value of real estate, public utility and tangible property was approximately \$201 million.

Federal monies are awarded primarily through grant programs directed at helping economically disadvantaged students or those with special educational needs. Federal budget balancing is expected to negatively impact grant awards. See **Table 2-7** for percentage breakdowns of PCSD's funding by source, compared to the peer districts and State averages.

Each year, PCSD submits a Certificate of Estimated Resources (Certificate) to the Scioto County Auditor. This certificate, which estimates PCSD's revenues, is amended throughout the year and is certified by the county auditor before June 30 of the fiscal year. Each year, two budgets are prepared by PCSD using the Certificate: a tax budget and an operating budget. The tax budgeting process identifies the adequacy of financial resources for the educational programs and provides a

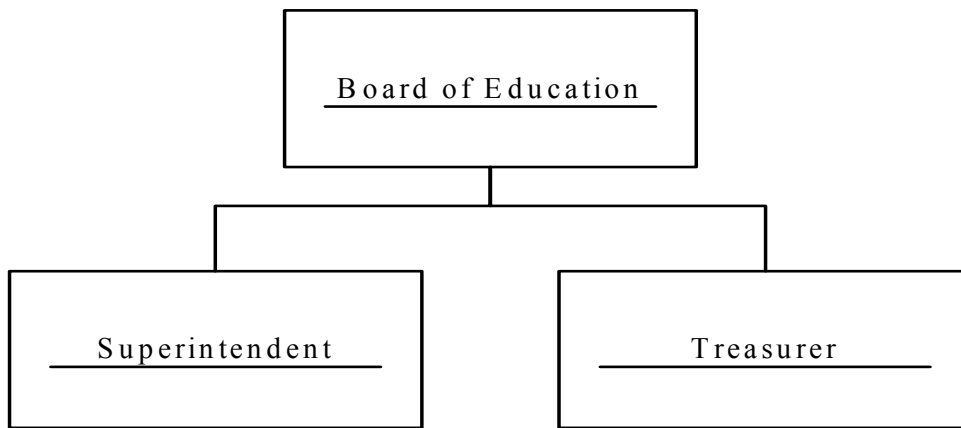
basis for accountability in fiscal management. The tax budget also serves as the legal basis for the establishment of tax rates.

Organization Function

Under the current organizational structure, the Board’s role is to oversee the superintendent and treasurer in managing the daily operations of PCSD and carrying out the fiscal recovery plan adopted by the Board. Decisions which have financial implications or that affect PCSD’s finances are required to be made by the Board.

PCSD’s superintendent and treasurer report independently to the elected Board. Within this organizational structure, all departments except the Treasurer’s Office report to the superintendent. The organizational chart below shows the reporting relationship of the Superintendent’s and Treasurer’s Offices.

Chart 2-1: Financial Organizational Chart



Summary of Operations

Throughout the past fiscal year, the treasurer has created a financial forecast that has been periodically updated. The most recent update occurred in October 2001 and shows PCSD will have deficit balances in the General Fund in FY 2004-05 and FY 2005-06 in the amounts of \$266,000 and \$739,000, respectively. The financial forecast includes projections of estimated revenues and expenditures for the General, DPIA and the Debt Service Funds, as well as assumptions used to develop the projections. All other projections for this period were based on future needs, prior period performance and historical trends.

The budgetary process begins with the preparation and adoption of the tax budget, which shows estimated receipts and expenditures, and its submission to the County Budget Commission before January 20 in accordance with ORC and Board policy. In June, PCSD adopts a temporary appropriation measure to be used during the three month period from July through September, during which time the permanent appropriation measure is prepared. The Superintendent stated that, because of the financial difficulties PCSD is experiencing, the individual schools have little input into PCSD's budget.

The Treasurer's Office is responsible for the preparation and submission of a five-year forecast in accordance with State and Federal guidelines to ODE. The five-year forecast allows the State Superintendent of Public Instruction to determine if PCSD has expenditures that may impair its ability to operate within its revenue sources. The cash-basis plan includes revenue projections by source, the nature and amount of expenditures to be incurred by PCSD, outstanding and unpaid expenses and the months in which the expenses are to be paid. PCSD prepares its required financial statements in accordance with generally accepted accounting principles (GAAP). Currently, PCSD prepares a comprehensive annual financial report (CAFR).

Performance Measures

The following list of performance measures was used to conduct the analysis of the Financial Systems at PCSD:

- Assess the appropriateness of the financial planning processes;
- Review the policies and procedures for grant management;
- Assess Federal, State and local funding levels;
- Assess the allocation of PCSD's expenditures;
- Review the allocation of resources for instruction, support and administrative costs; and
- Evaluate the relevance and timeliness of financial and management reports.

Findings / Commendations / Recommendations

Financial Planning

F2.1 The forecast prepared by the previous Treasurer in June 2001, appears to lack detailed information that is critical to managing District operations. The forecast document appears to have several deficiencies including the following:

- The forecast understates revenue from the State. With the reduction and elimination of Equity Aid, the State instituted a new revenue funding program. HB 94 established a new Parity Aid funding program for districts that meet certain conditions. In FY 2001-02, PCSD will receive approximately \$266,000 in Parity Aid and the funding will increase to \$1.26 million in FY 2005-06 (see **Table 2-1D** for further details on Parity Aid).
- The forecast overstates instructional HB 412 reserves and outstanding encumbrances for FY 2001-02; therefore, the projected deficit is overstated.
- The Treasurer developed detailed analyses and gathered documentation to support some of the forecast's assumptions. However, the notes which accompanied the financial forecast did not show a sufficient level of detail to explain how the forecast was prepared.

The prior financial forecasts prepared by PCSD do not appear to present an accurate picture of the financial condition the district is likely to encounter. Given the significant financial issues facing PCSD, a properly developed, detailed financial forecast is essential to its attempt to regain financial solvency.

R2.1 PCSD should use the format of the financial forecast presented in **Table 2-2** and update the information and projections as financial issues change or materialize. Such a forecast ensures that members of the Board and PCSD management are provided with sound and detailed information on which to base their decisions. An example of the types of information that should be included in future forecasts is as follows:

- Explanation of significant variances between forecasted and actual amounts;
- Historic and projected enrollment and Average Daily Membership;
- Detailed descriptions of the components of State Foundation revenue;
- Description of PCSD's efforts to obtain reimbursement for eligible expenditures;
- Historic and projected staffing by position;
- Descriptions of PCSD's efforts to control fringe benefits costs, especially, those related to health care and workers' compensation;

- Description of projected capital outlay expenditures, identifying amounts related to routine maintenance, specific projects and fulfilling minimum State requirements;
- Historic and projected expenditures for the main components of purchased services, material and supplies, and other expenditures, identifying amounts related to fulfilling minimum State requirement; and
- Descriptions of debt service obligations and the impact of year-end encumbrances.

The forecast should clearly articulate the extent to which State spending requirements for capital maintenance and instructional supplies have been included, and whether any of the spending requirements are expected to be met through another fund, such as the Capital Improvement Fund. By including assumptions and supporting explanations along with financial data, PCSD will improve the readers' understanding of the figures being presented.

Additionally, the Board may benefit from more frequent reviews and in-depth discussions of the financial projections and underlying assumptions. These may take the form of periodic presentations to the Board by the Treasurer at a level of detail similar to this performance audit. The Board should also establish detailed budget guidelines and a calendar to assist staff members in following the budget process.

F2.2 During the course of this performance audit, certain financial information was requested by the Auditor of State's office. However, several of the documents provided did not accurately represent the PCSD's financial data. For example, the Revenue Worksheet (REVWRK) report dated July 17, 2001, did not accurately show all General Fund revenues received by PCSD for the requested period. The REVWRK report is helpful in determining a new budget for the coming fiscal year and gives detailed information relating to each revenue account. The REVWRK report provides a receipt account worksheet with current year information, three prior year's information, and a column for next year's proposed information.

Inquiries into the discrepancies revealed that approximately 40 revenue accounts were deleted without running the recommended Uniform School Accounting System (USAS) programs prior to deleting any account. In addition, expenditure accounts were deleted without following the USAS recommended procedures.

The Budget Expense Worksheet (BUDWRK) report produces a budget account worksheet for a specified time period. This report is helpful in determining a new budget for the coming fiscal year. The BUDWRK report dated August 23, 2001, also did not accurately show all PCSD's General Fund expenditures for FY1998-99 through FY 1999-00.

The REVWRK and BUDWRK reports are management tools used in developing and planning budgets. These reports provide current year information and three years of historical data. Because these accounts were deleted, PCSD can not use the REVWRK or

the BUDWRK reports in developing the current year budget or future year budgets until the deleted accounts are restored.

R2.2 Before any account is deleted from the USAS programs, District financial personnel should follow the recommended procedures outlined in Chapter 38 of the USAS reference manual. By bypassing the recommended steps, the prior Treasurer's reports provided inaccurate historical information. Because these reports are used in developing the five-year forecast, the Board should establish policies for the treasurer's office in the use of the USAS software programs. Developing and projecting revenues and expenditures for budgetary purposes is a critical process for a school district. The Board should ensure sound budgetary practices are established in the treasurer's office.

The USAS software is used to process and track the accounting activity within a school district. The following is a list USAS software capabilities:

- Define district processing parameters;
- Establish and maintain cash, appropriation, and budget accounts;
- Define valid vendors;
- Post encumbrances to the district's accounts;
- Post receipts to the district's accounts;
- Write checks and pay invoices;
- Retrieve information regarding specific transactions; and
- Generate summary or detailed reports based on the information entered in other USAS programs.

The criteria used for the system's design is the Chart of Accounts, as set forth by the Auditor of the State of Ohio. Some of the dimensions are pre-defined by the Auditor of State while others are defined at the district level prior to starting to use the USAS programs. It is recommended that the Board review the methods used within the treasurer's office for processing PCSD's activities through the USAS programs.

F2.3 PCSD is required by Ohio Administrative Code (OAC) §117-2-01 to issue financial statements prepared in accordance with generally accepted accounting principles (GAAP). The current accounting system captures and processes information on a cash basis, which requires PCSD to perform a year-end conversion of the cash accounting records to the accrual method required by GAAP. PCSD engages the Auditor of State's office, at a cost of approximately \$19,700, to perform this function.

The Comprehensive Annual Financial Report (CAFR) is submitted to the Auditor of State to fulfill filing requirements; to the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) for consideration for awards; and to

financial rating services, banks, the Chamber of Commerce and the public library to provide general information about PCSD's financial condition.

C2.1 The preparation of a CAFR is beyond what is required from a school district and provides users and readers of the financial report additional information on which to make informed decisions. The CAFR includes general purpose financial statements, combining financial statements, individual fund and account group statement's and schedules.

R2.3 PCSD should consider training staff within the treasurer's office to prepare the GAAP basis financial statements in-house. By making full use of its existing staff, PCSD will better utilize its accounting software and improve staff's understanding and control over its finances. The demands on personnel to document the financial condition of the district associated with GAAP basis financial statements are consistent with the activities district personnel should normally undertake to effectively understand and manage the district's financial resources.

Financial Implication: By preparing the GAAP basis financial statements in-house, PCSD could save approximately \$19,700 annually.

F2.4 The Ohio Department of Education (ODE) conducted a Staff Organization and Utilization Study of the PCSD treasurer's office in February 1998. The study was requested by the prior Superintendent to obtain an outside opinion of the assignment distribution, procedures for staffing and to determine if PCSD could change procedures or assignments in any way to incorporate more cost efficient methods within the treasurer's office. The following items were noted in the study:

- PCSD budget and appropriations are not planned from a management team perspective. The Treasurer "guesses based on what was spent last year" rather than manages the finances. ODE recommended that PCSD's budget should be seriously considered a planning document. PCSD's Treasurer, along with the Superintendent and administrators, need to work closely together on developing the needs of the district and their costs.
- Adequate equipment is provided to process the work, but paper storage is voluminous due to lack of incorporating current technology. ODE recommended CD-ROM storage as an option for the treasurer's office.
- The treasurer should prevent duplication of effort and use the data which can be retrieved easily by computer, rather than to compile data manually. ODE recommended the elimination of several processes which were duplications of effort and the use of computer technology currently available to PCSD.

- The Board minutes are prepared by several individuals and sent to the superintendent's secretary. Data disks are not provided to the secretary, and the secretary is required to number and photocopy the pages for the agenda. ODE recommended that data disks should be provided to the secretary for use as the basis of the minutes. Retyping would then not be necessary. The secretary could fill in the names, number the resolutions, and add the votes at the end of each resolution and the minutes would be quickly finished without additional work.

A review of the current procedures for budget and appropriations planning, technology use within the treasurer's office, duplication of efforts and the preparation of Board minutes revealed that several of ODE's recommendations were not implemented and some were attempted but not completed.

- R2.4** The Board should develop a process to provide a timely, detailed work plan to address the recommendations of any operational study and establish a follow-up procedure to ensure compliance with the work plan. The Board should encourage staff to assess each action to determine if the result is essential. Staff should be certain that the most effective methods are used and duplication of efforts eliminated.

Additionally, the Board should seek assistance from South Central Ohio Computer Association (SCOCA) to enhance the use of technology within the treasurer's office. SCOCA provides a wide array of computer technology tools which could be used by staff to streamline tasks and increase productivity. Because PCSD is a member of SCOCA, there is no additional cost associated with implementation of this recommendation.

- F2.5 PCSD lacks a formal long-range capital spending plan and has not created a comprehensive facilities capital plan for use in guiding its long-term decisions. An ODE survey published in 1990 and updated in 1997 places the cost of repairing and upgrading PCSD's current facilities to meet minimum standards for health and safety at approximately \$73.2 million. School districts typically obtain funding for the on-going systematic upgrading or replacement of basic capital items such as roofs, windows, boiler, electrical components, playgrounds and equipment, as well as complying with ever increasing environmental and social mandates, through voter-approved capital or permanent improvement levies. The monies raised through such levies and the associated expenditures are recorded in a separate capital or permanent improvement fund established for that purpose within the accounting system.

The capital needs identified in the ODE study are those associated with attaining minimum health and safety standards, based on current building codes. See the **facilities** section of this report for a discussion on PCSD's capital funding sources.

R2.5 PCSD should create a comprehensive long-range capital plan which addresses the need for ongoing capital repairs and maintenance, especially since new buildings will be built within the district. The plan should incorporate the conditions of all facilities, the impact of building style and configuration on curriculum and educational programs, and the means of maximizing the utilization of classroom space and technological resources. The plan should be formally adopted by the Board when created, and annual segments should again be approved individually as they become current, allowing for modifications and adjustments to the original components as circumstances dictate. All elements of this comprehensive plan should be linked to PCSD's five-year financial forecast and annual budgets. Such a plan would more accurately demonstrate PCSD's total capital requirements and priorities to the public and help build support for future permanent improvement issues and levy campaigns.

Grant Management

F2.6 The PCSD treasurer's office lacks a formal policy and procedures for the management of Grant Funds. PCSD staff indicated that grant information provided by the treasurer is often inaccurate and incomplete. PCSD staff use the USAS computer software to inquire on the availability of funds, open requisitions, purchase orders and prior expenditures on awarded grants. The USAS software has the ability to provide account group balances and totals and subtotals relating to various reporting requirements. However, the current process used by the treasurer often provides conflicting information to staff regarding grant funds.

In FY 2000-01, Grant Funds in the amount of \$848,680 were due to PCSD by the grantors. Consequently, several of the grant funds had expenditures in excess of revenues and the General Fund had to provide advances to cover deficit balances caused by timing difference. Failure to request payment from the grantor in the specified time-frame could cause PCSD to lose grant monies. Grant Funds which are not expended within the established time-frame may be lost. Therefore, it is imperative that the treasurer ensure Grant Funds are requested in a timely manner.

R2.6 The Board should adopt formal policies and procedures for managing grants. Formal procedures should incorporate the process for requesting Board approval to apply for a grant, accounting for grant dollars, the requisition and purchase order process and the computer screens and reports available from USAS. By adopting formal policies and procedures for grant management, the Board will ensure that additional resources obtained by the staff are received and expended for their intended purpose.

In addition, the Board should provide principals, department heads and staff members in-house training on budget preparation and management reporting for grants. The following items should be included:

- The training should provide information on state mandates and requirements, and instruction on analysis of historical trends, monitoring of current results and forecasting of future needs.
- The training should cover district purchasing and grant management procedures.
- The chart of accounts and USAS codes should be reviewed.
- Annual refresher courses should be offered to expose staff to technological advances, procedural changes and new management techniques.
- Written manuals should be developed and provided, which outlines specific steps to be followed and control mechanisms to be employed for grant management.

Furthermore, given PCSD's current financial position, formalizing policies and procedures for grant management and providing in-house training to staff would only further enhance its potential to obtain and manage additional grant dollars. The Board should request additional training from SCOCA on how to process and account for grant funds. There would be no additional cost associated with implementing this recommendation because SCOCA provides training to its members at no charge and PCSD incorporates the grant writing process in its annual staff development training.

F2.7 PCSD can help maintain and improve student levels of learning and nutrition by applying for various State and Federal grants through programs such as Title I, Title VI-B and National School Lunch. PCSD pursues common Federal grants, such as Title I and Title VI-B, but does not have a coordinated program to seek smaller, specialized State and Federal grants. PCSD does not employ a grant coordinator, but requires the Superintendent, principals and individual teachers to research and apply for grants. Federal and State grant applications are reviewed by the Superintendent before submission, and program expenditures are tracked by the Treasurer to comply with reporting requirements once the grant has been awarded. The Board approves participation in the various grant programs. Compliance and reporting responsibilities ultimately lie with the Treasurer.

R2.7 PCSD should develop a coordinated grant program to include teachers and administrators in the grant search and application process. Educators for PCSD should be provided with grant search materials and be trained in grant application methodologies. Increased grant revenues through more concentrated grant research could provide PCSD with additional revenues. In addition, PCSD should seek assistance from the Scioto County Commissioners and Shawnee State University, located in Portsmouth, for guidance in its efforts to write and obtain grants.

Food Services

The primary purpose of the PCSD Food Service Division is to coordinate, implement and monitor the food services provided to students through the National School Breakfast and Lunch programs. The Food Service Division is also responsible for compliance with all Federal, State and Board policies and regulations related to the provision of food services.

Food Service Division revenues and expenditures are reported in an enterprise fund that accounts for its operations in a manner similar to a private business enterprise, where the intent of the division is that the costs (expenses, including depreciation) of providing the service to the students are financed primarily through user charges. The operation is accounted separately from other fund activities and the desired outcome is a net income.

F2.8 **Table 2-3** summarizes PCSD's Food Service revenues and expenditures on a cash basis (non-GAAP budgetary basis) for FY 1998-99, FY 1999-00 and FY 2000-01. PCSD maintains its Food Service Fund accounts on a cash basis during the year, which means that it records revenues only when cash is received and that it recognizes expenditures and liabilities only when cash is paid. Thus, accruals and deferrals may be required to convert the cash basis data to GAAP basis at year-end.

Table 2-3: Food Service Fund Financial Summary (Cash Basis)

	FY 1998-99	FY 1999-00	FY 2000-01
Revenues:			
Sales	\$289,602	\$299,970	\$282,507
Operating Grants and Other Revenues	\$601,816	\$684,539	\$660,689
Other Income	\$17,635	\$18,240	\$15,179
Total Revenues	\$909,053	\$1,002,749	\$958,375
Expenses:			
Salaries	\$299,667	\$349,540	\$339,957
Fringe Benefits	\$178,381	\$191,742	\$210,113
Purchased Services	\$20,076	\$17,422	\$14,957
Supplies and Materials	\$367,860	\$377,391	\$385,937
Capital Outlay	\$33,492	\$54,533	\$5,825
Total Expenses	\$899,476	\$990,628	\$956,789
Operating Income (Loss)	\$9,577	\$12,121	\$1,586

Source: PCSD’s Comprehensive Annual Financial Reports FY 1998-99, FY 1999-00 and FY 2000-01

Table 2-3 indicates that PCSD’s Food Service Division posted net operating income for the past three fiscal years. However, **Table 2-4** presents PCSD’s actual revenues and expenditures on a GAAP basis for FY 1998-99, FY 1999-00 and FY 2000-01 for comparison purposes. The difference between the cash basis and the GAAP basis for accounting purpose is that GAAP requires the recognition or accrual of revenues when measurable and available to finance current obligations. For GAAP purposes, revenues are recorded when considered collectable during the current period and available to pay current year-end liabilities. GAAP records the expenses on an accrual basis because they are measurable when the liabilities are incurred. In addition, **Table 2-4** indicates that the Food Service Division has experienced a deficit in FY 1999-00 on a GAAP basis. The division generated a net loss in the amount of \$122.

Table 2-4: Food Service Fund Financial Summary (GAAP Basis)

	FY 1998-99	FY 1999-00	FY 2000-01
Revenues:			
Sales	\$289,602	\$299,970	\$282,507
Operating Grants and Other Revenues	\$688,807	\$680,117	\$665,752
Other Income	\$16,990	\$17,401	\$14,435
Federal Donated Commodities	\$60,446	\$63,518	\$58,349
Total Revenues	\$1,055,845	\$1,061,006	\$1,021,043
Expenses:			
Salaries	\$248,254	\$374,021	\$349,153
Fringe Benefits	\$222,685	\$187,355	\$210,877
Purchased Services	\$20,606	\$15,893	\$14,957
Supplies and Materials	\$417,757	\$463,300	\$441,999
Capital Outlay - Depreciation	\$16,601	\$20,559	\$2,867
Total Expenses	\$925,903	\$1,061,128	\$1,019,853
Operating Income (Loss)	\$129,942	(\$122)	\$1,190

Source: District’s Comprehensive Annual Financial Reports FY 1998-99, FY 1999-00 and FY 2000-01

An analysis of **Table 2-4** indicates that PCSD’s food service salaries increased significantly from FY 1998-99 to FY 1999-00. In October 1999, the prior superintendent requested from the Board, a change in the percentage of salaries and benefits charged to the Food Service Division for the services of the Director of Business Affairs and other classified staff. One major change required the Food Service Division to pick-up 50 percent of the salary and benefits of the Director of Business Affairs. However, the Director only spends approximately 5 percent of his time on food service related business. Charging salary and benefits for employees who do not provide direct service to the food service operation decreases operating income, overstates expenditures and increases the cost of providing the services to the users.

R2.8 The Board should review the allocation percentage of salaries and benefits being charged to the Food Service Division. In its accounting, PCSD should charge back the Food Service Division for items or services which the Food Service Division actual receives. PSCD should develop a methodology to determine the direct cost rate which should be charged to the Food Service Division for such items as utility and custodial costs. This will provide

management with a more comprehensive picture of the costs associated with the food service operation.

The General Fund should assume 95 percent of the director’s salary. However, the salaries forecasted in **Tables 2-1, 2-1F and 2-2** include 95 percent of the Business director’s salary, and therefore, there is no additional cost to implement this recommendation.

F2.9 **Table 2-5** shows that during the past four years, the number of FTE cooks/kitchen help and overall food service staff to students have declined significantly.

Table 2-5: Number of Students to Food Service FTE Staff

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02
ADM ¹	2,829	2,677	2,491	2,055
Cooks/Kitchen Help	18.4	19.3	16.4	14.6
Number of students per Cooks/Kitchen Help	154	139	152	141
Overall Food Service Staff	19.9	21.3	18.4	16.6
Number of students per all Food Service Staff	142	126	135	124

Source: ODE’s SF-3 reports FY 1998-99, FY 1999-00 and FY 2000-01; and PCSD’s Salary Schedules

¹ An adjustment is made for Open Enrollment and Community School students who attend school in other districts.

Table 2-5 shows that in FY 1998-99 PCSD employed 18.4 cooks/kitchen help FTEs who provided service to 2,829 students or 154 students per cook/kitchen help FTE. For FY 2001-02, PCSD Food Service Division employs 14.6 cooks/kitchen FTE staff to provide service to 2,055 students or 124 students per cook/kitchen help FTE. During this four year period, the number of students serviced per cook/kitchen help FTE has decreased 8.4 percent while the number of students (ADM) has declined by 27.4 percent.

R2.9 PCSD’s Director of Business Affairs should reevaluate the staffing needs of the Food Service Division and consider reducing the number of food service staff. Because of the current financial situation and PCSD’s intent to build new school buildings within the district, the Director should analyze the operations of the Food Service Division for potential cost savings and future staffing needs. Additionally, any cost savings which are recognized should be set aside for future equipment needs that may be necessary when PCSD opens its new facilities.

F2.10 **Table 2-6** summarizes key information for the Food Service Division for PCSD, its peer districts and the peer average for FY 2000-01. Overall staffing is analyzed in full-time equivalents (FTEs).

Table 2-6: Comparison of Food Services Financial Data and Operational Ratios

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average ¹
General Information					
ADM ²	2,491	3,293	1,521	2,257	2,357
Overall Staffing FTEs	18.4	23.0	12.8	10.1	15.3
Total Salaries	\$339,957	\$408,389	\$177,278	\$175,906	\$253,858
Total Benefits	\$210,022	\$147,222	\$73,414	\$52,673	\$91,103
Total Cost of Operation	\$956,673	\$1,069,350	\$609,039	\$593,798	\$757,396
Operational Ratios					
# of Students per Staff Member	135	143	119	223	154
Avg. Salary per Staff Member	\$18,476	\$17,756	\$13,849	\$17,416	\$16,592
Avg. Benefits per Staff Member	\$11,414	\$6,401	\$5,735	\$5,215	\$5,954
Total Avg. Salary & Benefits per Staff Member	\$29,890	\$24,157	\$19,584	\$22,631	\$22,546
Avg. Cost to serve a Student	\$384	\$325	\$400	\$263	\$321

Source: 4502 report FY 2000-01, Statement E and ODE Vital Statistic report FY 2001 for PCSD and peer districts

¹ Peer average does not include PCSD

² An adjustment is made for Open Enrollment students who attend other districts.

An analysis of **Table 2-6** indicates that PCSD has the second highest overall staffing level compared to the peer districts and to the peer average for its Food Service operations. PCSD’s average cost to serve a student is \$63 or 19.6 percent higher than the peer average. In comparison to the peers, PCSD’s average benefit costs per staff member is approximately \$5,460 or 91.7 percent higher than the peer average and PCSD’s average salary per staff member is \$1,884 or 11.4 percent higher than the peer average. The high benefits costs and high total average salary per staff member are driven by PCSD providing benefits to part-time employees and the additional salaries of staff who do not provide services to the department.

R2.10 PCSD should consider reducing 1.0 FTE staff in the Food Service area to be more in line with the peer average of 154 students served per staff member. PCSD should conduct a comprehensive review of the duties and responsibilities of its food service staff and determine what resources are not being used efficiently and effectively in relation to the need of the department. If the Food Service Division reduced 1.0 FTE staff and assuming the average hourly rate of \$9.74 and 40 percent benefit cost, the Food Service Division could potentially realize a cost savings of roughly \$21,700 annually. (See **R2.8** for a further discussion on the percentage of salary and benefits charged to the Food Service Division.)

Financial Implication: The reduction of 1.0 FTE in the Food Service Division could save approximately \$21,700 annually.

Revenue Assessment

F2.11 **Table 2-7** shows the cash basis distribution of revenue by funding source for all funds over the past three fiscal years for PCSD, its peer districts, the peer average and the State average.

Table 2-7: Percent of Revenue by Funding Source

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average ¹	State Average
FY 1997-98:						
Local	23.1%	29.7%	24.1%	24.3%	26.0%	51.0%
State	64.5%	60.1%	62.1%	61.2%	61.1%	43.4%
Federal	12.4%	10.2%	13.8%	14.5%	12.8%	5.6%
FY 1998-99:						
Local	22.8%	29.0%	23.6%	23.6%	25.4%	50.4%
State	65.4%	61.0%	62.9%	62.1%	62.0%	43.8%
Federal	11.8%	10.0%	13.5%	14.3%	12.6%	5.8%
FY 1999-00:						
Local	21.8%	28.3%	26.3%	22.8%	25.8%	50.4%
State	63.5%	61.4%	66.8%	63.3%	63.8%	43.8%
Federal	14.7%	10.3%	6.8%	13.9%	10.3%	5.8%

Source: ODE School District Report Cards 1998-99 through FY 2000-01

¹ Peer Average does not include PCSD.

Table 2-7 indicates that, in FY 1999-00, PCSD received a significantly lower percentage of its total revenue from local sources than the peers, the peer average and the State average for all school districts. A school district’s local revenue sources are primarily limited to property taxes and income taxes, if applicable. All school districts receive real and personal property tax revenues. Some districts collect income taxes, either through a school district or a joint city/school district income tax approved by voters. Based on State Department of Taxation estimates for 1999, a one-half percent school district income tax would raise approximately \$1.3 million in additional revenue for PCSD.

Under Ohio law, property values are adjusted every six years. According to information provided by the Scioto County Auditor’s Office, the calendar year 2000 update assessment of property values within PCSD totaled approximately \$201 million, which was reflected in

taxes collected beginning in the 2001 calendar year. The next complete reappraisal will be conducted in calendar year 2003 and will affect tax collections beginning in calendar year 2004. Based on the calendar year 2000 assessed valuation, one mill of property tax would generate approximately \$201,000 of additional revenue for PCSD.

F2.12 **Table 2-8** presents statistics which impact PCSD’s ability to raise local revenue. PCSD is compared with its peer districts and State averages.

Table 2-8: Local Statistics - Last Three Years

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average	State Average
FY 1998-99						
Effective Millage ¹	20.0	26.7	20.0	26.0	24.2	29.2
Average Valuation ²	\$60,802	\$60,089	\$70,454	\$65,671	\$65,405	\$99,831
Area Median Income ³	\$21,336	\$21,265	\$20,807	\$20,807	\$20,960	\$27,244
FY 1999-00:						
Effective Millage ¹	20.0	30.6	20.3	28.1	26.3	28.5
Average Valuation ²	\$63,369	\$72,598	\$63,957	\$65,330	\$67,295	\$107,844
Area Median Income ³	\$21,671	\$22,669	\$22,977	\$22,112	\$22,586	\$29,440
FY 2000-01:						
Effective Millage ¹	20.0	26.9	20.3	27.7	25.0	28.6
Average Valuation ²	\$67,017	\$73,088	\$76,557	\$81,109	\$76,918	\$114,498
Area Median Income ³	\$21,409	\$22,100	\$22,302	\$21,649	\$22,017	\$29,074

Source: Ohio Department of Taxation

¹ Ohio Tax Rates by School District for 1998, 1999 and 2000

² Ohio School District Taxable Value, Taxes Levied and Average Property Value per Pupil for 1998, 1999 and 2000 (SD-1) reports

³ Ohio Personal Income Tax Returns by School District for 1998, 1999 and 2000 (Y-2) reports

Table 2-8 indicates that PCSD’s effective millage, average valuation and area median income are the lowest among the peers, the peer average and the State average. Property values also effect how much revenue a district receives. Real property is reappraised for tax purposes every six years and updated every three years. Additionally, tax reform legislation was passed in 1976 (HB 920), which effectively eliminated inflationary effects upon property taxes. Therefore, school districts need to pass operating levies about once every three years to keep up with inflation.

F2.13 **Table 2-9** summarizes property valuations and taxes assessed for PCSD, its peer districts, and the peer and State averages. **Table 2-9** illustrates the two primary factors that influence a district’s ability to raise local revenues: property valuation and effective millage.

Table 2-9: School District Property Valuations and Taxes (Amounts in 000's)

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average ¹	State Average
Real Property Valuation ²	\$157,450	\$194,570	\$95,930	\$135,663	\$142,054	\$274,091
Tangible Property Valuation ³	\$44,184	\$55,490	\$27,519	\$40,469	\$41,159	\$62,293
Total Property Valuation	\$201,634	\$250,060	\$123,449	\$176,132	\$183,214	\$336,384
Real Property Taxes Assessed	\$3,560	\$4,405	\$2,145	\$3,095	\$3,215	\$8,347
Tangible Property Taxes Assessed	\$1,719	\$2,602	\$754	\$1,224	\$1,527	\$3,036
Total Taxes Assessed	\$5,279	\$7,007	\$2,899	\$4,319	\$4,742	\$11,383

Source: Ohio Department of Taxation Taxable 1999 Property Values by School District, Taxes Levied and Tax Rates for Current Expenses, and Average Property Values per Pupil (SD1) report

¹ Peer average does not include Portsmouth

² Includes the taxable value of residential, agricultural, public utility, commercial, industrial and mineral real property.

³ Includes the taxable value of public utility personal property

As shown in **Table 2-9**, PCSD’s total property valuation of \$201.6 million is the second highest when compared to the peers. PCSD’s total taxes assessed of \$5.2 million is also the second highest when compared to the peers. However, PCSD’s overall percentage of taxes collected for this same period was only 71.4 percent, and therefore, the amount the District received was reduced substantially. In FY 2000-01, PCSD’s total collections to taxes levied was 86.12 percent but its percent of outstanding delinquent taxes to total taxes levied was 12.27 percent. Furthermore, based on the current property valuation, it is likely that an additional property tax levy could generate sufficient revenues to overcome the current deficit.

F2.14 **Table 2-10** presents PCSD’s long term indebtedness as of August 31, 2001.

Table 2-10: Long Term Indebtedness as of August 31, 2001

Description	Fund	Interest Rate	Issue Date	Maturity Date	Amount Borrowed	Amount Outstanding
EPA Asbestos ¹	General	0.00%	12/14/88	12/31/07	\$257,106	\$92,842
Total General Fund Debt						\$92,842
Total Debt						\$92,842

Source: FY 2000-01 4502 report, Statement L

¹ In December 1988, the U.S. Environmental Protection Agency (EPA) awarded PCSD an asbestos abatement grant/loan in the amount of \$283,774. The loan portion of \$257,106 is to be repaid over twenty years.

Table 2-10 indicates that PCSD has approximately \$92,842 in long-term indebtedness which consists of borrowing for the purpose of asbestos removal. The loan was issued for a twenty year period with final maturity during FY 2007-08. Currently, this is the only General Fund debt PCSD has outstanding.

F2.15 **Table 2-11** details the election results for the past fourteen years for various levies PCSD placed on the ballot.

Table 2-11: Levy History

Year	Type of Levy	Voted Millage	New/Renewal	Duration	Results
November 1988	Operating	6.4 mills	New	Continuing	Passed
November 2001	Capital Improvement	6.5 mills	New	23 Years	Passed

Source: Scioto County Board of Elections

On November 6, 2001, PCSD passed a 6.5 mill bond levy as a partial match to the Ohio School Facilities Commission Loan Program monies that school districts are eligible to receive. The monies will be used for the purchase of land and construction of new school buildings. The levy will expire in 23 years. PCSD’s share of the \$64.2 million construction project is 18 percent which amounts to \$11.5 million. In addition, the levy also includes \$5.5 million for property acquisition and \$100,000 per year for permanent improvements over the next 23 years. PCSD is expected to start receiving school facilities money in FY 2001-02. See the **facilities** section of this report for a detailed discussion on PCSD’s capital improvement project.

F2.16 **Table 2-12** provides the authorized millage amounts as well as the effective mills for property tax revenues PCSD received during FY 2000-01. Authorized millage includes the inside mills which are levied without a vote of the people and the outside mills which are voted on by the people.

Table 2-12: Tax Millage Currently Being Assessed for General Fund

Year	Type of Levy	Duration	Authorized Millage	Effective Millage
Prior to 1976 ¹	Operating	Continuing	25.1	11.4
November 1988	Operating	Continuing	6.4	5.0
Inside Millage			3.6	3.6
Totals			35.1	20.0

Source: Scioto County Auditor

¹ With the passage of HB 920, all existing continuing levies were aggregated into one total voted and effective millage amounts.

When a reassessment or update of property values takes place and the value of real property increases due to inflation, HB 920 causes a tax credit factor to be applied to the voted mills. This prevents an increase in the tax bill of the property owner resulting from inflation in the value of their property. The law protects school districts with low millage by prohibiting tax reductions resulting from triennial reappraisals and readjustments which would result in

effective millage of less than 20 mills. **Table 2-12** indicates that PCSD has a total authorized millage of 35.1 mills and an effective millage of only 20.0 mills. As shown in **Table 2-8**, PCSD effective millage is lower than the peer average and state average. PCSD needs to explore its options to increase the percentage of revenue from local sources.

District Expenditures Analysis

F2.17 **Table 2-13** depicts General Fund FY 2000-01 revenues by source and expenditures by object as a percent of total General Fund revenue and expenditures for PCSD and its peer districts.

Table 2-13: Revenue by Source and Expenditure by Object

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average ¹
Property and Income Taxes	26.2%	30.5%	27.4%	25.8%	27.9%
Intergovernmental Revenues	71.2%	66.1%	69.4%	63.2%	66.2%
Other Revenues	2.8%	3.4%	3.2%	11.0%	5.9%
TOTAL REVENUES	\$16,038,130	\$20,674,933	\$8,671,044	\$13,609,342	\$14,318,440
Wages	54.9%	67.7%	62.2%	58.5%	62.8%
Fringe Benefits	21.8%	19.3%	22.5%	22.4%	21.4%
Purchased Services	17.3%	6.6%	6.9%	7.2%	6.9%
Supplies & Textbooks	2.5%	3.6%	4.6%	4.0%	4.1%
Capital Outlays	0.8%	0.8%	1.3%	1.9%	1.3%
Miscellaneous	1.8%	1.4%	2.6%	0.9%	1.6%
Other Financing Uses	0.9%	0.5%	0.0%	5.1%	1.9%
TOTAL EXPENDITURES	\$16,010,149	\$20,731,764	\$8,587,555	\$12,886,785	\$14,068,701

Source: Districts FY 2000-01 4502 report, Exhibit 2 and Statement P

¹ Peer average does not include PCSD.

A factor limiting administrators and staff in effectively controlling PCSD’s allocations is the high percentage of expenditures that are obligated to employment contracts. As shown in **Table 2-13**, Wages and Fringe Benefits account for approximately 76.7 percent of the total budgeted expenditures in the General Fund. Wages and Fringe Benefits line items are lower than the peer average of approximately 84.2 percent. However, PCSD pays tuition for 329 students who elect to leave the district through Open Enrollment. Tuition costs for Open Enrollment are recorded in the Purchased Services line item. When an adjustment is made

to account for the Open Enrollment students, Wages and Fringe Benefits accounted for approximately 88.1 percent of the total budgeted General Fund expenditures, which is the highest among the peers.

The rate of compensation for most PCSD employees is set by union contracts. Benefit payments such as retirement contributions, Medicare, Workers’ Compensation and Unemployment are determined by State and Federal regulations. See the **human resources** section of this report for an analysis of PCSD’s salaries and benefits.

F2.18 **Table 2-14** and **2-15** show the amount of expenditures posted to the various USAS function codes for PCSD and the peer districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-14** shows the operational expenditures per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types. Governmental funds are used to account for a district’s governmental-type activities.

Table 2-14: Governmental Funds Operational Expenditures by Function

Number of Students	Portsmouth		Alliance		Ironton		Steubenville		Peer Average ¹	
	2,658		3,288		1,503		2,083		2,291	
USAS Function Classification	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures	\$5,295	64.1%	\$5,065	66.2%	\$4,328	57.2%	\$5,403	64.9%	\$5,006	63.9%
Regular Instruction	\$2,679	32.4%	\$3,648	47.7%	\$3,090	40.8%	\$3,524	42.3%	\$3,488	44.5%
Special Instruction	\$1,799	21.8%	\$955	12.5%	\$1,046	13.7%	\$1,487	17.9%	\$1,136	14.5%
Vocational Instruction	\$135	1.6%	\$370	4.8%	\$126	1.7%	\$320	3.8%	\$302	3.9%
Adult/Continuing Inst.	\$0	0.0%	\$0	0.0%	\$64	0.8%	\$17	0.2%	\$19	0.2%
Other Instruction	\$682	8.3%	\$92	1.2%	\$2	<0.1%	\$55	0.7%	\$61	0.8%
Support Services Exp.	\$2,722	32.9%	\$2,405	31.4%	\$2,969	39.2%	\$2,417	29.0%	\$2,532	32.3%
Pupil Support	\$439	5.3%	\$367	4.8%	\$364	4.8%	\$341	4.1%	\$359	4.6%
Instructional Support	\$552	6.7%	\$263	3.4%	\$285	3.8%	\$292	3.5%	\$277	3.5%
Board of Education	\$8	0.1%	\$6	0.1%	\$93	1.2%	\$10	0.1%	\$26	0.3%
Administration	\$619	7.5%	\$699	9.1%	\$571	7.5%	\$652	7.8%	\$657	8.4%
Fiscal Services	\$187	2.3%	\$59	0.8%	\$237	3.1%	\$131	1.6%	\$119	1.5%
Business Services	\$26	0.3%	\$24	0.3%	\$0	0.0%	\$78	0.9%	\$35	0.4%
Plant Operation/Maint.	\$720	8.7%	\$823	10.8%	\$1,063	14.0%	\$738	8.9%	\$850	10.8%
Pupil Transportation	\$146	1.8%	\$139	1.8%	\$310	4.1%	\$169	2.0%	\$185	2.4%
Central Support Services	\$25	0.3%	\$26	0.3%	\$46	0.6%	\$5	0.1%	\$24	0.3%
Non-Instructional Services Expenditures	\$103	1.2%	\$38	0.5%	\$64	0.9%	\$298	3.6%	\$122	1.6%
Extracurricular Activities Expenditures	\$146	1.8%	\$147	1.9%	\$209	2.8%	\$210	2.5%	\$180	2.3%
Total Governmental Fund Operational Expenditures	\$8,266	100.0%	\$7,655	100.0%	\$7,570	100.0%	\$8,328	100.0%	\$7,840	100.0%

Source: Districts’ FY 2000-01 SF-3’s and FY 2000-01 4502 reports, Exhibit 2.

¹ Peer average does not include PCSD.

As **Table 2-14** indicates, PCSD’s per pupil expenditures were the second highest among the peer districts. While most of the expenditures are attributed to instructional costs, PCSD has a higher percentage (21.8 percent) for special instruction than the peer average (14.5

percent). Some of the more notable differences in expenditures between PCSD and the peer districts are as follows:

- *Other Instruction expenditures* are \$682 per pupil or approximately 1,018 percent above the peer average due to tuition payments for open enrollment students.
- *Pupil Support expenditures* are the highest of the peers and \$80 per pupil above the peer average (see the **human resources** section for a detailed discussion on pupil support staffing).
- *Instructional Support expenditures* are the highest among the peers and \$274 per pupil or approximately 98.9 percent above the peer average (see the **human resources** section for a further discussion on instructional support staffing).
- *Fiscal Services* which accounted for 2.3 percent of the expenditures compared to the peer average of 1.5 percent attributed to higher staffing in the treasurer’s office. (See the **human resources** section for a further discussion on fiscal services staffing.)

The allocation of resources between the various functions of a district is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending patterns between the various functions should indicate where the priorities of the board and management are placed.

F2.19 **Table 2-15** shows the total expenditures in all governmental funds, including facilities acquisition and construction, and debt services.

Table 2-15: Total Governmental Fund Expenditures by Function

Number of Students	Portsmouth		Alliance		Ironton		Steubenville		Peer Average ¹	
	2,658		3,288		1,503		2,083		2,291	
USAS Function Classification	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Governmental Funds Operational Expenditures	\$8,266	99.8%	\$7,655	59.2%	\$7,570	100.0%	\$8,328	72.5%	\$7,840	69.3%
Facilities Acquisition & Construction Expenditures	\$13	0.1%	\$1,098	8.5%	\$0	0.0%	\$1,045	9.1%	\$842	7.4%
Debt Service Expenditures	\$5	<0.1%	\$4,172	32.3%	\$0	0.0%	\$2,116	18.4%	\$2,637	23.3%
Total Governmental Funds Operational Expenditures	\$8,284	100%	\$12,925	100%	\$7,570	100%	\$11,489	100%	\$11,319	100%

Source: Districts’ FY 2000-01 SF-3’s and FY 2000-01 4502 reports, Exhibit 2.

¹ Peer average does not include PCSD.

Table 2-15 presents the per pupil operational expenditures, facilities acquisition and construction, and debt service for all governmental funds, as well as the percentage of these categories to total governmental fund expenditures. As shown in the table, PCSD total operational expenditure accounted for 99.8 percent which is the second highest among the peers.

R2.11 PCSD should closely examine the spending patterns indicated in **Table 2-14** and **2-15**, and reallocate the monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the student's education and proficiency test results. On the State of Ohio 2001 school report card, PCSD met 6 of 27 standards, earning a rating of Academic Emergency. Therefore, PCSD should use the recommendations contained in this performance audit to assist in identifying revenues currently being spent on support services which could potentially be shifted to further pupil instructional activities.

F2.20 **Table 2-16** shows selected discretionary expenditures by account from PCSD's FY 2000-01 General Fund. The expenditures are then calculated as a percentage of total General Fund expenditures and compared with similar spending by the peer districts.

Table 2-16: Discretionary Expenditures

	Portsmouth	Portsmouth	Alliance	Ironton	Steubenville	Peer Average ¹
Prof. and Technical Services	\$87,472	0.6%	0.4%	2.2%	0.3%	1.0%
Property Services	\$406,412	2.5%	1.0%	1.0%	1.1%	1.0%
Mileage/Meeting Expense	\$21,175	0.1%	0.1%	0.3%	0.1%	0.2%
Communications	\$55,090	0.3%	0.5%	0.8%	0.3%	0.5%
Contract. Craft or Trade Service	\$9,200	0.1%	0.0%	0.0%	0.0%	0.0%
Pupil Transportation Services	\$10,953	0.1%	0.0%	0.0%	0.0%	0.0%
Other Purchased Services	\$0	0.0%	0.0%	0.0%	0.6%	0.2%
General Supplies	\$179,974	1.1%	1.2%	1.3%	1.8%	1.4%
Textbooks/Reference Materials	\$110,663	0.7%	1.4%	0.8%	0.2%	0.8%
Food & Related	\$634	<0.1%	0.0%	0.0%	0.0%	0.0%
Plant Maintenance and Repair	\$52,243	0.3%	0.4%	1.4%	0.7%	0.8%
Fleet Maintenance and Repair	\$49,528	0.3%	0.3%	1.1%	0.4%	0.6%
Other Supplies & Materials	\$0	0.0%	0.0%	0.0%	0.1%	<0.1%
Land, Buildings &	\$15,525	0.1%	0.0%	0.0%	0.0%	0.0%
Equipment	\$107,096	0.7%	0.5%	0.1%	1.9%	0.8%
Buses/Vehicles	\$0	0.0%	0.3%	1.1%	0.0%	0.5%
Other Capital Outlay	\$4,460	<0.1%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	\$266,074	1.7%	1.4%	2.6%	0.9%	1.6%
Insurance	\$22,060	0.1%	0.0%	0.0%	0.1%	0.0%
TOTALS OF THIS TABLE	\$1,398,559	8.9%	7.5%	12.7%	8.5%	9.5%

Source: Districts 4502's FY 2000-01, Statement P

¹Peer average does not include PCSD.

Table 2-16 shows PCSD’s percentage of discretionary spending exceeds its peers in 6 of the 19 expenditure categories--property service, contract, craft or trade service, pupil transportation, food and related materials, land, building improvements and equipment, as indicated by the bold number. PCSD was below the peer average in 10 categories, equal to the peers in 1 category and higher in 8 categories. PCSD’s total discretionary spending as a percentage of total General Fund expenditures was lower than the peer average by 0.8 percent which reduces PCSD’s flexibility in spending and reduces its potential to create and offer additional academic programs. The limited discretionary spending available is the direct result of PCSD’s high salary and benefit amounts which consume a significant portion of district resources.

F2.21 **Table 2-17** shows FY 2000-01 purchases, excluding utilities and insurance, by category within the General Fund and the Textbook Subsidy Fund as compared to FY 1999-00.

Table 2-17: District Purchases

	FY 1999-00	FY 2000-01	Increase (Decrease)
PURCHASED SERVICES:			
Professional and Technical Services	\$131,168	\$87,472	(33.3)%
Property Services	\$362,427	\$406,412	12.1%
Mileage/Meeting Expense	\$17,198	\$21,175	23.1%
Communications	\$54,313	\$55,090	1.4%
Utilities	\$267,854	\$359,805	34.3%
Tuition	\$1,847,305	\$1,813,926	(1.8)%
Contracted Craft/Trade Service	\$14,695	\$9,200	(37.4)%
Other Purchased Services	\$4,655	\$10,953	135.3%
Total Purchased Services	\$2,699,615	\$2,764,033	2.4%
MATERIALS AND SUPPLIES:			
General Supplies	\$196,798	\$179,974	(8.5)%
Textbooks	\$166,740	\$88,171	(47.1)%
Library Books	\$26,982	\$9,499	(64.8)%
Periodicals and Films	\$11,714	\$12,993	10.9%
Food and related Supplies and Materials	\$1,241	\$634	(48.9)%
Maintenance and Repairs to Plant	\$86,391	\$52,243	(39.5)%
Maintenance and Repair to Fleet	\$43,092	\$49,528	14.9%
Total Materials and Supplies	\$532,958	\$393,042	(26.3)%

Source: PCSD 4502's for FY 1999-00 & FY 2000-01 Statement P

The following is a highlight of the significant changes in expenditures for **Table 2-17**:

- *Professional and Technical Services decreased by 33.3 percent.* The prior Treasurer attributes the decrease to fewer personal service contracts paid from the General Fund in FY 2000-01.
- *Property Services increased by 12.1 percent.* According to the prior Treasurer the increase is attributed to the carpeting, furnishing and air conditioning one school library. In addition, the district built two classrooms for career oriented special needs students.

- *Mileage/Meeting expense increased significantly by 23.1 percent.* The district reimburses employees who use their vehicle for work-related business at \$0.345 per mile. The prior Treasurer attributes the increase to more staff members attending conferences in FY 2000-01.
- *Other Purchased Services increased by 135.3 percent.* The prior Treasurer attributes the increase to transporting district students to other school districts due to open enrollment and the community school.
- *Textbook expenditures decreased significantly by 47.1 percent.* The prior Treasurer attributes the decrease to the district purchasing a systemic book series in FY 1999-00 which was not repeated in FY 2000-01.
- *Library Books expenditure decreased by 64.8 percent.* According to the prior Treasurer, the district closed two buildings at the end of FY 1999-00 and one building at the end of FY 2000-01. Therefore, the district was able to use those available books in the remaining libraries.
- *Maintenance and Repair to Plant decreased approximately 39.5 percent.* The prior Treasurer attributes the decrease to PCSD spending less on supplies for the buildings. In addition, the district built an alternative school within the Scudder Administrative Center in FY 1999-00, this was a one-time expenditure.
- *Maintenance and Repair to Fleet increased approximately 14.9 percent.* According to the prior Treasurer, because of building closures more transportation was required.

Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications

Recommendation	Cost Savings Annual
R2.3 Prepare GAAP basis financial statements in-house	\$19,700
Recommendation not included in the forecast (Table 2-2):	
R2.10 Reduction of 1.0 FTE food service position	\$21,700
Total	\$41,400

Conclusion Statement

PCSD's financial difficulties appear to be linked to the previous management's poor fiscal practice of deferring difficult decisions of closing school buildings due to declining enrollment and reducing staffing levels. PCSD's enrollment from FY 1997-98 to FY 2000-01 declined 26.4 percent while staffing levels declined only 9.8 percent. In an attempt to regain financial stability, PCSD management must take immediate action to control and where possible, reduce operating expenditures. Currently, PCSD needs to reduce staffing in accordance to student enrollment within the District and closely monitor enrollment and staffing levels to maintain optimal staffing levels.

Salary and fringe benefits account for approximately 88.1 percent of General Fund expenditures for FY 2000-01. PCSD's management plans on negotiating COLA increases for FY 2002-03 in May 2002. It is recommended that the District closely examine its financial position and compliance with ORC § 5705.412 before granting future COLA increases. ORC § 5705.412 requires school district's to estimate the fiscal ramifications that negotiated wage increases would have on a district and attaching a '412 certificate' of available resources. Because PCSD is in fiscal caution, it is highly unlikely the District will be able to issue a valid '412 certificate' for COLA increases without implementing the recommendations contained in this report. District officials who sign a 412 certificate without the appropriate available resources could potentially be held personally liable for the amount of the related transaction.

The appropriations process used by PCSD does not appear to provide a sufficient level of financial control for District management. PCSD must maintain expenditures within its available resources in the future and exhibit more aggressive financial responsibility and accountability. In addition, PCSD must improve the financial planning and budgeting process. The present Superintendent and Treasurer have begun to improve this process by creating more reliable District forecasts and seeking aid from ODE Fiscal Assistance Section and the AOS office. However, technology use within the treasurer's office needs to be utilized more efficiently and effectively in carrying out its responsibility in producing forecasts and other financial information provided to management.

The Auditor of State's Financial Recovery Plan contains expenditure reductions resulting from recommendations contained throughout this performance audit. However, in order for PCSD to regain financial solvency, additional reductions and future restraint are necessary. PCSD needs to take immediate action to control and reduce operating expenditures. PCSD management and the Board are encouraged to evaluate the recommendations contained within this performance audit, as well as other cost savings possibilities, as they formulate future budgets. The Board is encourage to develop a detailed work plan to address the recommendations contained in this report. It is important to note that if the Board takes actions which are contrary to the assumptions contained in this report, the results presented in the General Fund forecast could differ significantly.

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Human Resources

Background

Organizational Function

Portsmouth City School District (PCSD) does not have a separate human resources department. This department, as well as the human resources administrator, was recently eliminated by PCSD. As a result, all human resources functions have been delegated to various positions within the central office. These functions include:

- Recruiting and selecting employees;
- Monitoring compliance with employment standards such as criminal record background checks;
- Facilitating employee performance evaluations;
- Administering and monitoring grievance policies and procedures;
- Negotiating and administering union contracts;
- Conducting disciplinary hearings;
- Filing related Bureau of Workers' Compensation reports;
- Maintaining personnel files;
- Developing and writing policies and procedures;
- Placing selected substitutes; and
- Participating in new employee orientation.

Summary of Operations

All PCSD employees are categorized either as certificated or classified (non-certificated) staff. Certificated staff include principals, teachers, counselors and librarians. Classified staff includes instructional teaching aides, library aides, custodians, food service workers, secretaries and bus drivers.

Within the central office, the superintendent is responsible for ensuring that PCSD follows applicable labor laws and making final recommendations to the Board of Education (Board) to fill vacant positions. The executive assistant is responsible for the completion of all the paperwork as well as entering related staff information into the Educational Management Information System (EMIS). PCSD has implemented the use of panel interviews and utilizes various employees throughout the District for the purpose of conducting these interviews. The panel interview process involves between five and seven individuals and may include central office employees, principals, teachers, students, Board members and citizens from the community. After the interview process, the panel makes a recommendation to the superintendent, who makes a recommendation to the Board for approval. Initiating benefits administration with all new hires is the responsibility of the executive assistant, while the treasurer's office handles benefit administration for existing employees.

Performance Measures

The following list of performance measures was used to review PCSD's human resources operations and functions:

- Evaluate the clarity of defined roles, responsibilities, accountability and authorities of key participants in the affairs of personnel administration;
- Assess the appropriateness of the allocation of resources in relation to workloads;
- Assess staffing classifications and respective ratios to total full-time equivalents (FTE);
- Compare the allocation of direct instructional personnel to district educational support personnel;
- Evaluate the appropriateness of staffing levels;
- Analyze teachers' workdays as defined by the union contract versus actual workdays;
- Assess the number of instructional minutes taught per teacher, class sizes and staffing ratios;
- Analyze total FTE employees in comparison with the ratio of total salaries per classification to total district salaries;
- Assess the use of, and compensation for, supplemental pay and stipends;
- Assess the salary schedule and maximum step structure;
- Assess district W-2 wages in correlation to salary schedules;
- Assess the appropriateness of staffing dedicated to the special education program;
- Evaluate the use of substitute personnel;
- Review the use of paid leaves;
- Assess employee benefit costs, including workers' compensation; and
- Assess contract administration and contractual issues.

Findings/Commendations/Recommendations

Staffing/Compensation Analysis

F3.1 The State Board of Education developed and implemented the Educational Management Information System (EMIS) to assist school districts in effectively and efficiently managing student and personnel demographic information. All schools are required to provide specific student, staff and financial data to the Ohio Department of Education (ODE) through EMIS. In the past, PCSD has produced inaccurate demographic information which has cost the District State funding revenues. In addition, ODE cannot make accurate comparisons of staffing levels between school districts if FTEs are not based on a standard number of hours. To ensure that staff personnel demographic information is timely and accurate, PCSD has one employee devoted to entering EMIS information and has hired a part-time consultant to ensure that future EMIS information is accurate.

C3.1 For FY 2001-02, PCSD hired a consultant to develop policies and procedures to ensure that the District's reports are accurate and are prepared and reconciled before submission to EMIS and ODE. PCSD's superintendent estimated that the consultant has already saved the District over \$500,000. The consultant will work through FY 2002-03 with PCSD employees to develop adequate EMIS procedures and ensure that the District's employees are knowledgeable in the preparation of EMIS reports.

F3.2 A school district's staffing levels and patterns can impact the quality of education it provides. **Table 3-1** shows the level of full-time equivalent (FTE) staffing per 1,000 students enrolled based on information reported in EMIS for FY 2000-01 at PCSD and the peer districts. Information provided by the peer districts has been recalculated to ensure FTE calculations are reported consistently across all districts.

Table 3-1: Peer District Staffing Patterns (FTE per 1,000 students enrolled)

Category	Portsmouth	Alliance	Ironton	Steubenville	Peer Average ¹
ADM	2,677	3,583	1,673	2,532	2,596
Administrators	6.6	7.2	4.8	6.3	6.0
Central	1.5	2.2	1.8	1.2	1.7
Site-Based	4.7	5.0	2.4	4.7	4.0
Other	0.4	0.0	0.6	0.4	0.3
Professional Education	75.9	76.1	72.0	75.2	74.5
Counselors	2.1	1.4	3.0	1.6	2.0
Librarian-Media	0.7	0.8	1.2	0.4	0.8
Remedial Specialists	0.0	1.5	0.9	3.2	1.9
Teachers - Elementary and Secondary	52.2	44.9	51.0	49.0	48.3
Teachers - Special and Vocational Education	13.9	15.7	10.8	18.2	14.9
Teachers - Educational Service Personnel	2.7	7.4	3.9	2.8	4.7
Others	4.3	4.4	1.2	0.0	1.9
Technical	1.8	2.2	4.8	2.8	3.3
Computer Programmer/Analyst	0.0	0.8	1.0	0.8	0.9
Psychologist	0.7	0.1	0.6	0.4	0.4
Speech Therapist	0.7	0.7	1.3	0.8	0.9
Registered Nurse	0.4	0.6	1.3	0.6	0.8
Others	0.0	0.0	0.6	0.2	0.3
Office/Clerical	18.0	13.4	11.8	12.4	12.5
Clerical	8.3	7.0	4.5	5.7	5.7
Teaching Aides	6.7	4.0	4.5	5.9	4.8
Library Aides	2.6	2.1	0.0	0.4	0.8
Other	0.4	0.3	2.8	0.4	1.2
Crafts/Trades	0.4	1.7	3.6	0.0	1.8
Transportation	2.5	3.1	3.3	3.2	3.2
Custodial	7.8	8.5	7.3	6.2	7.3
Food Service	6.5	5.4	5.0	2.3	4.2
Service Work - Other	0.4	2.4	0.5	0.4	1.1
Total	119.9	120.0	113.1	108.8	113.9

Source: EMIS Reports

¹ The peer average does not include PCSD.

As indicated in **Table 3-1**, PCSD employs a higher number of FTEs per 1,000 students during FY 2000-01 than the peer average. PCSD appears to be overstaffed in relation to the peer districts in the office/clerical, custodial and food service classifications. In the office/clerical category, PCSD is 44.0 percent higher than the peer average. Specifically, PCSD is higher than the peer average in every subcategory within this classification. PCSD reduced the teaching aide classification by one FTE for FY 2001-02. In addition, PCSD’s food service staffing is 54.8 percent higher than the peer average. See the **financial systems** and **facilities** sections for further information regarding food service operations.

F3.3 A declaration of fiscal caution requires the State Superintendent of Public Instruction to request the Board to provide written proposals for correcting the fiscal practices or budgetary conditions that prompted the declaration. Since the declaration of fiscal caution, PCSD worked cooperatively with ODE and the Auditor of State’s office to develop a Financial Recovery Plan (FRP) intended to address the conditions which led to the declaration of fiscal caution. The FRP proposed the following staffing reductions which were implemented in FY 2001-02:

- Personnel Director 1.0 FTE
- High School Principal 1.0 FTE
- Assistant Principal 1.0 FTE
- Alternative School Principal 1.0 FTE
- Facilitator, Office of Communications & Development 1.0 FTE
- Teaching Aide 1.0 FTE
- Teachers 26.0 FTEs

Table 3-2 compares PCSD’s FY 2001-02 staffing levels to the District’s FY 2000-01 staffing levels and peer average.

Table 3-2 Portsmouth Staffing Patterns Compared to Peer Average (FTE per 1,000 students enrolled)

Category	FY 2000-01	FY 2001-02	FY 2000-01 Peer Average ¹
ADM	2,677	2,138	2,596
Administrators	6.6	7.3	6.1
Central	1.5	1.4	1.7
Site-Based	4.7	5.4	4.0
Other	0.4	0.5	0.3
Professional Education	75.9	83.6	74.4
Counselors	2.1	2.8	2.0
Librarian-Media	0.7	0.9	0.8
Remedial Specialists	0.0	0.0	1.9
Teachers - Elementary and Secondary	52.2	56.6	48.3
Teachers - Special and Vocational Education	13.9	15.9	14.9
Teachers - Educational Service Personnel	2.7	3.2	4.7
Others	4.3	4.2	1.9
Technical	1.8	2.2	3.3
Computer Programmer/Analyst	0.0	0.0	0.9
Psychologist	0.7	0.8	0.4
Speech Therapist	0.7	0.9	0.9
Registered Nurse	0.4	0.5	0.8
Others	0.0	0.0	0.3
Office/Clerical	18.0	21.7	12.5
Clerical	8.3	9.0	5.7
Teaching Aides	6.7	9.4	4.8
Library Aides	2.6	2.8	0.8
Other	0.4	0.5	1.2
Crafts/Trades	0.4	0.5	1.8
Transportation	2.5	3.1	3.2
Custodial	7.8	9.4	7.3
Food Service	6.5	7.0	4.2
Service Work - Other	0.4	0.5	1.1
Total	119.9	135.3	114.0

Source: EMIS Reports

¹ The peer average does not include PCSD.

As shown in **Table 3-2**, PCSD’s total FTE per 1,000 students increased despite the staffing reductions implemented by PCSD. Although PCSD eliminated 31 positions in FY 2001-02, student enrollment declined 20.1 percent, resulting in a significant increase in the FTE per 1,000 students. When compared to the FY 2000-01 peer average, PCSD appears to be overstaffed in the administrators, office/clerical, custodial and food service classifications.

F3.4 **Table 3-3** presents a three-year summary of enrollment and staffing levels for PCSD and the actual staffing levels for FY 2001-02.

Table 3-3: FTE Four Year Staffing Summary

Year	Fall Enrollment	Percentage Change	FTE Administration	FTE Certificated	FTE Classified	Total FTE	Percentage Change
FY 1998-99	2,903	N/A	16.0	204.5	111.5	332.0	N/A
FY 1999-00	2,917	0.5%	20.9	206.0	115.8	342.7	3.2%
FY 2000-01	2,677	(8.2)%	17.5	184.0	119.0	320.5	(6.5)%
FY 2001-02	2,138	(20.1)%	15.5	162.0	111.5	289.0	(9.8)%

Source: EMIS Total Staff Summary Reports

Enrollment projections play an important role in determining future staffing and facility needs. Although PCSD management has recognized the declining enrollment trend, the District has not decreased total FTEs at a rate comparable to the decrease in enrollment. It is important for districts to monitor staffing levels in conjunction with enrollment, as State funding is based on the number of students enrolled. If staffing levels remain the same or increase when enrollment and State funding decline, a school district could be forced to borrow funds to meet its financial obligations.

R3.1 PCSD should continually monitor enrollment and develop detailed projections which should be used to adjust staffing levels accordingly. Because State funding is based on the number of students enrolled in a school district, PCSD should maintain staffing levels in accordance with enrollment levels to ensure sufficient funding is available.

F3.5 **Table 3-4** compares the total number of FTEs to the total administrators responsible for supervising and coordinating staff for PCSD and the peer districts.

Table 3-4 FTEs to Administrator Comparison

	FY 2000-01 Portsmouth	FY 2001-02 Portsmouth	FY 2000-01 Peer Average
Total FTE Administrators	17.5	15.5	17.0
Total FTE Employees	320.5	289.0	302.7
FTE Employees per Administrator	18.3 to 1	18.6 to 1	19.0 to 1
Total FY 2001 ADM	2,677	2,138	2,596
Administrators per 1,000 ADM	6.5	7.3	6.3

Source: PCSD and peer district EMIS reports

Table 3-4 indicates that although PCSD’s FTEs per administrator increased from FY 2000-01 to FY 2001-02, the ratio still remains lower than the peer average. However, the significant decrease in ADM caused PCSD’s administrators per 1,000 ADM to increase to 7.3, indicating that PCSD has one more administrative FTE per 1,000 pupils than the peer average. Specifically, PCSD appears to be overstaffed in the site-based administrator classification.

R3.2 PCSD should conduct a detailed analysis of the duties and responsibilities of its administrators (specifically site-based) to determine if resources are being used efficiently and effectively in relation to the needs of the District. Considering PCSD’s current financial position and its possible future financial situation, it may need to seek savings in certain areas in order to have additional resources which can be allotted to the direct instruction of students. If PCSD can obtain a staffing level per 1,000 ADM in the administrator classification similar to the peer average, it could potentially reduce 2.0 administrators.

Financial Implication: Assuming an estimated annual salary of \$64,000 per administrative position and benefits equal to 45.8 percent of annual salaries, PCSD could generate an estimated annual cost savings of approximately \$194,000 as a result of reducing its administrative personnel.

F3.6 **Table 3-2** indicated that PCSD had 2.6 more clerical FTEs per 1,000 ADM than the peer average in FY 2000-01. With the loss of more than 500 students in FY 2001-02, this ratio increased to 9.0 clerical FTEs per 1,000 ADM, 3.3 more FTEs than the peer average. **Table 3-5** illustrates some key ratios in regards to the clerical personnel at PCSD and the peer districts. All staffing numbers are reported in FTEs.

Table 3-5: Clerical Personnel Ratio Comparisons

	FY 2000-01 Portsmouth	FY 2001-02 Portsmouth	FY 2000-01 Peer Average
Total Clerical personnel	22.1	19.2	16.2
Clerical personnel per 1,000 ADM	8.3	9.0	6.0
Total administrative personnel	17.5	15.5	17.0
Clerical personnel to administrative personnel	1.3 to 1	1.2 to 1	0.9 to 1
Total district personnel	320.5	289.0	302.7
Total district personnel to clerical personnel	14.5 to 1	15.5 to 1	20.1 to 1

Source: PCSD and peer district EMIS reports

Table 3-5 indicates that PCSD has more clerical FTEs per administrative FTEs than the peer average for FY 2001-02. In addition, **Table 3-5** illustrates that the ratio between total district personnel and clerical personnel was significantly lower than the peer average in FY 2000-01. Despite PCSD decreasing total staffing for FY 2001-02, total district personnel to clerical personnel is still lower than the peer average. A lower ratio of total district personnel to clerical personnel would indicate that PCSD could be overstaffed in the clerical classification. This is further supported by the clerical personnel per 1,000 ADM analysis conducted in **Table 3-1** and **3-2**.

R3.3 PCSD should conduct a detailed analysis of the duties and responsibilities of its clerical personnel and determine if resources are being used efficiently and effectively in relation to its needs. Considering PCSD’s current financial position and its possible future financial situation, the District may need to seek savings in certain areas in order to have additional resources which can be allotted to the direct instruction of students. If PCSD can obtain a staffing level per 1,000 ADM in the clerical classification similar to the FY 2000-01 peer average, it could potentially reduce approximately 6.0 clerical FTEs.

Financial Implication: Assuming an estimated annual salary of \$25,000 per clerical position and benefits equal to 45.8 percent of annual salaries, PCSD could generate an estimated annual cost savings of \$228,000 as a result of reducing six clerical positions.

F3.7 **Table 3-6** describes the breakdown of PCSD’s total FTEs into six general classifications of personnel.

Table 3-6: Personnel Classifications and Position Descriptions

Classification	Position Descriptions
Administrative Employees	Superintendent, Administrative Assistant, Principal, Assistant Principal, Supervisor/Manager/Director, Coordinator, Treasurer
Teachers	Regular Teachers, Special Education Teachers, Vocational Teachers, Educational Service Personnel (ESP) Teachers, Remedial Specialists, Tutors
Pupil Service Employees	Counselors, Librarian/Media, Speech and Language Therapist, Registered Nurse, Practical Nurse
Support Services	Operative (Transportation), Custodians, Food Service, General Maintenance, Mechanic
Other Classified	Clerical, Teaching Aide, Library Aide, Bookkeeper, Records Manager
Technical	Computer Operator

Source: The Office of the Auditor of State

Assessing employees by major classifications assists in identifying personnel who may not be directly serving PCSD’s educational programs. While support staff are essential to many district functions, overstaffing in this area can deplete critical resources while not directly contributing to educational outcomes. **Table 3-7** compares the number and percentage of FTEs by classification for PCSD and the peer districts.

Table 3-7: Comparison of Total and Percentage of FTEs by Classification

Classification	Portsmouth FY 2000-01		Portsmouth FY 2001-02		Alliance FY 2000-01		Ironton FY 2000-01		Steubenville FY 2000-01		Peer Average FY 2000-01	
	FTEs	% of Total	FTEs	% of Total	FTEs	% of Total	FTEs	% of Total	FTEs	% of Total	FTEs	% of Total
Administrative	17.5	5.5%	15.5	5.4%	26.0	6.0%	8.0	4.2%	17.0	5.9%	17.0	5.6%
Teachers	195.5	61.0%	171.0	59.2%	264.8	61.5%	113.3	59.9%	185.0	64.0%	187.7	62.0%
Pupil Services	19.5	6.1%	18.8	6.5%	20.6	4.8%	13.4	7.1%	11.0	3.8%	15.0	5.0%
Support Services	46.9	14.6%	43.5	15.1%	75.7	17.6%	33.1	17.5%	33.9	11.7%	47.6	15.7%
Other Classified	41.1	12.8%	40.2	13.9%	40.4	9.4%	19.7	10.4%	40.0	13.9%	33.4	11.0%
Technical	0.0	0.0%	0.0	0.0%	3.0	0.7%	1.6	0.9%	2.0	0.7%	2.2	0.8%
Total	320.5	100.0%	289.0	100.0%	430.5	100.0%	189.1	100.0%	288.9	100.0%	302.9	100.0%

Source: EMIS

As shown in **Table 3-7**, PCSD had the second highest percentage of FTEs categorized as other classified for FY 2000-01 when compared with the peers. After FY 2001-02 reductions in the administrative and teachers classifications, the percentage of FTEs categorized as other classified increased to 13.9 percent due to the large number of clerical and teaching aide positions. In contrast, PCSD had a lower percentage of FTEs categorized as teachers and support services personnel for FY 2000-01 when compared to the peer average. After reducing 24.5 FTEs in the teacher classification for FY 2001-02, PCSD’s percentage of FTEs classified as teachers decreased further below the peer average. These results are consistent with the analysis of FTEs per 1,000 students which indicated that PCSD was overstaffed in the office/clerical, custodial and food service classifications. By dedicating a larger percentage of expenditures to support functions, PCSD may decrease its resources available for direct instructional personnel. Instructional personnel includes teachers and pupil services employees, while education support personnel consists of administrative, support services, technical and other classified positions.

F3.8 **Table 3-8** compares the number and percentage of FTEs categorized as instructional personnel or educational support personnel for PCSD and the peers for FY 2000-01.

Table 3-8: Direct Instructional and Educational Support FTEs as a Percentage of Total FTEs

Classification	Portsmouth FY 2000-01		Portsmouth FY 2001-02		Alliance FY 2000-01		Ironton FY 2000-01		Steubenville FY 2000-01		Peer Average FY 2000-01	
	FTE	% of Total	FTE	% of Total	FTE	% of Total	FTE	% of Total	FTE	% of Total	FTE	% of Total
Direct Instructional	213.0	66.5%	186.5	64.5%	285.4	66.3%	126.7	67.0%	196.0	67.8%	202.7	66.9%
Educational Support	107.5	33.5%	102.5	35.5%	145.1	33.7%	62.4	33.0%	92.9	32.2%	100.2	33.1%
Total	320.5	100.0%	289.0	100.0%	430.5	100.0%	189.1	100.0%	288.9	100.0%	302.9	100.0%

Source: EMIS Reports

As shown in **Table 3-8**, 213.0 FTEs or 66.5 percent of PCSD’s total FTEs were classified as direct instructional personnel in FY 2000-01 which was in line with the peer average. After staffing reductions implemented in FY 2001-02, 64.5 percent of PCSD’s total FTEs were classified as direct instructional personnel. The reduction in direct instructional personnel caused the percentage of PCSD’s total FTEs classified as educational support to increase to 33.5 percent. Direct instructional personnel are staff dedicated to classroom teaching and other instructional functions. **Table 3-9** shows the impact of PCSD’s FY 2001-02 staffing reductions on the ratio of direct instructional personnel to district educational support personnel.

Table 3-9: Direct Instructional and Educational Support FTEs as a Percentage of Total FTEs

Classification	FY 2000-01		FY 2001-02		FY 2000-01 Peer Avg	
	FTE	% of Total	FTE	% of Total	FTE	% of Total
Direct Instructional	215.0	67.1%	189.8	65.7%	202.7	66.9%
Educational Support	105.5	32.9%	99.2	34.3%	100.2	33.1%
Total	320.5	100.0%	289.0	100.0%	302.9	100.0%

Source: EMIS

As shown in **Table 3-9**, the staff reductions implemented for FY 2001-02 lowered PCSD’s percentage of direct instructional personnel to 65.7 percent, 1.2 percent lower than the FY 2000-01 peer average. In contrast, the percentage of educational support personnel increased to 34.3 percent, 1.2 percent higher than the peer average. Although PCSD is dedicating a majority of its staff to direct instruction, the lower percentage of direct instructional personnel compared to the peers may indicate that PCSD could shift some of its resources away from educational support staff and into direct instructional staff. Without the appropriate mix of instructional and support personnel, a PCSD may have difficulty meeting its educational outcomes.

R3.4 PCSD should assess its current and proposed staffing levels to determine the appropriate mix of direct instructional and district educational support personnel and continually monitor these staffing levels. Additionally, PCSD should allocate any realized cost savings to offset proposed reductions in direct instructional personnel in order to ensure the appropriate mix of personnel and student-to-teacher ratios. It is possible that PCSD’s ability to attain its educational goals could be compromised without a sufficient number of direct instructional personnel.

F3.9 The negotiated agreement between the Portsmouth Education Association and PCSD’s Board of Education stipulates the length and make-up of the teacher workday. **Table 3-10** illustrates an average workday for a secondary teacher as defined by the average minutes taught and other variables identified below.

Table 3-10: Analysis of Teacher Workday FY 2000-2001

Description of Activity	Middle School	High School
Teacher Schedule	7:45 a.m. - 3 p.m.	7:45 a.m. - 3 p.m.
Student Schedule	7:45 a.m. - 2:30 p.m.	8 a.m. - 3 p.m.
Number of Full Periods in Day	8 - 45 minute periods	7 - 49 minute periods
Breakdown by Minutes:		
Time prior to start of classes	15 minutes (homeroom)	18 minutes
Time Between Classes	Included in 45 minute periods	21 minutes
Duty-free lunch	30 minutes	29 minutes
Activity Period ¹	None	20 minutes
Instructional Periods	6 periods (270 minutes)	6 periods (294 minutes)
Team Planning Period	1 period (45 minutes)	None
Prep periods	1 period (45 minutes)	1 period (49 minutes)
Time after school	30 minutes	None
Length of Workday	7 hours 15 minutes	7 hours 15 minutes
Total Instructional Time	4 hours 45 minutes	5 hours 15 minutes
Non-instructional time	2 hours 45 minutes	2 hours

Source: PCSD Teacher’s Agreement, bell schedules, and interviews with Superintendent

¹ Specialized teacher instruction is conducted during Activity Period.

As shown in **Table 3-10**, middle and high school teachers are fulfilling their contractual obligations in terms of the teacher workday. **Table 3-10** also indicates that the middle school teachers are teaching at least six periods per day. According to the negotiated

agreement, PCSD teachers cannot teach more than six periods a day and are required to have one planning period per day and a half-hour duty-free lunch. It appears that PCSD teachers meet the expected terms of the contract with respect to the number of minutes and periods taught. According to PCSD’s financial recovery plan, certificated teachers may see an increase in class size due to the proposed reductions. However, PCSD principals and guidance counselors have developed plans to retain the same number of required and elective courses.

F3.10 **Table 3-11** shows the number of minutes middle and high school regular education teachers spend on formal instruction each day for the 2001-02 school year.

Table 3-11: Instructional Minute Analysis for Middle and High School Teachers

Teaching Minutes Per Day	Number of Periods Taught	Number of Teachers	Total Minutes Taught
45	1	0	0
90	2	0	180
135	3	3 ¹	540
180	4	2	360
225	5	11	2,475
270	6	35	9,450
315	7	0	0
Total	N/A	51	13,005

Source: Master Teaching Schedules

¹ These teachers split time between the middle school and the elementary schools.

As shown in **Table 3-11**, a majority of the middle and high school teachers (68.6 percent), teach at least six periods per day. In addition, two teachers teach classes at both the middle and high school and three teachers split time between the middle school, high school and the elementary schools. By maximizing the number of periods taught by teachers, PCSD minimizes the number of staff needed to teach the required number of minutes per year.

F3.11 **Table 3-12** shows PCSD middle and high school class enrollment for regular education classes.

Table 3-12: Middle and High School Classroom Enrollment Levels FY 2001-02

Number of Students	5 or Fewer	6	7	8	9	10	11	12	13	14	15 or more
Number of Periods	17	3	8	5	5	9	7	18	9	1	191
Percent of Total	6.2%	1.1%	2.9%	1.8%	1.8%	3.3%	2.6%	6.6%	3.2%	0.1%	70.0%

Source: PCSD Guidance Counselor

As indicated in **Table 3-12**, indicates that 70.0 percent of middle and high school classes consist of 15 or more students. Although a large number of students per class decreases the amount of student contact time spent in the classroom educating students, it may not be feasible for the District to offer classes that receive a low level of student interest. PCSD has been able to continue to offer classes with low enrollment by consolidating these sections into one class.

R3.5 PCSD should consider the option of offering low enrollment classes that cannot be consolidated on a biennial basis. Increasing classroom enrollment through biennial course offerings may assist PCSD in accommodating the proposed reductions in teaching staff. In addition, PCSD could develop a procedure that would set a minimum number of students that must be enrolled in a class before the class is offered.

F3.12 Ohio Administrative Code (OAC) sets minimum standards for elementary and secondary education. OAC operating standards for schools provides for a minimum of one classroom teacher per 25 pupils in average daily membership (ADM) on a district-wide basis. **Table 3-13** compares the student-to-teacher ratio for PCSD and the peer districts for grades kindergarten through 12.

Table 3-13: Comparison of Student-to-Teacher Ratio for K-12

FY 00-01 Portsmouth	FY 01-02 Portsmouth	Alliance	Ironton	Steubenville	Peer Average	State Average
19.3	17.7	18.2	19.6	20.4	19.4	18.1

Source: EMIS Staffing Reports

As shown in **Table 3-13**, PCSD’s student-to-teacher ratio was higher than the state average in FY 2000-01, but below the state average after implementing reductions in FY 2001-02. After PCSD’s reductions, the District’s student-to-teacher ratio is 29.2 percent lower than the state minimum standard of one FTE teacher for every 25 students in average daily membership. This ratio is based on district-wide enrollment and teacher staffing levels and does not indicate that every class has a 25 to 1 ratio. For example, some classes may have a 23 to 1 ratio while other classes have a 27 to 1 ratio.

R3.6 PCSD should closely monitor enrollment and staffing levels to determine optimal staffing levels which will best serve the District in achieving its desired educational goals. As shown in **Table 3-2**, PCSD had approximately eight more teachers per 1,000 students than the peer average or approximately 18.0 FTE teaching positions in total. By eliminating 13.0 FTE teaching positions, PCSD’s teachers per 1,000 students ratio would decrease to a ratio comparable to the peer district’s FY 2000-01 levels. In addition, PCSD’s student-to-teacher ratio would increase to approximately 19.8 students per teacher, a level just above the peer average of 19.4 students per teacher. However, if there are no additional reductions in teaching FTEs, the projected enrollment of 1,929 in FY 2002-03 would decrease the ratio to approximately 17.9 students to teacher. When contemplating teaching staff reductions, PCSD should ensure that the student-to-teacher ratio does not go above the State minimum standard of 25 to 1.

Financial Implication: Assuming an estimated annual salary of \$39,000 per teaching position and benefits equal to 45.8 percent of annual salaries, PCSD could generate an estimated annual cost savings of approximately \$769,000 as a result of eliminating 13.0 FTEs in the teacher classification.

F3.13 As indicated in **Table 3-2**, PCSD has 3.2 FTEs per 1,000 ADM in the educational service personnel (ESP) teachers in FY 2001-02. The Ohio Administrative Code (OAC) 3301-35-05(A)(4) states that each school district should maintain a minimum ratio of 5.0 FTEs per 1,000 students in the ESP classification. It further states that ESP personnel includes counselors, library media specialists, school nurses, visiting teachers, social workers and art teachers, music teachers and physical education teachers. According to the *EMIS Definitions, Procedures and Guidelines* report produced by ODE, personnel in the ESP classification include those who teach physical education, art or music. All other positions which are considered by ODE as ESP personnel are classified separately. **Table 3-14** compares the staffing levels of all ESP personnel at PCSD for FY 2001-02 with the peer districts staffing levels for FY 2000-01. The staffing levels are illustrated in FTEs per 1,000 students enrolled.

Table 3-14: Comparison of ESP Staffing Levels

ESP Classification	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
ESP Teachers ¹	3.2	7.4	3.9	2.8	4.7
Counselors	2.8	1.4	3.0	1.6	2.0
Librarian Media Specialists	0.9	0.8	1.2	0.4	0.8
Registered Nurse	0.5	0.6	1.3	0.6	0.8
Totals	7.4	10.2	9.4	5.4	8.3

Source: EMIS reports from PCSD and the peer districts

¹ This classification includes those individuals which teach art, music or physical education classes.

As illustrated in **Table 3-14**, PCSD has 7.4 FTEs per 1,000 students in ESP personnel which is greater than the minimum standards identified in OAC 3301-35-05(A)(4) but less than the peer average. Approximately 43.2 percent of PCSD's ESP staff are art, music or physical education teachers which have direct instructional contact with students throughout the day. While the total staffing level is less than the peer average, PCSD is higher than the minimum standards which could indicate overstaffing in the ESP classification.

R3.7 PCSD should review its staffing in the ESP classification for potential reductions. Classifications which should be reviewed for possible reductions would include art teachers, music teachers, physical education teachers and counselors. However, before the District makes any reductions, it should determine the potential impact on the attainment of the PCSD's mission and goals. Additional factors which PCSD should consider are the impact on student contact time as well as the financial situation in the District. If PCSD was to adjust its ESP staffing ratio to the minimum standards identified in OAC 3301-35-05(A)(4), it could reduce current staffing levels by approximately 2.0 FTEs.

Financial Implication: Assuming an estimated annual salary of \$42,640 per educational service personnel and benefits equal to 45.8 percent of annual salaries, PCSD could generate an estimated annual cost savings of approximately \$129,000 as a result of reducing its educational service personnel. As a result, these cost savings would be able to be reallocated to other operational areas within PCSD.

F3.14 Each school district in Ohio is responsible for setting salaries for its positions. Therefore, State and peer averages serve as the primary means of comparison for assessing salary levels. **Table 3-15** compares the average salaries of each employee classification for PCSD and the peer districts for FY 2000-01.

Table 3-15: Average Salary by Classification

	Portsmouth		Alliance		Ironton		Steubenville		Peer Average	
	# FTEs	Average Salary	# FTEs	Average Salary	# FTEs	Average Salary	# FTEs	Average Salary	# FTEs	Average Salary
Administrative	17.5	\$62,175	26.0	\$77,193	8.0	\$47,388	17.0	\$55,967	17.0	\$60,183
Prof. Education	203.0	\$38,439	272.5	\$40,130	120.5	\$36,889	189.0	\$39,105	194.0	\$38,708
Prof. Other	5.0	\$40,816	6.1	\$43,143	6.4	\$31,518	5.0	\$47,882	5.8	\$40,848
Technical	7.0	\$12,063	10.5	\$20,003	1.6	\$30,095	4.0	\$15,634	5.4	\$21,911
Office/Clerical	41.1	\$17,733	40.2	\$17,944	19.7	\$18,654	40.0	\$13,794	33.3	\$16,797
Crafts/Trades	1.0	\$35,048	6.0	\$28,099	6.0	\$16,820	1.0	\$33,629	4.3	\$26,183
Transportation	6.6	\$14,298	11.0	\$20,789	5.5	\$14,834	8.0	\$27,111	8.2	\$20,911
Custodians	21.0	\$25,032	30.3	\$27,205	12.2	\$21,432	15.9	\$25,922	19.5	\$24,853
Food Service	17.3	\$14,216	19.3	\$15,042	8.4	\$16,724	8.0	\$13,679	11.9	\$15,148
Service Other	1.0	\$27,024	8.7	\$7,721	0.8	\$28,083	1.0	\$4,588	3.5	\$13,464
Totals	320.5	\$34,226	430.6	\$38,585	189.1	\$31,967	288.9	\$35,261	302.9	\$35,271

Source: EMIS 2001 Total Staff Summary Report

As indicated in **Table 3-15**, PCSD has the second lowest average salary in the professional education classification and is in line with the peer average. PCSD’s average salaries for administrative and office/clerical classifications, however, are higher than the peer averages. In addition, average salaries for the technical and transportation classifications are significantly lower than the peer averages. Overall, PCSD’s average salary for all classifications is the second lowest among the peer districts and is 3.0 percent lower than the peer average.

F3.15 **Table 3-16** compares the percentage of employee salaries by classification for PCSD and the peer districts. The employee classifications are consistent with those defined in **Table 3-15**.

Table 3-16: Percentage of Total Employees and Salaries by Classification

	Portsmouth		Alliance		Ironton		Steubenville		Peer Average	
	% of Total Staff	% of Total Salary	% of Total Staff	% of Total Salary	% of Total Staff	% of Total Salary	% of Total Staff	% of Total Salary	% of Total Staff	% of Total Salary
Administrative	5.5%	10.0%	6.0%	12.7%	4.2%	6.3%	5.9%	9.6%	5.4%	9.5%
Professional Education	63.3%	72.0%	63.3%	69.5%	63.7%	73.5%	65.4%	74.2%	64.1%	72.4%
Professional Other	1.6%	1.9%	1.4%	1.7%	3.4%	3.3%	1.7%	2.4%	2.2%	2.5%
Technical	2.2%	0.8%	2.4%	1.3%	0.8%	0.8%	1.4%	0.6%	1.5%	0.9%
Office/Clerical	12.7%	6.7%	9.4%	4.7%	10.5%	6.1%	13.9%	5.5%	11.3%	5.4%
Crafts/Trades	0.3%	0.3%	1.4%	1.1%	3.2%	1.7%	0.3%	0.3%	1.6%	1.0%
Transportation	2.1%	0.9%	2.6%	1.5%	2.9%	1.3%	2.8%	2.2%	2.8%	1.7%
Custodians	6.6%	4.9%	7.0%	5.3%	6.5%	4.3%	5.5%	4.1%	6.3%	4.6%
Food Service	5.4%	2.3%	4.5%	1.8%	4.4%	2.3%	2.8%	1.1%	3.9%	1.7%
Service Other	0.3%	0.2%	2.0%	0.4%	0.4%	0.4%	0.3%	0.0%	0.9%	0.3%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A

Source: EMIS 2001 Total Staff Summary Report

Table 3-16 shows that PCSD’s administrative and professional education FTEs as a percentage of total staff are in line with the peer average. In addition, salaries for these positions in relation to total salaries are similar to the peer districts. It is important for PCSD to continually examine administrative and professional education salaries as these classifications make up 82.0 percent of the District’s total salaries. As indicated above, PCSD appears to be overstaffed in office/clerical and food service positions. When compared to the peer average, the percentage of total staff for these classifications is slightly higher than the peer districts. Taken as a whole, these classifications account for 9.0 percent of PCSD’s total salaries. With the exception of the office/clerical classification, PCSD does not appear to have excessive salary expenditures when compared to the peer districts.

F3.16 **Table 3-17** compares the average teachers salary, average years of experience and educational backgrounds for PCSD and the peer districts.

Table 3-17: Average Teachers' Salary FY 2000-01

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
Average Teaching Salary	\$45,475	\$50,395	\$42,658	\$47,033	\$46,695
Adjusted Salary ¹	\$45,110	\$47,650	\$41,674	\$46,315	\$45,213
Average years of experience	17.0	17.3	19.5	16.3	17.7
% Non-degree	0.0%	2.4%	0.0%	0.0%	0.8%
% Bachelors	15.7%	26.0%	32.6%	25.3%	28.0%
% Bachelors + 150 hours	43.3%	42.5%	24.0%	36.8%	34.4%
% Masters	40.9%	29.1%	43.4%	37.4%	36.6%

Source: ODE 2000 Average Experience for Teachers Report

¹ Salary adjusted by ODE cost-of-doing-business factor.

As shown in **Table 3-17**, PCSD's teachers' average years of experience is slightly lower than the peer average. As a result, PCSD's average teachers' salary of \$45,110 is 2.7 percent lower than the peer average. Additionally, PCSD has a high percentage (84.2 percent) of teachers that have earned a masters degree or who have a bachelors degree plus 150 hours. While a teacher's level of educational attainment usually results in higher salaries, it may also have a positive impact on classroom teaching skills. When adjusted by the cost-of-doing-business factor, PCSD's average teachers' salary is in line with the peer average. The cost-of-doing-business factor is calculated to reflect the relative cost of doing business in the county in which the district is located.

F3.17 **Table 3-18** compares PCSD average teacher salary, experience and education to other districts in Scioto County for FY 2000-01.

Table 3-18: Scioto County Average Teacher Salary and Experience

District	Average Salary	Average Experience	% Non-degree	% Bachelors	% BA + 150 hours	% Masters	% Doctorate
Portsmouth CSD	\$45,475	17.0	0.0%	15.7%	43.3%	40.9%	0.0%
New Boston LSD	\$42,160	12.5	0.0%	25.7%	47.1%	27.1%	0.0%
Bloom-Vernon LSD	\$41,088	16.4	0.0%	9.3%	53.3%	37.3%	0.0%
Clay LSD	\$38,537	17.6	0.0%	14.7%	46.4%	38.9%	0.0%
Green LSD	\$38,624	15.7	0.0%	6.8%	54.5%	38.6%	0.0%
Minford LSD	\$43,061	16.2	0.0%	12.7%	21.2%	66.0%	0.0%
Northwest LSD	\$42,184	17.9	0.0%	31.6%	28.1%	40.4%	0.0%
Valley LSD	\$47,167	21.1	0.0%	14.9%	41.9%	43.2%	0.0%
Washington-Nile LSD	\$40,703	16.5	0.0%	20.5%	37.5%	42.0%	0.0%
Wheelersburg LSD	\$42,284	19.8	0.0%	6.2%	28.0%	65.8%	0.0%
County Average	\$42,128	17.1	0.0%	15.8%	40.1%	44.0%	0.0%

Source: ODE 2000 Average Experience for Teachers Report

Table 3-18 indicates that the average experience of PCSD’s teaching staff is in line with the Scioto County average. PCSD’s average teachers’ salary of \$45,475 is 7.3 percent above the county average of \$42,128. Taking average experience into consideration, PCSD’s teachers’ salaries appear to be high when compared to the peer districts and other districts within Scioto County.

F3.18 The average teacher salary is also affected by cost-of-living adjustments (COLAs) as determined in the district’s negotiated agreements. **Table 3-19** compares PCSD’s teacher salary schedule with the peer districts.

Table 3-19: Teachers’ Salary Schedule

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
Bachelors Beginning Salary	\$25,012	\$24,460	\$24,056	\$23,962	\$24,159
Bachelors Maximum prior to longevity	\$40,469	\$33,705	\$39,499	\$42,916	\$38,707
Masters Beginning Salary	\$27,401	\$27,762	\$25,980	\$26,981	\$26,908
Masters Maximum Prior to longevity	\$43,658	\$46,840	\$41,473	\$45,049	\$44,454
# of steps prior to longevity payments	13	14	N/A	13	14
# of longevity steps	3	1	0	1	1
Avg increase of step/longevity payments	\$866	\$1,157	N/A	\$1,309	\$1,233
Maximum Bachelors after longevity	\$43,469	\$44,517	N/A	\$42,284	\$43,401
Maximum Masters after longevity	\$46,658	\$50,388	N/A	\$46,549	\$48,469

Source: Salary schedules

Table 3-19 indicates that PCSD’s beginning bachelors salary is higher than the peer average and the highest of the peers. The maximum bachelors salary prior to longevity is 4.6 percent higher than the peer average. In contrast, PCSD’s maximum masters salary prior to and after longevity is lower than the peer average. PCSD’s maximum masters salary after longevity of \$46,658 is 3.9 percent lower than the peer average. The lower maximum salaries for masters-level teachers may not provide an incentive for teachers to advance their education beyond a bachelors degree.

F3.19 The PCSD salary schedules stipulate the amounts paid to teachers for regular teaching duties. **Table 3-20** displays the gross earnings paid to PCSD full-time teachers during Calendar Year 2000.

Table 3-20: Range of Teacher Gross Earnings for CY 2000

Range of Earnings	# of Teachers	Percentage of Teachers
\$20,000 - \$29,999	30	23.8%
\$30,000 - \$39,999	78	61.9%
\$40,000 - \$49,999	18	14.3%
Total	126	100.0%

Source: 2000 W-2s for the 205 teacher classification

Table 3-20 shows the gross earnings paid to full-time PCSD teachers ranged from below \$20,000 to \$49,516 with an average salary of \$37,253. According to EMIS reports, the average PCSD teachers salary was \$37,487, a difference of \$234.

F3.20 **Table 3-21** compares the total amount paid for supplemental contracts for PCSD and the peer districts for FY 2000-01.

Table 3-21: Total Supplemental Payments

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
Enrollment	2,677	3,583	1,673	2,532	2,596
Total Supplemental Contract Payments	\$286,361	\$200,209	\$90,508	\$215,443	\$168,720
Supplemental Expenditures per ADM	\$107	\$56	\$54	\$85	\$65

Source: Treasurer’s Office

Table 3-21 indicates that PCSD’s total supplemental payments are 41.1 percent higher than the peer average. In addition, PCSD’s supplemental expenditures per student were significantly higher than the peer average. Supplemental contracts help school districts offer programs outside the scope of regular classroom instruction. Typical supplemental positions include coach, music director and class advisor. **Table 3-22** compares the amounts paid for some common supplemental contract positions for PCSD and the peer districts.

Table 3-22: Comparison of Select Supplemental Contract Amounts

	Portsmouth	Alliance	Ironton	Steubenville ¹	Peer Average
Head Varsity Basketball Coach (Boys)	\$5,503	\$5,761	\$7,159	N/A	\$6,460
Head Varsity Basketball Coach (Girls)	\$5,503	\$5,761	\$7,159	N/A	\$6,460
Head Varsity Track Coach (Boys)	\$1,501	\$4,282	\$2,202	N/A	\$3,242
Head Varsity Baseball Coach	\$1,501	\$4,282	\$1,101	N/A	\$2,692
Head Varsity Softball Coach	\$3,252	\$4,282	\$1,101	N/A	\$2,692
Head Varsity Cheerleader Advisor	\$2,751	\$3,659	\$1,545	N/A	\$2,602
Junior Class Advisor	\$500	\$285	\$773	N/A	\$529
Senior Class Advisor	\$500	\$856	\$773	N/A	\$815
Total # of Supplemental Positions	175	89	53	N/A	71
Total Supplemental Payments	\$286,361	\$200,209	\$90,508	\$215,443	\$168,720
Supplemental Pay Average	\$1,636	\$2,249	\$1,707	N/A	\$1,978

Source: Negotiated Agreements and Treasurers’ office

¹ Information not available.

As shown in **Table 3-22**, PCSD has the lowest average supplemental pay amount for the selected positions when compared to the peer districts. However, PCSD has a higher number of supplemental contract positions than the peer average -- almost double the number of positions in the next closest district. PCSD has proposed reducing the number of supplemental contract positions as part of its FRP. PCSD will not fund 27 supplemental positions in FY 2001-02 for a savings of approximately \$49,000. Due to the significant decline in enrollment, however, it appears that PCSD's supplemental expenditures per ADM will not decrease substantially in FY 2001-02. PCSD could reduce additional supplemental positions which would lower the Districts supplemental expenditures per ADM to a level comparable to the peer average.

- R3.8** PCSD should review the number of eligible supplemental positions offered to determine if there is an excessive number of positions being offered. If PCSD were to experience financial problems in the future, decreasing the number of supplemental positions could assist PCSD in allocating financial resources to other areas within its operations.

Special Education

- F3.21 Ohio pre-school and school-aged children are placed in a special education program when they meet various conditions identified through a multi-factored assessment process conducted in accordance with State and Federal regulations. Children with disabilities may be identified from birth to 2 ½ years old, but are typically identified at the pre-school (ages 3-5) or school-age level. Once a student is identified as being eligible for the special education program, an individualized education planning team is formed. The team may consist of the building principal, special education teacher, regular teacher, psychologist, therapist, nurse and the child's parents. The team meets at least annually to develop an individualized education plan (IEP) identifying the goals for educating the child and specifying how those goals are to be achieved. Like regular education students, special education students must meet the 20-unit requirement in order to graduate. However, special education students are given 22 years to achieve this requirement and the intensity of the education varies in accordance with the student's IEP. PCSD currently has 389 special education IEPs and an additional 59 speech IEPs for resident students between the ages of 3 and 22, each of which must be reviewed at least annually.

ODE publishes a comprehensive manual summarizing the rules and regulations with which districts should comply when educating handicapped children. The manual includes student-to-teacher ratios which vary by handicap. However, a district is allowed to deviate from the required ratios provided the district meets the requirements established by ODE. In accordance with ODE requirements, the district must develop a district-wide special education plan that details how the district has addressed each requirement. One element the plan addresses is student services which includes all variations in class size.

Based upon the FTE analysis conducted in **Table 3-2**, and the special education student-to-teacher ratio of 13.0 to 1, it does not appear that staffing reductions in the special education area are justified.

Substitute Costs

F3.22 **Table 3-23** compares PCSD and the peer districts’ substitute costs and procedures. The categories in the table represent key indicators in determining the efficiency of substitute use in a school district.

Table 3-23: Comparison of Substitute Costs

	Portsmouth	Alliance	Ironton	Steubenville
Auto/Manual Placement Process	Manual	Manual	Manual	Manual
Daily Cost of Teacher Substitutes	0-60 days \$65/day or \$75/day for retired 61+ days, teacher salary schedule	 \$75/day	0-60 days \$45/elem. 0-60 days \$50/high school 61+ Per diem salary rate	0-60 days \$60/day over 61 days, if consecutive, per diem step 0
Hourly Cost of Bus Drivers	\$9.00/hour	\$7.25/hour	\$6.26/hour	N/A ¹
Hourly Cost of Clerical & Aides	Clerical: \$7.75/hour Aides: \$7.00/hour	\$5.50/hour	\$5.15/hour	N/A ¹
Hourly Cost of Custodial/Maintenance	\$8.00/hour	\$6.00/hour	\$5.15/hour	N/A ¹
Hourly Cost of Food Service	\$6.15/hour	\$5.50/hour	\$5.15/hour	N/A ¹

Source: Treasurer’s Office

¹ Steubenville CSD does not hire substitutes for these positions.

As shown in **Table 3-23**, PCSD’s teacher substitute costs are higher than the peers. This is due in part to a lack of qualified substitutes available in Scioto County. PCSD pays retirees 15.3 percent more per day to substitute teach than for regular substitutes. PCSD’s hourly costs for all classified substitute positions are the highest among the peers which increases PCSD’s total costs for substitutes. **Table 3-24** shows the substitute payments made by PCSD and the peer districts for FY 2000-01.

Table 3-24: Substitute Payments for FY 2000-01

Classification	Portsmouth ¹		Alliance		Ironton		Steubenville		Peer Average	
	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total
Teachers	\$152,208	69.9%	\$209,561	70.7%	\$87,901	46.7%	N/A	N/A	\$148,731	59.4%
Teachers Aides	N/A	N/A	\$11,529	3.9%	N/A	N/A	N/A	N/A	\$11,529	4.6%
Clerical	\$28,439	13.0%	\$6,461	2.2%	\$16,014	8.5%	N/A	N/A	\$11,238	4.5%
Custodians	\$27,082	12.4%	\$44,879	15.1%	\$58,745	31.2%	N/A	N/A	\$51,812	20.7%
Bus Drivers	\$3,556	1.6%	\$19,205	6.5%	\$25,555	13.6%	N/A	N/A	\$22,380	8.9%
Food Service	\$6,649	3.1%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	\$4,691	0.8%	N/A	N/A	N/A	N/A	\$4,691	1.9%
Total	\$217,934	100%	\$296,326	100%	\$188,215	100%	N/A	N/A	\$250,381	100%

Source: BUDSUM Report - PCSD Treasurer

¹ PCSD substitute payments include General Fund and grants.

Table 3-24 shows PCSD’s total substitute costs for FY 2000-01 were significantly lower than the peer average, however, payments for teacher substitutes were 2.3 percent higher than the peer average. Further, PCSD’s payments for office/clerical substitutes were significantly higher than the peer average. Comparing percentage of substitute expenditures finds that PCSD’s teacher substitute costs were a significantly higher percentage of the total substitute expenditures than the peer average. However, PCSD’s costs for office/clerical substitutes as a percentage of total expenditures was more than double the peer average, despite the District being overstaffed in the office/clerical category as indicated in **Table 3-2**. Total cost for custodial and bus driver substitutes were extremely low when compared to the peer districts.

R3.9 PCSD should analyze the importance of each office/clerical position to determine if a substitute is needed if the situation arises. PCSD should not hire substitutes for office/clerical positions which are not vital to the daily operations of the District.

Leave Use

F3.23 **Table 3-25** compares the average number of leave days taken per teacher for PCSD and the peer districts during FY 2001-02. Alliance City School District was unable to provide to provide sick leave information and has been omitted from this analysis.

Table 3-25: Teacher Average Number of Leave Days Taken FY 2000-01

Type of Leave	Portsmouth		Ironton		Steubenville		Peer Average	
	# Days Taken	Avg. per Teacher	# Days Taken	Avg. per Teacher	# Days Taken	Avg. per Teacher	# Days Taken	Avg. per Teacher
Sick Leave	2,103.8	9.7	1,125.0	9.8	1,439.0	6.9	1,282.0	8.4
Personal Leave	311.8	1.4	N/A ¹	N/A ¹	274.0	1.3	274.0	1.3
Professional Leave	668.0	3.1	N/A ¹	N/A ¹	284.0	1.4	284.0	1.4
Other Leave	67.5	0.3	0.0	0.0	N/A ¹	N/A ¹	NA ¹	NA ¹
Total Leave	3,151.0	14.5	1,125.0	9.8	1,997.0	9.6	1,561.0	9.7
# of eligible teachers	218.0		115.0		208.0		161.5	

Source: District Treasurer’s Offices

¹ Districts were unable to provide this information.

PCSD teachers took a significantly greater number of total leave days per teacher (4.8 days) than the peer average. In addition, PCSD teachers took significantly more professional leave than the peer district teachers, which could signify that a significant number of teachers have excess time. In FY 2000-01, PCSD teachers were contracted to teach 183 days per year. Assuming that all leave is covered by a substitute, an average of 14.5 leave days taken per teacher results in an estimated 7.9 percent of the school year being covered by substitute teachers.

PCSD’s teachers took an average of 1.7 more professional days than the peer average. Although the certificated employees negotiated agreement only provides the teachers with 60 total professional days to use, additional days may be used with the approval of the superintendent. The use of leave days has a direct impact on school district costs as both the teacher’s regular salary and the substitute cost must be paid by the district. Also, the excessive use of leave days may increase administrative time and impact the quality of education by interrupting the flow of the teachers’ curriculum. PCSD teachers’ leave usage is high when compared to the peers which signifies that the District’s leave incentive policy is not effective.

R3.10 While professional leave is a valuable tool which can improve a teacher’s skills and abilities in the classroom, PCSD should assess whether the high number of professional leave days currently being used is providing a positive benefit to the District.

F3.24 Classified positions that require substitutes are filled by casual/short-term substitutes. PCSD pays substitutes an hourly rate based on the classification of employees. Substitutes for classified positions remain at the same hourly rate regardless of the number of days spent in the same position. Benefits are not provided to classified substitutes. **Table 3-26** shows the number of leave days used by PCSD’s classified staff during FY 2000-01.

Table 3-26: Classified Personnel Leave Days Taken FY 2000-01

Classification	Sick	Personal	Professional	Vacation	Other	Total	# Employees	Avg. days taken per employee
Clerical/Office	305.3	28.0	18.3	252.0	0.0	603.6	24	25.2
Food Service	264.0	27.0	0.0	0.0	11.8	302.8	22	13.8
Custodial/Maintenance	267.5	17.0	0.0	258.0	0.0	542.5	25	21.7
Transportation	87.0	1.0	0.0	0.0	9.0	97.0	7	13.9
Other Classified	261.8	41.0	19.3	11.3	19.8	353.2	33	10.7
Totals	1,185.6	114.0	37.6	521.3	40.6	1,899.1	111	17.1

Source: PCSD Treasurer’s Office

PCSD’s classified staff averaged 17.1 leave days used per employee. Employees in the clerical/office category had the highest leave usage with an average of 25.1 days. The use of leave days has a direct impact on district costs because both the employees regular salary and the substitute cost must be paid by the district. If a substitute is not obtained, the district may have to pay overtime to a regular employee to cover the vacancy. Of the 493.8 total days taken by PCSD’s classified personnel, 62.4 percent were sick leave days.

F3.25 **Table 3-27** compares the average number of sick days taken by PCSD’s classified staff to the peer districts for FY 2000-01. Alliance Local School District was unable to provide sick leave information and has been omitted from this analysis.

Table 3-27: Comparison of Average Number of Sick Days Taken (Classified)

Classification	Portsmouth		Ironton		Steubenville		Peer Average	
	# Sick Days Taken	Avg.	# Sick Days Taken	Avg.	# Sick Days Taken	Avg.	# Sick Days Taken	Avg.
Clerical/Office	305.3	12.7	188.0	13.4	159.0	13.1	173.5	13.3
Food Service	264.0	12.0	122.5	20.4	48.5	13.0	85.5	16.7
Maintenance	267.5	10.7	96.0	6.4	309.0	48.2	202.5	27.3
Transportation	87.0	12.4	117.0	14.6	72.0	7.8	94.5	11.2
Miscellaneous	261.8	7.9	137.0	10.5	219.7	2.0	178.4	6.3
Totals	1,185.6	10.7	660.5	11.8	808.2	16.8	734.4	14.3

Source: Leave reports from PCSD and peer districts

PCSD’s classified staff averaged 10.7 sick leave days during FY 2000-01 which was lower than the peer average (13.3 days) and was the lowest sick leave usage among the peers. Specifically, PCSD’s clerical/office, food service and maintenance staff used a lower number of sick leave days when compared to the same positions at the peer districts.

The classified staff provides critical resources to the educational process by fulfilling the following roles:

- Functioning as a support resource to staff and students;
- Providing a clean and secure environment;
- Ensuring nutritious lunches; and
- Fulfilling additional functions as required by curriculum and/or other district needs.

Excessive use of sick leave limits a district’s resources and disrupts daily routines, ultimately weakening the quality of education. Although PCSD sick leave usage for classified employees is low when compared to the peer average, recent AOS performance audits have found that district sick leave usage for classified employees is typically lower than 10.0 days per employee.

R3.11 PCSD should monitor sick leave for possible misuse. If PCSD determines that classified employees are misusing sick leave for non-medical reasons, the District should consider implementing additional policies to assist with reducing sick leave usage. The following sick leave policies are used by other school districts to address sick leave abuse:

- Requiring a physician’s statement if the employee uses three or more consecutive sick leave days; and
- Not including sick leave days in the “active pay status” category for the calculation of overtime eligibility for classified employees.

PCSD should also provide training to ensure that the District’s sick leave policy is understood by all employees. Also, PCSD should consistently enforce sick leave policies to ensure these critical resources are available to the District and to keep down the costs associated with the use of substitutes.

Leave Incentives

F3.26 PCSD offers personal and sick leave incentives to certificated employees. In accordance with the certificated negotiated agreement, PCSD must pay a \$200 bonus to any teacher who uses four or less sick days. In FY 2000-01, 9 of 218 teachers received the sick leave bonus for a total amount paid of \$1,800. Additionally, four administrators received sick leave payments totaling \$800. Leave incentives are an effective practice for controlling leave usage and should benefit PCSD by decreasing administrative time and enhancing the quality of education. However, the overriding goal of implementing an incentive policy is to create cost savings for the district by helping to eliminate higher substitute costs. PCSD is not achieving substantial cost savings under the current leave incentive as only 4.0 percent of PCSD teachers received incentive pay.

PCSD also offers a sick leave incentive to classified employees based on absences incurred each semester. For classified employees who do not take sick leave, a \$200 bonus is awarded per semester. For classified employees who do not take sick leave for the entire school year, the second semester bonus is \$300, giving the employee a total bonus of \$500. In FY 2000-01, only eight classified employees received sick leave incentive pay for a total payout by PCSD of \$1,600.

R3.12 PCSD should perform an analysis on the costs and benefits of continuing its current leave incentive policies. The leave incentives for employees do not appear to have a positive impact on PCSD employees’ use of sick leave. However, PCSD should ensure that the incentive amounts are providing the district a cost savings while continuing to provide an incentive to employees to limit their leave usage. PCSD should use the information from the cost-benefit analysis as part of the negotiation process for future bargaining agreements.

Benefits Administration

F3.27 The PCSD treasurer is responsible for all benefits administration. However, the initiation of benefits for all new hires is the responsibility of the executive assistant. PCSD offers employees a Preferred Provider Organization (PPO) Plan. **Table 3-28** compares health care plan costs for PCSD and the peers for FY 2000-01.

Table 3-28: Health Care Premium Peer Comparison

School	Provider(s)	Monthly Premium Single Plan	Full-time Employee Share ¹	Monthly Premium Family Plan	Full-time Employee Share	FY 2000 Enrollment per plan (S/F)	Self-Insured
PCSD	Anthem	\$346.31	\$17.32 - Cert. \$34.63 - Class.	\$840.60	\$42.03 - Cert. \$84.06 - Class.	64/238	No
Alliance	Stark COG	\$207.28	\$10.00	\$503.53	\$50.35	94/275	No
Ironton	Medical Mutual	\$322.56	\$48.38	\$854.81	\$128.22	53/100	No
Steubenville	United Healthcare	\$228.86	\$0.00	\$572.01	\$0.00	21/64	No

Source: Treasurer’s Office

¹ PCSD certificated employees contribute 5 percent of plan premium while classified employees contribute 10 percent of plan premium

PCSD’s medical premium rates are higher than the peers for single and family coverage. This trend is likely to continue as medical premiums increased 8.6 percent for FY 2002-03. PCSD pays 95.0 percent of the single and family medical premiums for certificated employees and 90.0 percent for classified employees. The peers vary in the percentages they require employees to pay, ranging from no contribution to 15.0 percent. In addition to having higher premium rates than the peer districts, the State Employee Relations Board (SERB) 2000 Survey on Health Insurance Costs in the Public Sector shows that PCSD’s medical insurance costs are also higher when compared to other state agencies and school districts. **Table 3-29** compares PCSD to State averages and like-sized school districts.

Table 3-29: Health Care Costs State Comparison

	Monthly Premium Single Plan	Full-Time Employee Share	Monthly Premium Family Plan	Full-Time Employee Share
Portsmouth PPO	\$346.31	5.0% (\$17.32) - Cert. 10.0% (\$34.63) - Class.	\$840.60	5.0% (\$42.03) - Cert. 10.0% (\$84.06) - Class.
State Average PPO	\$262.25	10.8% (\$23.41)	\$634.24	12.1% (\$66.68)
School District (1,000-2,999) Average	\$273.62	8.8% (\$18.40)	\$626.58	9.8% (\$52.32)

Source: SERB Report

PCSD’s medical premiums for certificated employees were significantly higher than the State average by plan type and like-sized school districts. The average single plan premium for like-sized school districts was 21.0 percent lower than PCSD’s single plan premium and 34.2 percent lower for the family plan. When compared to the State PPO average, PCSD’s certificated and classified employee contributions were significantly lower than the state average for single and family plans. In addition, PCSD’s certificated employee contributions were extremely low when compared to the like-sized school district average for single and family plans.

PCSD has experienced higher insurance premiums than the peer districts due to a significant amount of health care usage by District employees. In an attempt to lower health care expenditures, PCSD explored the option of joining Core Source, a health care consortium located in Scioto County, and found that health care premiums were approximate to the levels that the District was paying. In addition, PCSD found that the consortium did not offer the level of benefits that the District currently receives.

C3.2 By setting employee contributions to a fixed percentage of plan premiums, PCSD is positioned to partially offset rising medical insurance costs. As future premiums increase, PCSD employee contributions will also increase.

F3.28 Benefits offered as components of the medical plan may impact the cost of the plan and should be considered when conducting a cost/benefit analysis. Typically, the level of benefits, including co-pays, annual deductibles and the inclusion of prescription plans is included in a districts’ bargaining agreements. **Table 3-30** compares certain benefits of PCSD and the peers’ medical plans.

Table 3-30: Key Medical Plan Benefits

	Portsmouth	Alliance	Ironton	Steubenville
	Anthem PPO	Medical Mutual Services	Medical Mutual SuperMed Plus	Cigna Case Management
Office Visits	<u>Network:</u> None <u>Non-network:</u> \$10	90%	<u>Plan A:</u> 90/10 after deductible <u>Plan B:</u> 80/20 after deductible	100%
Employee Annual Deductible	<u>Network:</u> None <u>Non-Network:</u> \$50 (S) \$100 (F)	<u>Network:</u> \$100 (S) \$200 (F) <u>Non-Network:</u> \$200 (S) \$400 (F)	<u>Network:</u> \$100 (S) \$200 (F) <u>Non-Network:</u> \$200 (S) \$400 (F)	\$50 (S) \$100 (F)
Prescription Plan included	Yes	Yes	Yes	Yes
Primary Care Physician Required	No	No	No	No
Maternity	<u>Network:</u> Covered <u>Non-network:</u> Covered	Usual customary and reasonable charges	100%	Usual customary and reasonable charges
Well Child Care	<u>Network:</u> 100% \$150 max <u>Non-network:</u> Not covered	100% (up to \$500 per year)	\$500 max	0-1 yr = \$500 max 1-9 yr = \$150 max
Inpatient Hospital Care	<u>Network:</u> Covered <u>Non-network:</u> Covered	<u>Network:</u> Covered <u>Non-network:</u> Covered	100%	90%

Source: Schedule of benefits

¹ Maximum amounts are subject to the deductible.

PCSD’s PPO plan offers a similar level of benefits when compared to the peers. Unlike HMO plans, PPO plans typically do not require the policyholder to choose a primary physician, however they must see an in-network physician in order to receive the maximum coverage. Premium amounts for PPOs tend to be lower than premiums for HMO, but PPOs require higher out-of-pocket amounts in the form of co-pays and deductibles than HMOs. Typically the level of benefits, including co-pays, annual deductibles and the inclusion of prescription plans is included in the district’s bargaining agreements.

F3.29 In addition to medical insurance, PCSD and the peers offer dental insurance to eligible employees. **Table 3-31** compares the average premiums paid for dental plans by PCSD and the peers.

Table 3-31 Dental Insurance Comparison

School	Provider(s)	Monthly Premium Single Plan	Full-time Employee Share	Monthly Premium Family Plan	Full-time Employee Share	FY 2001 Enrollment Single/Family	Self-Insured
Portsmouth	Dental Care Plus	\$25.95	\$1.28 ¹	\$68.73	\$3.44 ¹	64/238	No
Alliance	Stark COG	\$26.32	\$0.00	\$64.93	\$0.00	80/316	No
Ironton	G.E. Assurance	\$19.46	\$0.00	\$61.99	\$0.00	171	No
Steubenville	CoreSource	\$17.21	\$0.00	\$60.98	\$0.00	12/57	No

Source: Treasurer’s Office

¹ PCSD certificated employees contribute 5 percent of plan premium while classified employees contribute 10 percent of plan premium.

As shown in **Table 3-31**, PCSD’s dental premiums are the second highest for single coverage and the highest for family coverage when compared to the peer districts. PCSD was the only district that required an employee contribution for the dental plan. SERB’s 2000 public sector health care survey found 91.0 percent of employers offer some level of dental coverage.

F3.30 PCSD’s total annual health care costs are affected by total premium amount and the employees share of that amount. **Table 3-32** compares the annual cost for certain benefits for FY 2000-01 for PCSD and the peers.

Table 3-32: Yearly Total of All Insurance Costs

School	Health Care Costs	Dental Costs	Rx Costs	Life Insurance Costs	Vision Costs	Other ¹	Totals	Annual Insurance Cost per Employee
Portsmouth	\$2,521,438	\$169,519	N/A	\$10,488	\$44,939	\$59,700	\$2,806,084	\$9,924
Alliance	\$1,970,559	\$282,539	N/A	N/A	N/A	N/A	\$2,253,098	\$6,053
Ironton	\$1,046,286	\$86,765	N/A	N/A	\$12,053	N/A	\$1,145,104	\$7,828
Steubenville	\$2,167,860	N/A	\$10,944	\$2,188	N/A	N/A	\$2,180,992	\$9,566
Peer Average	\$1,728,235	\$184,652	\$10,944	\$2,188	\$12,053	N/A	\$1,859,731	\$7,816

Source: Treasurer’s Office

¹ Includes dental, vision and life insurance provided to classified employees through the Ohio AFSCME Care Plan.

PCSD’s annual insurance cost per employee is the highest among the peer districts and is significantly higher than the peer average. PCSD’s high cost per employee is due in part to higher premium amounts for health care costs. In addition, PCSD’s premiums for life insurance and vision costs are higher than the peer districts. All classified employees who require dental, vision and life insurance are provided these benefits through the Ohio AFSCME Care Plan.

PCSD’s annual cost per employee is also higher than the state average and the average for like-sized school districts. SERB survey results indicated that PCSD’s cost per employee was 55.4 percent higher than the state average of \$6,385. Furthermore, PCSD employees pay the same percentage of the premium amount (10.0 percent) compared to the state average for like-sized school districts, even though the District’s premiums are significantly higher (see F3.27). Many employers require employees to contribute higher portions of benefits costs in order to decrease the impact of rising health care costs on the district.

R3.13 PCSD should take steps to reduce health care costs, particularly since it needs additional dollars to fund financial obligations and expand capital improvements. Some of the options that PCSD should consider include the following (implementing any of these options would require union agreement):

- Establishing a maximum amount per employee that PCSD pays for healthcare benefits and requiring the employee to pay the difference;
- Requiring employees to increase healthcare contributions. Based on SERB data, a standard level of employee contribution is approximately 10.0 percent;
- Joining with other public employers to get a group rate; and
- Negotiating less costly plans that have higher co-pays and higher deductibles.

Table 3-33 shows the annual additional savings to the district resulting from increasing employee contributions above current employee co-pays.

Table 3-33: Annual Savings Resulting from Increased Employee Contributions for Insurance

	Annual Savings Calculated At:		
	10%	15%	20%
PPO - Single	\$8,941	\$22,654	\$36,368
PPO - Family	\$87,254	\$208,301	\$329,347
Dental - Single	\$670	\$1,697	\$2,725
Dental - Family	\$7,134	\$17,031	\$26,928
Total Annual Savings	\$103,999	\$249,683	\$395,368

Financial Implication: PCSD’s current employee contribution is 5.0 percent for certificated employees and 10.0 percent for classified employees. Increasing the contributions to the rate of 10.0 percent would save approximately \$104,000.

Workers' Compensation

F3.31 Ohio employers can apply for group workers' compensation coverage and potentially achieve lower premium rates than they could individually. PCSD achieves lower premium rates by participating in a group experience rating plan. **Table 3-34** illustrates workers' compensation benefits for PCSD and the peer districts for calendar year 2001.

Table 3-34: Comparison of Workers' Compensation Benefits for 2000

School District	Total Employees	# Medical Claims Allowed	# Lost Time Claims Allowed	Claims/Employee	Premium	Premium Cost/employee	Experience Modifier status	Program
Portsmouth	320.5	10.0	4.0	0.04	\$64,679	\$202	0.50	Group
Alliance	430.5	14.0	3.0	0.04	\$84,749	\$197	0.50	Group
Ironton	189.1	6.0	1.0	0.04	\$78,439	\$415	1.17	Exp
Steubenville	288.9	5.0	1.0	0.02	\$53,083	\$184	0.50	Group
Peer Average	302.8	8.3	1.7	0.03	\$72,090	\$265	0.72	N/A

Source: Bureau of Workers' Compensation; EMIS 2000 Staff Summary Report

As shown in **Table 3-34**, PCSD had an experience modifier (EM) of 0.50 which is below the peer average. The EM is based upon factors such as the number of total claims in any previous time period, the severity of those claims and the extent that lost time claims went into effect. An EM greater than 1.0 is a penalty and may result in higher premiums. PCSD had the highest premium cost per employee when compared to the peer districts with the same EM (0.50). In addition, PCSD's number of claims per employee was higher than the peer average. **Table 3-35** shows PCSD's number of claims, EM and premium costs since 1996.

Table 3-35: Number of Workers' Compensation Claims

	# Medical Claims Allowed	# Lost Time Claims Allowed	Experience Premium Costs	Experience Modifier
1996	6	1	\$90,037	0.65
1997	9	2	\$69,681	0.47
1998	12	1	\$67,836	0.50
1999	4	0	\$68,588	0.49
2000	10	4	\$64,679	0.50

Source: Bureau of Workers' Compensation

As shown in **Table 3-35**, PCSD's premium costs and EM have remained relatively stable after a significant decline in 1997. PCSD experienced minimal lost time claims from 1996 through 1999. Lost time claims are defined as the number of workers' compensation claims exceeding eight days. Generally, these types of claims are the most taxing on the system and have a greater effect on the EM and premium costs. As a result of the increase in lost time claims allowed in 2000, and the subsequent rise in the EM, PCSD can expect premium costs to increase in 2001.

Contractual Issues

F3.32 Certain contractual issues were assessed and compared to the peer districts and are illustrated in the following pages. Because contractual issues directly affect PCSD's operating budget, many of the contractual issues have also been assessed to show financial implications. The implementation of any of the following contractual recommendations would require agreement through the collective bargaining process.

PCSD has one collective bargaining unit, the Portsmouth City Teachers' Association (PCTA), for certificated staff. A new negotiated agreement between the PCTA and the Board became effective on July 1, 2001. **Table 3-36** compares some key contractual issues for PCSD certificated staff and the peer districts.

Table 3-36: Certificated Contractual Issues

Description	Portsmouth	Alliance	Ironton	Steubenville
Length of Work Day	7 hrs. 15 min. (includes 30 minute duty free lunch)	7 hrs. 30 min. (includes 30 minute duty free lunch)	7 hours (includes a 30 minute duty-free lunch period)	7 hours 10 min.(includes a 30 minute duty-free lunch period)
Maximum Class Size	Not stated	Not Stated	Not stated.	25 to 1
# of Contract Days	<u>183</u>	<u>185</u>	<u>183</u>	<u>185</u>
# of Instructional Days	178	Not indicated	178	180
# of In-service Days	1		3	2
# of Parent conferences	2		2	1
# of Teacher Work Days	1		N/A	2
# of Closing Days	1		N/A	0
Maximum # of Sick Days Accrued	204 days	228 days	215 days	220 days
Leave Incentives	For zero sick days used, employee receives \$200	None stated	None stated	None stated
Severance Pay	25% of accumulated sick leave up to a maximum of 51days in one lump sum	.282*salary * (accumulated sick days ¹ /120) An additional \$10,000 bonus is available to first time eligible retirees	25% of accumulated sick leave up to a maximum of 65 days in one lump sum	25% of accumulated sick leave up to a maximum of 50 days in one lump sum
Severance Requirements	Eligibility requirements under STRS	Eligibility requirements under STRS	Must have worked for 10 or more years in the system	Eligibility requirements under STRS
Personal Days	2 days	3 days	3 days	3 days
Professional/Association Leave	1 day	6 days	No limit	2 days
Sabbatical Leave	N/A	May grant sabbatical leave up to 2 years upon decision of the Board after 5 years in the system	In accordance with the ORC	May receive 1 year after 5 years of service and must return to the district for one year
# of Days to File Grievance	15 days	30 days	Not stated.	10 days
Cost of Living Increases				
FY 1998-99	2.0%	N/A	N/A	3.0%
FY 1999-00	2.0%	3.0% ²	N/A	3.0%
FY 2000-01	2.0%	3.0% ²	3.0%	4.0%

Source: Negotiated Agreements for Certificated Staff

¹ Up to a maximum of 120 sick days.

² Maximum increase.

Overall, PCSD’s Master Contract appears to be comparable to the peer districts. However, PCSD teachers work only 178 instructional days per year compared with an average of 180 instructional days commonly found in many AOS performance audits. As stated in **Table**

3-16, PCSD’s teacher salaries were comparable to the peer average. However, when the lower number of instructional days is taken into consideration, PCSD’s teacher salary per instructional day would exceed the average of the peer districts.

F3.33 **Table 3-37** indicates the contractual provisions pertaining to the evaluation process for PCSD teachers.

Table 3-37: Peer Comparison of Evaluation Processes

	Portsmouth	Alliance	Ironton	Steubenville
What is the frequency of evaluations for the following teachers?				
Teachers on a limited contract	At least once every three years	Not indicated	Once every three years	Maximum of three per year
Teachers on continuing contracts.	At least once every three years	Not indicated	Once every three years	Maximum three per year
Is there a process for poor performing teachers other than the steps required by the ORC as part of the non-renewal process?	Each teacher is provided definite, positive assistance to correct deficiencies	The teacher shall have the right to request one additional observation.	Not stated in contract	Not stated in contract
Are unannounced observations permitted?	Yes	No	Yes	No
Are evaluation forms included in the contract?	No	No	Yes	No

Source: Negotiated agreements, sample evaluation forms and PCSD Superintendent

PCSD Master Contract requires the following certificated personnel to receive at least one annual evaluation:

- Staff members new to the building;
- Staff members having a change in assignments;
- Staff members who have not been evaluated within the past three years; and
- Principals additions for evaluations.

R3.14 In an effort to increase academic performance, PCSD should consider conducting annual evaluations for all limited and continuing contract teachers. Evaluation forms should be updated on a regular basis and provide relevant information to allow the school board and superintendent to monitor staff progress and provide clear feedback on areas for improvement. PCSD appears to be complying with the evaluation procedures outlined in the negotiated agreement.

Classified Staff

F3.34 PCSD’s classified employees are represented by the Portsmouth City School Employees Local 2684 and Ohio Council 8 American Federation of State, County and Municipal Employees AFL-CIO. The negotiated agreement between the PCSD Board of Education and the groups representing the classified employees expires August 31, 2004. **Table 3-38** compares some key contractual issues for PCSD and the peer districts.

Table 3-38: PCSD Classified Personnel Policy Issues

Description	Portsmouth	Alliance	Ironton	Steubenville
Evaluations required	After 60 and 90 days for new employees	None stated	None stated	None stated
Minimum call-in hours paid to employees for emergencies	None stated	None stated	None stated	None stated
Vacation time to accumulate	1 to 6 yrs. - 10 days 7 to 13 yrs. - 15 days 14 to 20 - 20 days 21+ yrs - 25 days	1 to 6 yrs. - 10 days 7 to 15 yrs - 15 days 15+ yrs. - 20 days	1 to 9 yrs. - 10 days 10 to 19 yrs. - 15 days 20+ yrs. - 20 days	1 yr. - 5 days ¹ 2 yrs. - 15 days 15+ yrs. - 20 days
Sick Leave/Personal Leave Incentive	\$200 lump sum payment for zero sick days used per semester, \$500 total if no sick days are used entire school year	None stated	None stated	None stated
Maximum number of sick leave days to accumulate	220 days	230 days	305 days	Unlimited
Maximum number of sick leave days paid out at retirement	50 days	.282*salary* (accumulated sick days (120 max.)/120)	65 days	49 days
Number of personal days received; Notice to use	2 days Requests to Superintendent 48 hours in advance	3 days Requests to supervisor 5 days in advance	3 days Written requests submitted to the supervisor 48 hours in advance	3 days Written requests submitted 3 days in advance
Number of holidays paid for 12 month employees	11 holidays	12 holidays	9 holidays	11 holidays
Number of holidays paid for less than 12 month employees	10 holidays	9 holidays	8 holidays	8 holidays
Number of days to file a grievance	5 days	20 days	None stated	20 days
Labor-Management Committee	Yes	None stated	None stated	Yes - three members
Cost of living increase per each year of contract	FY 1999 - 2.0% FY 2000 - 2.0% FY 2001 - 2.0%	FY 1999 - 4.0% FY 2000 - 3.0% FY 2001 - 4.0%	FY 1998 - 3.0% FY 1999 - 3.0% FY 2000 - 3.0%	FY 1999 - 3.0% FY 2000 - 3.0% FY 2001 - 3.0%

Source: PCSD and peer district contracts.

With the exception of the maximum number of sick leave days that an employee can accumulate, PCSD's contract for classified personnel appears to be comparable to the contracts of the peer districts. PCSD classified employees can accumulate a maximum of 220 sick days, the lowest of the peer districts.

F3.35 As outlined in the negotiated agreement between the PCSD classified employees and the Board, evaluations are performed on new employees after 60 and 90 days of employment. These evaluations are completed by the employee's immediate supervisor and/or building principal. Evaluations for PCSD employees are not required beyond the first 90 days of employment.

R3.15 Evaluations for all classified employees should be conducted at least once a year. Frequent evaluations provide the following benefits:

- Ensures that employees receive clear feedback on areas for improvement;
- Documents disciplinary problems;
- Provides evidence of employee development;
- Improves efficiency and effectiveness of the employees in carrying out the duties of their job descriptions;
- Improves employee morale; and
- Monitors success and progress of an employee.

Financial Implications Summary

The following table is a summary of estimated savings and estimated costs avoidances from the above recommendations. PCSD should consider the potential educational effect that the recommendations might cause.

Summary of Financial Implications Not Subject to Negotiations

Recommendation	Estimated Annual Cost Savings
R3.2 Reduction in administrative personnel	\$194,000
R3.3 Reduction in clerical personnel	\$228,000
R3.6 Reduction in teaching personnel	\$769,000
R3.7 Reduction in ESP personnel	\$129,000
Total	\$1,320,000

Summary of Financial Implications Subject to Negotiations

Recommendation	Estimated Annual Cost Savings
R3.13 Increase to insurance premium contributions	\$104,000
Total	\$104,000

Conclusion Statement

As part of PCSD's Financial Recovery Plan, the District identified 26.0 FTEs which were reduced in FY 2001-02. Due to the opening of a community school in Scioto County and the closure of one district high school, PCSD's enrollment declined by over 500 students. Although PCSD eliminated 31.5 FTEs for FY 2001-02, the District's overall staffing per 1,000 students was still 18.6 percent higher than the peer average. Specifically, PCSD's staffing per 1,000 students was higher in the administrator, clerical, teaching, ESP teaching, food service and janitorial classifications. PCSD reduced direct instructional personnel by approximately 25.0 FTEs decreasing the District's student-to-teacher ratio to 17.7. PCSD should closely monitor the mix of instructional and educational support personnel to ensure staffing levels are sufficient to achieve the District's desired educational goals. PCSD should reduce 13.0 FTE teaching positions which would increase the District's student-to-teacher ratio to a level comparable to the peer average (19.4).

PCSD's salary structure does not appear to be a significant factor in the District's current financial situation. PCSD's average salaries for all employees are lower than the peer average. PCSD administrative salaries are slightly higher than the peer average, however, teacher salaries are in-line with the peer average when adjusted for the cost-of-doing-business factor.

PCSD's total substitute costs were significantly lower than the peer average in FY 2000-01. However, average leave days taken per teacher were higher than all the peer districts and significantly higher than the peer average. Additionally, PCSD classified employees average leave days per employee were lower than the peer average, but higher than peer average commonly found in many AOS performance audits. PCSD should monitor the sick leave usage and consider implementing policies to reduce the number of sick leave days taken by the staff. PCSD should analyze the current sick leave incentive policy to determine if it is providing a positive benefit to the District.

PCSD insurance are significantly higher than the peer average and like-sized school districts within the State. According to a State Relations Board survey, like-sized school districts' average insurance premiums per employee were 32.4 percent lower than PCSD's family plan premiums. PCSD explored the possibility of joining a health care consortium in Scioto County but found that it would not provide a positive cost benefit for the District. PCSD should negotiate an increase in employee contributions for health care premiums which could potentially save the District approximately \$104,000.

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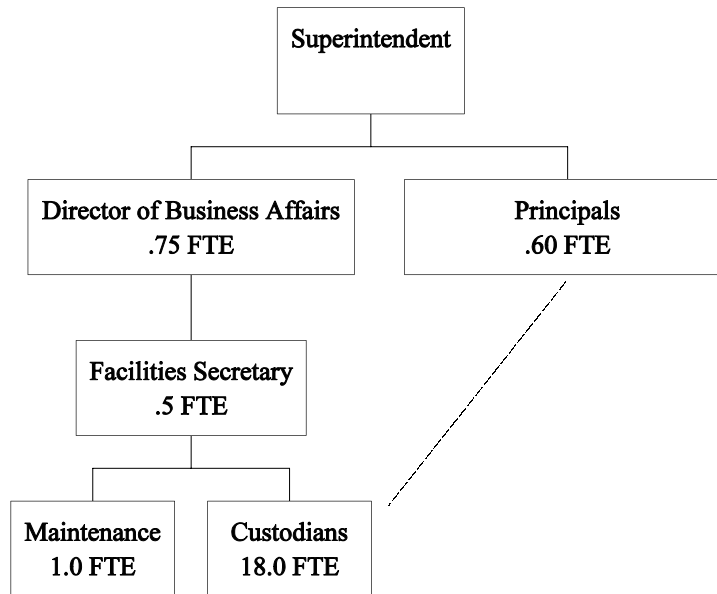
Facilities

Background

Organizational Chart

The facilities support staff is responsible for maintaining Portsmouth City School District’s (PCSD) buildings and grounds. The Director of Business Affairs is responsible for overseeing the transportation and food service operations as well as supervising the maintenance staff and, with the assistance of the building principals, the custodial staff. The FY 2001-02 organizational structure and staffing level in terms of full-time equivalents (FTEs) are depicted in **Chart 4-1**.

Chart 4-1: Facilities Support Staff



Organizational Function

The custodial staff is responsible for providing a clean and safe environment for the students, staff and public who use PCSD's facilities. The custodial staff at each building is responsible for opening and closing the building, cleaning the facility, setting up and moving furniture and equipment as needed, maintaining the grounds surrounding the buildings, and ensuring the general fire safety and security of the building. During the heating season, in addition to their regularly assigned duties, the head custodians and boiler operators are responsible for heating their buildings. The head of maintenance is responsible for district-wide building maintenance and repairs as well as boiler operation when a head custodian or boiler operator is not available. The facilities secretary is responsible for scheduling and assigning the facilities support staff.

Summary of Operations

PCSD currently owns eight school buildings: five elementary, one middle, one high, and one middle/high school building. However, PCSD is currently only using six of the eight buildings- four elementary and the middle and high schools. Lincoln Elementary is vacant and is being maintained at a minimal level. The Portsmouth East Middle and High School building was closed at the conclusion of the 2000-01 school year. The building is currently being leased to a community school. In addition to using six buildings to house its students, PCSD has student classrooms located in two other non-district owned buildings, the former Scudder School and the Hill View Retirement Center. The PCSD facilities support staff is not responsible for cleaning or maintaining these classrooms, and they have been excluded from the analyses contained within this report. The Business Affairs office is located in the high school along with PCSD's other administrative offices. The Director of Business Affairs spends approximately 75 percent of his time overseeing PCSD's custodial and maintenance operations. The Director of Business Affairs spends a significant amount of time traveling to buildings and overseeing the completion of building repairs. He is accessible and is in frequent contact with the facilities secretary who keeps him informed on the status of work order processing and all other operational issues relevant to facilities, transportation, and food service. The facilities secretary spends a significant portion of her time dealing with staffing issues including call-ins, absenteeism, contacting substitutes, and coordinating building assignments to ensure adequate custodial building coverage.

The custodians report directly to their respective building principals on a day-to-day basis, but are under the general management of the Director of Business Affairs. Each building principal directly oversees the custodial and grounds keeping assignments for their particular building and is responsible for completing weekly building inspection reports which are forwarded to the Business Office for review. The building principals are responsible for submitting written work order requests to the Business Office for processing. The secretary, with input from the Director of Business Affairs, prioritizes the work order requests and delegates the assignments to the appropriate staff.

PCSD's maintenance staff consists of one employee, the head of maintenance, who reports directly to the Director of Business Affairs. The head of maintenance travels throughout PCSD to complete building repairs as assigned.

Staffing

The facilities support staff consists of 19 FTEs, which equates to 18 custodians and 1 maintenance staff position. The administrative staff devoted to facilities consists of 1.85 FTEs. The Director of Business Affairs (.75 FTE) dedicates approximately 75 percent of his time to building operations issues and reports directly to the Superintendent. The facilities secretary (.50 FTE) devotes 50 percent of her time to facilities-related issues and reports directly to the Director of Business Affairs. In addition, each of 6 building principals spends approximately 10 percent of their time handling facilities-related issues (.60 FTE).

PCSD has reduced facilities support staff over the past several years, primarily due to the closing of Lincoln and Highland elementary schools. At the conclusion of the 2000-01 school year, PCSD closed the Portsmouth East Middle and High School building. As a result of the closure, 3 custodians formerly assigned to the building bumped into classroom aide positions at Portsmouth High School for the 2001-02 school year. Portsmouth High School currently has 2 head custodians, 3 regular custodians, and 1 floater custodian assigned to clean the building. The floater is responsible for maintaining the stadium grounds and preparing the field for athletic events. During the off-season, the floater provides assistance inside the high school building and fills in for head custodians throughout the District. The middle school custodial staff consists of 1 daytime head custodian responsible for heating, maintenance, cafeteria cleaning, and grounds care, and 1 evening custodian responsible for cleaning classrooms and all other areas of the facility. McKinley Elementary houses grades 4, 5, and 6, and the custodial staff consists of 1 full-time day custodian and 2 full-time evening custodians. Wilson Elementary houses grades K-3 and uses 2 full-time day custodians and 1 evening custodian to maintain the building. Harding Elementary (K-6) and Roosevelt Elementary (K-3) are each assigned 1 full-time day and 1 full-time evening custodian.

Custodial staffing assignments are, in part, determined by building size and the grade levels housed. Generally, custodians assigned to the elementary and middle schools are responsible for maintaining less square footage per full-time equivalent custodian than the custodians assigned to the high school. PCSD's FY 2001-02 facilities staffing levels are shown in **Table 4-1**.

Table 4-1: Number of Positions and Full-time Equivalents for FY 2001-02

Classification	Total Number of Positions	Number of Full-time Equivalents
Director of Business Affairs	1	.75
Facilities Secretary	1	.50
Building Principals	6	.60
Total Administration	8	1.85
Maintenance	1	1.0
Total Maintenance	1	1.0
Custodian	18	18.0
Total Custodial	18	18.0
Total	27	20.85

Source: PCSD Superintendent’s Office

Key Statistics

Key statistics related to the maintenance and operation of PCSD are presented in **Table 4-2**. In addition, results from the 30th annual American Schools & University Maintenance & Operations Cost Study (AS&U), which was released in April 2001, are included in the table and throughout the facilities section of the report. A detailed survey was mailed out to chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. The results were divided into 10 regions. In the AS&U study, Region 5 includes the states of Ohio, Indiana, Illinois, Michigan, Minnesota, and Wisconsin.

According to the AS&U study, “as the nation’s school buildings grow older and physical conditions continue to deteriorate, the logical solution would be for school districts to concentrate more resources to improve the situation. However, this is not the case for most elementary and secondary institutions. School districts across the nation are dedicating a smaller percentage of available fund to maintaining and operating the facilities that house America’s youth. The study found that for four consecutive years, districts have allocated a smaller percentage of their expenditures to the maintenance and operations of their facilities. Although the nation’s school buildings continue to grow older and the physical conditions keep deteriorating, school districts continue to allocate a smaller percentage of expenditures to maintenance and operations of their facilities.”

A similar trend in General Fund spending on maintenance and operations expenditures appears to be evident within PCSD as well. Various analyses throughout the Facilities report serve to illustrate details of the breakdown in maintenance and operations spending, staffing, budgeting, and overall planning and management.

The peer city school districts used for comparative analysis are Alliance, Ironton and Steubenville. Unless otherwise noted, peer district averages do not include statistics for PCSD.

Table 4-2: Key Statistics and Indicators

Number of School Buildings In Use By PCSD	6 ¹
- Elementary Schools (4)	4
- Middle School (1)	1
- High School (1)	1
Total Square Feet Maintained	438,502
- Elementary Schools	199,919
- Middle School	60,930
- High School	177,653
Square Feet Per FTE Custodial Staff Member (18)	23,374
- Elementary School (10)	19,992
- Middle School (2)	30,465
- High School (6)	29,609
AS&U 30th Annual Cost Survey Region 5 Average	20,724
AS&U 30th Annual Cost Survey National Average	22,222
Peer District Average	22,452
Square Feet Per FTE Maintenance Employee (1)	438,502
AS&U 30th Annual Cost Survey Region 5 Average	119,163
AS&U 30th Annual Cost Survey National Average	82,349
Peer District Average	261,105
2000-01 Maintenance and Operations Expenditures Per Square Foot	\$4.00
- Custodial and Maintenance	\$3.25
- Utilities	\$0.75
AS&U 30th Annual Cost Survey Region 5 Average	\$3.99
AS&U 30th Annual Cost Survey National Average	\$3.57
Peer District Average	\$3.75
2000-01 Facilities Expenditures as a % of Total PCSD General Fund Expenditures	11.0%
AS&U 30th Annual Cost Survey Region 5 Average	8.6%
AS&U 30th Annual Cost Survey National Average	8.5%
Peer District Average	12.2%

Source: PCSD and peer districts; 2001 AS&U 30th Annual Maintenance & Operations Cost Survey

¹ PCSD owns a total of 8 school buildings. However, Lincoln Elementary is vacant and only minimally maintained, and the Portsmouth East Middle and High school building is currently leased to a community school and PCSD is not responsible for maintaining the facility. Therefore, these two buildings have been omitted from all analyses in this report, unless otherwise noted.

Financial Data

Maintenance and operations expenditures per square foot for PCSD are consistent with the AS&U Region 5 average and are slightly above the peer average. A likely cause for the difference could be the age of PCSD’s facilities which could drive up maintenance and operational expenditures. The General Fund is used to support the majority of the facilities operations. In addition, PCSD facilities are often used for various civic group events and activities. Revenues generated from these local and state sponsored activities are used to help support facilities operations expenditures associated with the use of the buildings, including maintenance and custodial staff set up, cleaning and heating the buildings, and transportation.

Tables 4-3 and Table 4-4 show maintenance and operations General Fund expenditures for FY 1999-00 and FY 2000-01 and the budgeted General Fund expenditures for FY 2001-02.

Table 4-3: Maintenance and Operations Expenditures: FY 1999-00 vs FY 2000-01

Accounts	FY 1999-2000 Total	FY 2000-2001 Total	Difference	Percentage Change
Salaries	\$749,243	\$688,693	(\$60,550)	(8.1)%
Benefits	\$298,686	\$326,568	\$27,882	9.3%
Purchased Services	\$196,076	\$276,620	\$80,544	41.1%
Utilities	\$267,854	\$329,454	\$61,600	23.0%
Supplies / Materials	\$95,314	\$62,152	(\$33,162)	(34.8)%
Capital Outlay	\$30,472	\$71,926	\$41,454	136.0%
Total	\$1,637,645	\$1,755,413	\$117,768	7.2%

Source: PCSD Treasurer’s Office

Table 4-4: Maintenance and Operations Expenditures: FY 2000-01 vs FY 2001-02

Accounts	FY 2000-01 Total	FY 2001-02 Budget	Difference	Percentage Change
Salaries	\$688,693	\$646,749	(\$41,944)	(6.1)%
Benefits	\$326,568	\$352,334	\$25,766	7.9%
Purchased Services	\$276,620	\$480,263	\$203,643	73.6%
Utilities	\$329,454	\$322,408	(\$7,046)	(2.1)%
Supplies / Materials	\$62,152	\$73,120	\$10,968	17.6%
Capital Outlay	\$71,926	\$18,500	(\$53,426)	(74.3)%
Total	\$1,755,413	\$1,893,374	\$104,820	6.0%

Source: PCSD Treasurer’s Office

¹ PCSD FY 2001-02 Budget Appropriations includes utilities costs for buildings no longer operating as part of PCSD (Highland Elementary and Portsmouth East Middle and High School) due to time delays in utilities invoices.

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

- *An 8.1 percent decrease in salaries from FY 1999-2000 to FY 2000-01 and an additional 6.1 percent decrease in salaries for the FY 2001-02 budget:* In FY 1999-00 and FY 2000-01, PCSD decreased the facilities support staff by 5.0 FTEs due to building closings.
- *A 9.3 percent increase in costs for benefits from FY 1999-2000 to FY 2000-01 and an additional benefits cost increase of 7.9 percent for the FY 2001-02 budget:* The actual cost for PCSD to purchase healthcare benefits for employees has risen sharply in recent years, which explains the increase in benefits expenditures even though the number of FTE employees decreased. Despite rising healthcare insurance costs, PCSD absorbs almost all of the premium costs. Most employees are paying little or none of the total monthly premium for their insurance coverage. (See the **human resources** section for further discussion.)
- *A 41.1 percent increase in purchased services from FY 1999-2000 to FY 2000-01 and an additional 73.9 percent increase for the FY 2001-02 budget:* The FY 1999-00 and FY 2000-01 increases were due in part to rentals of sump pumps and space heaters for modular units, substantial building repairs, the installation of an elevator in the high school and the relocation of the high school's library. Also, according to the Assistant Treasurer, in FY 2001 PCSD paid \$24,000 for rental a portion of the Scudder Building for use as an alternative classroom.
- *A 23.0 percent increase in utility costs from FY 1999-00 to FY 2000-01:* According to the Assistant Treasurer, the increase in utility costs was due to rising gas prices and the installation of modular/mobile classroom units at several elementary buildings.
- *A 34.8 percent decrease in supplies and materials from FY 1999-00 to 2000-01 and a 17.6 percent increase for the FY 2001-02 budget:* The fluctuation of supplies and materials expenditures is due to the closing of two buildings and the subsequent establishment of the Alternative School.
- *A 136.0 percent increase in capital outlay expenditures from FY 1999-00 to FY 2000-01 followed by a 74.3 percent decrease for FY 2001-02 capital outlay budget appropriations:* The sharp increase in capital outlay was due to the addition of central heating/cooling and carpeting for the high school central office, the purchase of an elevator, and moving the library to the first floor of the high school. PCSD also spent \$33,609 on the purchase and installation of a chairlift for handicapped students at McKinley.

Table 4-5 presents a comparison of the custodial operations and maintenance staff at PCSD and the peer districts. Since each district operates the custodial and maintenance departments differently,

the analysis includes all peer district staff members whose job functions are similar to those performed by facilities support staff at PCSD.

Table 4-5: Comparison of Facilities Divisions: Maintenance and Custodial Services

Size	Portsmouth	Alliance	Ironton	Steubenville
Number of Schools	6 ¹	9	5	7
Building Square Feet:				
Maintained by Custodians	438,502	577,186	291,415	513,211
Maintained by Maintenance	438,502	577,186	291,415	513,211

Position by FTE

Administration	1.85	1.2	0.32 ²	1.00
Maintenance	1.00	3.0	3.75	1.00
Custodians	18.00	29.0	13.18	20.25
Total	20.25	33.2	18.82	22.25

Comparison

Square Feet Per Custodial Staff	24,361	19,903	22,110	25,344
Square Feet. Per Maintenance Staff	438,502	192,395	77,711	513,211
Average Base Custodial Salary	\$25,643	\$27,205	\$21,432	\$24,738
Average Base Maintenance Salary	\$35,048	\$31,456	\$27,692	\$33,629

Characteristics

Average Age of School Buildings	78	70	53	53
Preventive Maintenance	Limited - no documented plan	no	no	yes
Use of Deregulated (Self-Help) Gas	yes	no ³	yes	yes
Use of Energy Savings Program	yes	no	yes	yes
Use of Temporary Employees or Outside Contractors	yes	yes	yes	yes
Weekend Inspections	no	conditionally ⁴	Limited ⁵	no

Sources: PCSD Director of Business Affairs, Executive Assistant, Treasurer, Superintendent; peer districts

¹ The figure excludes two district-owned buildings, Lincoln elementary and Portsmouth East Middle and High. These buildings are no longer operated nor maintained by PCSD. Lincoln is currently vacant, and the Portsmouth East Middle and High school is leased to the community school.

² The Ironton CSD facilities administrative staff consists of 1 maintenance supervisor who spends 25 percent of his time supervising the facilities support staff and the superintendent who spends approximately 7 percent of his time managing facilities-related activities.

³ Alliance CSD allows Anderson Corporation and Everflow Eastern to drill gas wells on school property under terms of an agreement for the purchase of natural gas.

⁴ Alliance CSD only conducts weekend inspections during severe winter weather.

⁵ Ironton CSD conducts weekend and late night inspections of buildings during winter months.

Performance Measures

The following performance measures were used to conduct the analysis of the PCSD's facilities operations:

- Assess current custodial and maintenance staffing levels;
- Analyze the cost effectiveness of facilities maintenance;
- Evaluate the use of staffing resources;
- Assess the effectiveness of current needs assessment and prioritization processes and procedures;
- Evaluate the adequacy of preventive maintenance program;
- Assess the effectiveness of long-range facilities planning;
- Evaluate the use of existing facilities;
- Evaluate the capacity needs for future facilities; and
- Assess the effectiveness of energy conservation and cost reduction efforts.

Findings / Commendations / Recommendations

Custodial Staffing and Operations

F4.1 The Director of Business Affairs position was created 12 years ago after the departure of the Heads of Transportation and Food Service. The Director of Business Affairs is responsible for managing custodial and maintenance operations, transportation, and the food service departments. According to the Director of Business Affairs, approximately 75 percent of his time is spent managing facilities operations which includes overall facilities maintenance and the preservation of the buildings and their contents. Additionally, the Director of Business Affairs prioritizes maintenance work order requests with the assistance of the facilities secretary and monitors the progress of their completion.

The job description for the Director of Business Affairs is outdated and does not reflect the knowledge, skills, and abilities required for the specific position and does not currently reflect the duties and tasks performed. The facilities secretary does not have a written job description which identifies her current tasks and responsibilities. However, a list of duties compiled by the secretary appear to overlap some of the duties and responsibilities of the Director of Business Affairs.

F4.2 Several custodial job descriptions have not been updated since August, 1997. While general custodial job responsibilities may not have changed, the decrease in staff and the reliance on custodians to provide maintenance services have changed the breadth of the responsibilities. The job descriptions for custodial staff contain specific performance responsibilities. The responsibilities include facility cleaning, building closing and opening, activity preparations and building maintenance. Specifically, the maintenance responsibilities for custodial staff include general day-to-day maintenance of buildings, as related to maintenance priorities, such as door closer repair, light replacements, bannister repair, minor wall repair, roof care, restroom maintenance and window replacement.

R4.1 All custodial job descriptions should be reviewed and updated. The job descriptions should be updated and responsibilities should be clearly defined. In addition, the job descriptions should contain the skills necessary for the position. Job descriptions should ideally be reviewed and updated in conjunction with performance evaluations. This review should also include the positions of business affairs director and facilities secretary, to reflect clearly defined roles and duties which appropriately describe the job.

F4.3 **Table 4-6** shows the average square footage per custodial employee in FY 2001-02 for PCSD, the peer districts, and the AS&U Region 5 average.

Table 4-6: FY 2001-02 Square Footage per Custodial FTE Employee

Portsmouth	24,361
Peer Districts:	
- Alliance	19,903
- Ironton	22,110
- Steubenville	25,344
Peer District Average	22,452
Difference	922
AS&U Region 5 Average	20,724
Difference	2,650

Sources: PCSD Business Office Facilities Secretary, Director of Business Affairs; Peer Districts

PCSD's custodial staff is responsible for maintaining 24,361 square feet, which is 1,909 square feet, or 9 percent, more than the peer district average and 3,637 square feet, or 18 percent more than the AS&U Region 5 average. Square footage cleaned per custodial employee is an important measure of efficiency in custodial operations. When assessing custodial efficiency based on square footage per custodian, it is important to take into consideration factors such as building age, size, configuration, use, types of floor coverings and their required care. PCSD's buildings are old and in poor condition. As a result, special consideration needs to be given to the cleaning agents and equipment used for cleaning and general building care. Some tasks, such as cleaning loosening floor tiles in Wilson Elementary which contain asbestos, take longer to complete. However, the increased cleaning time experienced in some of PCSD's older buildings is offset by the declining student population and the increasing amount of unused space.

The burden on the custodial cleaning staff is further reduced by PCSD's decision to use a minimal amount of carpeting in its facilities. Carpet usage is limited mainly to office areas. Instead, terrazzo and tile floor coverings are used, which are easier to clean and take less time to maintain. Custodial staffs maintaining smaller amounts of square footage per custodian tend to be less efficient and can draw scarce resources away from the educational process. Based on the information contained in **Table 4-6**, it appears the custodial staffing levels in PCSD are appropriate.

F4.4 **Table 4-7a** compares PCSD's school facilities and cleaning staff to the peer districts.

Table 4-7a: FY 2001-02 Comparison of School Facilities and Cleaning Staff (FTEs)

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average	Difference Between PCSD and Peer Average
Elementary School Buildings	4	6	3	5		
Total Square Footage	199,919	218,645	69,886	154,700		
Number of Custodians	10	12	3.30	9		
Square Footage Per Custodian	19,992	18,220	21,178	17,189	18,862	1,130
Middle School Buildings	1	2	1	1		
Total Square Footage	60,930	124,078	55,706	99,129		
Number of Custodians	2	8	3.15	3.75		
Square Footage per Custodian	30,465	15,510	17,684	26,434	19,876	10,589
High School Buildings	1	1	1	1		
Total Square Footage	177,653	234,463	165,823	259,382		
Number of Custodians	6	9	6.73	7.5		
Square Footage per Custodian	29,609	26,051	24,639	34,584	28,425	1,184
All School Buildings						
Total Square Footage	438,502	577,186	291,415	513,211		
Total Custodial Staff	18	29	13.18	20.25		
Square Footage per Custodian	24,361	19,903	22,110	25,344	22,452	1,909

Source: PCSD Director of Business Affairs; facilities secretary; peer district custodial supervisors

When comparing PCSD’s custodial square foot averages solely to the industry standards and peer averages, it appears that PCSD may be understaffed at the middle and high school. However, as **Table 4-16** illustrates, the student population at PCSD has declined every year for the last 10 years. As a result, both the middle and high school buildings are operating at 48 and 71 percent capacity, respectively, as shown in **Table 4-18**. When these additional factors are taken into consideration, it appears that PCSD’s current custodial staffing level could be reduced, even though square footage analysis indicates appropriate custodial staffing levels. Unused space requires minimal custodial services. In addition, the time requirement to maintain unused space is significantly less than the effort required to provide custodial services to space used on a daily basis. **Table 4-7b** shows a comparison of custodial staffing patterns per 1,000 students for PCSD and the peer average which was taken from **Table 3.2** in the **human resources** section of this report.

**Table 4-7b: Portsmouth Staffing Patterns Compared to Peer Average
(FTE per 1,000 students enrolled)**

	Portsmouth CSD FY 2000-01	Portsmouth CSD FY 2001-02	Peer Average FY 2000-01
ADM	2,677	2,138	2,596
Custodial Staff per 1,000 Students	7.8	9.4	7.3

Source: EMIS reports

The staffing level indicated by PCSD adopting the peer average level of support per 1,000 students would be 16 staff.

R4.2 PCSD should reduce the custodial staffing level by two custodial FTEs to 16 custodians. With the reallocation of one custodian to maintenance responsibilities (see **F4.5** and **R4.3**), the reduction of one custodial position would bring the staffing ratios in line with the peer average.

Financial Implication: The reduction of one custodial staff position would provide an approximate annual savings in salary and benefits of \$39,000.

F4.5 In November 2001, the citizens of Portsmouth passed an \$11.5 million bond issue allowing the District to participate in the Ohio School Facilities Commission's Classroom Facilities Assistance Program. Five new schools will be constructed; three elementary schools, one middle school and one high school. **Table 4-8** compares PCSD's current square footage per custodian to the square footage per custodian after the proposed construction of the five new schools and the AS&U Region 5 average.

Table 4-8: PCSD Custodial Staffing Level Comparison

Type of School Building	Current Staffing Level	Staffing Levels After OSFC Planned Construction	Difference Between Planned and Current Square Footage per Custodian
Elementary School Buildings	4	3	
Total Square Footage	199,919	205,255	
Number of FTE Custodians	10	10	
Square Footage Per Custodian	19,992	20,526	534
Middle School Buildings	1	1	
Total Square Footage	60,930	55,870	
Number of FTE Custodians	2	2	
Square Footage per Custodian	30,465	27,935	(2,530)
High School Buildings	1	1	
Total Square Footage	177,653	129,759	
Number of FTE Custodians	6	6	
Square Footage per Custodian	29,609	21,627	(7,982)
All School Buildings			
Total Square Footage	438,502	390,884	
Total FTE Custodial Staff	18	18	
Square Footage per Custodian	24,361	21,716	(2,645)

Source: PCSD Business Office, OSFC’s 06/01 revised PCSD Master Plan

Based on the information in **Table 4-8**, if the 5 schools are constructed according to OSFC’s master plan, PCSD will not need to increase its custodial staffing levels. The square footage per custodian would decrease by approximately 8 percent at the middle school and 27 percent at the high school.

R4.3 Prior to the new buildings coming on-line, PCSD should adopt a custodial staffing methodology in order to ensure the new buildings are staffed appropriately. The methodology adopted should take into consideration the building’s configuration, the size and age of the student population, as well as cleaning schedules and the frequency certain tasks are to be performed. The Director of Business Affairs should work in cooperation with the building principals to develop work assignments for each custodian which detail areas of responsibility and how often each task should be performed.

Based on the information in **Table 4-7a**, **Table 4-8** and **R4.2**, PCSD may be able to reduce 1 FTE custodial position and reallocate the position to maintenance staff. After the new buildings are constructed, it is essential that PCSD performs routine maintenance to keep the buildings functioning at peak efficiency.

F4.6 **Table 4-9** shows the average base salary for the custodians in PCSD and its peers, according to The Ohio Department of Education’s EMIS FY2000-01 Staff Summary Reports for FY 2000-01.

Table 4-9: FY 2000-01 Custodial Average Base Salaries

	FY 2000-01 Average Base Salary
Custodian	\$25,643
Peer Districts:	
- Alliance	\$27,205
- Ironton	\$21,432
- Steubenville	\$26,289
Peer District Average	\$24,975
Difference	\$668
AS&U Region 5 Average	\$25,578
Difference	\$65

Sources: ODE EMIS staff demographic reports; AS&U 30th Annual M&O Study

The average base salary for PCSD’s custodians is \$668, or approximately 2.7 percent, higher than the peer district average and is \$65, or less than 0.5 percent, higher than the AS&U Region 5 average. Wages in excess of peer or regional averages can indicate the potential of overcompensation. Based on the figures in **Table 4-9**, PCSD’s custodial compensation is comparable to the peer districts as well as the AS&U Region 5 average.

F4.7 In FY 2000-01, PCSD spent a total of \$646,233 on custodial salaries (**Table 4-4**). Of that amount, \$76,280, or 11.8 percent, was spent on overtime. Overtime is usually incurred for one of six reasons: an absence, a building rental, an emergency repair, an evening or weekend scheduled event, for snow removal or a weekend building check.

Monthly, each building is required to document why overtime has been incurred. **Table 4-10** and **Table 4-11** were developed using the overtime records submitted to the Business Office. **Table 4-10** details by building how much custodial overtime was incurred in FY 2000-01 and for what purpose. **Table 4-11** examines total custodial overtime usage by activity.

Table 4-10: FY 2000-01 Total Custodial Overtime Usage By Building

Building	Absentee	Building Rental	Emergency Repair	Evening/Weekend Scheduled Event	Snow Removal	Weekend Building Check	Total	Percent of Total
Portsmouth High	503.5	97.5	24.0	782.5	23.5	87.0	1,518.0	25.4%
Portsmouth East Middle/High	834.0	176.5	46.0	128.0	0.0	23.0	1,207.5	20.2%
Wilson Elementary	738.5	20.5	0.0	13.5	0.0	19.0	791.5	13.2%
McKinley Elementary	496.5	22.0	9.5	1.5	8.0	13.0	550.0	9.2%
Roosevelt Elementary	429.0	18.0	0.0	17.5	16.0	31.0	511.5	8.6%
Harding Elementary	415.5	0.0	0.0	11.0	16.0	47.0	489.5	8.2%
Grant Middle	271.5	45.0	48.0	53.5	18.0	47.5	483.5	8.1%
Spartan Stadium	0.0	83.5	0.0	267.5	0.0	0.0	351.0	5.9%
Lincoln Elementary	8.0	0.0	4.0	0.0	8.0	42.0	62.0	1.0%
Highland Elementary	4.0	0.0	0.0	0.0	8.0	0.0	12.0	0.2%
Total	3,700.5	463.0	131.5	1,275.0	97.5	309.5	5,977.0	100.0%

Source: PCSD Business Office

Portsmouth High School has the greatest custodial overtime usage within the District. The majority of the overtime hours (51.5 percent) was due to evening and weekend scheduled events. Portsmouth East Middle and High School experienced the second greatest number of overtime hours in the District. However, District operations in this building have ceased and it has been leased to the Sciotoville Community School. **Table 4-11** presents total custodial overtime usage by activity.

Table 4-11: FY 2000-01 Total Custodial Overtime Usage By Activity

Activity	Total Hours Usage	Percentage of Total
Absentee	3,700.5	61.9%
Evening/Weekend Scheduled Event	1,275.0	21.3%
Building Rental	463.0	7.8%
Weekend Building Inspection	309.5	5.2%
Emergency Repair	131.5	2.2%
Snow Removal	97.5	1.6%
Total	5,977.0	100.0%

Source: PCSD Business Office

Overall, absenteeism is the cause for approximately 62 percent of the custodial overtime paid in FY 2000-01. Additional assessments concerning absenteeism are presented in the **human resources** section.

PCSD only incurred approximately \$27,000 in custodial substitute costs for FY 2000-01 and has only four substitutes available for callout. According to District officials, PCSD has had difficulties qualifying potential substitutes through the Civil Service Commission’s testing procedures because of the lack of interest in the community for part-time employment. In addition, the Civil Service Commission does not have a current applicant list.

R4.4 PCSD should increase the use of custodial substitutes to fill shift vacancies. Several steps must be taken to accomplish this recommendation.

- PCSD should increase the custodial substitute pool by informing the public, local employment agencies, and the State Department of Jobs and Family Services of the need for custodial substitutes.
- PCSD should also urge the Civil Service Commission to test and establish a current list of qualified applicants.

Financial Implication: PCSD could save (net) \$31,350 in costs, based on average custodial salaries and FY 2000-01 overtime usage, if custodial substitutes were used for absentee hours. Substitute wages were assumed to be at the Custodial I, level three category of \$10.02 per hour.

F4.8 Approximately 21 percent of the custodial overtime costs were attributed to evening and weekend scheduled events. These events include athletic practices/events, District

sponsored group meetings, and academic/music events. PCSD does have custodial support regularly scheduled in the evenings. However, some events are scheduled at times when no regularly scheduled staff are available.

R4.5 PCSD should review the current custodial schedules to ensure that the most effective and efficient coverage is attained. Areas that should be reviewed include evening shifts, weekend coverage and all start/end times for custodians. PCSD should also consider whether appropriate communication of extra-curricular event schedules is occurring.

F4.9 PCSD does not appear to be recovering all of the labor costs associated with facilities' rental. According to the PCSD Treasurer, a total of \$6,152.33 was reimbursed to the General Revenue Fund (GRF) for various school activities and other non-school related events requiring maintenance and custodial support. An estimate of the cost of the hours attributed to building rental, based on an average overtime rate of \$18.50, is approximately \$8,566.

R4.6 PCSD should maximize the fees for use of district facilities. Fees should be set at a level to capture the total labor costs incurred for the rental. Building rental guidelines and fee structures should be clearly outlined and enforced as a means of further offsetting maintenance and custodial staffing costs associated with each activity. The treasurer's office should closely track receivables from building rentals and should distribute monthly accounting reports showing actual revenues and expenditures to budgeted amounts so that supervisors can monitor overtime usage.

Maintenance Staffing and Compensation

F4.10 Currently, PCSD employs one full-time maintenance employee, the head of maintenance, who is based out of the high school building. The head of maintenance is responsible for completing maintenance and repairs in all of PCSD's buildings. The custodial staff performs a limited number of maintenance tasks and provides the head of maintenance with assistance in the completion of larger repairs. Examples of maintenance tasks that have been contracted out include HVAC unit replacements, significant boiler repairs and electrical system improvements.

F4.11 **Table 4-12** shows the square footage the head of maintenance is responsible for in PCSD, the average square footage per FTE maintenance employee in the peer districts, and the AS&U Region 5 average.

Table 4-12: FY 2001-02 Square Footage per Maintenance Employee

Portsmouth	438,502
Peer Districts:	
- Alliance	192,395
- Ironton	77,711
- Steubenville	513,211
Average for Peer Districts	260,106
Difference	178,235
AS&U Region 5 Average	119,163
Difference	319,339

Sources: PCSD Superintendent’s office, EMIS staff demographic reports; peer districts; AS&U 30th Annual Maintenance and Operations Cost Survey

The lack of maintenance staff has increased the amount of deferred maintenance in PCSD which has contributed to the poor building conditions found in PCSD.

R4.7 The Director of Business Affairs should meet with the building principals, the head custodians, and the head of maintenance to clearly define which maintenance and repair tasks the custodians should be performing on a regular basis and which tasks should be completed by the head of maintenance. This action could reduce some of the head of maintenance’s workload while identifying who should be responsible for completing which tasks. In addition, PCSD should determine which types of repairs should be contracted out and which ones can be performed in-house, using staff expertise and cost effectiveness as factors in the decision. In addition, the reallocation of one custodial position to maintenance as recommended in **R4.3**, would help ensure that maintenance and preventive maintenance tasks are completed.

F4.12 The work order system at PCSD is a manual process. Building staff complete and submit work order forms to the building principal. This form is then forwarded to the business office for prioritization and assignment to the maintenance person, the custodial staff, or to an outside vendor. The forms are then filed. When the task is completed, the files are updated. Periodically, the file is checked to see if there are outstanding requests. The requests are not tracked on a computer system. In addition, hours spent on the maintenance task, parts, and supplies are not documented on the form.

PCSD administrators can make more effective decisions by tracking work orders, materials use figures, personnel performance and productivity data. Such a process will enable PCSD to track the status of outstanding work orders, monitor open work orders, forecast workload and staffing needs, and analyze the cost to do the work.

R4.8 PCSD should develop and implement a work order process that provides for electronic tracking of requests and related task information. This information is useful for budget planning. By monitoring outstanding work orders, the department will be better able to keep school officials advised of their status. The process should be used to track material and labor costs and the actual time used to complete a work order to better monitor the staff's productivity. Timely and accurate cost data and time-to-complete information will result in better resource allocation decisions leading to more effective and efficient use of time.

F4.13 PCSD has experienced recent breakdowns in communication between the Superintendent's office staff, Principals, and Business Office staff, regarding the policies and procedures for the handling of maintenance work order requests. This has led to a delay or failure to process work order requests in a timely fashion. Any work order request form which is subject to additional handling among various staff opens the opportunity for loss or delay in proper processing.

For health and safety reasons, there is a degree of urgency in how maintenance work order requests are processed. The Director of Business Affairs is accountable to the Superintendent regarding completion of work orders. The facilities support secretary drafted a memo to be distributed to all site-based managers and office staff reminding them of the process for submission of maintenance work orders for the purpose of fulfilling each order according to priority. The process involves faxing the specific work order directly to the Business Office to the attention of the facilities secretary, followed by mailing the written order to the Business Office via inter-office mail. No other persons should intercede in the transmission process.

R4.9 PCSD should develop and implement a formal coordination and communication process between the Business Office, the site-based manager (principal), and the head custodian at each building. The plan should include the following:

- Periodic site visits by the Business Director to discuss work quality and other issues with the site-based manager and/or head custodian;
- Notification process both to and from the site-based manager for scheduling of facilities maintenance - this would include completion and submission of work order request forms and prior notification of scheduled work order fulfillment; and
- Input from each facility in prioritizing its site projects.

Improved communication of work order requests will increase the efficiency and timeliness of needed repairs and maintenance.

F4.14 **Table 4-13** shows the base salary for PCSD’s head of maintenance in FY 2000-01 and compares it to the average maintenance salary in the peer districts as well as the AS&U Region 5 average base salary.

Table 4-13: Maintenance Staff Average Base Salaries

	FY 2000-01 Average Base Salary
PCSD	\$35,048
Peer Districts:	
Alliance	\$31,456
Ironton	\$27,692
Steubenville	\$33,629
Peer District Average	\$30,926
Difference	\$4,122
AS&U Region 5 Average	\$32,750
Difference	\$1,294

Sources: PCSD’s Treasurer’s Office, salary schedules; peer districts

The maintenance staff average base salary at PCSD is 13.3 percent greater than the peer district average and 4 percent greater than the AS&U Region 5 average. However, the difference appears to be due to the compensation level paid to the senior and experienced maintenance worker.

Contractual Issues

F4.15 **Table 4-14** compares some of WLSD’s current contract provisions and practices to the peer districts’ in areas which can impact operational efficiency and expenditures. Contractual issues have the potential to increase costs through inefficient or overly generous employment practices. The review of contractual issues shown in **Table 4-14** highlights contractual provisions that have the potential to increase a school district’s costs.

Table 4-14: Comparison of Contractual Issues

Issue	Portsmouth	Alliance	Ironton	Steubenville
Length of Scheduled Work Day	8.5 hours: 30 minute unpaid lunch	8.5 hours: 30 minute unpaid lunch	8 hours: (2) 15 minute breaks and 30 minute paid lunch	8 hours: 30 minute unpaid lunch
Actual Work Time	8 hours	8 hours	7 hours	Contract is silent
Staffing Level Determination	District needs	District needs	District needs	District needs
Calamity Day Work Requirement	Yes	Yes	Contract is silent	Contract is silent
Compensation for Working on a Calamity Day	Paid at appropriate rate (i.e. overtime=time+half, holiday = double time)	Minimum of 3 hours After 6 a.m. may claim 1 additional hr./straight time regular rate for hrs. worked	Overtime pay if over regular 40 hours	Contract is silent
Use of Custodial Substitutes	Yes	Contract is silent	Contract is silent	Yes
Minimum Call-in Pay	Minimum 3 hours Emergency = double time	Minimum 1 hour at overtime rate	Contract is silent	Contract is silent
Evaluation Frequency	Annual written reviews	Contract is silent	None performed	Evaluations performed by principals/teachers on annual basis
Basis for Promotion	Qualifications based	Qualifications based	Contract is silent	Contract is silent
Ability to Subcontract	Limited	Contract is silent	Contract is silent	Yes

Source: PCSD Superintendent’s office and peer districts

F4.16 The Director of Business Affairs, with input from the principals, is responsible for evaluating custodial employees at PCSD on an annual basis. Annual evaluations are an important vehicle for feedback on the achievement of job tasks and organizational goals. At PCSD, evaluations are completed in June or as near that time as possible. Overall review of job duties and any necessary updates to job descriptions can also be effectively accomplished through the evaluation process. However, PCSD’s evaluation instrument is a one page sheet that covers general areas of competency and does not pertain specifically to custodial and maintenance duties.

R4.10 PCSD should review the current personnel evaluation form and revise the form to show specific evaluation competencies that relate to the position being evaluated. The evaluation process should help employees work toward attainment of specific goals and objectives. Through the evaluation process, employees should be informed of strengths, weaknesses and progress in improving performance. Evaluations should serve the following purposes:

- to ensure employees receive clear feedback on areas for improvement and to surface and document disciplinary or attendance problems;
- to provide evidence about the quality of the employee’s performance;
- to improve efficiency and effectiveness of the employees in carrying out the tasks described in the job description;
- to improve employee morale; and
- and to monitor employee success and progress.

In addition, the evaluation form should include a summarization of the weekly inspections and “Custodial Weekly Report” that pertains to the employee being evaluated. The weekly documents may indicate areas of needed improvement or areas of commendation.

F4.17 During the 2000-01 school year, PCSD used one calamity day. Classified staff required to work on a calamity day receive their regular rate of pay plus compensatory time with pay for use at a later date. Ohio Revised Code (ORC) section 3317.01 allows the state superintendent of public instruction to waive the section’s 180 school day requirement for up to five calamity days for teaching and non-essential employees. Calamity days are defined as days on which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the district. Any calamity days in excess of the five must be made up by the district, and the teaching and non-essential employees are not provided with any additional compensation. The ORC does not provide for calamity days for essential or 12-month employees. Currently, PCSD provides calamity day compensation for all employees. The rate of compensation provided to PCSD’s classified staff for working on a calamity day is in excess of ORC minimum requirements, and unnecessarily increases PCSD’s facilities operational expenditures when a calamity day occurs.

R4.11 PCSD should establish a policy which defines essential employees, including administrators, custodial and maintenance workers, exempt 12-month employees, and any other personnel necessary to prepare the District to re-open following a calamity day.

During the next round of contract negotiations, PCSD should attempt to renegotiate the calamity day work requirements and compensation rates. According to ORC §3319.081, PCSD is not required to pay the facilities support staff any additional compensation for working on a calamity day. Based on the current custodial and maintenance staffing levels, each calamity day declared could cost PCSD approximately \$2,800 in compensatory time costs.

PCSD should negotiate to discontinue the practice of granting compensatory time in addition to their regular pay for classified employees required to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- A compensatory day;
- A sick leave day, if ill;
- A vacation day;
- A personal leave day; or
- A day without pay.

See the **human resources** section of this report for a more detailed discussion on PCSD's calamity day policy and the related financial implications.

Facilities Planning and Management

F4.18 In PCSD, the average age of the school buildings is 78 years, and the buildings are in a poor state of repair. The electrical wiring found in most of the buildings is outdated, presents a significant challenge to the maintenance department, and raises safety concerns. The deterioration of the buildings has advanced so far that it can be alleviated only by the construction of new facilities.

The citizens of Portsmouth recognized the need for new school buildings and passed an \$11.5 million bond issue in November 2001, making PCSD eligible for the OSFC Classroom Facilities Assistance Program. In addition to the \$11.5 million, the State of Ohio will contribute approximately \$52.6 million toward the construction of five new schools buildings: three elementary, one middle, and one high. After the five buildings are constructed, PCSD's total square footage will decrease by 47,618 square feet, from 438,502 to 390,884 square feet.

F4.19 PCSD does not have a comprehensive facilities maintenance plan (FMP). A typical FMP contains historical information about demographics and community characteristics; educational programs, goals, and practices; enrollment projections; facility evaluations and capital improvement needs; capacity and space utilization analyses; an implementation plan and budget which includes funding sources; and an evaluation process.

The development of a comprehensive facilities maintenance plan (FMP) provides facilities support staff with a clearer, more detailed plan for deploying its limited resources. Administrators can also use the document to communicate funding requirements to the Board and voters. In addition, a comprehensive FMP can be used to provide a continuous basis for planning educational facilities that will meet the changing needs of the community and can assist PCSD in making more effective decisions regarding the allocation of limited resources to achieve its goals and objectives. A comprehensive FMP also may be used for the following:

- Determine the appropriate number of schools required to serve both current and future student populations;

- Estimate the funding needed for repairs, renovations, and new construction;
- Document the need for school closings and consolidations;
- Justify buying and selling properties; and
- Develop cost-effective alternative uses for existing facilities.

The lack of a comprehensive FMP hinders PCSD's ability to prioritize major renovations and maintenance activities and also hinders its ability to perform long-range financial planning and budgeting for facility renovations and maintenance needs. The FMP is also important in light of PCSD's new building construction plans, to make sure preventive maintenance issues are addressed.

R4.12 PCSD should develop a comprehensive FMP to be enacted in conjunction with the new facilities. When developing the plan, PCSD should obtain input from a variety of sources including OSFC, design professionals, community groups, business representatives, parents, teachers, administrators and students. The plan should be updated on a regular basis and adjusted for factors, such as housing starts and shifts in employment, that could impact PCSD.

F4.20 Revenue from the General Fund is used to support the maintenance and operation of PCSD's facilities. As shown in **Table 4-4**, the General Fund provided \$1,745,668 in FY 2000-01 to pay for custodial and maintenance employee salaries and benefits, supplies and materials, purchased services, utilities, and capital outlay. **Table 4-15** illustrates PCSD's and the peer districts' FY 2000-01 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

Table 4-15: FY 2000-01 General Fund M&O Expenditures per Square Foot

Expenditure	Portsmouth	Alliance	Ironton	Steubenville	Peer Average	AS&U Region 5 Average
Custodial and Maintenance Salaries and Benefits	\$2.32	\$2.64	\$2.24	\$1.57	\$2.15	\$1.76
Purchased Services	\$0.63	\$0.22	\$0.43	\$0.23	\$0.29	\$0.67
Utilities	\$0.75	\$1.24	\$0.75	\$0.95	\$0.98	\$1.07
Supplies / Materials	\$0.14	\$0.15	\$0.44	\$0.21	\$0.27	\$0.29
Capital Outlay	\$0.16	\$0.14	\$0.02	\$0.01	\$0.06	N/A
Total M&O Expenditures	\$4.00	\$4.40	\$3.89	\$2.97	\$3.75	\$3.79
Total M&O Budget as % of District Budget	11.2%	12.3%	12.3%	11.9%	12.2%	9.2%

Sources: PCSD Treasurer’s Office; peer districts; AS&U 30th Annual Maintenance & Operations Cost Study

In FY 2000-01, PCSD spent \$4.00 per square foot on maintenance and operation expenditures. Only Alliance City School District spent more per square foot (\$4.40). However, PCSD’s total maintenance and operation expenditures as a percentage of total General Fund expenditures was approximately 11 percent, which is about one percent less than all of the peers but about two percent more than the AS&U Region 5 average. Explanations for variances may primarily be attributed to high equipment and building repair costs at PCSD due to the age of the facilities. Other capital outlay expenditures for PCSD have been due to recent installation of an elevator and other equipment to assist handicapped students.

F4.21 **Table 4-16** shows the ten year enrollment history for PCSD. The enrollment data in the table shows all students enrolled in PCSD including approximately 27 pre-kindergarten (PK) students.

Table 4-16: PCSD’s 10-Year Enrollment History

School Year	Enrollment	Percent of Change From the Previous Year
2001-2002	2,736	N/A
2000-2001	2,918	(6.24)%
1999-2000	3,059	(4.61)%
1998-1999	3,180	(3.81)%
1997-1998	3,311	(3.96)%
1996-1997	3,406	(2.79)%
1995-1996	3,466	(1.73)%
1994-1995	3,751	(7.60)%
1993-1994	3,882	(3.37)%
1992-1993	3,989	(2.68)%
1991-1992	4,070	(1.99)%

Source: PCSD Superintendent’s Office, CAFR report

In the last ten years, PCSD’s student population has been in a gradual decline which has resulted in a total decrease of 1,334 students. The decrease has been due to various factors including open enrollment and the recent separation of Portsmouth East High School from the district to operate as a community school. PCSD has closed two schools, Lincoln and Highland Elementary Schools, due to decreasing enrollment.

- F4.22 PCSD has developed student enrollment projections based on estimates from ODE to track trends in enrollment. Enrollment projections are essential for determining the appropriate number of school buildings needed and are necessary for estimating future staffing needs, projecting state funding, and developing five-year financial forecasts. (See the **financial section** of the report for details regarding PCSD’s financial forecasts.)
- F4.23 ODE prepares enrollment projections for each school district in the state. These projections are developed using data which has been submitted by Ohio School districts. **Table 4-17** contains ODE’s 10-year enrollment projections for PCSD.

Table 4-17: ODE’s 10-Year Enrollment Projection

School Year	Projection	Percent of Change From the Previous Year
2001-2002	2,736	
2002-2003	2,675	(2.23)%
2003-2004	2,536	(5.20)%
2004-2005	2,499	(1.46)%
2005-2006	2,414	(3.40)%
2006-2007	2,324	(3.73)%
2007-2008	2,280	(1.89)%
2008-2009	2,209	(3.11)%
2009-2010	2,165	(1.99)%
2010-2011	2,111	(2.49)%

Source: ODE’s Division of Information Management Service

ODE is projecting PCSD’s enrollment to decrease by 22.8 percent, over the next ten years. The trend in declining enrollment has been taken into consideration in calculating capacity needs in the new buildings. Declining enrollment signals a decreasing need for space which has been reflected in OSFC’s Master Plan for the construction of the new buildings. PCSD is currently functioning under capacity.

R4.13 PCSD should incorporate use of enrollment projections as part of the recommended comprehensive FMP and five-year financial forecast. The methodology adopted to project enrollments should include live birth data, historical enrollment and grade-to-grade survival ratios. Enrollment projections should be produced annually to increase the utility of the data. PCSD should use the enrollment projections to help determine the amount of state funding it will receive in the future to aid in the completion of financial forecasts, to determine the appropriate number of teachers to hire, and to evaluate building usage and capacity.

F4.24 **Table 4-18** presents a capacity analysis for each of PCSD’s school buildings. The capacity analysis was developed using a standard methodology often employed by educational planners and other school districts.

Table 4-18: Current School Building Capacity Analysis Including the Pod Unit Classrooms

School	Year Built	Building Capacity	2000-01 Headcount	Over/(Under) Capacity	Percent of Utilization
McKinley Elementary School	1916	427	328	(99)	76.8%
Roosevelt Elementary School	1929	258	267	9	103.5%
Wilson Elementary School	1926	522	381	(141)	73.0%
Harding Elementary School	1929	425	365	(60)	85.9%
U.S. Grant Middle School	1930	403	195	(208)	48.4%
Portsmouth High School	1912	765	543	(222)	71.0%
Total		2,800	2,079	(721)	74.3%

Sources: PCSD superintendent’s office; EMIS reports

The methodology used to determine capacity is as follows:

- The capacity for the elementary school buildings was calculated by multiplying the number of regular classrooms by 25 students and the number of special education classrooms by 10 students.
- The capacity in the middle and high schools is calculated by multiplying the number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor.
- Classrooms used for music, art, and computer labs are excluded from the number of rooms used in the calculation.

As **Table 4-18** indicates, the only school operating above capacity is Roosevelt Elementary (103.5 percent). Other schools are operating below capacity. PCSD is currently operating at 74.3 percent of its total capacity.

R4.14 Considering PCSD’s current financial condition, the District should assess its current capacity needs. The assessment should review vacant classroom and building space and current class sizes. In classes with low class size, PCSD should combine classes to further identify idle space. The assessment should help identify opportunities to close additional buildings or sections of buildings. Cleaning, maintenance and potentially some utilities costs for the idle space could be avoided.

F4.25 **Table 4-19** shows the effect of the five new district buildings on the capacity of the elementary/ middle and high school buildings.

Table 4-19: Comparison of Projected Enrollment and Future Building Capacity

Building	2005-06 Projected Enrollment	Future Building Capacity	Over/(Under) Capacity	Utilization Rate
Elementary School #1	NA ¹	355	NA ¹	NA ¹
Elementary School #2	NA ¹	755	NA ¹	NA ¹
Elementary School #3	NA ¹	586	NA ¹	NA ¹
Elementary Total	1,472	1,696	224	86.8%
Middle School	314	370	56	84.9%
High School	628	777	149	80.8%
Total	2,414	2,843	429	84.9%

Source: PCSD superintendent’s office; ODE enrollment projections

¹ PCSD did not project enrollment for individual elementary school buildings, only for elementary students in total.

If projected enrollment in 2005-06 is achieved, PCSD will experience an 84.9 percent utilization rate. This rate would indicate that PCSD will effectively use the new facilities. Head counts for PCSD are generally lower than enrollment projections because of open enrollment and the new community school within the District. The significance of this decrease will depend on the extent to which new schools draw students back from other open enrollment districts and the community school.

Energy Management

F4.26 PCSD does participate in a discounted utility program. However, PCSD has not studied the potential savings available through the use of an energy services company. PCSD has entered into an agreement with Stand Energy Corporation for the purchase of natural gas. According to the Director of Business Affairs, PCSD saves approximately \$10,000 per year through the purchase agreement.

Energy service companies develop, install, and finance projects designed to improve the energy efficiency and maintenance costs for facilities over a 7 to 10 year time period. The company acts as a developer for a wide range of tasks and assumes the technical and performance risk associated with the project. Energy service companies typically offer the following services:

- Development, design, and financing of energy efficiency projects;
- Installation and maintenance of energy efficient equipment involved;
- Measuring, monitoring and verifying the project’s energy savings; and
- Assuming the risk that the project will save the amount of energy guaranteed.

These services are bundled into the project's cost and are repaid through the dollar savings generated. The projects are comprehensive and employ a variety of methods to achieve energy savings.

R4.15 PCSD should review the current agreement and prepare for anticipated changes in utility needs within the new buildings. Based upon the construction schedule and progress, PCSD should adjust agreement options as needed. In addition, PCSD should consider the benefits an energy services company may bring to the construction of the new school buildings. By planning early in the construction process, additional cost savings may be recognized when the buildings come on-line.

Financial Implications Summary

The following table summarizes the quantifiable annual cost savings PCSD could realize should the recommendations in this section of the reports be implemented.

Facilities Financial Implications Summary

Recommendation	Annual Cost Savings
R4.2 Reduction of one custodial position	\$39,000
R4.4 Increased use of custodial substitutes	\$31,350
Total	\$70,350

Conclusion Statement

The facilities at PCSD are clean and appear to be in a state of good repair given the poor condition and age of the buildings. PCSD was approved for an OSFC grant to construct five new buildings (three elementary schools, one middle school, and one high school), to be completed over the next five years. The public overwhelmingly passed a levy in November 2001 in support of the school building project.

PCSD's maintenance and operating expenditures are \$4.00 per square foot, which is higher than the peer districts' and the American School and University's (AS&U) Region 5 costs. Cost drivers for PCSD include higher than average salary and benefit costs which result from the high medical benefit cost incurred. The custodial staff at PCSD is currently responsible for maintaining an average of 24,361 square feet per custodian, which is higher than all the peer districts and almost 17.5 percent more than the American School and University Region (AS&U) 5 average. PCSD could reduce its facilities operating expenditures by sharply reducing overtime, maximizing fees for district building uses and accurately recording reimbursements to the 2700 function of the General Fund.

Capacity analysis shows that PCSD's current custodial staff will be able to support the five new buildings. PCSD should also be able to reduce one custodial position and reallocate staff to better cover the new buildings while approaching the peer and AS&U averages. With the new buildings and the reallocation of one custodial position to maintenance responsibilities, the maintenance staff will be better able to meet the work order demands in a timely and efficient manner.

PCSD should develop a formalized preventive maintenance program for the new facilities. An effective preventive maintenance program can decrease energy consumption, reduce maintenance and capital expenditures, and improve worker productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies.

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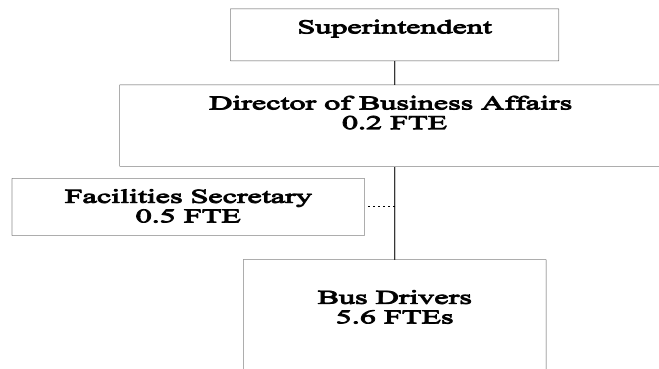
Transportation

Background

Organization Chart

Chart 5-1 provides an overview of the organizational structure and staffing levels for the Portsmouth City School District (PCSD) transportation department. Positions are shown in full-time equivalents (FTEs).

Chart 5-1: Transportation Organization and Staffing



Organization Function

The primary responsibility of PCSD’s transportation department is to provide a safe, efficient and economical method of getting students to and from school in a way that serves the best educational interests of the students. The director of business affairs (director) at PCSD is in charge of transportation, facilities and food service. The director reports to the superintendent and has supervisory responsibilities over the head of maintenance, custodians (see **facilities** section), cafeteria manager and the bus drivers. Since PCSD does not have a transportation supervisor, the director is assisted by the facilities secretary who divides time between transportation, custodial and maintenance responsibilities. The superintendent and treasurer each spend a minimal amount of time on transportation-related issues on an as-needed basis.

Summary of Operations

In FY 2000-01, PCSD operated its own fleet of seven active and five spare buses to provide transportation to its regular and special needs students, public, non-public and charter schools. Six of the active buses were used for the regular needs transportation program while the remaining bus was dedicated to special needs transportation. Currently, for FY 2001-02, PCSD operates seven active and three spare buses. Four buses were sold for total of \$2,700 in June, 2001. It is PCSD's practice to transport students in grades K to 6 who live more than one-half mile, and students in grades 7 to 12 who live more than one mile from their assigned schools. The District also transports students living less than those distances due to safety and other special concerns. Although the Ohio Department of Education (ODE) requires the actual number of students who ride district-owned yellow buses to be recorded and documented on the T-Forms for each fiscal year, PCSD did not record the number of students for which it provided transportation in FY 2000-01 (see **F5.5**, **F5.6** and **R5.3**). The number of students reported by PCSD on the T-Forms reflects the number of eligible regular and special needs students.

According to reports submitted to ODE for FY 2000-01, PCSD recorded that it transported 1,965 regular need students, traveling over 223,380 miles. The total cost of the regular needs transportation program was \$312,500, of which \$237,976, or 76.2 percent, was reimbursed by ODE. In addition, PCSD recorded that it transported 65 special needs students in FY 2000-01 at a cost of \$74,994. The designated bus for special needs students covers 81 miles per day, which amounts to 14,580 miles for FY 2000-01. PCSD received \$40,902, or 54.5 percent, from ODE as a reimbursement for special needs transportation.

Overall, PCSD reported that it served 2,030 students on 7 buses traveling over 237,000 miles. The total cost of the transportation program at PCSD was \$387,497 with 72.0 percent of the total being reimbursed by ODE. **Table 5-1** provides basic FY 2000-01 operating statistics and ratios for PCSD and the peer districts. The number of regular needs students for PCSD in **Table 5-1** reflects 35.0 percent of 2,987 (the average daily membership (ADM) for FY 2000-01) because PCSD did not record actual ridership in FY 2000-01. In addition, the regular needs miles (223,380) recorded as driven by PCSD in FY 2000-01 appear to be high for a district the size of PCSD. Since PCSD reported that 98,640 miles were driven transporting regular needs students for FY 2001-02, that distance is used for comparative purposes in **Table 5-1**.

Table 5-1: Operational Statistics and Ratios

FY 2000-01	Portsmouth	Alliance	Ironton	Steubenville
Operational Statistics:				
Eligible Students				
- Regular students	1,045 ¹	1,268	1,542	1,343
- Special needs	65	122	29	14
- Total	1,110	1,390	1,571	1,357
Expenditures				
- Regular needs	\$312,500	\$449,834	\$343,392	\$357,921
- Special needs	\$74,997	\$98,723	\$40,684	\$10,561
- Total	\$387,497	\$548,557	\$384,076	\$368,482
State Reimbursements				
- Regular students	\$284,156	\$308,412	\$209,443	\$236,624
- Special needs	\$47,296	\$47,363	\$18,972	\$5,507
- Bus Purchase Allowance ²	\$29,221	\$34,291	\$32,658	\$27,664
- Total	\$360,673	\$390,066	\$261,073	\$269,795
Miles Driven				
- Regular students	98,640 ³	90,000	79,740	71,640
- Special needs	14,580	74,700	19,046	3,060
- Total	113,220	164,700	98,786	74,700
Operational Ratios:				
Regular Needs: Yellow Bus				
- Cost per Mile	\$3.17	\$5.00	\$4.31	\$5.00
- Cost per Bus	\$52,083	\$23,675	\$38,155	\$39,769
- Cost per Student	\$300	\$356 ⁴	\$223	\$267
- Students per Bus	174	67	171	149
- Cost per Student (all methods)	\$299	\$355 ⁴	\$223	\$267
Special Needs Students				
- Cost per Student (all methods)	\$1,154	\$809	\$1,403	\$754
School Sites				
- Public	14	9	5	9
- Non-public	3	4	1	5
Regular Needs Buses	6	19	9	9
Special Needs Buses	1	4	1	1
Spare Buses	5 ⁵	2	6	6
Square Miles in District	20	10	9	10

Source: T-1, T-2 and T-11 forms; school foundation reports; transportation departments

¹ Based on 35 percent of FY 2000-01ADM since PCSD did not record actual ridership. FY 2001-02 PCSD T-1 forms indicate 994 (or 35 percent) students were transported out of an ADM of 2,831. ADM for FY 2000-01 was 2,987.

² The bus purchase allowance for FY 2000-01 was not calculated by ODE at the time of compiling this report. Therefore the bus purchase allowance received in FY 1999-00 is included in **Table 5-1**.

³ PCSD's regular needs miles driven is based on T-1 forms for FY 2001-02. The T-1 forms for FY 2000-01 indicate an estimation of regular needs miles driven as 223,380 miles, a figure which appears excessive for a district of its size.

⁴ Alliance City School District regular needs cost per student excludes eight students receiving payment in lieu of transportation and the associated funds. These students and funds are included in cost per student (all methods).

⁵ PCSD has 3 spare buses for FY 2001-02. PCSD sold 4 buses in June, 2001 for a total of \$2,700.

Performance Measures

The following performance measures were used to conduct the analysis of the transportation department at PCSD:

- Comparison of transportation policies and practices to State minimum standards and guidelines;
- Adequacy and accuracy of reporting operational information to secure State transportation aid;
- Assessment of the bell schedule to support a multi-tiered routing methodology;
- Cost effectiveness of regular and special needs transportation services;
- Assessment of fleet management functions including maintenance and fuel; and
- Adequacy of technology in place to manage transportation.

Findings / Commendations / Recommendations

Policy and State Funding

- F5.1 Ohio Revised Code (ORC) §3327.01 requires school districts to transport all students in kindergarten through eighth grade living more than two miles from their assigned schools. Transportation may also be provided to students attending high school but is not required. Nonpublic school students are also entitled to transportation on the same basis as public school students. Students who are physically challenged so that they are unable to walk to school must be provided transportation, regardless of distance from school. In addition, ORC §3327.01 mandates the transportation of students attending special education.
- F5.2 PCSD's formal transportation policy aims to provide "a safe, efficient, and economical method of getting students to and from school. It is the desire of the Portsmouth Board of Education (Board) that transportation be scheduled in a way that the best educational interests of the students can be served." PCSD's policy is to furnish school bus transportation to elementary and secondary school students to the extent determined by the administration and approved by the Board, according to the resources available to PCSD. In practice, PCSD transports students in grades K to 6 who live more than one-half mile, and students in grades 7 to 12 who live more than one mile from their assigned schools. In FY 2000-01, PCSD reported that it transported 118 students living within 1 mile of their assigned schools, with 20 of these students being transported to non-public school sites. This represents 6 percent of PCSD's total regular needs eligible ridership for that school year. PCSD's T-1 Form indicates 1,847 students eligible for transportation living 1 mile or more of their assigned schools in FY 2000-01. This represents 94 percent of PCSD's total regular needs eligible ridership for that school year (see **F5.4**, **F5.6** and **financial systems** section). However, it is difficult to substantiate the number of students that PCSD actually transported since only eligible ridership was recorded.

R5.1 PCSD should revise its transportation policy and establish pragmatic criteria to determine transportation eligibility. For example, PCSD should consider discontinuing transportation services for students living within one mile of their assigned schools. Although the option exists to discontinue services to all high school students and students living less than two miles from their assigned schools, these extensive cuts should only be considered if PCSD's financial condition continues to erode. Because high school and middle school students are transported on the same bus routes, eliminating transportation for high school students could possibly decrease State reimbursement monies without significantly reducing costs.

If PCSD were to revise its transportation policy and decrease the number of students it transports, it is possible that the District's transportation reimbursement from ODE would decrease. While the reimbursement from ODE may decrease, PCSD's operating costs

related to student transportation may not significantly decrease. Because of the transportation records maintained by PCSD (F5.5 and R5.2) as well as the inability to determine the reduction in operating costs, the State Auditor’s Office is unable to determine a financial implication.

F5.3 PCSD uses a multi-tiered bell schedule for the beginning and ending of class times for its transportation services. Elementary schools begin classes at 8 a.m., 8:45 a.m., 8:55 a.m. and 9:15 a.m. Classes at elementary schools end at 2:20 p.m., 2:45 p.m. and 3:15 p.m. Middle school begins at 8 a.m. and ends at 2:30 p.m. High school begins at 8 a.m. and ends between 3 p.m. and 3:30 p.m., depending on the school schedule. PCSD also transports students to a charter school, a vocational school and an alternative vocational school. These schools start at 8 a.m. and dismiss students between 2:15 p.m. and 3:30 p.m. In essence, there are distinct time-frames in which PCSD begins and ends classes, and corresponding periods for the pick-up and drop-off of transported students. Such a schedule allows buses to complete more than three runs during morning and afternoon routes, thereby increasing bus usage. During the 2000-01 school year, PCSD used six buses for regular needs transportation and one bus for special needs. **Table 5-2** outlines the routing methodologies for PCSD and the peer districts.

Table 5-2: Bus Routing Comparison

	Portsmouth	Alliance	Ironton	Steubenville
Routing Methodology	multi-tiered	two-tiered	two-tiered	two-tiered

Source: PCSD and peer district routing plans.

F5.4 School districts must file various annual forms with ODE regarding their transportation services. The main forms used by school districts are the T-1, T-2 and T-11. These forms are used by ODE to determine the reimbursement a school district will receive related to regular and special needs transportation programs and to track statewide operational data for transportation. Descriptions of essential state reports and the corresponding effects on transportation at PCSD are as follows:

T-1 Form

The T-1 Form details the number of regular needs students receiving transportation and the mileage incurred by the buses providing this service. The T-1 Form is due to the ODE area coordinator’s office by October 15 of each year. It summarizes regular transportation services in terms of pupil usage and vehicle mileage for both public and non-public students. This information is then used by ODE to determine the regular transportation reimbursement allocation. Instructions on the T-1 Form and ORC §3317.031 require that all school districts maintain membership records showing pupils that are transported to and from school. It also shows pupils that are transported and who live within one mile of the school

attended. In addition, the Ohio Administrative Code (OAC) § 3301-83-01(G)(6)(a) mandates that any changes in transportation during the school year be submitted on an amended T-1 Form and returned to the ODE area coordinator's office no later than February 1. The state reimburses at the greater of an amount per student transported over one mile or an amount per mile according to the method used to transport that student, other than a district bus.

T-2 Form

The T-2 Form summarizes the actual expenditures incurred and the non-routine miles traveled by buses in transportation of eligible regular needs students reported on the T-1 Form during the preceding fiscal year. The T-2 Form breaks down all the costs associated with the services outlined on the T-1 Form. Since the T-2 Form reports annual costs, it is not prepared and filed until after the school year has ended. The T-2 Form must, however, be filed with the ODE area coordinator by July 20. Although not directly used for reimbursement amounts, it is important for developing the reimbursement formula as well as comparative statistics and trends on both a statewide and local level. In addition, ODE uses the information to ensure that districts have not been reimbursed more than their actual expenditures for regular transportation.

T-11 Form

The T-11 Form outlines the actual costs for transporting children with disabilities, aged 3 through 21, and must be filed by each district claiming reimbursement for special education transportation. Reimbursement amounts are based on the T-11 Form since actual costs of transporting children with disabilities and the number of students transported are reported on this form. As with the T-2 Form, the T-11 Form is due to the ODE area coordinator on or before July 20 of each year.

- F5.5 PCSD's T-Forms for FY 2000-01 were incorrectly completed. Ideally, the T-Forms should be completed by the transportation department in conjunction with the treasurer and the superintendent. There is no formal process or procedure for compiling information needed for filling out the T-Forms at PCSD. According to the transportation department, all the expenses denoted on the T-Forms are compiled by the treasurer's office. Once the information is compiled, the administrative assistant in the transportation department just types the figures on the T-Forms and submits them to the director of business affairs who then signs the forms. It appears that there is no verification by the transportation department to assess whether the expenses tabulated by the treasurer's office reflect the actual expenditures incurred by the transportation department. Dollar amounts on the T-2 and T-11 Forms cannot be verified since the transportation department does not retain copies of every invoice sent to the treasurer's office (see **financial systems** section).

- R5.2** PCSD's director of business affairs, treasurer and superintendent should follow the instructions prescribed by ODE when preparing the T-Forms. In the event that instructions

from ODE are not clear or not understood, the ODE area coordinator for transportation should be contacted for advice. In addition, worksheets for the preparation of T-Forms should be prepared and used by PCSD. The worksheets for all T-Forms should reconcile to the 4502 and the BUDSUM before being submitted to ODE. The worksheet would also provide a step by step audit trail and verification that would be beneficial to PCSD and any other interested parties.

The PCSD transportation department should also retain copies of all documentation that reflect transportation related expenditures. The PCSD transportation department should not primarily rely on the information provided by the treasurer's office when completing ODE forms without retaining documentation to substantiate and verify all expenditures stated on the 4502, BUDSUM and T-Forms.

PCSD should develop internal procedures to ensure that future forms are completed accurately and within the time frames mandated by ODE. The superintendent, treasurer and director of business affairs should be involved in the development of the internal procedures. Their involvement in this process is crucial because they are signatories on the T-Forms. In addition, there needs to be a review process by an independent person ensure that the policy and procedures were followed and that accurate amounts are reported to ODE. The accuracy of these reports is necessary to ensure PCSD receives the maximum allotment of funding without overstating amounts. In addition, the ability to capture accurate operational data is vital in developing comparative statistics used by ODE, PCSD and the community stakeholders.

F5.6 PCSD could not provide AOS with documentation showing the actual number of students who rode the buses for FY 2000-01. According to the transportation department, the numbers denoted on the T-Forms reflect the students eligible to ride PCSD buses and not the number of students who actually rode the buses. There was no way for AOS to determine actual ridership because no logs of the numbers of students who rode the buses were kept by the bus drivers for FY 2000-01.

R5.3 PCSD should start recording the number of students who actually ride the buses. Capturing the actual student ridership will not only provide accurate statistics but will also assist PCSD in determining actual expenditures, from which it can then determine which bus routes to modify or discontinue. In addition, capturing actual ridership will provide more accurate reports to ODE (see **F5.5** and **R5.4**). Bus drivers should be required to carry bus logs to record not only the number of students transported but also record the actual mileage between pick-up points and covered per run. The importance of this information and the correct capturing of this kind of data must be stressed to the drivers because it is from this data that the T-Forms must be completed. In addition, actual student ridership and the actual miles driven are the basis on which reimbursement is determined by ODE.

During the course of the performance audit, the transportation department stated that it has started recording the actual student ridership. Information provided to AOS regarding student ridership through bus logs for the current fiscal year (FY 2001-02) indicates that maintaining student ridership would have had a direct impact on reimbursement from ODE for FY 2000-01. However, the actual amount of reimbursement cannot currently be determined or identified because PCSD did not record student ridership for FY 2000-01.

PCSD and ODE should conduct a detailed historical analysis of the reimbursement amounts received by PCSD. An historical analysis would provide valuable insight into previous reimbursement amounts and allow both PCSD and ODE to determine the appropriate correction policies and procedures.

- F5.7 According to the treasurer, expenditures reported to ODE are from September 1 to August 30, 2001 (see **financial systems** section). In addition, instructions obtained from ODE for prior years (i.e., FY 1992-93 to present) indicate that transportation expenditures are to be for the period of July 1 to June 30 of each school year. The T-Forms prepared for FY 2000-01 appear to be incorrect and were, according to the treasurer, compiled based on a method used since the treasurer began completing the reports to ODE. Reimbursement for regular needs busing is based primarily on the information provided on these forms. PCSD appears to have overstated ridership and may potentially have been over-reimbursed for transportation.
- F5.8 The lack of accurate financial records makes drawing conclusions regarding PCSD's transportation function difficult (see **financial systems** section). For example, the expenditure figures reported by PCSD's transportation department on the T-2 Forms for FY 2000-01 do not match those reported on the 4502 and the BUDSUM by the PCSD treasurer's office. These errors may have affected the quality of resulting statistics and therefore may have hampered meaningful benchmark comparisons for ODE and other districts. Because of incorrect T-Forms and the lack of supporting documentation used in various reports, PCSD's transportation reimbursement may have been affected. **Table 5-3** shows transportation reimbursements for PCSD and the peer districts for FY 2000-01.

Table 5-3: Reimbursement Statistics for FY 2000-01

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
Regular Needs Transportation					
Expenditure	\$312,500	\$449,834	\$343,392	\$357,921	\$383,716
Reimbursement Amount	\$284,156	\$308,412	\$209,443	\$236,624	\$251,493
Percent Reimbursed	91.0%	68.6%	61.0%	66.1%	65.2%
Special Needs Transportation					
Expenditure	\$74,997	\$98,723	\$40,684	\$10,567	\$49,991
Reimbursement Amount	\$47,296	\$47,363	\$18,972	\$5,507	\$23,947
Percent Reimbursed	63.1%	47.1%	46.6%	52.1%	49.0%
Total Transportation					
Expenditure	\$387,497	\$548,557	\$384,076	\$368,488	\$433,707
Reimbursement Amount	\$331,452	\$355,775	\$228,415	\$242,131	\$275,440
Percent Reimbursed	86.0%	65.1%	59.5%	65.7%	63.4%

Source: T-2 and T-11 Forms; ODE School Foundation Settlement Sheets.

Table 5-3 indicates that PCSD regular needs expenditure of \$312,500 falls below the peer average of \$383,716. However, PCSD’s reimbursement percentage (91.0 percent) is higher than the peer average of 65.2 percent. The total transportation reimbursement for PCSD was 86.0 percent of its total transportation expenditure while the peer average for transportation reimbursement was 63.4 percent. PCSD’s high reimbursement percentage appears to be a result of overstating student ridership.

R5.4 PCSD should become compliant with ORC and ODE regulations (see **F5.4**, **F5.5** and **F5.6**). PCSD should complete the T-Forms accurately as detailed by the instructions. PCSD should also count and document the actual number of students riding the buses. Accurate counting of students riding the buses and proper documentation will enable PCSD to reflect the correct figures on the respective T-Forms. In addition, PCSD should submit the T-Forms on or before the deadlines set by ODE. It would also be beneficial to PCSD to contact its ODE area coordinator and request formal training on the proper procedures for documenting student ridership and completion of T-Forms.

Staffing

F5.9 PCSD’s transportation department consists of the director of business affairs, a facilities secretary and seven full-time bus drivers. The director is also responsible for the facilities and food service departments. PCSD has no process to assess the amount of time spent by the director on transportation related duties. However, information provided through interviews with the director and the facilities secretary indicates that approximately 20 percent of the director’s time is spent on transportation responsibilities. PCSD has seven bus drivers. Of the seven bus drivers, three work for seven hours a day and four work six hours per day. The average hourly wage for bus drivers at PCSD is \$11.73 per hour.

F5.10 Since the transportation department at PCSD does not have a transportation supervisor, the director’s facilities secretary assumes some of the responsibilities that would normally be undertaken by a transportation supervisor. As a result, the definitive time spent on transportation matters by the facilities secretary is also difficult to quantify. However, the facilities’s secretary is supposed to split time equally between facilities and transportation responsibilities. It appears that the lack of a transportation supervisor may have contributed to the scarcity of properly maintained transportation records and documents. The scarcity of properly completed records and documents makes comparisons with peer districts difficult (see **F5.4, F5.5, F5.6, F5.7, R5.2 and R5.3**). **Table 5-4** compares transportation staffing levels between PCSD and the peer districts.

Table 5-4: Staffing Comparison

Staffing	Portsmouth		Alliance		Irononton		Steubenville		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
FY 2000-01										
Transportation Supervisor	1	0.2	1	0.3	1	0.6	1	0.3	1	0.4
Administrative Assistant	1	0.5	0	0.0	0	0.0	1	0.1	0.3	0.0
Bus Drivers	7	5.6	19	9.5	10	5.0	9	4.5	13	6.3
Mechanics	0	0.0	1	1.0	2	1.4	0	0.0	1	0.8
Total	9	6.3	21	10.8	13	7.0	11	4.9	15	7.5
Students Transported per Transportation FTE	176		129		224		277		210	

Source: Transportation departments documents and interviews.

As stated in **Table 5-4**, PCSD has fewer bus drivers than the peer districts. Based upon the operation statistics identified in **Table 5-2** as well as the routing system used at PCSD (**F5.3** and **Table 3-2**), it does not appear that reductions in bus drivers are warranted.

Bus Fleet

F5.11 In FY 2000-01, PCSD owned and operated 12 diesel buses for student transportation. Seven buses were active on a daily basis, while the remaining five were considered spare buses. Of the seven active buses, six were used for regular needs transportation and one was used for special needs transportation. The buses varied in age from 2 to 15 years, with an average age of 9.8 years in FY 2000-01.

In June, 2001 PCSD sold four buses. Currently, FY 2001-02, PCSD is using 10 buses for student transportation, of which seven are used for regular and special needs students. The remaining three are considered spare buses. In FY 2001-02 the special needs students are riding the regular needs buses. There is no bus specifically designated for special needs in FY 2001-02 because the special needs students can and are able to ride the regular needs buses, as opposed to FY 2000-01. However, PCSD still has one bus that is equipped for special needs students, should a student need a specifically designated special needs bus. The buses vary in age in FY 2001-02 from 3 to 14 years, with an average of 8.2 years. **Table 5-5** below shows PCSD’s buses by model year and type.

Table 5-5: PCSD Bus Fleet for FY 2001-02

Model Year	Number of Buses by Seat Capacity				Average Mileage
	85	71	Special Needs	Total	
1988		2		2	221,886
1989		2		2	199,079
1991			1	1	149,113
1993		1		1	294,505
1997	1			1	104,057
1999	2	1 ¹		3	51,727
Totals	3	6	1	10	102,037

Source: T-1 form, interviews and PCSD documents

¹ One of the 1999 model buses also has special needs usage capability, therefore seating capacity may vary.

F5.12 There is no state guideline for bus replacement. A general consensus among ODE, private bus contractors and transportation departments is that buses should be replaced at 12 years of age or 200,000 miles for diesel buses or 150,000 miles for gasoline buses. Regardless of age or mileage, as long as a bus can pass the mandatory annual bus inspection conducted by the Ohio Highway Patrol, a school district may continue to use any bus for transportation purposes. PCSD has four buses that have exceeded the age replacement parameter and one bus that has exceeded the parameter for replacement due to high mileage. During FY 2000-

01, PCSD did not expend its bus purchase allowance from ODE. In addition to the annual bus purchase allowance which PCSD receives from ODE, the District's practice is to allocate additional monies each year for bus purchases. At the end of FY 2000-01, PCSD had \$77,000 reserved for bus purchases.

R5.5 PCSD should prepare a plan for the replacement of buses that have exceeded, or are about to exceed, the generally accepted parameters for replacement. Included in this plan should be the number of buses to be replaced each fiscal year along with the average age and mileage at the time of replacement. In addition the plan should also include the estimated cost of replacement. PCSD should investigate and analyze the various funding methods for the bus purchases. The funding method(s) should also be included in the bus replacement plan.

According to ODE area coordinators, the total estimated cost of purchasing a 71 passenger bus is approximately \$55,000 for a regular needs bus and \$60,000 for a special needs bus. It appears that with a bus purchase allowance from ODE of \$29,221 in conjunction with bus purchase allocation of \$64,000, PCSD should be able to purchase a new bus every two years. In addition, the transportation department should use the bus purchase capital outlay budgeted for FY 2001-02 through FY 2005-06. It appears that the bus purchase reserve of \$77,000 for FY 2000-01 and the bus purchase allocation of \$64,000 that PCSD received in FY 2001-02 is sufficient to purchase at least two new buses (see **financial systems** section). However, if PCSD continues to have financial difficulties, it may also be feasible consider using the funds, except those received from ODE, for other general fund expenses.

F5.13 PCSD does not have a mechanic on its staff devoted for bus maintenance and repairs. Bus maintenance and repairs are conducted by a local vendor. PCSD has contracted out these services for approximately 23 years. According to the facilities secretary, the local vendor is conducive to the needs of PCSD because buses are repaired upon request. In addition, the vendor provides towing services and delivers the buses after repairs have been completed. PCSD does not use two other vendors because they only take buses on appointment and have a two to three day turn around. According to the PCSD transportation department, using these vendors would mean that buses would not be available to transport the students. Furthermore, there are not many vendors in the area that PCSD can either send their bus fleet for repairs or purchase fuel. **Table 5-6** shows the maintenance costs and ratios for PCSD and the peers.

Table 5-6: FY 2000-01 Maintenance Costs and Ratios

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
Maintenance and Repairs	\$49,278	\$8,457	\$46,726	\$74,450	\$43,211
Tires and Tubes	\$6,444	\$7,346	\$6,823	\$4,588	\$6,252
Mechanic Salaries	\$0	\$22,732 ¹	\$64,271	\$0	\$43,501
Total Maintenance costs	\$55,722	\$38,535	\$117,820	\$79,038	\$78,464
Number of Buses Maintained	12	25	16	16	19
Maintenance Cost per Bus	\$4,644	\$1,541	\$7,364	\$4,940	\$4,615

Source: PCSD Budget Summary FY 2000-01; T-2 Forms and peer district documentation

¹ The transportation supervisor at Alliance City School District also works as a mechanic, but the salary (\$34,988) is not itemized as “mechanic salaries” on the T-2 Form.

As indicated in **Table 5-6**, costs in the maintenance and repairs line item for PCSD are 14.0 percent higher than the peer average of \$43,211. However, when the total maintenance costs for FY 2000-01 are considered, PCSD spent 29 percent less than the peer average of \$78,464. Furthermore, the total maintenance cost per bus is the second lowest compared to the peer districts and slightly higher than the peer average. It appears PCSD, without a mechanic on its staff for which it would have paid a salary and benefits, and by contracting out its maintenance and repairs, may have contributed to the low total maintenance costs in relation to its peers.

F5.14 PCSD purchases its fuel from a local gas station. Since PCSD does not have a formal agreement with the gas station, it purchases fuel at the market rate and does not receive any discounted rates. **Table 5-7** compares PCSD’s fuel expenditures and ratios to those of the peers.

Table 5-7: FY 2000-01 Fuel Costs and Ratios

	Portsmouth	Alliance	Ironton	Steubenville	Peer Average
Gasoline or Diesel	diesel	both	both ¹	both	n/a
Total Fuel Costs	\$32,679 ²	\$43,488	\$30,763	\$27,036	\$33,762
Fuel Costs per Bus³	\$4,688	\$2,718	\$2,797	\$3,004	\$2,840
Fuel Costs per Mile⁴	\$0.29	\$0.26	\$0.31	\$0.36	\$0.31

Source: T-1, T-2 Forms and interviews

¹ Ironton City School District also has 4 buses that use propane fuel.

² Total Fuel Cost obtained from the Portsmouth City School District budget summary for FY 2000-01.

³ Fuel Cost per Bus does not include spare buses.

⁴ Fuel Cost per Mile includes all regular and special needs miles driven in FY 2000-01.

One of the factors contributing to low fuel costs for PCSD is its exclusive use of diesel buses. In addition, diesel fuel is cheaper than traditional unleaded gasoline, and diesel buses tend to get better mileage and last longer than standard gasoline buses. While it appears that PCSD is paying less than the peer average for fuel, both in dollars and when compared on a per bus or per mile basis, it nonetheless pays for fuel at the market rate and does not get the sales tax exemption accorded school districts. In addition, PCSD does not procure its fuel through a competitive bidding process, thereby undercutting itself from procuring fuel at even lower prices.

R5.6 PCSD should explore different options for the procurement of bus fuel. Below are several methods from which PCSD could choose, all of which could potentially lead to significant savings:

- Negotiate and establish an agreement with a local vendor to purchase fuel at a discounted rate. Although purchasing directly from a commercial vendor would not be the most cost-effective method of fuel procurement, negotiating for discounted rates could help reduce fuel costs.
- Enter into an agreement with another local government entity, such as Scioto County, or an adjacent district for the procurement of fuel. Such an agreement would allow PCSD to take advantage of an existing fuel tank and/or negotiated rates.
- Consider installing a fuel tank on its premises. While this could initially cost approximately \$45,000, this option could enable PCSD to take advantage of bulk and consortium-negotiated rates.

PCSD could immediately implement one or more of the short-term options presented, such as negotiating and establishing an agreement with a local fuel vendor or entering into an agreement with another local government entity for fuel procurement. These options would allow PCSD to realize immediate savings without any capital expenditures. In the event that PCSD's financial condition improves, PCSD could then undertake a cost-benefit analysis to determine whether it could benefit more by purchasing and installing its own fuel tank. As stated, the initial purchase and installation of a fuel tank would be approximately \$45,000. However, if this option is exercised, it would allow PCSD to recover these initial costs in less than two years.

Technology

F5.15 PCSD currently has no software in place to assist in the management or provision of transportation services. According to the director of business affairs, bus routes are designed based on historical routes with changes made to accommodate new students. The designing of bus routes is done by the director of business affairs with assistance from the head bus

driver. Maintenance and repairs are done by a local vendor for each bus based on reports submitted by the drivers. The use of software to guide these functions can ensure that PCSD achieves maximum routing and maintenance efficiency, which can potentially produce cost savings in these areas. PCSD's lack of transportation software may hinder its ability to track preventive maintenance procedures.

R5.7 PCSD should consider acquiring transportation-related software in the future. Software packages are available that design bus routes based on maximum efficiency and indicate needed or preventative maintenance for each bus. For example, PCSD should consider software such as the Vehicle Information System (VIS). The VIS software was designed by ODE's State Software Development Team (SSDT). According to SSDT personnel, VIS software can be provided free of charge to PCSD through SCOCA, of which PCSD is member. VIS software is a computer-based recording system designed to be used by school districts and county boards of education. It is specifically designed to enable transportation supervisors to more efficiently monitor pupil transportation expenses. VIS software can generate timely and useful reports that can be configured to correlate with the fiscal year beginning July 1 and ending June 30, thus making reports to ODE more accurate. Other functions available with the VIS software include:

- Inventory tracking;
- Fuel and oil transaction tracking;
- Expenditure tracking and appropriations;
- Maintenance work orders; and
- Report generation.

Conclusion Statement

The Portsmouth City School District transportation department has constraints that impede its ability to maximize the efficiency and effectiveness of its operations. The transportation department's efficiency and effectiveness is difficult to determine without sufficient, competent and relevant information. PCSD needs to restructure the transportation department to have one person in charge of all transportation functions to ensure that sufficient, relevant, and competent information is retained to account for the services it provides. The district needs to strengthen its management of the transportation department by involving it in budget development process and by empowering it to be responsible for its expenditures. At present, the PCSD transportation department is not involved in the process of tabulating its expenditure information required for the T-Forms. The entire task is completed by the treasurer's office with the transportation department only signing off on the forms without any verification or back-up documentation that it actually incurred the expenses.

The transportation department should develop procedures to ensure that accurate reports are prepared when determining the number of students transported on PCSD buses. All actual expenditures should be reported to the Ohio Department of Education (ODE) in order to ensure that the PCSD transportation department records accurate comparative statistics which will be beneficial to PCSD and the community. In addition, representatives from the superintendent's office, transportation and treasurer's office who sign forms regarding student transportation and expenditures should take the responsibility for certifying the accuracy of the data reported.

The average age of PCSD buses is 8.2 years. However, PCSD has five diesel buses which exceed the 12 year benchmark for replacement or the 200,000 miles benchmark for replacement. PCSD needs to fully address the need to replace these buses according to bus age and condition criteria. As part of addressing the replacement of some of its buses, PCSD should develop and implement a bus replacement plan and identify funding mechanisms consistent with that plan. For example, the PCSD transportation department should take the initiative to assess how much it can use for the purchase of new buses from the bus purchase reserve. PCSD's transportation department can potentially spend approximately \$140,000 in FY 2001-02 for the purchase of new buses and should develop a replacement plan consistent with the available dollars.

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