



Auditor of State
Betty Montgomery

BRIGHT LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

NOVEMBER 25, 2003



**Auditor of State
Betty Montgomery**

To the Residents and Board of Education of the Bright Local School District:

On March 20, 2003, Bright Local School District (Bright LSD) was placed in fiscal caution because of a projected deficit beginning in the fiscal year ending June 30, 2003. Pursuant to ORC §3316.031 and ORC §3316.042, the Auditor of State initiated a performance audit on Bright LSD. 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 because improvements in these areas can assist Bright LSD in eliminating the conditions which brought about the declaration of fiscal caution.

The performance audit contains recommendations which provide cost savings, one-time revenues and efficiency improvements. The performance audit also provides an independent assessment of Bright LSD's financial situation and a framework for the District's financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist Bright LSD in developing and refining its financial recovery plan, the District is also encouraged to assess overall operations and develop other recommendations independent of the performance audit. During the course of the performance audit, Bright LSD worked diligently with its Board of Education to decrease expenditures in several areas.

An executive summary has been prepared which includes the project history, a discussion of the fiscal caution designation, a district overview, the objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Bright LSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use 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 toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
AUDITOR OF STATE

November 25, 2003

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency within a school district. ORC §3316.031(B)(1) further stipulates that the state superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC § 3316.042, the AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency and review any programs or areas of operation in which the AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved.

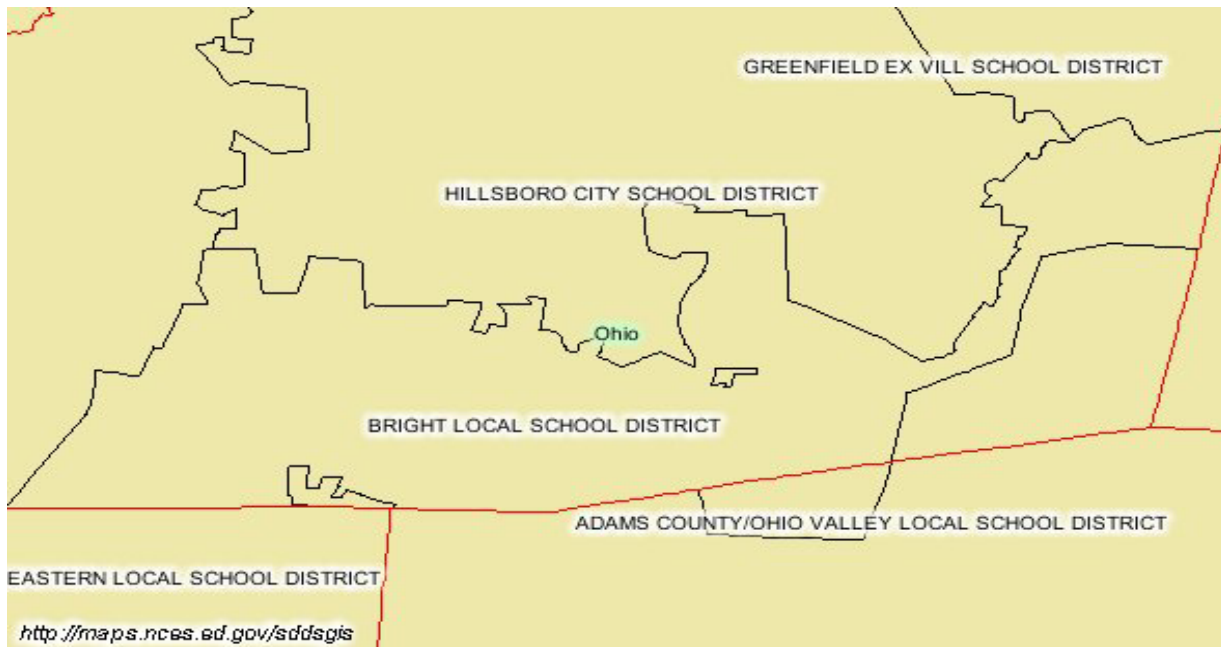
Bright Local School District (Bright LSD) was placed in fiscal caution by the Ohio Department of Education (ODE) on March 15, 2003. The District's projected ending fund balance deficit of \$113,911 for FY 2002-03 was less than two percent of the FY 2002-03 projected revenue of \$5,520,807 or less than \$110,416. However, Bright LSD does anticipate completing FY 2002-03 with a positive ending fund balance as a result of cost and staff reductions.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of Bright LSD. Based on a review of Bright LSD information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

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

District Overview

Bright LSD was established in 1968 through a consolidation of existing land areas and school districts. Bright LSD is a rural district located primarily in Highland County, in southwest Ohio. The District includes the Village of Mowrystown and portions of surrounding townships and has a small portion in Adams County. The District serves an area of 128 square miles that is approximately 40 miles wide as illustrated by the map below. The school facilities are located in the southwestern portion of the District.



Source: National Center for Education Statistics (NCES) School District Demographics

According to the 2000 census the District population of 4,777 included 1,368 family households and 359 non-family households. Also, a significant percentage of the District's population (23.2 percent) was school aged (under 19 years old) while an additional 6.7 percent were less than five years old. Bright LSD is located in a predominantly rural area, with limited commercial or industrial activity.

On May 15, 2002, the former superintendent and treasurer informed the Board of their intent to resign, the current superintendent and treasurer were hired shortly thereafter. The District's two facilities, White Oak High School and Bright Elementary Schools are staffed by 107.5 full time equivalent (FTE) employees. Teachers represent 48.7 FTEs and serve 824 students. The overall student to teacher ratio is 17.1. In FY 2002-03 Bright LSD met 11 of the 22 performance standards established by ODE.

Bright LSD was categorized as a district in continuous improvement. The District submitted a continuous improvement plan to ODE in FY 2002-03 which includes steps and goals to improve performance. Bright LSD's per pupil operating expenditures (governmental funds) totaled \$6,990 in FY 2002-03.

Bright LSD replaced two older elementary buildings with one new building in January 2001. At same time a new addition and renovation were made to the existing high school, while the District maintained the same staffing levels. The District experienced significant problems at Whiteoak High School in FY 2000-01, the pump room flooded twice, and a storm caused damage to the gym floor. Bright LSD received an insurance reimbursement of \$66,666 in FY 2001-02 for some of the damage. In addition, Bright LSD's purchased services expenditures were significantly impacted by several instances in which the District's high school and elementary school required significant unplanned repairs. While the exact amount of these repairs could not be identified, the District incurred total expenses of approximately \$81,000 and \$20,000 for repairs to Whiteoak High School and Bright Elementary school respectively. While these repairs were covered by the District's property insurance, the District will not be reimbursed for these expenditures until FY 2003-04.

In July 2002, the Board approved a plan to address the projected deficit for FY 2002-03. The Board placed an unsuccessful permanent improvement levy on the November 2002 ballot, with the proceeds to be used for capital outlay expenses, such as textbooks and buses.

Since its peak enrollment of 945 students in FY 1998-99, Bright LSD has experienced a declining trend in enrollment (see **R2.5**). The majority of Bright LSD funding is derived from state foundation funding. In March 2003 ODE ordered spending reductions which cost Bright LSD \$44,441 of its \$4.1 million state funding. The District's foundation funding is anticipated to increase 1.93 percent over FY 2002-03 for approximately \$78,720 during FY 2004-05. Ohio's education funding is undergoing sweeping changes that include anticipated reductions in the inflationary factor used to calculate state aid, accelerating the phase out of the business inventory tax and the calculation of factors previously used as a basis for funding, (i.e., average daily membership (ADM)) have changed. The limited local funding and anticipated reductions in state funding, coupled with the declining enrollment at Bright LSD, have caused concern among District administrative staff that available funding may not be keeping pace with future District expenditures.

Objectives and Methodology

The goal of this audit was to provide an independent assessment of current District operations to improve service delivery and optimize operational efficiency and effectiveness. The assessment and subsequent recommendations will help Bright LSD to increase efficiency and potentially avoid fiscal emergency in the forecasted future. Given current revenue projections, Bright LSD predicts that it will re-enter fiscal watch by FY 2006-07 without additional revenue. If the recommendations contained in this audit are implemented, Bright LSD may avoid being placed in fiscal watch within the next few years.

To complete this report, auditors gathered and assessed data from various sources, conducted interviews with Bright LSD personnel, and evaluated requested information from the selected peer districts. Columbus Grove Local School District (Columbus Grove LSD), Continental Local School District (Continental LSD), and Crestview Local School District (Crestview LSD) were selected as peers based upon comparability as identified by ODE, reviews of various demographic information, and input from Bright LSD personnel¹⁻¹. These districts demonstrated higher report card standards than those of Bright LSD. Best practice information was used from ODE, the State Employee Relations Board (SERB), American Schools and Universities (AS&U), and other school districts for additional comparisons.

Noteworthy Accomplishments

Bright LSD's attention and responsiveness to its financial situation has helped the District realize a positive ending General Fund balance as compared to negative ending fund balance previously projected. Additional noteworthy accomplishments were identified during the course of the performance audit.

Financial Systems

- The District has contained its debt repayment to a minimum and all General Fund outstanding debt will be retired FY 2002-03.

Human Resources

- The District was able obtain substantial savings and favorable rates by switching from a traditional to a preferred provider organization (PPO) health insurance plan while maintaining its benefit level.

¹⁻¹ Peer districts were selected based on indicators including geographic size, average daily membership (ADM), socioeconomic demographics, population density, and real property valuation.

- The District reduced administrative staffing levels by 1.0 FTE in FY 2001-02 and 1.0 FTE in FY 2002-03, and has projected additional reductions for FY 2003-04 in the teaching aid classification (0.9) FTE and an industrial arts teaching position (1.0 FTE).

Facilities

- The District successfully negotiated an incremental decrease and subsequent elimination of guaranteed overtime for classified service/labor staff over the next three years.

Key Recommendations

The performance audit contains several recommendations pertaining to Bright LSD. The following are the key recommendations from the report:

- **Concurrent with the rollback of two outside (voted) mills on its 1985 permanent improvement levy, the District should designate 2.0 mills of its inside (non-voted) and designate those funds for permanent improvement. The District's taxpayers would not be assessed additional millage and the District could then reduce the General Fund's capital improvement expenses by approximately \$110,000 a year or a cumulative savings of \$440,000 for the forecast period.**
- **Bright LSD should closely examine its spending patterns in several areas and consider allocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on learning outcomes and proficiency test results. Likewise, the District should identify desired service levels and determine if additional revenue may be needed to meet community expectations. If District management does not feel that voters will approve additional levy funds, it should reach a policy decision on the service levels the District can provide within its resources.**
- **Bright LSD should reduce staffing levels within the education service personnel (ESP) classification by 2 FTEs. The District could achieve a cost savings by reducing ESP teaching staff and remain above the State minimum standards.**
- **Bright LSD should consider reducing the student-teacher ratio by increasing regular teaching staff once the District achieves a more stable financial condition. In FY 2003-04, Bright LSD reduced classified staffing position by 0.9 FTE teaching aides, and 1.0 FTE industrial arts teaching position. Additional regular education teacher positions could be increased using savings achieved from these reductions and from reductions in ESP personnel.**

- **During the next round of negotiations, Bright LSD should consider limiting salary increases beyond the scheduled step increases for FY 2003-04 through FY 2006-07 in order to assist the District in reaching fiscal stability. The District should consider a 1, 1, 2, 2 cost-of-living increase. Furthermore, The District should take steps to deal with compensation inequities that currently exist between bargaining units and take these disparities into consideration during annual wage negotiations.**
- **Bright LSD should equally enforce the terms for election of insurance benefits. In an attempt to reduce health care insurance costs to the District, Bright LSD should also increase the employee share of the monthly health care insurance premium for single coverage to 10 percent.**
- **During the next round of negotiations, Bright LSD should clearly define eligibility requirements for participation in health insurance benefit plans and should pro-rate the employee's share of the premium based on the number of hours worked. The Board share of health insurance costs should be prorated for administrative and classified employees at rates commensurate with the hours worked to equally provide insurance benefits.**
- **Bright LSD should implement an energy management and conservation program. As part of an energy management program, Bright LSD should obtain an energy audit, develop an energy policy, monitor building energy use, install energy efficient equipment and institute performance contracting.**
- **Bright LSD should consider reconfiguring its schools in a K-8, 9-12 configuration to better use current facilities and to reduce utilization in sections of the high school. Based on the AOS capacity analysis, a K-8, 9-12 configuration would allow Bright LSD to increase the elementary building utilization rate and cease use of up to half of the high school building.**
- **Bright LSD should implement a more staggered bell schedule, allowing an hour between the elementary and high school start and end times. This would allow coupling of bus runs on the shorter inbound and outbound bus trips, thereby enabling the drivers to increase the number of passengers per route.**
- **Bright LSD should reduce its bus transportation fleet by three buses and drivers. The District can reduce the scope of its transportation operations and achieve corresponding cost savings through the reduction of excess personnel and the sale of surplus equipment.**

Additional Findings and Recommendations

Financial Systems

- The District's five-year forecast and the accompanying assumptions or notes should be expanded to include detailed historic and projected information and explanatory comments. In addition, the Bright LSD treasurer should ensure that the notes and assumptions adequately reflect what is reported in the five-year forecast.
- The District's treasurer should develop a new forecast assumption to specifically address tangible personal property tax and revise the current general property tax assumption. Both assumptions should reflect current revenue trends and explicitly state the historical period from which the trend was derived.
- Bright LSD does not currently have a long-range strategic plan. While the District does have a continuous improvement plan (CIP) to address academic goals, it does not have a centralized plan which links academic goals to its financial condition and other external events that may affect those goals. The strategic plan should consider the District's current financial issues in the context of its operational goals.
- Bright LSD should analyze and use the proposed financial forecast to evaluate the revised assumptions and recommendations presented within this performance audit to determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit to improve its current and future financial situation. In addition, the District should update its forecast on an ongoing basis as critical financial issues are addressed.

Human Resources

- Bright LSD should develop policies and procedures to ensure that accurate reports are prepared and reconciled before submission to ODE and the Educational Management Information Systems (EMIS). Complete and accurate data will help to ensure comparability among school districts, students and public education funding resources.
- Bright LSD should increase its oversight of site-based administrative staff. The District does not have controls in place which hold principals accountable for achievement of District and State educational goals, or which clearly define the authority given to site-based administrators. Developing written operating procedures would help to ensure site-based administrative staff is informed of work expectations and that work policies and guidelines are sufficiently documented to be monitored and used as a tool for evaluations.

- Bright LSD should review and update employee job descriptions. Some job descriptions are outdated and may not appropriately reflect the duties currently performed by District staff.
- Bright LSD should consider renegotiating key medical benefits in an attempt to help contain health care insurance costs to the District.
- Bright LSD should communicate to its employees the advantages of the health care insurance option which pays a monthly incentive to those who do not elect full employee health care insurance benefits.
- During the next negotiations for classified staff, BLSLSD should seek to renegotiate a reduction of guaranteed compensation for bus drivers. Because most District drivers currently work more than four hours per day, the language included in the contract guaranteeing a minimum of four hours of pay per day, should be eliminated.

Facilities

- Bright LSD should use custodians to perform minor maintenance repairs. Using custodial staff to perform minor maintenance repairs provides additional staff assistance to complete minor school facility maintenance.
- Bright LSD should use a computerized maintenance management system (CMMS) or a computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. This would require authorized persons (i.e., building principal) to approve work requests and maintenance personnel to document the repairs and tasks completed each day.
- Bright LSD should develop written operating procedures for custodial and maintenance work. Developing written operating procedures would ensure that custodial and maintenance staff is informed of work expectations and that work policies and guidelines are sufficiently documented.
- Bright LSD should develop and implement a formal planned preventive maintenance program. Preventive maintenance ensures equipment reliability, reduces operating costs, and increases the life expectancy of equipment.
- Bright LSD should implement its OSFC facilities maintenance plan. The facilities maintenance plan should help the District evaluate long term facilities and maintenance needs, assist in scheduling preventive maintenance, and allocate scarce financial resources to those facilities most in need.

- Bright LSD should review building utilization regularly to determine energy savings potential and alternative uses for extra space and to identify areas with minimal or no occupancy. If space is not used for extended time periods, Bright LSD should rent the space to local groups or develop additional programming to attract occupants or students (e.g., pre-school programming).

Transportation

- Bright LSD should amend its written transportation policy to reflect the District practice that, for safety purposes, all children in the District are offered transportation. Additionally, the policy should be reviewed annually and amended as necessary.
- Bright LSD should reconfigure its bus routing once multi-tier runs are implemented. Reconfiguration could be performed manually using a map and route sheets. Although automated systems can achieve the highest degree of efficiency, the size and scope of Bright LSD operations may not warrant the expense for automated routing software.
- Bright LSD should develop policies and procedures to ensure that accurate T-reports are prepared, reviewed and reconciled before being submitted to ODE. The T-Forms submitted to ODE are used to calculate reimbursement a school district receives for transporting students based on the expenses reported.
- Bright LSD should consider purchasing its fuel through a cooperative purchasing program. The District should consider becoming a member of the Ohio Department of Administrative Services (DAS) Cooperative Purchasing Program or a similar cooperative purchasing program.
- Bright LSD should formally document its bus replacement plan. The plan should be retained in written form and be approved by the Board. Bright LSD's plan should be updated at least annually. Criteria, such as mileage and chronological age should be included in the replacement plan to guide decision making in purchasing replacement buses.
- The transportation supervisor should work with the mechanic and the treasurer to maintain an accurate inventory of supplies. Furthermore, the transportation supervisor should require at least three quotes for expenses above \$50. For large purchases, bids should be used for the acquisition of the supplies.

- Bright LSD should develop a formal, written preventive maintenance (PM) program for its buses. A PM program will provide the transportation department and Bright LSD administrators a written management tool for monitoring and scheduling bus maintenance. The mechanic should also compile work orders so that management can track the repairs and maintenance being completed to better understand and plan for the fleet replacement needs and the use of the mechanics' services for bus maintenance.

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 Bright LSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (**R3.3-R3.12**). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Recommendation	FY 2004	FY 2005	FY 2006	FY 2007
R3.3 Reduce ESP staffing levels by 2.0 FTE	\$111,360	\$117,504	\$124,928	\$132,878
R4.2 CMMS to track work orders	\$(500)			
R4.5 Implement energy management program	\$30,000	\$30,000	\$30,000	\$30,000
R4.9 Reconfigure facilities	\$40,000	\$40,000	\$40,000	\$40,000
R5.4 Reduce three bus routes	\$62,640	\$66,096	\$70,272	\$74,744
R5.4 One-time savings from reducing three-routes	\$9,000			
R5.6 Use co-op purchasing program	\$200	\$200	\$200	\$200
Total Recommendations not Requiring Negotiation	\$252,700	\$253,800	\$265,400	\$277,822
R3.6 Limit COLA increases to 1,1,2, and 2 percent	(\$26,707)	(\$55,283)	(\$110,141)	(\$168,957)
R3.7 Increase employee share of health care	\$11,945	\$13,139	\$14,453	\$15,899
R3.12 Prorate employee share of benefits	\$16,500	\$18,150	\$19,965	\$21,962
Total Recommendation Subject to Negotiation	\$1,738	(\$23,944)	(\$75,723)	(\$131,096)
Total Recommendations Included in Forecast	\$254,438	\$229,856	\$189,677	\$146,726

Source: AOS Recommendations

The financial implications summarized above 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, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Issues Requiring Further Study

Government Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS identified the following issues during the course of the audit:

Community Alternative Funding System (CAFS)

The District should consider implementing the Community Alternative Funding System (CAFS) to recoup costs associated with District provided Medicaid reimbursable services. Services

covered under CAFS include: Nursing Service; Nutrition; Occupational Therapy; Physician Services; Physical Therapy; Psychological Services; Service Coordination; Social Work; Speech Therapy; Targeted Case Management; and Transportation.

Typically students eligible for free and reduced lunches are also eligible for Medicaid benefits. The District has 260 of its 865 students, or 30 percent, eligible to receive free and reduced-price lunches. Many of these students also receive Medicaid reimbursable services. The educational service center's provider estimates a reimbursement by using the following formula:

$$(Cost\ of\ the\ service) \times (Free\ \&\ reduced\ lunch\ percentage) \times 60\ \% = Potential\ Reimbursement$$

As an example, if the District paid a psychologist \$47,000, and 30 percent of students receive free and reduced lunches, the reimbursement would be approximately \$8,460 ($\$47,000 \times .30 \times .60$). The cost to use a billing service to obtain the CAFS reimbursement is usually 10 percent of the reimbursed amount and the billing services will routinely provide a free assessment to determine feasibility.

Fee Schedules

Bright LSD's building use fees range from free to fifty dollars per hour, but in many instances would not cover the cost of the district personnel required to be present, especially for weekend events. Although the District stated that fees were normally sufficient to cover the cost of operation, no documentation was provided. At a minimum, Bright LSD should ensure that it collects sufficient funds to cover the costs of operations and adequately documents the payments.

The regular custodial shifts, from 6:00 AM to 10:00 PM at the elementary building and 11:00 PM at the high school, will cover building rentals during school hours and after school hours during the week.

The District compensates the employee at time and half, plus fringe benefits, for hours worked in excess of 40 hours. In many instances, there is no charge, or the fee is not sufficient to recoup the cost of the employee. Bright should review its building use fee schedule to ensure fees cover the cost of the employee, including the salary at time and half, 14 percent for retirement, as well as Medicaid, Medicare or Worker's Compensation cost.

Financial Systems

Background

This section focuses on the financial systems within Bright Local School District (Bright LSD). The objective is to analyze the current financial condition of Bright LSD and develop recommendations for improvements and efficiencies. Furthermore, Bright LSD's five-year forecast was analyzed to ensure that the projections accurately represent future operational and financial conditions.

The Auditor of State's Office (AOS) recommended the establishment of fiscal watch and emergency laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility, and to provide technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316.03, effective September 19, 1996, established fiscal watch and emergency laws for Ohio school districts. ORC § 3316.031, effective April 10, 2001, amended the conditions for declaring fiscal watch and emergency and created a new category of fiscal caution. The difference between fiscal caution, watch, and emergency is the severity of the school district's financial condition.

To help define fiscal caution, the Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school board, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school board has 60 days to provide a written proposal to ODE that outlines a plan to correct the fiscal deficiencies.

In accordance with ORC §3316.031(A), a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending fund balance less than or equal to 2 percent of current year projected revenues. On March 15, 2003, Bright LSD was placed in fiscal caution based on the five-year forecast dated October 2002. The forecast projected a FY 2002-03 ending fund deficit of \$113,911 which was, less than 2 percent of the projected revenues for FY 2002-03. As a result, the administration of Bright LSD consulted with ODE to determine areas of potential cost savings.

Financial Operations

On March 15, 2003, ODE declared Bright LSD in fiscal caution. ODE indicated that it expected Bright LSD to generate ending fund balance deficits in FY 2002-03 through FY 2006-07. In an attempt to avoid a deficit in the current fiscal year and any future fiscal year, Bright LSD has attempted to identify areas of potential cost reduction. With the help of ODE, the District has identified several areas for cost reduction including benefits, salaries, and staffing. Specific actions taken by the District to cut costs included postponement of base salary increases, realignment of staff instead of rehiring to replace retiring and departing staff, and changing from a traditional health plan to a Preferred Provider Organization. The following tables represent Bright LSD's operations in FY 2002-03 and could suggest areas for further reductions. **Table 2-1** compares Bright LSD's operational revenues and expenditures to peer districts.

**Table 2-1: Comparison of FY 2002-03
Revenues by Source and Expenditures by Object**

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Property and Income Tax	\$1,014,892	\$2,159,029	\$1,333,167	\$1,625,977	\$1,706,058
Intergovernmental Revenue	\$4,511,161	\$3,250,495	\$3,471,796	\$4,220,555	\$3,647,616
Other Financing Sources	\$393,111	\$11,184	\$0	\$11,985	\$7,723
Other Revenues	\$126,132	\$118,071	\$112,332	\$416,985	\$215,796
Total Revenues	\$6,045,296	\$5,538,779	\$4,917,296	\$6,275,501	\$5,577,192
Wages	\$2,781,124	\$3,101,092	\$3,420,972	\$4,172,926	\$3,564,997
Fringe benefits	\$1,359,270	\$953,153	\$1,082,007	\$1,234,585	\$1,089,915
Purchased Services	\$666,398	\$335,236	\$616,722	\$321,343	\$424,434
Tuition	\$274,090	\$375,930	\$10,327	\$63,390	\$149,882
Supplies & Textbooks	\$201,661	\$247,008	\$283,797	\$414,961	\$315,255
Capital Outlay	\$9,834	\$188,480	\$31,368	\$170,625	\$130,158
Miscellaneous	\$178,576	\$76,803	\$343,054	\$241,533	\$220,463
Other Financing Uses	\$54,500	\$9,666	\$3,750	\$92,269	\$35,228
Total Expenditures	\$5,525,454	\$5,287,368	\$5,791,997	\$6,711,632	\$5,930,332

Source: FY 2002-03 4502 reports

In FY 2002-03, Bright LSD had a significantly higher operating surplus than any of the peers. Bright LSD's operating surplus was approximately \$519,800, or 8.6 percent of total revenues. In comparison, the peers showed an average operating loss of approximately \$353,100, or 6.3 percent of total revenues. Bright LSD demonstrated a significant improvement from FY 2001-02, when the District had an operating deficit of approximately \$202,800. The improvement was primarily the result of the District's FY 2002-03 salary negotiations, which resulted in a postponement of base salary increases for one year and reduction in staff of one administrator and two classified positions.

Table 2-2 presents the data from **Table 2-1** as percentages of total revenues and total expenditures to determine which line items represent significant variances from the peers.

**Table 2-2: Comparison of FY 2002-03
Revenues by Source and Expenditures by Object as Percentages**

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Property and Income Tax	17%	39%	27%	26%	31%
Intergovernmental Revenues	75%	59%	71%	67%	65%
Other Financing Sources	7%	0%	0%	0%	0%
Other Revenues	2%	2%	2%	7%	4%
Total Revenues	\$6,045,296	\$5,538,779	\$4,917,296	\$6,275,501	\$5,577,192
Wages	50%	59%	59%	62%	60%
Fringe benefits	25%	18%	19%	18%	18%
Purchased Services	12%	6%	11%	5%	7%
Tuition	5%	7%	0%	1%	3%
Supplies & Textbooks	4%	5%	5%	6%	5%
Capital Outlay	0%	4%	1%	3%	2%
Miscellaneous	3%	1%	6%	4%	4%
Other Financing Uses	1%	0%	0%	1%	1%
Total Expenditures	\$5,525,454	\$5,287,368	\$5,791,997	\$6,711,632	\$5,930,332

Source: FY 2002-03 4502 Reports

Bright LSD is more dependent on Intergovernmental Revenues (state funding) than the peer districts. Local tax revenue represents a smaller portion of its total revenues. Local tax revenues provided approximately 17 percent of Bright LSD's revenue compared to a peer average of 31 percent. In addition, Bright LSD also obtained 7 percent of its revenues from other financing sources. Approximately \$300,000 of the District's revenue from other financing sources came from the reversal of a FY 2001-02 transfer. In FY 2001-02, the District transferred \$300,000 from the General Fund to the Self-Insurance Fund to satisfy a significant portion of the outstanding claims with its third party insurance provider. During FY 2002-03, the District reversed this transaction, transferring \$300,000 back into the General Fund and charging this expense to the General Fund fringe benefits function. Finally, other revenue consisted primarily of tuition payments received from other districts. Tuition payments represented approximately \$56,000, or 45 percent of other revenue.

Bright LSD's operational expenditures indicate that fringe benefits, purchased services, and tuition account for a higher than average portion of the District's total expenditures when compared to the peers. Fringe benefits expenditures were higher than the peer average due to the District incurring a one-time \$300,000 expenditure in conjunction with the previously discussed transfer. The District's decision to outsource several functions performed in-house by the peers is the primary reason for the District being above average in the purchased services category. In

FY 2002-03 the District incurred charges of approximately \$52,000 and \$31,000 for Information Technology and Severely Behaviorally Handicapped (SBH) services, respectively. If not outsourced, these expenses would have been incurred as salaries and wages, a function where Bright LSD is significantly below the peer average. In addition, Bright LSD's purchased services expenditures were significantly impacted by several instances in which the District's high school and elementary school required significant unplanned repairs. While the exact amount of these repairs could not be identified, the District incurred total expenses of approximately \$81,000 and \$20,000 for repairs to Whiteoak High School and Bright Elementary school respectively. While these repairs were covered by the District's property insurance, the District will not be reimbursed for these expenditures until FY 2003-04.

Finally, Bright LSD is incurring tuition expense much higher than the peers. The District pays tuition on behalf of students living within the district who are not educated by the district. This includes students who utilize open enrollment, attend community schools, and are home schooled through the Electronic Classroom of Tomorrow program. For each of these students the District is charged tuition equal to the amount of state foundation revenue the District would have received on that student's behalf. Compared to the peers significantly more students chose to be educated outside the district. In FY 2002-03, Bright LSD had a net loss of 29 students, while the peers gained an average of 6 students. **Table 2-3** compares Bright LSD's operational revenues and expenditures to peer districts and adjusts for the number of students these districts serve.

**Table 2-3: FY 2002-03
Per Pupil Revenues by Source and Expenditures by Object**

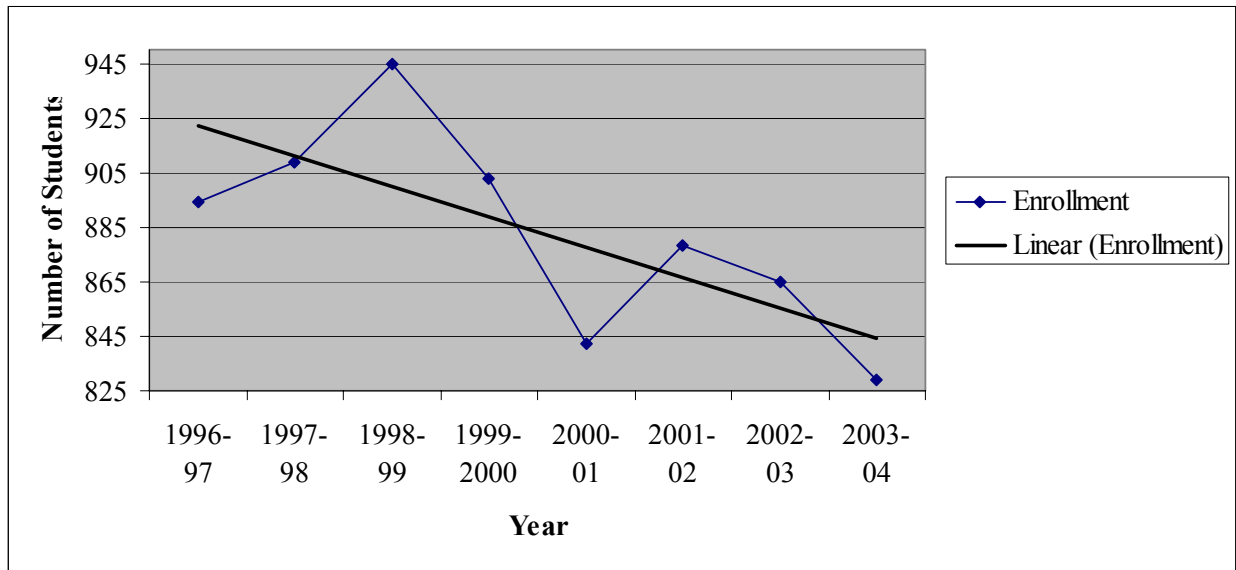
	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Average Daily Membership (ADM)	863	788	725	944	819
Property and Income Tax	\$1,175	\$2,739	\$1,839	\$1,722	\$2,100
Intergovernmental Revenue	\$5,228	\$4,124	\$4,789	\$4,471	\$4,461
Other Financing Sources	\$456	\$14	\$0	\$13	\$9
Other Revenues	\$146	\$150	\$155	\$442	\$249
Total Revenues	\$7,005	\$7,027	\$6,783	\$6,648	\$6,819
Wages	\$3,223	\$3,935	\$4,719	\$4,420	\$4,358
Fringe benefits	\$1,575	\$1,210	\$1,492	\$1,308	\$1,336
Purchased Services	\$772	\$425	\$851	\$340	\$539
Tuition	\$318	\$477	\$14	\$67	\$186
Supplies & Textbooks	\$234	\$313	\$391	\$440	\$381
Capital Outlay	\$11	\$239	\$43	\$181	\$154
Miscellaneous	\$207	\$97	\$473	\$256	\$275
Other Financing Uses	\$63	\$12	\$5	\$98	\$38
Total Expenditures	\$6,403	\$6,708	\$7,988	\$7,110	\$7,269

Source: FY 2002-03 4502 Reports

Bright LSD has been able to maintain total expenditures per student at a level below the peer average. As shown in **Table 2-3** Bright LSD's total expenditures per student were 11.9 percent less than the peer average. While Bright LSD did have greater revenues per student than the peers, this was primarily due to the \$300,000 that was transferred into the General Fund as part of the reclassification previously discussed. If not for this transfer, then operating revenue per student would be \$6,658; approximately 2.4 percent per student below the peer average. Bright LSD's financial condition is, in part, explained by the lower level of operating revenues per student compared to peer school districts. This is caused by lower levels of local property tax receipts, approximately 40.5 percent lower than the peer average.

Bright LSD is also facing a decreasing enrollment trend which will have a significant impact on the amount of state foundation revenue the District receives in the future. As shown in **Chart 2-1**, since FY 1996-1997 the District has experienced steadily decreasing enrollment.

Chart 2-1: Bright LSD Enrollment¹



Source: Bright LSD Superintendents Office
¹Includes District estimate for FY 2003-04

This trend of decreasing enrollment may negatively affect the state foundation revenue the District receives. State foundation revenue is in part determined by the district’s property valuation and average daily membership (ADM). If property values continue to rise and ADM continues to decrease, then the District’s total formula aid will decrease, resulting in less foundation funding for the District.

Table 2-4 shows selected FY 2002-03 discretionary expenditures, by account, as a percentage of total FY 2002-03 General Fund expenditures for Bright LSD and the peers.

Table 2-4: FY 2002-03 Discretionary Expenditures

	Bright	Columbus Grove	Continental	Crestview	Peer Average
Prof. and Technical Services	4.6%	0.8%	2.3%	0.3%	1.1%
Property Services	3.2%	2.8%	3.0%	1.8%	2.6%
Mileage/Meeting Expense	0.6%	0.2%	0.3%	0.5%	0.4%
Communications	0.5%	0.5%	0.4%	0.1%	0.3%
Contract. Craft or Trade Service	0.0%	0.0%	0.0%	0.1%	<0.1%
Pupil Transportation Services	0.0%	0.1%	0.0%	0.0%	<0.1%
Other Purchased Services	<0.1%	0.1%	0.1%	0.0%	0.1%
General Supplies	0.9%	1.8%	2.0%	2.5%	2.1%
Textbooks/ Reference Materials	0.3%	0.6%	1.0%	1.8%	1.1%
Food & Related Supplies/Materials	<0.1%	<0.1%	0.0%	<0.1%	<0.1%
Plant Maintenance and Repair	0.8%	0.2%	0.8%	0.8%	0.6%
Fleet Maintenance and Repair	1.4%	1.4%	0.6%	0.6%	0.9%
Other Supplies and Material	0.0%	0.0%	0.0%	0.4%	0.1%
Land, Buildings & Improvements	0.1%	<0.1%	0.0%	0.0%	<0.1%
Equipments	0.1%	3.1%	0.5%	2.5%	2.1%
Buses/Vehicles	0.0%	0.0%	0.0%	0.0%	0.0%
Other Capital Outlay	0.0%	0.1%	0.0%	0.0%	<0.1%
Dues and Fees	1.6%	1.4%	4.9%	3.5%	3.3%
Insurance	0.5%	<0.1%	1.0%	0.1%	0.4%
TOTAL	14.5%	13.3%	16.8%	15.2%	15.2%

Source: FY 2002-03 4502 reports

As shown in **Table 2-4**, Bright LSD's discretionary spending as a percentage of all General Fund expenses (14.5 percent), is approximately 4.6 percent lower than the peer average (15.2 percent). Examining individual line items, Bright LSD is higher than the peer average in only 8 of 19 categories. The largest portion of discretionary spending was in the professional and technical services line item which was almost 4.2 times higher than the peer average. This is a result of the District's decision to outsource several functions in lieu of maintaining full-time staff. As previously discussed the District out sources Information Technology services and participates in a consortium for SBH services. As a result, the District incurs a higher expense to the professional and technical services line item; an expense which is offset by cost savings to the salaries and wages line-item.

In addition, Bright LSD's property services line item was more than 23.1 percent greater than the average of the peers. The higher expenditures are the result of unexpected mechanical problems with the District's high school. These expenditures were essential to the operation of the building and therefore, unavoidable. According to the treasurer, the District's property insurance will provide reimbursement for these expenditures during FY 2003-04. The District's fleet maintenance and repair line item was also significantly impacted by unavoidable repairs. The District maintains a significantly older fleet of buses which travel significantly more miles than

the peers (see the **transportation section** for further details), therefore fleet maintenance and repair expenditures accounted for approximately 1.4 percent of discretionary expenditures, 55.5 percent greater than the peer average of 0.9 percent.

Finally, Bright LSD was higher than the peer average in the following line items which account for less than 1 percent of the District's total expenditures. After discussions with the treasurer, no specific events were identified that would cause the District to be above the peer average. Due to the relatively low total of these expenditures, any variance from the peer average can likely be explained by insignificant variations in day-to-day operations.

- communications;
- land, buildings and improvements;
- mileage/meeting expense;
- plant maintenance and repairs; and
- insurance.

The financial forecast presented in **Table 2-5** represents the treasurer's revised projections of Bright LSD's present and future financial condition as of May 2003. At the time the forecast was developed, complete FY 2002-03 information was not available; however, the forecast presented in **Table 2-5** has been updated by AOS to include actual FY 2002-03 information. In addition the treasurer has incorporated the effects of the cost saving actions the District took prior to and while in fiscal caution. The forecast and accompanying assumptions are the representations of Bright LSD and are presented without further verification. The projections, which incorporate the combined General and Disadvantaged Pupil Impact Aid (DPIA) Funds, are accompanied by four years of comparative historical results, general assumptions and explanatory comments. Assumptions that have a significant impact on Bright LSD's financial status, such as property tax revenue, salaries and wages, and capital outlays, have been tested for reasonableness. It should also be noted that as part of the fiscal caution process districts are required to submit forecasts to ODE in addition to those submitted by all districts in October and May. Therefore, the forecast represented in **Table 2-5**, may not reflect the most recent forecast submitted to ODE.

Table 2-5: Bright LSD Financial History and Forecast (in 000's)

	Actual FY 99- 00	Actual FY 00- 01	Actual FY 01- 02	Actual FY 02- 03 ¹	Forecast FY 03- 04	Forecast FY 04- 05	Forecast FY 05- 06	Forecast FY 06- 07
Real Estate Property Tax	\$779	\$849	\$944	\$961	\$1,048	\$1,100	\$1,155	\$1,213
Tangible Personal Property Tax	\$70	\$54	\$61	\$54	\$46	\$48	\$51	\$53
Unrestricted Grants-in-Aid	\$3,445	\$3,612	\$4,024	\$4,048	\$4,533	\$4,624	\$4,717	\$4,811
Restricted Grants-in-Aid	\$75	\$73	\$196	\$367	\$135	\$137	\$140	\$143
Property Tax Allocation	\$88	\$102	\$115	\$119	\$63	\$67	\$70	\$73
Other Revenues	\$219	\$314	\$107	\$135	\$126	\$100	\$100	\$100
Total Operating Revenues	\$4,675	\$5,005	\$5,448	\$5,684	\$5,951	\$6,076	\$6,232	\$6,393
Salaries & Wages	\$2,750	\$3,043	\$3,079	\$2,792	\$2,878	\$3,089	\$3,207	\$3,328
Fringe Benefits	\$832	\$1,160	\$1,040	\$1,360	\$1,281	\$1,409	\$1,550	\$1,705
Purchased Services	\$485	\$763	\$772	\$940	\$1,170	\$1,205	\$1,241	\$1,278
Supplies, Materials & Textbooks	\$316	\$332	\$230	\$202	\$286	\$295	\$304	\$313
Capital Outlay	\$124	\$246	\$80	\$10	\$135	\$100	\$50	\$100
Other Expenditures	\$112	\$137	\$143	\$179	\$118	\$121	\$125	\$129
Total Operating Expenditures	\$4,620	\$5,680	\$5,345	\$5,483	\$5,867	\$6,219	\$6,476	\$6,852
Net Transfers/ Advances In/ (Outs)	\$0	(\$27)	(\$313)	\$300	\$0	\$0	\$0	\$0
Other Financing	\$166	\$0	\$7	\$38	\$0	\$0	\$0	\$0
Net Financing	\$166	(\$27)	(\$306)	\$338	\$0	\$0	\$0	\$0
Result of Operations (Net)	\$221	(\$703)	(\$203)	\$539	\$84	(\$142)	(\$244)	(\$459)
Beginning Cash Balance	\$1,365	\$1,586	\$883	\$681	\$1,220	\$1,304	\$1,162	\$918
Ending Cash Balance	\$1,586	\$883	\$681	\$1,220	\$1,304	\$1,162	\$918	\$459
Outstanding Encumbrances	\$348	\$291	\$265	\$161	\$275	\$275	\$275	\$275
Total Reservations	\$229	\$153	\$124	\$60	\$100	\$60	\$40	\$0
Ending Fund Balance (Unreserved)	\$1,008	\$440	\$292	\$999	\$929	\$827	\$603	\$184

Source: Bright LSD Treasurer's Office

¹Not included in the forecast submitted to ODE.

Bright LSD's financial forecast in **Table 2-5** presents expected revenues, expenditures and ending fund balances for the General Fund for each of the fiscal years including June 30, 2004 through June 30, 2007, with historical (unaudited) information presented for the fiscal years ended June 30, 2000, 2001, 2002, and 2003. Bright LSD's financial forecast shows operating deficits for each year in the forecast except for 2003-04, however the forecast does not show an ending fund deficit in any year.

The assumptions disclosed herein are based on information obtained from Bright LSD. 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.

The first year of the forecast (FY 2003-04) is based upon the District's projection of its revenue submitted to the County Budget Commission and certified back to the District by the County Auditor in the Certificate of Estimated Resources. The projections for the remainder of the forecast are based on the following assumptions:

Revenues

- General and tangible personal property tax is estimated at a historical 5 percent increase, assuming valuations will increase and personal property levels will remain the same.
- Unrestricted grants is estimated at a 3 percent increase in state funding (unrestricted grants in aid) based on historical data, less 1 percent for declining enrollment. This assumes the state will not decrease or cut any funding received in previous year and Parity Aid will remain unrestricted.
- Restricted grants in aid is estimated at a historical rate of 3 percent increases, and includes a continuation of bus purchase assistance, as well as constant levels of DPIA and career tech/ adult education funding.
- The property tax allocation (homestead rollback) is estimated at the same level as general and tangible personal property tax with the same assumptions.
- Other revenues assume no change.
- Other financing sources include the return of advances only.

Expenditures

- Salaries and wages are estimated to increase at a historical 3 percent increase for experience incrementing only. Bright LSD assumes no base salary increases and maintains current staffing levels. The District is also estimating an additional \$200,000 over fiscal years 2004-2007 for severance payment to retiring employees. The treasurer estimated approximately \$20,000 in FY 2003-04, \$100,000 in FY 2004-05, \$20,000 in FY 2005-06 and \$60,000 in FY 2006-07 for severance payments.
- Employee benefits are estimated to increase at a historical rate of 10 percent. Bright LSD assumes salary levels will remain the same and medical insurances will be affordable. Figures include payment to Ross County Consortium for a substantial portion of the existing claims deficit by the end of FY 2003-04. The treasurer estimated the claims to be \$258,000.
- Purchased services, supplies and materials include a 3 percent inflationary increase.

- Capital Outlay expenses include the purchase of one new bus every other year with bus purchase assistance only. This line item also includes full payment to the Ohio Facilities Commission for the local portion of the state funding received for the construction of a new elementary school. The treasurer estimated the payment to be \$139,000 in FY 2002-03.
- Bright LSD forecasts no additional debt incurred in the General Fund during the forecast period.
- Other expenses include a 3 percent per year inflation increase.
- Other financing uses estimates of advances out only.
- The forecast assumes that set-aside requirements will be met and no reserve will be necessary.
- Bright LSD assumes that no new levies will be passed during the forecast period and that all current levies will continue.

On April 16, 2003 the superintendent submitted the District's financial recovery plan to the District's school board. At that time the plan was approved by the school board for submission to ODE. The plan incorporated many of the cost cutting measures suggested to the District by ODE as well as its own initiatives.

The financial recovery plan incorporated several cost saving measures including no base salary increases, realigning instead of employing to decrease current staffing levels, and a switch from a traditional health plan to a PPO. The revised five-year forecast reflecting the District's proposal for recovery anticipated ending FY 2002-03 with an ending fund balance of \$143,000. However, FY 2002-03 operations resulted in an actual ending fund balance of \$999,000.

In view of its financial situation the Bright LSD Board of Education adopted a resolution in July 2002 to place a two year levy on the November 2002 ballot. The levy was designated for permanent improvement and, if passed, would be used for building repairs, purchase of buses, textbooks, and computers. The levy did not pass in November 2002, and, due to cost concerns, the District did not place a levy on either of the next two ballots, held in February 2003 and May 2003 respectively.

Assessments Not Yielding Recommendations

Assessments of the following areas were conducted but did not warrant any changes or yield any recommendations:

- **Debt service:** Within the past year the District retired all debt that impacted the five-year forecast. The District has no plans to add any additional debt in the time period covered by the forecast.
- **Food Service Operations:** These operations are not currently requiring transfers from the General Fund. For the past two years these operations have been self-sufficient. In addition, the District has identified opportunities for improvement that will ensure that the fund does not require subsidy from the General Fund throughout the forecast period.
- **Discretionary Expenditures:** The District has exercised sufficient control over these expenditures. While the District's total discretionary expenditures increased by approximately \$97,000 from FY 2001-02 to FY 2002-03 much of the increase resulted from the District outsourcing several functions that were previously performed in house. Therefore the increased expenditures were offset by savings to the District's salary and wage expense.
- **Transfers and Advances:** The District had significant transfers from the General Fund in FY 2001-02 to satisfy a substantial portion of the District's delinquent claims when the District switched third-party health insurance providers. As previously discussed, these transfers were reversed in FY 2002-03 and the majority of these claims are now paid. Therefore, transfers and advances will not have a material impact on future forecasts.

Recommendations

Financial Forecast

R2.1 The District’s five-year forecast and the accompanying assumptions or notes should be expanded to include detailed historic and projected information and explanatory comments. In addition, the Bright LSD treasurer should ensure that the notes and assumptions adequately reflect what is reported in the five-year forecast. By providing more detail in the forecast and its supporting notes, the board and the public will better understand the financial condition of Bright LSD.

A forecast is a management tool developed by the treasurer with the assistance of other managers within the school district. Assumptions are informed estimates developed by the appropriate managers within each building or at the district level and communicated to the school board. Since assumptions can change based upon economic conditions, the forecast should be considered a working document that can be altered if the result is considered significantly different as time progresses. Although Bright LSD includes assumptions and notes to its five-year financial forecast, the assumptions and notes do not provide adequate disclosure regarding the following factors that have an impact on the forecast:

- Historic and projected enrollment and Average Daily Membership;
- Detailed description of the components of state foundation revenues;
- Historic sources of other revenues and factors which may effect these revenues in the future;
- Historic and projected expenditures for significant components of purchased services, supplies and materials which fulfill minimum state requirements;
- Detailed description of capital outlay expenditures, identifying amounts related to routine maintenance, specific projects and fulfilling state requirements;
- Substantial items which currently comprise the other expenses line item and the future forecast of these items.

The following items represent a sample of inconsistencies or insufficiently detailed analyses that were noted during the review of forecast assumptions:

- General and Tangible property tax is forecasted to increase at a rate of 5 percent per year based on historical data. The first year of the forecast is not based on a 5 percent increase, but rather the District’s certificate of estimated resources certified by the county auditor. In addition, the forecast of a 5 percent increase is not reflective of the actual trend of revenue increases. Recent trends indicate that these revenues have increased at a rate greater than 5 percent, however the assumption

could not be verified because the length of time from which the historical data was drawn is not specifically stated in the forecast assumption (See **R2.2**);

- The District’s estimate of state foundation revenue does not include projections of future enrollment or average daily membership. While the treasurer did make an adjustment to the state foundation forecast to account for the District’s trend of decreasing enrollment, it could not be determined from the forecast notes how the treasurer determined that the adjustment made was appropriate.
- The District’s assumption of other revenues does not provide an explanation of the sources or the conditions that have recently affected these revenues. During FY 2000-01 and FY 2001-02 other revenues came primarily from earnings from investments. However, over the last two years this trend has changed in conjunction with the national economic downturn and the reduction of balances in the District’s interest earning accounts. The District’s earnings from investments have dropped from \$178,761 in FY 2000-01 to \$28,389 in FY 2002-03. The District’s forecast assumptions do not adequately explain these conditions, nor provide insight into the District’s expectations for the future of these revenues or any others within the category.
- The District’s forecast includes a \$139,000 payment to the Ohio School Facilities Commission for the local portion of state funding to complete the construction of the District’s elementary school. The cost of the project was more than had been originally estimated, therefore, the payment was made in addition to the local funding approved by district voters. The District made this payment to avoid requesting additional local revenue from taxpayers. The forecast does not explain these events with sufficient detail.

The forecast should also identify the projected set-asides for capital maintenance, textbooks and instructional materials supplies. Bright LSD should quantify the cost of implementing programs needed to meet educational outcomes and accountability standards, such as the report card issued by the Ohio Department of Education (See **R2.5** and **R2.6**). These costs should be identified as “Additional Educational Enhancements” and described in the accompanying forecast notes.

The treasurer shares the financial forecast with the District’s finance committee periodically. However, the treasurer does not formally update the forecast each month unless a material change has occurred. Instead, the treasurer shares any changes that have occurred with the finance committee and reports revenue and expenditure year to date information, along with revenue and expenditure estimates of how the District will end the year. The treasurer includes assumptions and supporting explanations along with the financial forecast, which has improved the reader’s understanding of these projections.

However, inclusion of additional detail concerning historical events and future expectations would further assist the reader in interpreting the forecast and drawing well-informed conclusions.

R2.2 The District’s treasurer should develop a new forecast assumption to specifically address tangible personal property tax and revise the current general property tax assumption. Both assumptions should reflect current revenue trends and explicitly state the historical period from which the trend was derived. The assumptions should be presented in such a manner that the sensitive nature of these revenues to external variables is communicated to both the school board as well as the public.

The five-year forecast for Bright LSD currently assumes that general and tangible property taxes will increase at a rate of five percent per year. Historical data shows that general property tax revenues have increased at an average rate of approximately 6.5 percent per year over the last ten years and 7.4 percent per year over the last five-years. In addition, tangible property tax revenues have increased at a rate of 6.8 percent per year and 6.6 percent per year during the most recent ten year and five-year periods respectively.

These trends indicate that the forecast assumption of a 5 percent annual increase is understating probable revenues. **Table 2-6** compares the District’s forecasting method to forecasts using the five-year and ten year trends of revenue increases. **Table 2-6** also shows the impact that a forecast developed using the five-year or ten year average increase would have on the District’s five-year forecast.

Table 2-6: Comparison of Forecasting Methods

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Total
General Property Tax					
Simulated District Forecast (5%) ¹	\$1,008,649	\$1,059,081	\$1,112,035	\$1,167,637	\$4,347,402
Ten Year Trend (6.5%)	\$1,022,820	\$1,089,051	\$1,159,570	\$1,234,655	\$4,506,096
Forecast Difference	\$14,171	\$29,970	\$47,535	\$67,018	\$158,694
Five-year Trend (7.4%)	\$1,031,836	\$1,108,333	\$1,190,502	\$1,278,763	\$4,609,434
Forecast Difference	\$23,187	\$49,252	\$78,467	\$111,126	\$202,032
Tangible Property Tax					
Simulated District Forecast (5%) ¹	\$56,988	\$59,837	\$62,829	\$65,970	\$245,624
Ten Year Trend (6.8%)	\$57,963	\$61,902	\$66,109	\$70,601	\$256,574
Forecast Difference	\$975	\$2,065	\$3,280	\$4,631	\$10,950
Five-year Trend (6.6%)	\$57,877	\$57,878	\$61,720	\$65,816	\$243,290
Forecast Difference	\$889	(\$1,959)	(\$1,109)	(\$154)	(\$2,334)

¹Source: FY 2002-03 actual revenues

While **Table 2-6** presents a forecast very similar to the forecast presented in **Table 2-5**, it should be noted that **Table 2-5** was not based on the actual revenues from FY 2002-03. **Table 2-5** was based on the District's original forecast of FY 2002-03 revenue, which was substantially higher than the actual revenue for the same fiscal year. The simulated district forecast in **Table 2-6** shows the District's forecast had it been based on actual FY 2002-03 revenue.

Table 2-6 shows that the District's method of forecasting tangible property tax slightly underestimates the ten year trend of revenues while slightly overestimating the five-year trend. While the differences between the District's forecast and the trends are negligible and do not pose an immediate problem with the five-year forecast; the District should develop an assumption for these revenues which effectively communicates their variability. These revenues are sensitive to several external variables such as, pending legislation, inventory levels of local businesses, and the operations of local public utilities. It is essential that the District communicate the variables to the reader to help ensure that the forecast is interpreted properly and these revenues are appropriately considered in the decision making process.

Table 2-6 also shows that the District's method of forecasting general property tax underestimates the ten year trend of revenue increases by an average of \$39,700 per year while also underestimating the five-year trend of revenue by an average of approximately \$50,500 per year. If the District were to adopt the more conservative trend, (the ten year trend) as the basis for the forecast, probable revenues would be understated by a cumulative total of approximately \$158,700 over the forecast period.

It should be recognized that in forecasting, a certain degree of error or variability is expected in each year of a forecast. When using historical data to forecast future revenues, the variability or error of one year will be compounded in the forecast for the following years as well, therefore the accuracy of a forecast will theoretically decrease in the final years of the forecasted period. The District can potentially reduce the variability in the final three years of the forecast by using a forecasting model that more accurately reflects the current pattern of receipts. The District should attempt to develop a realistic projection of future revenues forecast that is not overly conservative. In addition, the District should examine multiple trends such as a five-year average increase (decrease) and a ten year average increase (decrease) and base its forecast on the more conservative of the two trends.

General property tax receipts comprise the second largest source of revenue for Bright LSD. Therefore, it is essential that the District estimate these revenues with the highest degree of accuracy possible. This will allow Bright LSD to adequately plan for future

restraints that may arise. Revising the assumption for general property tax receipts significantly increases the General Fund balance. The effect of this assumption is reflected in the forecast shown in **Table 2-11**.

R2.3 Bright LSD should designate 2.0 inside (unvoted) mills for permanent improvements. If the District pursues this designation in conjunction with a planned rollback of 2.0 mills from its 1985 permanent improvement bond, the District can minimize the net affect on the taxpayer.

As shown in **Table 2-2**, the District obtains a significantly lower percentage of its total revenue from its property and income tax receipts. Approximately 17 percent of the District's revenues come from property taxes compared to a peer average of 31 percent. This is primarily due to the District's inability to gain voter approval to raise its tax rate, which currently stands at the state minimum of 20.0 mills.

District residents have historically not supported increases to millage. Therefore the District should not rely on new outside (voted) millage to improve its financial standing. However, the District may be able to improve its financial position by designating 2.0 inside (unvoted) mills for permanent improvements. By doing this, approximately \$110,000 per year of General Fund revenue would be redistributed to the Permanent Improvement Fund. The Permanent Improvement Fund would then be able to bear the burden of approximately \$110,000 in expenses currently charged to the General Fund. Combined, these actions would have a net effect of zero on the General Fund.

Designating 2.0 inside mills for permanent improvement would require the tax commissioner to recalculate the District's tax reduction factor to restore the District to the 20.0 mill floor. In the worst case scenario, the recalculation would not increase revenue and Bright LSD would have a net effect of zero to the General Fund since it decreased both General Fund expenditures and revenues by the same amount. In the best case scenario, the recalculated tax reduction factor would result in Bright LSD's General Fund receiving additional revenue equal to the \$110,000 that was redistributed to the Permanent Improvement Fund. This would result in a net gain to the General Fund of up to \$110,000 per year.

In order to minimize the effect on the taxpayer, the District should pursue these actions in conjunction with the planned rollback of 2.0 mills from the District's 1985 permanent improvement bond. The funds from the 1985 permanent improvement bond were designated for the repayment of debt obtained for improvements to the District's high school. Currently, these funds are in excess of the District's needs for that purpose and therefore are being reduced or rolled back. The District does not need voter approval to designate 2.0 inside mills for permanent improvement, however the District must comply with the provisions set forth in ORC § 5705.314 concerning a public hearing on proposed

tax change. The District should use public hearings as an opportunity to communicate to taxpayers that the net effect of these actions will not result in an increased tax bill. The District's taxpayers would not realize the decrease to their total tax bill associated with the rollback, but rather continue to pay at the current rate. The District should emphasize that while other taxing authorities within the District could take actions which result in an increased tax bill, it is the intent of the District to take every action possible to avoid such an increase. Finally, the District should also seek to inform the taxpayers that the District may institute another rollback of millage for the 1985 levy before the bonds mature in 2009 if the proceeds continue to exceed the debt repayment required. If this rollback is enacted, taxpayers would realize a decrease in their tax bill at that time.

R2.4 Bright LSD should identify the quality of service level desired by District residents. Once identified, management must determine if it can meet these standards without the approval of additional revenue by district voters. Bright LSD has made significant attempts to reduce expenditures in addition to managing district purchases in a manner comparable (and in most cases favorable) to the peers. However, these actions may not be sufficient to meet basic operating costs in the future, nor sustain a high level of quality. If District management does not feel that voters will approve additional levy funds, management should make a policy decision on the quality of education the District can provide given its limited resources.

Table 2-2 shows that Bright LSD receives 17 percent of its revenue from property taxes and local sources while the peers receive an average of 31 percent. Bright LSD is more dependent on Intergovernmental Revenues (state funding) than peer school districts. Bright LSD is dependant on state funding for approximately 75 percent of its total revenue, compared to the peer average of 66 percent.

Several issues may significantly reduce the amount of state foundation revenue the District receives during FY 2003-04 and FY 2004-05. For instance, the previously scheduled 2.8 percent increase in foundation level per student has been reduced to 2.2 percent by the State General Assembly. Also, the trend of decreasing enrollment may negatively affect the state foundation revenue the District receives since state foundation is determined in part by the District's property valuation per pupil. If enrollment decreases and property valuation increases, the property valuation per pupil may rise significantly, resulting in additional reductions of state funding.

While an increase in property valuation would bring additional property tax revenue to the District, it is unknown if these increases will be sufficient to offset the losses in state subsidies. If this condition materializes as expected, the District will become more heavily reliant on revenue from property taxes or local sources to support its operations.

This could be very detrimental to the District's operations as the District currently receives less funding from local sources per student than its peers.

Table 2-7 displays the tuition rates for Bright LSD, its peers, and several districts located in neighboring counties. The tuition rates, as calculated by ODE, represent the amount of local tax revenue a district received per student during the last fiscal year. **Table 2-7** also shows the amount of basic support (state aid) the district received per formula ADM for the same year.

Table 2-7: Pupil Tuition Rate for FY 2002-03

District	County	Local Tax Revenue From Tax Year 2001	Formula ADM FY 2001-02	Yearly Tuition Rate FY 2002-03	Basic Support per Formula ADM
Bright LSD	Highland	\$1,209,581	863.53	\$1,401	\$3,906
Blanchester LSD	Clinton	\$2,981,656	1,516.25	\$1,966	\$3,496
Columbus Grove LSD	Putnam	\$2,353,204	774.97	\$3,037	\$3,360
Continental LSD	Putnam	\$1,509,936	718.08	\$2,103	\$4,301
Crestview LSD	Putnam	\$1,939,214	931.55	\$2,082	\$3,670
Fairfield LSD	Highland	\$1,254,941	777.75	\$1,614	\$3,712
Fayetteville-Perry LSD	Brown	\$1,442,167	889.10	\$1,622	\$3,752
Greenfield EVSD	Highland	\$2,923,896	2,064.52	\$1,416	\$4,009
Lynchburg-Clay	Highland	\$1,698,952	1,244.43	\$1,365	\$3,875
Peer Average		\$2,012,996	1,115	\$1,901	\$3,772
Above (Below) Average		(\$803,415)	(251)	(\$500)	\$134

Source: Ohio Department of Education

As shown in **Table 2-7**, Bright LSD was well below the peer average tuition rate in FY 2002-03. In addition, Bright LSD received more basic support than the peer average as well. Further examination by AOS revealed that only 3.9 percent of the more than 600 school districts in the State of Ohio had lower tuition rates than Bright LSD.

The District will also face increasing expenditures, primarily in the areas of wages and fringe benefits, as a standard cost of doing business. In FY 2002-03, wages and fringe benefits combined account for approximately 75 percent of Bright LSD's total expenditures as compared to the peer average of 78 percent (as shown in **Table 2-2**). If the District cannot maintain sufficient revenues to support these expenditures it may have to appeal to the District residents for a levy to sustain basic operations. If the District's residents are unwilling to support a levy, then district management will have to start making reductions from other areas of operations.

While Bright LSD has made substantial efforts in the past year to decrease its total expenditures, the external factors facing the District may continue to put pressure on the

General Fund to support District activities. If the current trends continue, with decreasing revenue from state sources, it is possible the District's revenue base may not be sufficient to support its operational costs.

R2.5 Bright LSD does not currently have a long-range strategic plan. While the District has a continuous improvement plan (CIP) to address academic goals, it does not have a centralized plan which links academic goals to its financial condition and other external events that may affect those goals. The District should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program. The strategic plan should consider the District's current financial issues in the context of its operational goals.

The CIP is an indicator of the District's commitment to improving the quality of the education it provides; however, the plan is limited to educational objectives. The plan does not specify a timeline for reaching each objective or the source of funding needed to meet these goals. The continuous improvement plan also fails to identify the action steps needed to improve the District's current financial standing, or provide overview of community events and actions which may impact the District in the future.

The United States Department of Commerce established the Baldrige National Quality Program to provide a framework for educational institutions to assess performance on a wide range of key indicators. While many of the goals outlined in the Baldrige program may be too ambitious considering the District's limited financial resources, the criteria for strategic planning identified by the Baldrige program can provide a framework for the District to begin to develop a comprehensive strategic plan. The Baldrige program identifies the following key factors on which a strategic plan should collect and identify relevant data and information:

- Student, stakeholder, and market needs, expectations, and opportunities, including student achievement;
- Competitive environment and capabilities relative to competitors and comparable organizations;
- Educational reform, technological innovations, or other key changes that might affect programs, offerings, services, and how you operate;
- Strengths and weaknesses, including faculty and staff and other resources;
- Opportunities to redirect resources to higher priority programs, offerings, services, or areas;
- Capability to assess student learning and development;
- Budgetary, societal, ethical, regulatory, and other potential risks;
- Changes in the local, regional, or national economic environment; and

- Factors unique to the organization, including partners and suppliers needs, strengths, and weakness.

By developing a strategy consistent with the framework established by the Baldrige program the District can formalize its approach to preparing for the future. The current academic and financial position of the District requires that resources to be used as efficiently and effectively as possible. A strategic plan will help ensure that all of the District's priorities and goals are examined in relationship to its finances and that the appropriate cost trade-offs are considered. The strategic plan will also serve to ensure that the school board, superintendent, and residents have a uniform understanding of the District's priorities and goals as well as the resources needed and currently available to the District.

R2.6 Bright LSD should closely examine its spending patterns in several areas (see Table 2-10 and Table 2-11) and consider allocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on learning outcomes and proficiency test results. In addition, Bright LSD should analyze the cost reductions recommended in the human resources, facilities and transportation sections of this report to further increase operational and financial efficiencies.

In addition to being placed in fiscal caution, during FY 2001-02 the District was also declared in a state of academic watch by the Ohio Department of Education (ODE). The criteria for academic watch are based on the results of the District's cumulative performance on the state 4th, 6th, and 9th grade proficiency tests, as well as attendance and graduation rates. The results of these tests are summarized in an annual District Report Card (the report card) issued by ODE. The report card indicates the success of a district's curriculum program in meeting academic goals. While AOS does not evaluate curriculum, the analysis of the district's financial systems may serve as an indicator of areas where the district may be using an excessive or insufficient amount of resources. By identifying these areas, the District may be able to re-allocate scarce resources to areas which may improve report card scores.

The allocation of resources between the various functions of a school 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 school board and management are placed. In addition, analyzing the number of ODE performance standards a school district meets should also correlate to the school district's spending patterns. ORC §3302.02 calls for each school district to receive a performance accountability rating based on 22 performance standards. These 22 standards are minimum performance goals for public education in Ohio. **Table 2-8** presents the number of performance standards Bright LSD and the peers met in FY 2002-03.

Table 2-8: ODE Performance Standards Met (of 22 Possible)

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD
Number of Indicators Met (of 22)	11	21	17	20
Performance Index Score (2001-2002)	71.6	89.8	91.7	93.9
Performance Index Score (2002-2003)	74.1	95.7	92.0	92.9
Percentage Improvement	2.5	5.9	0.3	(1.0)
District Rating	Continuous Improvement	Excellent	Effective	Effective

Source: ODE Revised FY 2002-03 District Report Cards

As shown in **Table 2-8**, Bright LSD met fewer of the performance standards than any of the peers. While Bright LSD did improve notably from FY 2001-02 to FY 2002-03, Bright LSD is the only district to earn a rating below effective. Bright LSD has traditionally ranked as one of the lower performing school districts in Ohio.

Table 2-9 shows the expenditure amounts posted to the various Uniform School Accounting System (USAS) function codes for Bright LSD and the peer districts. Function codes are designed to report USAS expenditures by their nature or purpose. **Table 2-9** shows the operational expenditures per pupil and percentage of total operational expenditures by function for all governmental funds.

**Table 2-9: Governmental Funds
Operational Expenditures by Function and Cost per Pupil for FY 2002-03**

Number of Students (ADM)	Bright LSD		Columbus Grove LSD		Continental LSD		Crestview LSD		Peer Average	
	863		788		725		944		819	
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										
Regular Instruction	\$2,767	40%	\$3,598	50%	\$3,968	46%	\$3,761	49%	\$3,770	48%
Special Instruction	\$618	9%	\$826	11%	\$895	10%	\$698	9%	\$797	10%
Vocational Instruction	\$163	2%	\$156	2%	\$110	1%	\$155	2%	\$142	2%
Adult/Continuing Inst.	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Other Instruction	\$283	4%	\$0	0%	\$0	0%	\$39	1%	\$15	0%
Support Services Exp.			\$0		\$0					
Pupil Support	\$293	4%	\$281	4%	\$255	3%	\$521	7%	\$366	5%
Instructional Support	\$486	7%	\$155	2%	\$590	7%	\$263	3%	\$325	4%
Board of Education	\$42	1%	\$44	1%	\$66	1%	\$17	0%	\$40	1%
Administration	\$518	7%	\$547	8%	\$835	10%	\$506	7%	\$616	8%
Fiscal Services	\$268	4%	\$221	3%	\$178	2%	\$204	3%	\$202	3%
Business Services	\$0	0%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Plant Operation/ Maint.	\$761	11%	\$613	8%	\$1,107	13%	\$522	7%	\$723	9%
Pupil Transportation	\$665	10%	\$246	3%	\$316	4%	\$340	4%	\$303	4%
Central Support Services	\$0	0%	\$23	0%	\$42	0%	\$133	2%	\$71	1%
Non-Instructional Services Expenditures	\$5	0%	\$153	2%	\$8	0%	\$0	0%	\$51	1%
Extracurricular Activities Expenditures	\$121	2%	\$373	5%	\$217	3%	\$483	6%	\$369	5%
Total Governmental Fund Operational Expenditures	\$6,990	100%	\$7,237	100%	\$8,586	100%	\$7,642	100%	\$7,791	100%

Source: FY 2002-03 4502 reports

According to **Table 2-9**, Bright LSD's total per pupil operating expenditures (\$6,990) were lower than the peer districts and approximately 10.3 percent lower than the peer average. Most of these expenditures are attributed to high instructional costs in regular and special education as well as other instruction. However, as shown in **Table 2-9**, Bright LSD is not meeting a sufficient number of performance standards mandated by ODE.

As discussed in the **human resources**, **facilities**, and **transportation** sections of this report, operational efficiencies could be realized through the implementation of reductions. These recommendations, if implemented, could potentially increase revenues

and reduce expenditures and are further supported by the analysis in **Table 2-9**. **Table 2-9** shows that Bright LSD spent significantly more than the peer average in the following categories:

- *Other Instruction:* This category includes the District's tuition expense. Tuition is paid by Bright LSD to other school districts as a result of students taking advantage of the Ohio's open enrollment law; therefore, no opportunities exist for Bright LSD to re-allocate these expenditures to regular instruction.
- *Instructional Support:* In FY 2001-02, the District had taken steps to reduce expenditures within this function, primarily through the reduction of staff (see the **human resources** section for further discussion on staffing). According to the treasurer, these actions were successful in reducing expenditures however; the reductions were offset by several unforeseen increases in expenditures. The District incurred additional special education resource center expenses in order to meet the requirements of a disabled students Individualized Development Plan (IDP) Increased expenditures within this category can also be attributed to a greater than expected increase in the cost of the health insurance benefits paid to aides and guidance staff. The District has implemented a change to a Preferred Provider Organization (PPO) health plan in order to reduce these costs in the future. Therefore, no recommendations will be made concerning this function.
- *Fiscal Services:* The District currently employs 2.0 FTE's in the position of assistant treasurer. These positions place the District 0.7 FTE above the peer average in clerical staffing. Upon closer review, it was discovered that these employees perform a range of duties beyond those of typical clerical staff. While the District may appear overstaffed within the clerical classification, the employment of these individuals is offset by lower staffing within other classifications. A complete review of the District's staffing in the **human resources** section of this report, no recommendations concerning these expenditures will be made.
- *Plant Operation/Maintenance:* According to the treasurer, these expenses can be directly attributed to unforeseen mechanical problems with Whiteoak High School. The District could not avoid these expenses as it was essential to the operation of the building that the problems were repaired immediately.
- *Pupil Transportation:* The higher per pupil transportation expenditures appear to result from several factors. The District currently maintains a significantly older fleet of buses than the peers, buses accumulate significantly more miles than the peers, and the District employs 1.0 FTE bus mechanic while the peers outsource mechanical work. Several areas were identified to help reduce transportation

expenditures. For recommendations and a more detailed analysis of the District's transportation operations, see the **transportation** section of this performance audit.

Table 2-10 shows the total expenditure amounts for governmental funds, including facilities acquisition and construction expenditures, and debt services expenditures.

Table 2-10: Total Governmental Fund Expenditures by Function and Cost per Pupil for FY 2002-03

Number of Students (ADM)	Bright LSD		Columbus Grove LSD		Continental LSD		Crestview LSD		Peer Average	
	863		788		725		944		819	
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	\$6,990	94%	\$7,237	95%	\$8,586	96%	\$7,642	95%	\$7,822	95%
Facilities Acquisition & Construction Expense	\$174	2%	\$176	2%	\$178	2%	\$80	1%	\$145	2%
Debt Service Expenditures	\$287	4%	\$244	3%	\$167	2%	\$305	4%	\$239	3%
Total Governmental Funds Expenditures	\$7,451	100%	\$7,657	100%	\$8,931	100%	\$8,026	100%	\$8,205	100%

Source: FY 2002-03 4502 Reports

Table 2-10 shows the per pupil operational, facilities acquisition and construction, and debt service expenditures for all governmental funds, as well as the percentage these categories represent of total governmental fund expenditures. Bright LSD's operational expenditures per pupil of \$6,990 are 10.6 percent lower than the peer average of \$7,822. While the District was above the peer average in facilities acquisition and construction expense per pupil, the expense accounted for a percentage of total expenses equal to the peer average. Finally, Bright LSD's operational expenditures per pupil were substantially lower than the peer average. However operational expenditures represented a percentage of total expenditures comparable to each of the peers, an indicator that Bright LSD allocated its expenditures in a manner similar to the peers but had less total funds to spend.

Bright LSD also exceeded the peer average in debt service expenditures. Bright LSD spent approximately \$287 per pupil on debt service compared to a peer average of \$239 per pupil. Bright LSD has already taken steps to lower these expenditures as the District retired debt expenditures totaling approximately \$66,000 in FY 2002-03. Beginning in FY 2003-04 the General Fund will not support any debt service expenditures.

R2.7 Bright LSD should analyze and use the proposed financial forecast outlined in Table 2-11 to evaluate the revised assumptions and recommendations presented within this performance audit to determine the impact of the related cost savings on its financial condition. Bright LSD should also consider implementing the recommendations in this performance audit to improve the District's current and future financial situation. In addition, the District should update its forecast on an ongoing basis as critical financial issues are addressed.

Table 2-11 demonstrates the effect of the revised assumptions and recommendations in this report and includes both the beginning fund balance for each year and the adjusted fund balance reflecting the effect of the recommendations.

Table 2-11: Revised Financial Forecast with Adjustments (in 000's)

	Actual FY 99-00	Actual FY 00-01	Actual FY 01-02	Actual FY 02-03	Forecast FY 03-04	Forecast FY 04-05	Forecast FY 05-06	Forecast FY 06-07
Real Estate Property Tax ¹	\$779	\$849	\$944	\$961	\$1,023	\$1,089	\$1,160	\$1,235
Tangible Personal Property Tax ¹	\$70	\$54	\$61	\$54	\$58	\$62	\$66	\$71
Unrestricted Grants-in-Aid	\$3,445	\$3,612	\$4,024	\$4,048	\$4,533	\$4,624	\$4,717	\$4,811
Restricted Grants-in-Aid	\$75	\$73	\$196	\$367	\$135	\$137	\$140	\$143
Property Tax Allocation	\$88	\$102	\$115	\$119	\$63	\$67	\$70	\$73
Other Revenues	\$219	\$314	\$107	\$135	\$135	\$100	\$100	\$100
Total Operating Revenues	\$4,676	\$5,004	\$5,447	\$5,684	\$5,947	\$6,079	\$6,253	\$6,433
Salaries & Wages	\$2,750	\$3,043	\$3,079	\$2,792	\$2,878	\$3,089	\$3,207	\$3,328
Fringe Benefits	\$832	\$1,160	\$1,040	\$1,360	\$1,281	\$1,409	\$1,550	\$1,705
Purchased Services	\$485	\$763	\$772	\$940	\$1,170	\$1,205	\$1,241	\$1,278
Supplies, Materials & Textbooks	\$316	\$332	\$230	\$202	\$286	\$295	\$304	\$313
Capital Outlay	\$124	\$246	\$80	\$10	\$135	\$100	\$50	\$100
Other Expenditures	\$112	\$137	\$143	\$179	\$118	\$121	\$125	\$129
Performance Recommendations	\$0	\$0	\$0	\$0	(\$282)	(\$285)	(\$300)	(\$316)
Implementation Costs	\$0	\$0	\$0	\$0	\$27	\$55	\$110	\$169
Total Operating Expenditures	\$4,619	\$5,681	\$5,344	\$5,483	\$5,613	\$5,989	\$6,287	\$6,706
Net Transfers/ Advances	\$0	(\$27)	(\$313)	\$300	\$0	\$0	\$0	\$0
Other Financing	\$166	\$0	\$7	\$38	\$0	\$0	\$0	\$0
Net Financing	\$166	(\$27)	(\$306)	\$338	\$0	\$0	\$0	\$0
Result of Operations (Net)	\$223	(\$704)	(\$203)	\$539	\$334	\$90	(\$34)	(\$273)
Beginning Cash Balance	\$1,365	\$1,588	\$884	\$681	\$1,220	\$1,554	\$1,644	\$1,610
Ending Cash Balance	\$1,588	\$884	\$681	\$1,220	\$1,554	\$1,644	\$1,610	\$1,337
Outstanding Encumbrances	\$348	\$291	\$265	\$161	\$275	\$275	\$275	\$275
Total Reservations	\$229	\$153	\$124	\$60	\$100	\$60	\$40	\$0
Ending Fund Balance	\$1,011	\$440	\$292	\$999	\$1,179	\$1,309	\$1,295	\$1,062

Source: Treasurers Office and AOS Recommendations

¹Adjusted to reflect R2.1

Table 2-12 details those performance audit recommendations reflected in the forecast. Furthermore, the recommendations are divided into two categories: those requiring negotiation, and those not requiring negotiation.

Table 2-12: Summary of Performance Audit Recommendations

Recommendation	FY 2004	FY 2005	FY 2006	FY 2007
R3.3 Reduce ESP staffing levels by 2.0 FTE	\$111,360	\$117,504	\$124,928	\$132,878
R4.2 CMMS to track work orders	\$(500)			
R4.5 Implement energy management program	\$30,000	\$30,000	\$30,000	\$30,000
R4.9 Reconfigure facilities	\$40,000	\$40,000	\$40,000	\$40,000
R5.4 Reduce three bus routes	\$62,640	\$66,096	\$70,272	\$74,744
R5.4 One-time savings from reducing three-routes	\$9,000			
R5.6 Use co-op purchasing program	\$200	\$200	\$200	\$200
Total Recommendations not Requiring Negotiation	\$252,700	\$253,800	\$265,400	\$277,822
R3.6 Limit COLA increases to 1,1,2, and 2 percent	\$(26,707)	\$(55,283)	\$(110,141)	\$(168,957)
R3.7 Increase employee share of health care	\$11,945	\$13,139	\$14,453	\$15,899
R3.12 Prorate employee share of benefits	\$16,500	\$18,150	\$19,965	\$21,962
Total Recommendation Subject to Negotiation	\$1,738	\$(23,944)	\$(75,723)	\$(131,096)
Total Recommendations Included in Forecast	\$254,438	\$229,856	\$189,677	\$146,726

Source: AOS Recommendations

Table 2-13 summarizes the implementation costs associated with various recommendations contained within the performance audit. Each cost is dependent on Bright LSD's decision to implement the associated recommendation and the timing of that implementation.

Table 2-13: Implementation Costs

Recommendation and Implementation Cost	FY 2004	FY 2005	FY 2006	FY 2007
R3.6 Limit COLA increases to 1,1,2, and 2 percent ¹	\$26,707	\$55,283	\$110,141	\$168,957
R4.2 CMMS to track work orders	\$500			
Total Recommendation Implementation Cost	\$27,207	\$55,283	\$110,141	\$168,957

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

¹In the District's original forecast, salaries and wages were projected to increase at 3 percent annually. This increase did not include a COLA and only reflected step increases,

Finally, **Table 2-14** shows the ending fund balance as a percentage of the previous year total revenue based on the forecast presented in this section. As fiscal oversight designations are based on the ending fund balance as a percentage of the previous year total revenue, the scenarios presented depict the likelihood of Bright LSD being placed in fiscal watch or emergency during the forecast period.

Table 2-14: Ending Fund Balance as a Percentage of Previous Year Total Revenue

Fiscal Year	<u>Scenario One</u>	<u>Scenario Two</u>
	No AOS Recommendations	With AOS Recommendations
FY 2000-01	9%	9%
FY 2001-02	6%	6%
FY 2002-03	18%	18%
FY 2003-04	16%	21%
FY 2004-05	14%	22%
FY 2005-06	10%	21%
FY 2006-07	3%	17%

Source: District financial forecasts, AOS Analysis

As shown in scenario one, the District's ending fund balance as a percentage of total revenues decreases each year during the forecast period when the performance audit recommendations are not implemented. In scenario two, when performance audit recommendations are implemented Bright LSD's ending fund balance as a percentage of total revenue is over 20 percent in each forecast year except for FY 2006-07. In addition the fund balances shown in **Table 2-11** are significantly higher than the ending fund balances currently forecasted in Bright LSD's five-year forecast shown in **Table 2-5**. Bright LSD should strongly consider the recommendations included in this performance audit to ensure that the District maintains a positive ending fund balance through the end of the forecast period.

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Human Resources

Background

This section of the report focuses on various human resources functions within the Bright Local School District (Bright LSD). Bright LSD does not have a separate department dedicated to performing human resources functions. The primary human resources responsibilities are completed by the superintendent and treasurer. These responsibilities include coordinating the activities and programs for the recruitment and selection of employees; monitoring compliance with employment standards (criminal background checks and teaching certifications); facilitating employee performance evaluations; administering and monitoring grievance policies and procedures; negotiating and administering collective bargaining agreements; conducting disciplinary hearings; maintaining personnel files; placing selected substitutes and participating in new employee orientations. In addition, the treasurer's office administers the health insurance plans for all employees within Bright LSD.

Staffing

Table 3-1 illustrates the actual full-time equivalent (FTE) staffing levels at Bright LSD and the peer districts during FY 2002-03 as reported to ODE in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with the appropriate district personnel.

Table 3-1: FTE Staffing Levels for FY 2002-03

Category	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Administrators: Subtotal	7.00	4.87	6.00	5.00	5.29
Central Based Administrators	2.00	2.00	2.00	2.00	2.00
Site Based Administrators	5.00 ¹	2.75	4.00	3.00	3.25
Other Administrators	0.00	0.12	0.00	0.00	0.04
Professional Education: Subtotal	54.00	68.02	58.98	72.48	66.49
Counseling	1.00	3.00	2.00	3.00	2.67
Librarian / Media	1.00	1.00	1.00	1.00	1.00
Remedial Specialists	2.00	2.03	2.00	2.50	2.18
Regular Education Teachers	34.00	45.99	36.88	53.20	45.36
Special Education Teachers	6.50	5.00	6.50	6.00	5.83
Vocational Education Teachers	2.00	3.00	2.00	2.00	2.33
Tutor / Small Group Instructor	1.00 ²	2.00	1.00	1.00	1.33
Educational Service Personnel	6.20	4.00	7.60	3.78	5.13
Other Professional	0.30	2.00	0.00	0.00	0.67
Professional – Other	0.00	1.25	0.00	4.80	2.02
Technical: Subtotal	0.75	4.01	1.85	1.00	2.29
Computer Operator	0.00	2.00	1.00	1.00	1.33
Practical Nursing	0.00	1.00	0.00	0.00	0.33
Library Aide	0.75	1.00	0.85	0.00	0.62
Other Technical	0.00	0.01	0.00	0.00	0.00
Office / Clerical: Subtotal	11.76	7.86	8.76	15.92	10.85
Clerical	4.73	3.25	3.50	5.00	3.92
Teaching Aide	7.03	4.50	4.66	10.92	6.69
Other Office / Clerical	0.00	0.11	0.60	0.00	0.24
Crafts / Trades	1.00	0.00	2.00	0.00	0.67
Transportation	6.75	4.51	4.13	4.50	4.38
Service Worker/Laborer	11.55	16.00	14.52	16.49	15.7
Custodian	5.75	7.00	6.00	5.16	6.05
Food Service	5.80	9.00	7.52	11.33	9.28
Groundskeeping	0.00	0.00	1.00	0.00	0.33
Total FTEs	92.81	106.52	96.24	127.69	107.65

Source: FY 2002-03 EMIS Staff Summary Report and School Enrollment Report from Bright LSD and the peer districts.

¹ At Bright LSD, the transportation supervisor and maintenance supervisor positions are included in this classification.

² This position was added in March 2003, and, therefore, do not appear on the FY 2002-03 EMIS Staff Summary Report.

The staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 average daily membership (ADM) at Bright LSD and the peer districts for FY 2002-03. ADM represents the enrollment count for the first full week of October.

Table 3-2: FTE Staffing Levels for FY 2002-03 per 1,000 ADM¹

Category	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Average Daily Membership (ADM)	863.5	775.0	718.1	931.6	808.2
Administrators: Subtotal	8.1	6.3	8.4	5.3	6.7
Central Based Administrators	2.3	2.6	2.8	2.1	2.5
Site Based Administrators	5.8 ²	3.5	5.6	3.2	4.1
Other Administrators	0.0	0.2	0.0	0.0	0.1
Professional Education: Subtotal	62.5	87.9	82.1	77.8	82.6
Counseling	1.2	3.9	2.8	3.2	3.3
Librarian / Media	1.2	1.3	1.4	1.1	1.3
Remedial Specialists	2.3	2.6	2.8	2.7	2.7
Regular Education Teachers	39.4	59.3	51.4	57.1	55.9
Special Education Teachers	7.5	6.5	9.1	6.4	7.3
Vocational Education Teachers	2.3	3.9	2.8	2.1	2.9
Tutor / Small Group Instructor	1.2	2.6	1.4	1.1	1.7
Educational Service Personnel	7.2	5.2	10.6	4.1	6.6
Other Professional	0.2	2.6	0.0	0.0	0.9
Professional – Other	0.0	1.3	0.0	5.2	2.1
Technical: Subtotal	0.9	5.2	2.6	1.1	2.9
Computer Operator	0.0	2.6	1.4	1.1	1.7
Practical Nursing	0.0	1.3	0.0	0.0	0.4
Library Aide	0.9	1.3	1.2	0.0	0.8
Office / Clerical: Subtotal	13.6	10.1	12.2	17.1	13.1
Clerical	5.5	4.2	4.9	5.4	4.8
Teaching Aide	8.1	5.8	6.5	11.7	8.0
Other Office / Clerical	0.0	0.1	0.8	0.0	0.3
Crafts / Trades	1.2	0.0	2.8	0.0	0.9
Transportation	7.8	5.8	5.8	4.8	5.5
Service Work/Laborer	13.4	20.6	20.2	17.7	19.5
Custodian	6.7	9.0	8.4	5.5	7.6
Food Service	6.7	11.6	10.5	12.2	11.4
Groundskeeping	0.0	0.0	1.4	0.0	0.5
Total FTEs per 1,000 ADM	107.5	137.2	134.2	129.0	133.4

Source: FY 2002-03 EMIS Staff Summary Report from Bright LSD and the peer districts

¹ Figures are rounded to the nearest tenth and may differ slightly from summation totals.

² Includes maintenance supervisor and transportation supervisor positions classified as site-based administrators at Bright LSD.

As illustrated in **Table 3-2**, Bright LSD has 25.9 fewer FTEs per 1,000 ADM than the peer average. Bright LSD has a higher FTE staffing allocation per 1,000 ADM as compared to the peers in the following classifications:

- **Site-based administrators:** Bright LSD appears higher in the site-based administrator classification due to EMIS reporting variations compared to the peers. Bright LSD includes the maintenance and transportation supervisor positions within this classification. This being noted, administrative staffing levels were determined to be in line with the peers.
- **Special education teachers:** Bright LSD's special education teacher staffing allocation is 0.2 FTE per 1,000 ADM higher than the peer average. Two special education teacher positions were vacant as of the end of FY 2002-03 due to contract non-renewal. The District has filled

both positions to meet the special education teacher needs for FY 2003-04. Although slightly higher than the peers, special education teacher staffing per 1,000 ADM is in line with State benchmarks, and therefore, does not warrant any staffing changes.

- **Educational service personnel teachers:** Bright LSD has a 0.6 FTE per 1,000 ADM higher staffing allocation for educational service personnel teachers than the peer average. Bright LSD currently has 2.0 FTE teachers for art, 1.5 FTE teachers for music, and 2.7 FTE teachers for physical education instruction. According to the Superintendent, the District is considering possible reductions within this staffing classification. (See **R3.3**)
- **Clerical staff:** Bright LSD has a 0.7 FTE per 1,000 ADM higher staffing allocation within the clerical classification primarily due to two assistant treasurer positions within the administrative offices classified in EMIS as clerical staff.
- **Crafts/Trades:** Bright LSD has 1.0 FTE bus mechanic listed within the crafts/trades classification whereas two of the peers either outsource bus maintenance or classify maintenance staff differently within EMIS. Continental LSD lists one bus mechanic as well as one general maintenance staff within this classification. See the **facilities** section and **transportation** section for further discussion.
- **Transportation:** Bright LSD has 2.3 FTEs per 1,000 ADM higher than the peer average for bus drivers. The District has a larger geographical layout and longer bus routes compared to the peers, which are contributing factors in the staffing variation. See the **transportation** section for additional details.

The ratios of students per teaching staff member were analyzed during the performance audit. As a result of the analysis, regular education teachers' staffing levels, although low compared to the peers, are adequate when compared to State benchmarks for the average student-to-teacher ratios. While no recommended staffing changes are warranted based on this analysis, lower educational staffing levels may be a contributing factor in the lower scores reported on District Report Card standards.

The District reduced administrative staffing levels by 1.0 FTE in FY 2001-02, and 1.0 FTE assistant principal position in FY 2002-03. Bright LSD has proactively made an additional staffing reduction for FY 2003-04 of 0.9 FTE in the teaching aide classification, as well as 1.0 FTE industrial arts teaching position.

Collective Bargaining Agreements/Policies and Procedures Manuals

Certificated personnel within Bright LSD are governed by a negotiated agreement between the Board of Education and the Bright Teachers Education Association (BTEA). Classified employees are unionized under a separate labor agreement between the Board and the Ohio Local Union #100, an affiliate of the International Brotherhood of Teamsters. During the performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed and compared to the peer district to show their financial implications to Bright LSD. The implementation of some of the associated recommendations would require negotiation. **Table 3-3** and **Table 3-4** illustrate key contractual issues in the certificated and classified employee negotiated agreements.

Table 3-3: Certificated Contractual Agreement Comparisons

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD
Length of work day	7 hours, 30 minutes	7 hours, 30 minutes	7 hours, 10 minutes	7 hours, 45 minutes
Maximum class size	District shall strive to maintain minimum class sizes; Board agrees to abide by Ohio Revised Code standards	District practice is to maintain a student-to-teacher ratio of 25:1, in accordance with the Ohio Revised Code	Not specified in contract	District shall strive to maintain minimum class sizes; Board may impose a cutoff at or below a ratio of 22:1 for grades K-4
Number of contract days	183 days	182 days	184 days	184 days
Instructional Days	178 days	Contract does not further specify calendar day requirements	Contract does not further specify calendar day requirements	180 days
In-Service Days	1 day			2 days
Parent/Teacher Conferences	2 days			2 days
Teacher Orientation	1 day			2 days
Teacher Work Day	1 day			
Maximum number of sick days accrued	200 days	185 days	200 days	220 days
Maximum number of sick days paid out at retirement	25% of accumulated sick leave (total possible maximum payout of 55 days)	25% of accumulated sick leave (total possible maximum payout of 51 days)	Not specified in contract	25% of accumulated sick leave
Number of personal days	3 days	3 days	3 days	3 days
Notice required	48 hours notice	24 hours notice	48 hours notice	1 week notice
Number of leave days for association business	As approved by the Superintendent – leave days not to exceed 3 days	Cumulative total not to exceed 4 days per year.	Leave days to be approved by the Superintendent for association business	As approved by the Superintendent – number of days allowed per year is not specified
Sabbatical leave	Not specified in contract	Not specified in contract	Not specified in contract	With at least 5 years experience, leave may be granted for not less than 1 or more than 2 semesters.
Pick-up of employee's STRS contribution by district	No	No	No	No

Cost of living increases each year of the contract	FY 2002: 0.0% ³ FY 2003: 0.0%	FY 2003: 3.1% FY 2004: 3.1%	FY 2002: 3.5% FY 2003: 3.5%	FY 2003: 4.5% FY 2004: 4.5% FY 2005: 4.5%
Insurance Opt-out Incentive	\$100 per month -Single \$250 per month -Family	\$1,500 per year	25% of total annual eligible plan premium	Monthly deposit in annuity program at the following rate: Single eligibility - \$45 Family eligibility - \$90
Leave Non-use Incentive	<u>Personal Leave Incentive:</u> Reimbursement for 50% of unused personal days shall be paid in the last paycheck per year. <u>Sick Leave Incentive:</u> If maximum accrued sick leave is reached by the start of the school year, board will pay 37.5% of possible leave accrual for the coming year.	<u>Personal Leave Incentive:</u> Staff will be paid \$75 for each unused unrestricted day of personal leave to be made prior to July 1 each year.	<u>Personal Leave Incentive:</u> Reimbursement for unused personal days will be paid at the following rate: 1 day: 45% 2 days: 55% 3 days: 100%	<u>Personal Leave Incentive:</u> Payment for unused personal days will be made in June based on the daily rate applicable to a substitute for that employee

Source: Certificated negotiated agreements from Bright LSD and the peer districts

¹ District wide in-service activities will be coordinated by the Curriculum Department; one-half of the mid-year record day will be for in-service activity.

² These four days may be for professional or in-service meetings.

³ District reopens salary negotiations each year; zero percent increase for FY 2002-03.

Table 3-4: Classified Contractual Agreement Comparisons

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD
Minimum call-in hours paid to employees for emergencies	1 hour (if abuts regular shift) 2 hours (if does not abut regular shift)	None	None	None
Vacation time to accumulate	0 to 9 years; 2 weeks 10 to 19 years; 3 weeks 20 years; 4 weeks 21+ years; 1 day for each year of service to a maximum of 25 days	1 to 9 years; 2 weeks 10 to 19 years; 3 weeks 20+ years; 4 weeks	1 to 9 years; 2 weeks 10 to 14 years; 3 weeks 15+ years; 1 day for each year of service to a maximum of 20 days; may accumulate unused vacation up to a maximum of 10 days	0 to 9 years; 2 weeks 10 to 19 years; 3 weeks 20+ years; 4 weeks

Sick / Personal leave incentive	<u>Sick Leave Incentive:</u> employees may request payout of unused sick leave up to 15 days per year at a rate of 25% on the second pay day in August each year <u>Personal Leave Incentive:</u> Unused personal leave will be paid at 50%	None	None	Payment for unused personal days will be made in June based on the daily rate applicable to a substitute for that employee
Maximum number of sick days accrued	182 days	185 days	200 days	220 days
Maximum number of sick days paid out at retirement	50% of accrued leave up to 60 days	Not available	The lesser of 25% times the total unused leave or 57.5 day	25% time the total unused sick leave
Number of personal days	3 days	3 days	3 days	3 days
Notice required	48 hours notice	2 days notice	2 days notice	1 week notice
Number of holidays for 12-month employees	8 holidays	7 holidays	11 holidays	8 holidays
Number of holidays for less than 12-month employees	7 holidays	7 holidays	8 holidays	6 holidays
Number of leave days for association business	Not specified in contract	May be granted by the Superintendent without loss of pay to the employee	Upon request with prior approval of the Superintendent	Superintendent may grant approval upon consideration of written requests made at least 2 weeks prior
Pick-up of employee's SERS contribution by district	No	No	No	No
Cost of living increases each year of the contract	FY 2003: 0.00% ¹ FY 2004: 0.00 % FY 2005: 0.00%	Not specified	FY 2003: 4.0% FY 2004: 4.0% FY 2005: 4.0%	FY 2003: 3.0% FY 2004: 3.0% FY 2005: 3.0%

Source: Classified negotiated agreements from Bright LSD and the peer districts

¹Bright LSD reopens salary negotiations each year

In addition to the analyses presented in this report, further assessments were conducted on several areas within the human resources section which did not warrant changes and did not yield any recommendations. These areas include the following:

- **Administrative staffing levels:** Bright LSD appears higher due to EMIS reporting variations, but administrative staffing levels were determined to be in line with the peers.
- **Special education staffing levels:** Although slightly above the peers, special education teacher staffing per 1,000 ADM is in line with State benchmarks, and therefore, does not warrant any staffing changes.
- **Supplemental salaries:** Bright LSD supplemental salary schedules were reviewed and appeared to be in line with the peers.

- **Leave usage:** Leave usage data was reviewed and determined to be appropriate as compared to the peers.
- **Dental insurance monthly premiums:** Monthly premiums for family dental insurance were reviewed and determined to be significantly lower than the SERB averages and the peers. Dental insurance premiums have not increased since the previous contract period.
- **Certificated labor agreements:** Contractual agreements for certificated employees were reviewed and appear to be in line with benchmark standards. The contract reflects good employee relations between District administrators and certificated staff.

Recommendations

Policies and Procedures

- R3.1 Bright LSD should develop policies and procedures to ensure that accurate reports are prepared and reconciled before submission to ODE and the Educational Management Information Systems (EMIS). Complete and accurate data will help to ensure comparability among school districts, students and public education funding resources.**

The Ohio Department of Education developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel demographics. All schools are required to provide specific student, staff, and financial data to ODE for processing. During a review of various EMIS reports as part of the human resources analysis, it was discovered that Bright LSD had classified some employees incorrectly when entering information into EMIS.

In addition to developing policies and procedures to ensure that accurate reports are prepared and reconciled, Bright LSD should ensure that someone independent of the data gathering process reviews the information to ensure accuracy of the figures. The District has hired an EMIS coordinator to fulfill this role. The coordinator should consistently use the EMIS Definitions, Procedures and Guidelines report which is produced annually by ODE to assist in entering information into EMIS. Careful consideration and classification of staffing is necessary to avoid potential errors in administrative decision making, such as determining staffing needs and compensation levels. For example, administrative clerical support and assistant treasurer positions are listed in EMIS under the same classification, as clerical staff covered under the classified bargaining unit members' agreement. However, there are significant differences between these positions with regard to the duties performed, level of responsibility, and compensation.

Whenever possible, these differences should be illustrated through the use of more specific classifications within EMIS. This would help avoid inappropriate assumptions about a particular classification or group that could occur as a result of a less specific or aggregate view of certain classifications. If needed, Bright LSD should seek the necessary training and assistance to meet these important objectives.

- R3.2 Bright LSD should increase its oversight of site-based administrative staff. The District does not have controls in place which hold principals accountable for achievement of District and State educational goals, or which clearly define the authority given to site-based administrators. Developing written operating**

procedures would help to ensure that site-based administrative staff is informed of work expectations and that work policies and guidelines are sufficiently documented to be monitored and used as a tool for evaluations.

Bright LSD does not currently maintain written policies defining authority given to site-based administrators. In addition, the District does not conduct annual performance reviews for site-based administrative staff. Bright LSD should develop, document and communicate written lines of authority and accountability measures for the site-based administrative staff. Without such guidance, it may be difficult to monitor and evaluate performance of the individual and the goals of the district developed in its continuous improvement plan.

Through formalization and maintenance of written policies and procedures, oversight of site-based administrative staff would be increased, and the ability to evaluate the effectiveness of their activities with respect to strategic objectives may be enhanced. Formalization of policies and procedures demonstrates that authority given to site-based administrators has been clearly communicated, and provides a basis for establishing strategic relationships and conducting regular assessments in order to identify ways to influence and enhance site-based administrative decision-making.

Staffing

R3.3 Bright LSD should reduce staffing levels within the education service personnel (ESP) classification by 2 FTEs. The District could achieve a cost savings by reducing ESP teaching staff and remain above the State minimum standards. Bright LSD would need to reconfigure classes so that educational programs are not affected by these reductions.

Table 3-5 compares the staffing levels of all ESP personnel at Bright LSD for FY 2002-03 with the peer districts' staffing levels for FY 2002-03. The staffing levels are illustrated in terms of actual FTEs.

Table 3-5: Comparison of ESP Staffing Levels

Classification	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
ESP Teachers	6.20	4.00	7.60	3.78	5.13
Counselors	1.00	3.00	2.00	3.00	2.67
Library/Media Specialist	1.00	1.00	1.00	1.00	1.00
Totals	8.20	8.00	10.60	7.78	8.80
ESP FTE per 1,000 ADM	9.53	10.39	14.72	8.37	11.16

Source: Interviews; EMIS reports from Bright LSD and the peer districts

As illustrated in **Table 3-5**, Bright LSD has 7 percent fewer ESP staff than the peer average of 8.80 FTEs. When the FTEs are weighted per 1,000 students, Bright LSD's 9.53 ESP FTEs per 1,000 ADM is lower by 1.63 FTE per 1,000 ADM, or 14.6 percent, than the peer average of 11.16 ESP FTE per 1,000 ADM. However, the ratio exceeds the minimum standard of 5.0 FTEs per 1,000 ADM identified in the Ohio Administrative Code (OAC) §3301-35-05(A)(4) by 4.53 FTEs.

If the District were to adjust the ESP staffing ratio to the minimum standards identified in OAC §3301-35-05(A)(4)³⁻¹, it could reduce staffing levels by an approximately 4.0 FTEs and still remain above the State minimum standards.

Approximately 76 percent of Bright LSD's ESP staff is designated as art, music or physical education teachers that have direct instructional contact with students throughout the school day. The District has fewer FTEs classified as counselors than the peers. Bright LSD should consider a reduction of 2.0 FTEs in the ESP teacher category and the reconfiguration of class times for art, music and physical education to ensure that a reduction in services does not result from the staffing reductions.

Financial Implication: The estimated annual salary for each educational service personnel is \$41,600 and benefits equal to 32 percent of annual salaries, or approximately \$14,080, based on the AOS recommended cost of living adjustment . By reducing its educational service personnel by 2.0 FTEs for FY 2003-04, the District would generate an estimated annual cost savings of approximately \$111,360, and still remain above the minimum standards for ESP personnel identified in the OAC. As a result, these cost savings could be reallocated to regular instructional or other operational areas within Bright LSD.

- R3.4 Bright LSD should review and update employee job descriptions. According to the Superintendent, job descriptions were updated within the past five years. Some job descriptions are outdated and may not appropriately reflect the duties currently performed by District staff. According to human resources management benchmark standards, job descriptions should be reviewed and updated on a regular basis to ensure an accurate reflection of duties performed and to ensure that performance evaluation and reward systems are appropriately linked to duties of the position.**

³⁻¹ OAC 3301-35-05(A)(4) states that "A minimum of five full-time equivalent educational service personnel shall be employed district-wide for each one thousand students in the regular population...."

Position descriptions were reviewed and some were found to be inaccurate or outdated. Bright LSD should review current job descriptions and make appropriate revisions to accurately describe current duties, skills, effort, responsibilities, environmental and working conditions specific to the job, as well as the educational experience required to perform the job. For example, each of the two assistant treasurer positions has distinctly different tasks and responsibilities. However, the job description is vague and does not accurately describe duties performed. All job descriptions should be updated and stored within the Districts' personnel files.

Accurate job descriptions are helpful at every stage of the employment relationship by providing a basis for recruitment efforts as well as job evaluation, and establishment of wage and salary structures. According to Business and Legal Reports, Inc., organizations should have a formal schedule for reviewing all job descriptions, preferably at least once a year.

Up-to-date job descriptions are important for the following reasons:

- They help clarify duties and define relationships between individuals and departments.
- They help the jobholder understand the relative importance of tasks and level of accountability.
- They provide information about the knowledge, training, education, and skills needed for a job.
- They help minimize conflicts and improve communications by telling employees what they need to know about the job.
- They help management analyze and improve the organizational structure and where resources should be reallocated.
- They provide all this information in a completely objective and impersonal way.

Accurate job descriptions provide a basis for job evaluation, wage and salary surveys, and an equitable wage and salary structure. Job descriptions should include the following:

- List of tasks;
- List of decisions made;
- Amount of supervision received;
- Supervision exercised;
- Interactions with other staff;
- Physical conditions;
- Physical requirements; and
- Software or other equipment used.

Based on these criteria, the District should revise and update all job descriptions. The job descriptions should be reviewed annually and maintained electronically so that they can be updated easily in the future.

R3.5 Bright LSD should consider reducing the student-teacher ratio by increasing regular teaching staff once the District achieves a more stable financial condition. In FY 2003-04, Bright LSD reduced staffing by 0.9 FTE teaching aides, and 1.0 FTE industrial arts teaching position. Additional regular education teacher positions could be increased using savings achieved from these reductions and from reductions in ESP personnel (see R3.3).

Based on ODE's revised 2002-03 School Year Report Card, Bright LSD had one teacher (1.0 FTE) for every 19.4 students during FY 2002-03. The State average during FY 2001-02 (as reported on the 2003 District Report Card) was one teacher (1.0 FTE) for every 16.4 students as shown in **Table 3-6**.

Table 3-6: Comparison of Student-to-Staff Member Ratios to State Averages

Overall Staffing Ratios	Total Number	Students per Staff Member	State Average
Teachers ¹	42.5	19.4	16.4
Instructional Aides	7.0	117.7	265.5
Guidance Counselors	1.0	824.0	597.6
Librarians/Media Personnel	1.0	824.0	1,383.3
District level Administrators	2.0	412.0	405.1
School level Administrators	3.0	274.7	378.1

Source: EMIS reports from Bright LSD and the peer districts; ODE revised 2003-2003 District Report Card accessed 9/12/03.

¹ Includes regular (34.0 FTE), special education (6.5FTE), and vocational education (2.0FTE) teachers; does not include educational service personnel (6.2 FTE) teachers.

Table 3-6a: Students per Teacher per Building

School Breakdown	Total Enrollment	Total Teachers	Students per Teacher
Whiteoak High School	414	24.7	16.8
Bright Elementary School	410	24.0	17.1
Total 2002-2003 Enrollment	824	48.7	16.9

Source: EMIS reports from Bright LSD; ODE Revised 2002-03 Building Report Card

Note: Figures are rounded to the nearest tenth and may differ slightly from summation totals

Based upon the analyses in **Table 3-6** and **3-6a**, Bright LSD's student to teaching staff member ratio is in line with the State minimum requirement of one teacher per every 25 regular students as outlined in OAC 3301-35-05(A)(3). Based upon **Table 3-6b**, Bright LSD has a higher number of regular students per teacher compared to the peers. However, the Districts' staffing levels are in line with State mandated requirements.

Table 3-6b: Regular Students per Teacher Compared to Peer Districts

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Regular Student Population¹	724.3	712.8	603	984	767
Total FTE Regular Teachers	34.00	45.99	36.88	53.20	45.4
District Students per Teaching Staff	21.31	15.50	16.35	18.50	16.789

Source: EMIS reports from Bright LSD; ODE 2002-03 District Report Cards

¹ Calculation based on student enrollment figures less the percentage of students with disabilities

Also noted in **Table 3-6b**, Bright LSD has fewer FTE regular teachers than all of the peers. In the future, and under more financially stable conditions, Bright LSD may consider increasing regular teacher staffing levels. A decrease in student to teacher ratios could help the District raise the local report card scores for achievement of State academic standards by providing more student contact time and more instructional opportunities.

Salaries

R3.6 During the next round of wage negotiations, Bright LSD should consider limiting salary increases beyond the scheduled step increases throughout the forecast period. All cost-of-living allowances, whether in the form of an hourly wage increase or a lump-sum annual bonus payment, should be limited to a 1, 1, 2, 2 percent increase for FYs 2003-04 through 2006-07 in order to assist the District in reaching fiscal stability. Furthermore, Bright LSD should take steps to address compensation inequities that currently exist between bargaining units and take these disparities into consideration during annual wage negotiations. In addition, the District should conduct a periodic review of salaries to determine the appropriateness of current salary schedules. As part of the review, the District should, at a minimum, survey surrounding districts concerning the minimum and maximum salary ranges,

average starting salaries, and average salary in range for specified positions. Finally, the District should monitor retirement eligibility of current employees and consider the impact of attrition on future salary expenses.

In FY 2001-02 Bright LSD gave collective bargaining unit members a one-time annual bonus in lieu of an hourly cost-of-living increase in addition to the scheduled salary step increases. The salary step schedules allow for a 3 percent increase. Administrative positions in the Superintendent's and Treasurer's offices work under a separate contract with the Board which does not address increases in salary for these positions. Therefore, any administrative salary increases are made at the Board's discretion. Both the certificated and classified employee collective bargaining agreements allow for annual wage renegotiations. Bright LSD has successfully reduced costs through negotiating wage increase alternatives (such as the annual bonus paid at or around the mid-year holiday break). However, some disparities in salary exist between classifications that the District needs to be aware of when reaching bargaining unit agreements.

Compensation to classified employees, particularly the bus mechanic (under Crafts/Trades), and bus drivers, is high in comparison to the peers. Therefore, limiting bonuses or cost-of-living increases to 1 percent annually for the forecast period would slow the rate of increased compensation expense, generate cost avoidance, and improve the future financial condition of the District. Furthermore, Bright LSD may consider deferring bonus payments to classified groups in order to bring those classifications in line with the peers.

Table 3-7 compares the average salaries within each classification group and shows the percentage difference between Bright LSD and the peers.

Table 3-7: Comparison of Staff Salaries

Classification	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average	% Difference
Official / Administrative	\$54,168	\$54,619	\$54,805	\$46,663	\$52,029	4.11%
Professional - Educational	\$35,290 ¹	\$36,489	\$39,843	\$42,498	\$41,051	(14.03%)
Office / Clerical ²	\$26,463 ³	\$12,669	\$16,294	\$14,686	\$14,550	81.87%
Crafts & Trades	\$34,368	\$0.00	\$31,741	\$0.00	\$10,580	224.83%
Operative (Transportation)	\$15,009	\$6,208	\$6,939	\$9,147	\$7,431	101.97%
Service Work / Laborer	\$28,222	\$15,329	\$16,290	\$15,351	\$15,657	10.91%

Source: EMIS reports from Bright LSD and the peer districts

¹ Professional –Other positions including physical therapy (PT) and occupational therapy (PT) assistants are contracted out

² Includes EMIS classification 502 for clerical staff only.

³ Includes three administrative clerical staff with average salary of \$31,086. The average salary of classified clerical staff is \$19,530 (or 34 percent higher than the peer average).

As illustrated in **Table 3-7**, Bright LSD administrative salaries are approximately 4 percent higher, and professional educational salaries are approximately 14 percent lower than the peer average. Causal factors for this difference include the overall level of education and experience for several administrative staff members and the longevity of the staff at the peer districts.

However, another reason for the difference between Bright LSD and the peers may be the regional labor market for these positions. **Table 3-8** compares the average regular teacher salary at Bright LSD to those Fairfield Local School District and Greenfield Exempted Village School District, other Highland County districts as well as the peer districts.

Table 3-8: Comparison of County and Peer Districts Teacher Salaries¹

Classification	Bright LSD	Fairfield LSD	Greenfield EVSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Average	Percentage Difference
Professional – Educational	\$35,745	\$38,403	\$40,144	\$39,803	\$43,074	\$42,805	\$40,846	(12.49%)

Source: ODE Division of Information Management Services

¹Salaries have been adjusted for inflation by multiplying each by the cost-of-doing-business factor found on line 5A of the SF-3 Report for each district.

Compared to the peer districts and to other districts in Highland County, the average professional educational teacher salary at Bright LSD is somewhat low. The average teacher salary for FY 2002-03 for Bright LSD is \$35,745 which is more than 5 percent less than for FY 2001-02. Bright LSD's beginning classroom teacher salaries are lower than Fairfield LSD and Greenfield EVSD by approximately 7.0 percent and 11.0 percent, respectively.

In addition, the average teacher salary at Bright LSD is lower than Columbus Grove LSD, Continental LSD, and Crestview LSD by approximately 10.2 percent, 17.0 percent, and 16.5 percent respectively. Overall, the District teacher salaries are approximately 12.5 percent lower than the average of all the peer districts.

Therefore, Bright LSD should consider its ability to increase classroom teacher salaries to the market rate for the area, and consider the potential impact on the District's ability to obtain qualified teachers and the subsequent impact on student learning and performance.

Upon review of salaries within classified staffing areas, the following classifications appear to present a salary issue:

- **Clerical:** Salaries for clerical staff are more than 81 percent above the peer average. This variance is primarily due to Bright LSD's classification within

EMIS of three administrative secretaries with an average salary of approximately \$31,000 per year. The average salary for classified clerical staff is \$19,530. While the administrative clerical staff has significantly more years of service within the District, consideration should be given to reducing the cost associated with administrative clerical staff, either through attrition or a reduction in hours. The District should seek to meet overall clerical staffing needs at a lower cost in the future.

- **Crafts/Trades:** Bright LSD is the only district, of those reviewed, that lists the bus mechanic position within the crafts and trades classification. The peer districts outsourced this work.
- **Transportation:** Within the transportation classification, bus driver salaries are nearly 102 percent higher than the peer average. See the **transportation** section for further discussion.
- **Service/Labor:** Custodial and food service staff salaries within the service/labor classification are approximately 11 percent higher than the peer average.

Financial Implication: By negotiating bonus payments or COLA increases of 1 percent, costs to the District could be contained to approximately \$26,707 for each 1 percent increase in salary. Therefore, the additional cost for a 1, 1, 2, 2 percent increase over the forecast period (FY 2003-04 through FY 2006-07) would be approximately \$361,088.

Health Care Costs

R3.7 Bright LSD should equally enforce the terms for election of insurance benefits. Also, in an attempt to reduce health care insurance costs to the District, Bright LSD should increase the employee share of the monthly health care insurance premium for single coverage to 10 percent.

The cost of health care insurance should be shared by all employees who elect to enroll for the coverage. District employees with family coverage share in the cost of health insurance by currently paying 10 percent of the premium. Employees who are under the single coverage do not share in the cost of health insurance and do not pay a percentage of the premium cost. In addition, one couple received family coverage but did not pay the employee's share. Equitably sharing health care insurance premium costs at 10 percent may motivate all employees to take a more active role in managing the use of their health care benefit and result in lower annual costs to the District. Bright LSD has 54 employees enrolled for family coverage health insurance and 27 enrolled in single coverage health insurance.

Table 3-9 compares the cost of health insurance benefits plans between Bright LSD and the peer districts. The 2001 SERB average is used in the table. However, the SERB average figures for single and family monthly premiums reflect an increase of 15 percent (over the actual survey figures) due to assumed increases in annual health care insurance costs. The employee shares reported by SERB have not been increased in this analysis.

Table 3-9: Health Insurance Premium Comparisons

School	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Bright LSD	RCSEIC ¹ PPO Plan	\$311.64	\$0.00 (0%)	\$712.32	\$71.23 (10%)
Columbus Grove LSD	PCHC ² PPO Plan:	\$283.79	\$0.00 (0%)	\$731.95	\$36.60 (5%)
	PCHC Classic Plan:	\$303.03	\$0.00 (0%)	\$781.16	\$85.81 (11%)
Continental LSD	Medical Mutual	\$253.69	\$63.42 (25%)	\$653.97	\$163.49 (25%)
Crestview LSD	VWASIG ³	\$308.00	\$46.20 (15%)	\$736.00	\$110.40 (15%)
SERB Average ⁴	N/A	\$273.92	\$27.04 (10%)	\$698.03	\$77.01 (11%)

Source: Documentation from Bright LSD and peer school districts; 2001 SERB report on the Cost of Health Insurance in Ohio’s Public Sector

¹ Benefits are obtained through Ross County School Employees Insurance Consortium (RCSEIC).

² Benefits are obtained through Putnam County Health Consortium (PCHC.)

³ Van Wert Area School Insurance Group (VWASIG) is a local self-insurance company.

⁴ The SERB average was obtained from the 2001 Report on the Cost of Health Insurance in Ohio’s Public Sector. The 2001 average for single and family monthly premiums reflects an assumed increase of 15 percent for 2003.

Table 3-9a shows the cost savings to the District by having employees with the single plan share in the cost of health care insurance premium at 10 percent.

Table 3-9a Health Care Insurance Premium for Single Plan at 10%

	Monthly Premium (Single Plan)	10% of premium (a)	Full-time employees w/ benefit (b)	Employee share per month (c) (c = a x b)	Employee share per year (c x 12)
FY 2002-03	\$311.64	\$31.16	27	\$841.32	\$10,096
FY 2003-04 (18.3% increase)	\$368.67	\$36.87	27	\$995.49	\$11,946

Financial Implication: Bright LSD expects an 18.3 percent increase in health care insurance cost for FY 2003-04. By increasing the employee share for single coverage to 10 percent, Bright LSD could save approximately \$12,000 per year. This would help offset the cost of the 18.3 percent increase in cost of health insurance in FY 2003-04 (see **R3.8**.)

R3.8 Bright LSD should consider renegotiating key medical benefits to help contain health care insurance costs to the District. Bright LSD experienced an 18.3 percent increase in health care insurance costs for FY 2003-04, and therefore, should use appropriate planning strategies such as expense sharing to contain costs to the District. The District should work with its collective bargaining units, third-party health care administrator, and the consulting firm for the benefits consortium to renegotiate key benefits to help offset the expected cost increase. The ability to contain rising health care insurance costs allows limited resources to be focused on educational initiatives which directly benefit students.

Bright LSD successfully negotiated a lower annual health care insurance premium cost by switching from a traditional insurance plan to a preferred provider organization (PPO) in November 2002. The Districts' decision to elect coverage through the PPO plan enabled the District to reduce monthly premium costs from \$949.92 to \$712.32 for family coverage, and from \$406.89 to \$311.64 for single coverage, (see **Table 3-9**) for an monthly cost savings of approximately \$15,402. However, in FY 2003-04, health insurance costs will increase by 18.3 percent. The new rate for single coverage is \$368.67, and \$842.67 for family coverage for a monthly increase of \$57.02 and \$130.35 respectively. Currently the District will bear 100 percent and 90 percent of the increase or \$18,477 for the single plan and \$76,023 for the family plan annually.

The following analysis, as seen in **Table 3-10**, compares key medical benefits between the health care insurance plans at Bright LSD and the peer districts.

Table 3-10: Key Medical Plan Benefits ¹

	Bright LSD PPO Consortium	Columbus Grove LSD SuperMed (Plus PPO)	Continental LSD SuperMed (Plus PPO)	Crestview LSD Van Wert Area School Insurance Group
Office visits	\$10 co-payment, then 100%	\$15 co-payment, then 100 %	\$15 co-payment, then 100 %	10% co-payment, then 100%
Employee annual deductible	None	\$100 (S) \$200 (F)	\$100 (S) \$200 (F)	\$250 (S) \$500 (F)
Out-of-pocket maximum	\$500 (S) \$1,000 (F)	\$500 (S) \$1,000 (F)	\$500 (S) \$1,000 (F)	\$500 (S) \$1,000 (F)
Prescription plan included	Yes	Yes	Yes	Yes
Prescription co-pay	\$10 generic \$15 brand	\$20 generic \$40 brand	\$20 generic \$40 brand	\$7.50 generic \$20 brand
Need to choose primary physician	No	No	No	No
Maternity	100%	\$100 co-payment, then 100%	\$100 co-payment, then 100%	100%
Well-child care	\$10 co-payment, then 100%	\$15 co-payment then 100 %	\$15 co-payment then 100 %	\$200 maximum benefit per calendar year
Inpatient hospital care	100%	\$100 co-payment, then 100%	\$100 co-payment, then 100%	100%
Chiropractic services covered	Yes	No	No	Yes
Elective Abortions	100%	None	None	None

Source: Bright LSD and peer school district health care insurance benefit books

¹ For all health care plans, information presented is assuming the employee chooses an authorized provider within the network, if applicable.

Based on key medical benefits information in **Table 3-10**, Bright LSD has more generous benefit coverage when compared to the peers. However, renegotiation of unusual or extraordinary benefits may help further reduce annual costs to the District. The following points should be considered for renegotiation:

- Increasing office visit co-payments to at least \$15 or 10 percent of the cost for the visit;
- Implementing an annual network deductible of at least \$250 (Single) and \$500 (Family);
- Increasing co-payment for prescription drugs;
- Increasing well-child care co-payment to at least \$15;

- Reducing benefits for chiropractic services; and
- Reducing benefits for elective abortions.

The reduction of benefits that are beyond those typically offered will help Bright LSD reduce its premium costs.

R3.9 Bright LSD should communicate to its employees the advantages of the health care insurance option which pays a monthly incentive to those who do not elect full employee health care insurance benefits. Highlighting the benefits of the program may generate a cost avoidance by decreasing the cost of providing health insurance to those who may have other options for obtaining insurance coverage.

Bright LSD approved incentives of a \$100 per month (single), and \$250 per month (family), for those who choose not to use the District's health insurance benefits. Information regarding this benefit may not have been widely disseminated to employees because no one has taken advantage of the incentive. Employees must sign up to take advantage of the opt-out incentive by June 30 preceding the school year in which the employee intends to opt-out of the insurance coverage.

According to SERB and other human resources experts, the cost for providing health insurance coverage is expected to increase at least 15.0 percent annually. In FY 2003-04 Bright LSD will pay approximately \$369 and \$843 per month per employee for single and family coverage respectively (see R3.8). Providing a separate monthly cash incentive to employees who do not elect insurance coverage, can be an effective way for the District to save a percentage of the annual expense it would otherwise incur. Clearly communicating and disseminating relevant information to employees will increase employee awareness and relations, and may increase the number of employees who take advantage of the opt-out incentive for the next fiscal year.

Collective Bargaining Agreements

R3.10 During the next negotiations for classified staff, Bright LSD should seek to renegotiate a reduction of guaranteed compensation for bus drivers. Because most District drivers currently work more than four hours per day, the language included in the contract guaranteeing a minimum of four hours of pay per day, should be eliminated. Furthermore, the classification of bus drivers as full-time employees based on a four-hour workday should be negotiated out of the contract to ensure that drivers are compensated at a rate commensurate with the actual time worked.

Under the terms of the current bargaining unit agreement, the District bus drivers are guaranteed payment for a minimum of four hours per day regardless of the time required to complete the assigned route. Although the District is geographically larger than the peer districts, some routes can be completed in less than four hours per day, according to routing information provided by the District (see the **transportation** section). The District could potentially increase transportation efficiency by monitoring time worked and/or by reducing the number of guaranteed hours paid from four hours to three hours. This would also reduce overall costs to the District for transportation of students. In addition, contract compensation terms should clearly define when compensation to bus drivers begins (whether at the time he/she leaves home, or at the beginning of the route). Route assignment decisions should be made accordingly. For additional discussion, please see the **transportation** section.

In addition, contract language currently classifies drivers as full-time employees when they work four or more hours per day. As noted in **R3.11**, providing part-time employees with full-time benefits increases costs to the District and creates inequities in compensation.

R3.11 During the next contract negotiations Bright LSD should clearly define eligibility requirements for participation in health insurance benefit plans and should pro-rate the employee's share of the premium based on the number of hours worked. The Board share of health insurance costs should be prorated for administrative and classified employees at rates commensurate with the hours worked to equally provide insurance benefits. Furthermore, the District should ensure that all employees equitably share the burden of annual increases in health care insurance.

Bright LSD should cease offering full-time insurance benefits to employees working less than a full workday. Instead, the monthly cost of insurance fringe benefits should be prorated to those employees who choose to participate in insurance benefits plans based on the number of hours worked. Bright LSD and peer districts in this report define a work day as 7 hours or more (see Table 3-3). Crestview LSD employees who work less than 7.5 hours but more than three hours are considered part-time employees and the Board pays 40 or 50 percent of the monthly insurance cost depending on the position. In addition, the Board pays 20 percent for those employees working less than three hours a day. By requiring equitable sharing in the cost of health insurance, Bright LSD can help contain continually rising annual expenses for health care insurance.

Bright LSD does not require non-bargaining unit administrative employees to contribute a monthly share of health care insurance premiums. In light of annual increases for providing health care coverage, the District should implement equitable cost-sharing practices to promote employee relations and unity through willingness to share equally in this challenge.

Furthermore, Bright LSD provided health care insurance for 10 bus drivers working less than seven hours per day (the average number of hours worked per day is 5 hours) in FY 2002-03. However, the part-time drivers paid the same 10 percent share of the premium as other employees working up to 8 hours per day. **Table 3-11** illustrates the savings to the District when monthly premiums are prorated in a more equitable fashion by comparing the cost scenario based on 10 employees paying 10 percent of the monthly premium to 10 employees paying a prorated 25 percent share of the monthly premium based on the part-time number of hours worked. The table also compares the cost savings based on the total monthly cost of insurance for FY 2002-03 to the increased monthly cost for FY 2003-04.

Table 3-11: Prorated Health Care Insurance Premium Cost

	(a) Old Employee Share (@ 10%)	(b) New Employee Share (@ 25%)	(c) Part-time Employees w/ benefits	Additional Savings per month [(b-a)x(c)]	Savings Per Year
FY 2002-03 Family Plan \$712.32	\$71.23	\$178.08	10	\$1,068.5	\$12,822
FY 2003-04 Family Plan \$841.32 (18.3% increase)	\$84.27	\$210.67	10	\$1,264	\$15,168

Financial Implication: By ensuring that all part-time employees (i.e. bus drivers working less than 7.5 hours per day) pay a prorated share of the monthly medical premium, the annual cost savings would be approximately \$15,000.

Financial Implications Summary

The following table is a summary of estimated annual and cumulative cost savings. The financial implications are divided into two groups: those that are, and those that are not subject to negotiations. Implementation of those recommendations subject to negotiations would require an agreement with the affected bargaining units.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.3 Reduce ESP staffing levels by 2.0 FTEs	\$111,360
Totals	\$111,360

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Estimated Cumulative Cost Savings
R3.6 Limit classified and administrative COLA..		\$361,088
R3.7 Increase employee share of health insurance premiums for single coverage to 10.0 percent.	\$12,000	
R3.11 Prorate employee share of benefits based on hours worked.	\$15,000	
Total	\$27,000	\$361,088

Facilities

Background

Bright LSD's facilities currently consist of an elementary school and a high school. The Ohio School Facilities Commission (OSFC) provided funding and technical assistance to the District to construct the new elementary school and renovate/expand the high school. The project was completed in 2000, and Bright LSD opened the elementary school in January 2001. The new elementary school replaced Concord and Belfast Elementary Schools. Total project costs were approximately \$15.9 million, with \$15 million provided by the OSFC and a local match of approximately \$900,000.

The OSFC requires districts participating in its programs to establish a fund for maintenance and prepare a plan for preventive maintenance and capital planning for the new facilities. Bright LSD has a maintenance levy of .5 mil, and generates annual revenue of approximately \$26,000. The OSFC approved the maintenance plan for Bright LSD in March 2003. The maintenance plan, completed by a consultant, outlines recommendations for tracking preventive maintenance through a computer software program and developing an equipment replacement and capital planning program.

Organizational Function

Maintenance and custodial operations include cleaning and preparing facilities for daily use, performing minor maintenance on the heating, lighting and ventilating systems, repairing and replacing facilities and equipment, and keeping the equipment owned or used by the school district in good condition. This includes the repair of furniture, machines, movable equipment and playground equipment.

One maintenance supervisor/worker and six custodians are responsible for the general maintenance and cleaning approximately 158,770 square feet of building space. The General Fund's maintenance and operations expenditures for FY 2002-03 are \$620,804. The largest expenditures for maintenance are utilities for \$176,179 (28 percent) and salaries of \$157,692 (43 percent).

The maintenance supervisor/worker reports to the superintendent and is responsible for preventative maintenance and routine upkeep of Bright LSD's school facilities. Routine maintenance duties include carpentry, painting, roofing, and inspecting heating and air

conditioning equipment. In addition, the maintenance supervisor/worker completes manually submitted work order requests.

As a result of the audit, the maintenance supervisor/worker now is responsible for maintaining records that include maintenance agreements, work orders and a log sheet to track daily maintenance tasks. Currently, the maintenance supervisor does not supervise employees.

Custodians report to the building principals and are responsible for the overall appearance and cleanliness of the school facilities. They perform routine cleaning duties such as window washing and vacuuming, as well as other duties, such as replacing lights and setting up for school activities.

Bright LSD contracts out grass mowing, and the annual inspections and repairs for elevators, recalibration of HVAC system and fire suppression system, electrical panels, wastewater and backflow systems, and boilers.

Organizational Staffing

Maintenance and custodial staffing levels remained constant when the District downsized from three buildings to two (one elementary and the high school). Custodians are divided into two groups of three and assigned to the high school and the elementary school. At the elementary school, a custodian works 6:00 AM to 2:00 PM, a second custodian works 2:00 PM to 10:00 PM and the third custodian works an overlapping shift, 10:00 AM to 6:00 PM. At the high school, a custodian works 6:00 AM to 3:00 PM and two custodians work 3:00 PM to 11:00 PM. The employee who works 6:00 AM to 3:00 PM works an extra hour of guaranteed overtime specified in the bargaining agreement. The current negotiated agreement for custodians guarantees a certain level of overtime hours annually. Bright LSD is phasing out guaranteed overtime from FY 2002-03 to FY 2005-2006 which results in approximately \$24,000 in cost avoidance over the three year period. Until overtime is completely phased out in 2005-06, the superintendent and principal are monitoring overtime hours to ensure employees do not exceed contractual hours for overtime.

Four custodians and the maintenance supervisor/worker work year-round while two custodians are nine-month employees. The custodians are covered under the Ohio Local Union #100, an affiliate of the International Brotherhood of Teamsters. The maintenance supervisor has a separate continuing contract. Also, two custodians spend two hours a day working in the food service operations.

Table 4-1 shows the number of maintenance and custodial positions and full-time-equivalents (FTEs) for FY 2002-03 for Bright LSD and the peers. FTEs were calculated using an 8-hour work day. For example, if an employee worked 8 hours a day, 5 days a week, the employee was

calculated as 1.0 FTE. Employees who work nine months were counted as 1.0 FTE if they worked an 8-hour day, five days a week. Bright LSD has two nine-month employees and five year-round employees. Crestview LSD has four nine-month employees and two year-round employees. Continental LSD and Columbus Grove LSD only have year-round employees.

Table 4-1: Bright LSD and Peer Staffing FY 2002-03

Classification	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD ¹	Peer Average
Custodial					
Positions	6.00	4.00	6.00	6.00	5.33
FTEs	5.75	4.00	6.00	5.16	5.05
Maintenance					
Positions	1.00	3.00	1.00	N/A	2.00
FTEs	1.00	3.00	1.00	N/A	2.00
Total Positions	7.00	7.00	7.00	6.00	6.67
Total FTEs	6.75	7.00	7.00	5.16	6.39

Source: Bright and peer information requests

¹Crestview LSD employs custodial staff to perform maintenance duties and was not included in the peer average.

Key Statistics

According to the 32nd annual American Schools and University (AS&U) Maintenance and Operations (M & O) Cost Study, the economy has affected M&O funding. M&O spending as a percentage of a district's net current expenditures (NCE) sank to 7.4 percent in FY 2002-03, down from 7.8 percent the year before. Bright LSD's FY 2001-02 M&O spending comprised approximately 9.5 percent of the district's total expenditures. This is the sixth consecutive year districts have apportioned a smaller percentage of expenditures to M&O, and it is the lowest percentage amount since this survey's inception. **Table 4-2** shows the 32nd annual M&O Cost Study and peer average statistics for custodial and maintenance operations.

Table 4-2: FY 2002-03 Key Statistics and Indicators

Number of Sites	2
- Elementary Schools (K-6)	1
- High Schools (7-12)	1
Total Square Feet Maintained	158,770
- Elementary Schools	82,925
- High Schools	75,845
Square Feet per FTE Custodial Staff Member (5.75)	27,612
- Elementary Schools (2.875)	28,843
- High School (2.875)	26,380
AS&U 32nd Annual M&O Cost Study <1,000 Students	29,959
AS&U 32nd Annual M&O Cost Study National Median	24,167
Peer District Average	35,455
Square Feet per FTE Maintenance Staff Member (1.0)	158,770
AS&U 32nd Annual M&O Cost Study <1,000 Students	74,898
AS&U 32nd Annual M&O Cost Study National Median	95,120
Peer District Average ¹	110,882
FY 2002-03 General Fund Maintenance and Operations Expenditures per Square Foot	\$3.91
- Custodial and Maintenance	\$2.80
- Utilities	\$1.11
AS&U 32nd Annual M&O Cost Study <1,000 Students	\$3.03
AS&U 32nd Annual M&O Cost Study National Median	\$3.30
Peer District Average	\$3.23

Source: AS&U 32nd Annual M & O Study; Bright LSD and peer 4502 Statement P and Q; Bright LSD and peer information requests

¹Peer average for square feet per maintenance staff includes Continental LSD and Columbus Grove LSD. Crestview LSD employs custodial staff to perform maintenance duties and was not included in the peer average.

Bright LSD's square feet cleaned per custodial staff is approximately 8 percent lower than the AS&U cost study (<1000 students). Bright LSD is 43 percent higher than the peer average and 112 percent higher than the AS&U cost study (<1000 students) for square feet maintained per maintenance employee which may lead Bright to experience deteriorating maintenance conditions within its facilities (See **R4.1**). Similarly, Bright LSD could face an increased risk of liability for injuries that could result from poor facilities maintenance.

Financial Data

Table 4-3 illustrates Bright LSD's General Fund expenditures incurred to maintain and operate the District's facilities for FYs 2000-01, 2001-02 and 2002-03.

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2000-01 Total	FY 2001-02 Total	FY 2001 to 2002 Percentage Change	FY 2002-03 Total	FY 2002 to FY 2003 Percentage Change
Salaries	\$164,703	\$166,908	1.3%	\$157,692	(5.5%)
Benefits	71,074	81,530	14.7%	109,349	34.1%
Purchased Services	91,891	81,240	(11.6%)	133,696	64.6%
Utilities	209,222	184,429	(11.9%)	176,179	(4.5%)
Supplies/ Materials	34,983	29,111	(16.8%)	43,621	49.8%
Capital Outlay	11,573	0	(100%)	0	0%
Other	191	520	172.3%	267	(48.7%)
Total	\$583,637	\$543,738	(6.9%)	\$620,804	14.2%

Source: 4502 Statement P and Q and Bright LSD BUDWRK 2002-03

Explanations of significant variances for **Table 4-3** include the following:

- *A 12.3 decrease in salaries from FY 2001-02 to FY 2002-03:* The FY 2002-03 maintenance and operations salaries of \$157,692, was 12.3 percent below the budgeted amount of \$179,842. This resulted from cost saving measures instituted by the District.
- *A 14.7 percent increase in benefits from FY 2000-01 to FY 2001-02 and an increase of 34.1 percent from FY 2001-02 to FY 2002-03:* The premiums for the traditional healthcare plan increased from FY 2000-01 to FY 2001-02. In November 2002, Bright LSD switched from a traditional health care plan to a PPO in order to reduce costs. The FY 2002-03 maintenance and operations benefits of \$109,349 was 10.4 percent over the budgeted amount of \$99,061 and was due to the payment of outstanding claims from the traditional health care plan.
- *A 11.6 percent decrease in purchased services from FY 2000-01 to FY 2001-02 and a 64.6 percent increase from FY 2001-02 to FY 2002-03:* In FY 2000-01, the pump room flooded twice, once due to a power outage and the other due to a stuck valve. In addition, in FY 2000-01, a storm caused damage to the gym floor. Bright LSD received an insurance reimbursement of \$66,666 in FY 2001-02 for the damage. The reimbursement was used to reduce the expenditures in FY 2001-02 to \$14,574. This understated the FY 2001-02 purchased service expenditures. **Table 4-3** was adjusted to reflect actual expenditures for purchased services in FY 2001-02.

The FY 2002-03 purchased services of \$133,696, was 64.6 percent over the budgeted amount of \$71,150. Bright LSD's purchased services expenditures were significantly impacted by several instances in which the district's high school and elementary required significant unplanned repairs. While the exact amount of these could not be identified, the district

incurred total expenses of approximately \$81,000 and \$20,000 for repairs to Whiteoak High School and Bright Elementary school respectively. While these repairs were covered by the district's property insurance, the district will not be reimbursed for these expenditures until FY 2003-04.

- *A 11.9 percent decrease in utilities from FY 2000-01 to FY 2001-02:* In FY 2000-01, new air conditioning equipment and a new telephone system were installed. The FY 2002-03 utilities of \$176,179, was 10.2 percent under the budgeted amount of \$196,200.
- *A 16.8 percent decrease in supplies and materials from FY 2000-01 to FY 2001-02 and a 49.8 percent increase in supplies and materials from FY 2001-02 to FY 2002-03:* In FY 2001, more supplies were ordered and stocked. In FY 2001, more maintenance and custodial supplies were ordered and stocked for the new elementary school. Specific examples include items for restrooms and floor treatment. In FY2002-03, Bright LSD ordered parts to repair the sprinkler pump system in the high school. Total parts and repair costs for the sprinkler pump system was \$18,975.
- *A 100 percent decrease in capital outlay from FY 2000-01 to FY 2001-02:* In FY 2000-01, play ground equipment was purchased which accounted for the increased expenditures.

Revenue from the General Fund is used to support the maintenance and operation of Bright LSD's two facilities. As shown in **Table 4-3**, in FY 2003-03, the General Fund provided \$620,804 for building operation expenses including custodial and maintenance employees' salaries and benefits, supplies and materials, purchased services, utilities and capital outlay. In FY 2002-03, Columbus Grove LSD used \$460,116 in General Fund revenues to maintain one building for a total of 158,600 square feet, Continental LSD used \$765,897 to maintain two buildings at a central campus for a total of 168,898 square feet, and Crestview LSD used \$450,340 to maintain one building for a total of 199,000 square feet. **Table 4-4** compares Bright LSD's FY 2002-03 General Fund custodial and maintenance-related expenditures per square foot to the peers.

Table 4-4: FY 2002-03 General Fund M&O Expenditures per Square Foot

Expenditures	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average	AS&U National Median < 1,000 Students
Custodial and Maintenance Salaries and Benefits	\$1.68	\$1.68	\$1.73	\$1.04	\$1.48	\$1.51
Purchased Services	.84	.20	.76	.33	.43	0.00
Utilities	1.11	.62	1.58	.64	.94	1.18
Supplies/Materials	.28	.37	.25	.17	.26	.34
Capital Outlay	.00	.03	.05	.08	.05	N/A
Other	.00	.00	.16	.00	.05	0.00
Total M&O General Fund Expenditures	\$3.91	\$2.90	\$4.53	\$2.26	\$3.23	\$3.03

Source: Bright LSD and peers 4502 Statements P and Q, Bright LSD and peer information

Bright LSD's total General Fund expenditures per square foot are approximately 29 percent higher than the AS&U national median and about 21 percent higher than the peer average. Bright LSD's purchased services expenditures were 94 percent higher than the peer average. Purchased services were significantly impacted by unplanned repairs at the District's high school and elementary school. Bright LSD is 18 percent higher than the peer average for utilities expenditures per square foot, but below the AS&U national median. The upgrades in FY 2000-01 at the high school included heating and air conditioning, boilers (gas), chillers and air handlers. However, some sections of the high school which were upgraded in 1985 did not receive major renovations in FY 2000-01. Continental LSD and Columbus Grove LSD also received upgrades in facilities equipment as part of their OSFC projects. **Table 4-5** separates expenditures per square foot for electricity, water/sewage and gas.

Table 4-5: FY 2003 Utility Expenditures per Square Foot

Expenditures	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Electricity	\$.67	\$.28	\$.71	\$.36	\$.45
Water/Sewage	\$.06	\$.02	\$.07	\$.03	\$.04
Gas	\$.36	\$.31	\$.27	\$.24	\$.28

Source: Bright LSD and peers 4502 Statements P and Q

Bright LSD spends 49 percent more than the peer average for electricity, 35 percent more for water/sewage and 30 percent more than the peer average for gas. Crestview LSD and Columbus Grove LSD have lower levels of utility usage because those districts do not have central air conditioning and they have only one building for K-12 operations. Both Bright LSD and Continental LSD have central air conditioning in two buildings each which helps to explain the higher utility costs.

Table 4-5a shows a comparison of Bright LSD with other districts in Highland County. Other districts in Highland County include Fairfield LSD, Lynchburg LSD and Hillsboro LSD.

Table 4-5a: FY 2003 Utility Expenditures per Square Foot (Regional)

Expenditures	Bright LSD	Fairfield LSD	Hillsboro LSD	Lynchburg LSD	Regional Average
Electricity	\$.67	\$.75	\$.78	\$.93	\$.82
Water/Sewage	.06	.07	.35	.07	.16
Gas	.36	.37	.61	.62	.53
Other	.02	0	.06	0	.02
Total	\$1.11	\$1.19	\$1.79	\$1.62	\$1.53

Source: Bright LSD and district 4502 Statements P

Bright LSD has lower utility expenditures per square foot for all categories in **Table 4-5a**. The variance between Bright LSD and the regional average for total utility expenditures is approximately 28 percent, indicating there are not large variances for utility expenditures in the County. In conclusion, Bright LSD is comparable to other districts in the County, but differs from the peer average in utility expenditures because of different levels of utility usage.

In addition to the analysis presented in this report, additional assessments were conducted on other areas within the facilities section which did not warrant any changes and did not yield any recommendations. These areas include the following:

- **Uniform School Accounting System (USAS) Code Tracking:** Bright LSD used proper USAS codes to track leave and other expenditures.
- **Custodial/Maintenance Salaries:** Review of custodian/maintenance salaries did not yield recommendations as salaries appeared appropriate based on peer and national averages.
- **Custodial Staffing:** Review of custodial staffing did not yield recommendations as square footages maintained were in line with peer and national averages.
- **Custodial/Maintenance Overtime Usage:** Review of overtime usage did not yield recommendations because the custodial/maintenance overtime is only 2 percent of regular salaries.
- **Permanent Improvement Levy (PIL):** Review of PIL did not yield any recommendations as PIL funds appeared to be used appropriately.
- **Vacant and Leased Buildings:** The District does not have vacant or leased buildings.

Recommendations

Maintenance Operations

R4.1 Bright LSD should use custodians to perform minor maintenance repairs. Using custodial staff to perform minor maintenance repairs provides additional staff assistance to complete minor school facility maintenance. This would allow the maintenance personnel to devote more time to required preventive maintenance tasks.

Bright LSD performs maintenance duties with only one position and with less staff than the peers or the AS&U Cost Study. Bright LSD employs one full time maintenance supervisor/worker who works 261 days a year. **Table 4-6** shows FY 2002-2003 square footage per maintenance FTE.

Table 4-6: FY 2002-03 Square Footage per Maintenance FTE

Bright LSD	158,770
Peer Districts:	
- Columbus Grove	52,867
- Continental	168,198
- Crestview	N/A
Average for Peer Districts	110,882
Variance from Peer Average	47,888
AS&U 32nd Annual Cost Study < 1000 Students	74,898
Variance from AS&U	83,872

Source: Bright LSD and peer information requests

Bright LSD square footage per maintenance FTE is greater than the peer average by 47,888 and the AS&U Cost Study by 83,872. The results indicate that Bright LSD maintenance duties may be more than one position can manage in an efficient and effective manner. District officials have expressed concerns regarding the maintenance employee's ability to maintain the facilities in an effective manner. For efficient and timely work, Bright LSD should consider requiring custodians to take a more active role in preventive maintenance such as changing filters, light bulbs, and other light maintenance work to reduce the workload on the maintenance employee.

Reducing the high square footage maintained by the maintenance employee would improve the overall condition of Bright LSD's facilities and may alleviate some District concerns about the level of maintenance currently being completed. See **R4.2** for additional information on maintenance projects.

R4.2 Bright LSD should use a computerized maintenance management system (CMMS) or a computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. This would require authorized persons (i.e., building principal) to approve work requests and maintenance personnel to document the repairs and tasks completed each day. The superintendent should review a summary of work orders periodically to monitor productivity and maintenance expenditures. The superintendent should conduct random inspections of maintenance work to ensure work is performed effectively and in a timely fashion.

Currently, Bright LSD tracks work orders with a manual paper-based system. Teachers fill out maintenance request forms and the maintenance supervisor reviews the form, completes the maintenance tasks, and files the forms in the Superintendent's office. However, a manual system does not provide an efficient tool to analyze historical data, establish maintenance priorities and evaluate staff productivity. A manual system increases the risk of work orders being lost and not fully completed. Additionally, the maintenance supervisor could not provide an actual history of maintenance tasks and work orders completed. The absence of documentation presents an additional problem concerning performance in preventative maintenance for such areas as fire alarm testing and equipment repairs. As a result of the performance audit, the maintenance supervisor/worker is now responsible for maintaining records that include maintenance agreements, work orders and a log to track daily maintenance tasks. Without a CMMS system, historical data for work completed, repair costs and productivity are not easily accessible by the maintenance supervisor or the superintendent. A CMMS system would help Bright LSD identify increases in the number of building maintenance repairs and provide useful information regarding staff productivity.

According to the *Planning Guide for Maintaining School Facilities* developed by the School Facilities Maintenance Task Force National Forum on Educational Statistics and the Association of School Business Officials International (ASBO), the purpose of a CMMS system is to manage work order requests as efficiently as possible and meet basic information needs of the district. A CMMS system includes the following:

- Acknowledges the receipt of a work order;
- Allows the maintenance department to establish work priorities;
- Allows the requesting party to provide feedback on the quality and timeliness of the work;
- Allows preventive maintenance work orders to be included; and
- Allows labor and parts costs to be captured for each building.

In addition, the CMMS system should include the date the request was received, the date approved, a job tracking number, and the job status (received, assigned, on-going or completed).

Financial Implication: The cost of CMMS system would be approximately \$500 per year. Start up costs for the system should be minimal because it is Internet based and Bright LSD already has the infrastructure required to run the system. The cost of the system would be offset by increased productivity and the ability to better manage needed and preventive repairs.

R4.3 Bright LSD should develop written operating procedures for custodial and maintenance work. Developing written operating procedures would help to ensure that custodial and maintenance staff is informed of work expectations and that work policies and guidelines are sufficiently documented. Procedures can also be monitored and used as a tool for evaluations.

Bright LSD does not have written operating procedures for custodial and maintenance work. Written operating procedures should contain, at minimum, guidelines for completing custodial tasks and preventive maintenance; overtime usage and weekend inspections; training requirements; energy management (see **R4.5**) and; management review. Bright LSD has documentation on preventive maintenance requirements, but the preventive maintenance program has not been implemented (see **R4.4**). In addition, a custodian was paid overtime on weekends above and beyond the guaranteed overtime without documentation of the work performed, indicating a lack of understanding of appropriate use of overtime. Without written operating procedures, custodial and maintenance staff does not have written information on work expectations. The work policies and guidelines are not sufficiently documented to ensure proper record keeping and management oversight.

R4.4 Bright LSD should develop and implement a formal planned preventive maintenance program. Preventive maintenance ensures equipment reliability, reduces operating costs, and increases the life expectancy of equipment. The District should monitor the preventive maintenance program to ensure that work is being completed in a timely manner.

Bright LSD has not implemented a preventive maintenance program. The preventive maintenance computer program was included in the District's OSFC facility plan (see **R4.6**). The computer maintenance program allows maintenance staff to enter data on the frequency of required scheduled maintenance (e.g., monthly), equipment type, priority level and the maintenance history for equipment (e.g., preventive maintenance for the boilers). The program also provides a checklist with instructions on how to maintain

equipment. The maintenance supervisor has received training for the computer program and has access to it, but has not used it to track maintenance work performed.

The *Planning Guide for Maintaining School Facilities* indicates that a good maintenance program is built on a foundation of preventive maintenance. The guide suggests using manufacturers' manuals to develop the preventive maintenance schedule. The preventative maintenance program should include energy management and conservation policies (see **R4.5**). The absence of a comprehensive preventive maintenance program increases the risk of incurring high emergency repair costs and exposure to liability for personal injury.

R4.5 Bright LSD should implement an energy management and conservation program. As part of an energy management program, Bright LSD should obtain an energy audit, develop an energy policy, monitor building energy use, install energy efficient equipment and institute performance contracting. Bright LSD should obtain an energy audit to identify energy inefficient equipment. Also, Bright LSD should direct a portion of the funds saved through improved energy management back into the facilities department's budget as an incentive to conserve energy and a source of funding for energy conservation projects. Implementing an energy conservation program should result in cost savings and improved performance of facilities equipment.

Bright LSD does not have a comprehensive energy management and conservation program. The lack of an energy management program may increase energy costs and result in inefficient use of facilities equipment. Bright LSD has attempted some measures to conserve energy costs such as recommending the room temperature remain at 68 degrees in the winter, and turning off unused computers and florescent lights. However, it has not implemented an energy management program with specific policies and goals toward these general recommendations.

Currently, Bright LSD purchases electricity through the SchoolPool consortium and is considering contracting for an energy audit. The Buckeye Association of School Administrators, the Ohio Association of School Business Officials and the Ohio School Boards Association teamed to form SchoolPool, a program designed to combine Ohio's schools collective electricity needs and reduce electricity costs. Bright LSD has contacted the company that installed its automated heating and air conditioning controls in the high school to learn more about an energy audit, which includes, but is not limited to, reviewing utility bills and adjusting equipment to reduce energy costs.

According to the *Planning Guide for Maintaining School Facilities*, an energy management and conservation program should:

- Establish an energy policy with specific goals and objectives;
- Monitor each buildings energy use;
- Conduct energy audits in all buildings to identify energy inefficient units;
- Institute performance contracting (e.g., contracts requiring desired results rather than a list of needed products) when replacing older, energy inefficient equipment; and
- Install energy efficient equipment.

The *School District Energy Manual* provides guidelines for temperature setting which include the following:

- Monitor rooms or zones to ensure the system is operating properly;
- Set thermostats at 75 degrees for the day and 85 degrees for night (summer); and
- Cool common areas at night with ventilated outside air.

Other energy conservation ideas include installing motion detectors that turn lights on when a room is occupied (and off when the room is unoccupied), providing incentives to encourage staff to reduce electricity and water consumption, closing school one night a week at 5:00 PM to lower utility bills, and contacting the Environmental Protection Agency (EPA) for information on energy conservation programs.

Financial Implication: Through the use of an energy management program, Bright LSD should expect to save approximately 15 percent on utility costs each year. Based on FY 2003 expenditures, annual cost-savings would be approximately \$26,000.

Long-Range Planning and Facilities Use

R4.6 Bright LSD should implement its OSFC facilities maintenance plan. The facilities maintenance plan should help the District evaluate long term facilities and maintenance needs, assist in scheduling preventive maintenance, and allocate scarce financial resources to those facilities most in need. Such a plan will assist the District in space planning efforts, and will provide vital information related to the physical condition of its buildings. The facilities maintenance plan should also be incorporated into the strategic plan.

Bright LSD has not implemented the OSFC facilities maintenance plan. The plan was only recently approved by OSFC in March 2003. The plan recommends a preventive maintenance program (see **R4.4**) and equipment replacement and capital renewal

program. While the plan projects the budget for equipment replacement and capital renewal at approximately \$300,000, it does not provide a schedule for when major expenditures would occur. The District should develop a schedule for equipment replacement and capital renewal, outlining when major equipment should be replaced, as well as the sources of funding. The lack of a fully implemented maintenance plan may result in inadequate planning for facilities and maintenance needs.

R4.7 Bright LSD should review building utilization regularly to determine energy savings potential and alternative uses for extra space and to identify areas with minimal or no occupancy. If space is not used for extended time periods, Bright LSD should rent the space to local groups or develop additional programming to attract occupants or students (e.g., pre-school programming). Bright LSD should continually monitor enrollment to determine its impact on building utilization. In addition, Bright LSD should develop strategies to ensure the optimal use of the building space and reduce costs associated with building utilization.

Bright LSD's building utilization rates for the elementary school and high school are at 61 percent and 74 percent, respectively. A standard for building utilization is 85 percent, based on the premise that classrooms are not at full capacity the majority of the time. One reason building utilization rates may be low is because Bright LSD enrollment has been declining (see **financial section**). The elementary school was constructed as part of the OSFC project and is two years old. The high school received renovations and a 13,000 square foot addition during the same project. Since its construction in 1938, the high school has constructed additions in 1950, 1985, 1992 and 2000. The OSFC project also upgraded facilities equipment for the high school, including heating and air conditioning, boilers, chillers and air handlers.

Table 4-7 compares each school building's student capacity to the FY 2002-03 student head count to determine the building utilization rate.

Table 4-7: FY 2002-03 Building Capacity and Utilization Rates ¹

Building	Building Capacity	FY 2002-03 Head Count	Over/(Under) Capacity	Building Utilization Rate
Elementary School (K-6)	725	442	(283)	61%
High School (7-12)	574	423	(151)	74%
Total For All Buildings	1299	865	(434)	67%

Source: EMIS and Bright LSD treasurer

¹ Building capacity is calculated in the elementary by multiplying the number of regular education classrooms (excluding special needs, art, music, tutoring, intervention and gifted rooms) by 25. In the elementary school, additional capacity is calculated in the kindergarten classes by multiplying the number of classrooms by 50. The capacity for the high school building is similar to the elementary school; however, the product is then multiplied by an 85 percent utilization rate.

The elementary school has 23 regular classrooms and 3 kindergarten/pre-school classrooms. The high school has 27 regular classrooms. The superintendent indicated classrooms in the high school were all currently used but some rooms in the elementary school are not being used on a regular basis.

Building heating and air conditioning can be adjusted for specific zones and rooms. A zone is determined by the air handler locations. For example, the high school gymnasium is considered one zone because it has one air handler which circulates air for that area. The elementary school has approximately 6 zones and the high school has 15 zones. Each room has air volume boxes which also can be adjusted for air circulation. The maintenance supervisor indicated that air volume boxes can be turned off for rooms not in use. However, at this time it may not be feasible to shut off air handlers for entire zones because some rooms may still be used.

R4.8 Bright LSD should consider reconfiguring the elementary and middle schools in a K-8, 9-12 configuration to better use current facilities and to reduce utilization in sections of the high school. Based on the AOS capacity analysis, a K-8, 9-12 configuration would allow Bright LSD to increase the elementary building utilization rate and cease utilization of up to half of the high school building.

By reconfiguring current elementary and high school buildings to a K-8, 9-12 format, Bright LSD will be able to accommodate additional students in the elementary school. The elementary school currently has a utilization rate of 61 percent. If the 157 students in grades 7-8 were moved to the elementary school, the utilization rate at the elementary building would equal 83 percent, close to the 85 percent standard for utilization. The number of high school students would fall to 266, resulting in utilization rate of 46

percent. With a utilization factor of less than 50 percent, Bright LSD could consolidate classrooms and zone off unused areas in the high school to reduce energy use (see **R4.7**).

Table 4-8 shows adjusted elementary and high school building capacity and utilization if 7th and 8th grade students were moved to the elementary school.

Table 4-8: Adjusted Elementary and High School Building Capacity and Utilization¹

	Elementary School	High School
Kindergarten	68	N/A
First	63	N/A
Second	50	N/A
Third	69	N/A
Fourth	65	N/A
Fifth	70	N/A
Sixth	65	N/A
7th	70	N/A
8th	87	N/A
9th	N/A	82
10th	N/A	72
11th	N/A	55
12 th	N/A	61
Total Head Count	607	270
Building Capacity	725	574
Over/(Under) Capacity	(118)	(304)
Adjusted Building Utilization Rate	83.7%	47.0%
Current Building Utilization Rate	61.0%	73.7%

Source: Bright LSD 2002-03 EMIS School Enrollment Report – First Full Week of October 2003

¹ N/A means that the school does not have students in that grade level

As indicated by **Table 4-8**, moving 7th and 8th grade students to the elementary school would increase building utilization for that building. By using a K-8 structure, Bright LSD would be able to use extra space in the newer and more energy efficient elementary school.

The adjusted capacity in **Table 4-8** would allow Bright LSD to zone off unused areas in the high school to reduce energy costs. Several rooms in the 1980 addition, including two classrooms, a computer lab, a music room, and an industrial arts room, are not all used regularly and could be zoned off. The K-8 configuration would require minor adjustments to extracurricular activities, computer labs and school libraries. If the District reduced operating costs by 20 percent by closing portions of the high school building, the District could potentially save \$40,000.

Financial Implication: By reconfiguring its facilities to a K-8, 9-12 configuration, Bright LSD may be able to discontinue the use of classrooms or zones at its high school, resulting in a potential cost savings of \$40,000.

Financial Implications

The following table represents a summary of annual cost savings and implementation costs. For the purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Costs Savings	Implementation Costs
R4.2 Bright LSD should consider purchasing CMMS to track work orders		\$500
R4.5 Bright LSD should implement an energy management program	\$30,000	
R4.8 Reconfigure facilities to a K-8, 9-12 configuration and close one wing of the High School.	\$40,000	
Total	\$70,000	\$500

Transportation

Background

Bright Local School District (Bright LSD) provided transportation to 840 regular needs students in FY 2001-02 using District-owned yellow buses. Bright LSD provided transportation only to public school students. Bright LSD has adopted a formal transportation policy stating that the District will provide transportation to any student (grades K-12) that lives two miles or more away from school. However the District provides transportation for all students to facilitate a safe, efficient and economical method of getting the students to and from school in a manner that serves the best educational interests of the students. Bright LSD provides transportation for all students in kindergarten through twelfth grade, including those students with physical or mental disabilities. The District serves an area of 128 square miles that is very rural, has few sidewalks, and is approximately 40 miles wide. **Table 5-1** identifies total riders for Bright LSD and the peer districts.

Table 5-1: Total Regular & Special Needs Riders

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Public	840	672	585	912	723
Non-Public	0	194	0	4	66
Community School	0	0	0	0	0
Total Regular Needs Riders	840	866	585	916	789
Total Special Needs Riders	3	11	14	4	10
Total Riders	843	877	599	920	799

Source: District T-1 forms FY 2001-02.

Bright LSD transports 44 or six percent more regular needs public students than the peer average because of its practice of offering transportation all students. However, special needs ridership is lower at Bright LSD because Bright has fewer special needs students than the peers.

Organizational Structure and Function

The transportation supervisor at Bright LSD, who reports to the superintendent, oversees the transportation department and has supervisory duties over the thirteen bus drivers, five substitute drivers, and a mechanic. The transportation supervisor maintains route sheets, coordinates substitute drivers, and also fills in as a substitute driver.

Table 5-2 shows the number of transportation department staff and full-time equivalents (FTE) by position for Bright LSD and each of the peer districts in FY 2001-02.

Table 5-2: District Staffing Levels

Positions	Bright LSD		Columbus Grove LSD		Continental LSD		Crestview LSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Bus Driver	13.0	6.75	12.04	4.51	11.0	4.13	11.0	4.1	11.4	4.3
Mechanic/Assistant	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative/Dispatcher	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.4	0.3	0.1
Total	14.0	8.75	12.04	4.51	11.0	4.13	12.0	4.5	11.7	4.4
Number of Students Transported	843		877		599		920		799	
Students Transported per Bus Driver FTE	125		194		145		224		188	
Students Transported per Total FTE	96		194		145		204		181	
District Square Miles	128		72		74		127		91	
Square Miles per Total FTE	15		16		18		28		21	
Number of Annual Miles Traveled	245,160		137,880		82,080		122,292		114,084	
Annual Miles traveled per Bus Driver FTE	36,320		30,572		19,874		29,827		26,758	

Source: District Transportation Departments T-forms and EMIS Reports

Table 5-2 indicates that Bright LSD maintains nearly twice as many FTE staff for transportation services compared to the peers. The geographic layout of the District and the route configuration contribute to the higher number of drivers and miles driven per FTE in Bright LSD. Bright LSD also maintains a transportation supervisor position and a mechanic. In the peer districts, the function is shared between the superintendent and an assistant, and maintenance and repairs are outsourced.

Operational Statistics

Bright LSD uses a fleet of 13 active and 4 spare buses to provide transportation to its regular and special needs students. In FY 2001-02, Bright LSD vehicles transported 843 students traveling approximately 245,160 miles. Additionally, Bright LSD paid transportation reimbursements of \$8,949 for payments in lieu of transporting students. The total cost for regular needs transportation was \$583,301, of which \$252,936 (approximately 43 percent) was reimbursed by the State.

Table 5-3 shows the regular needs students expenses and reimbursed amounts for Bright LSD and the peers.

Table 5-3: District Transportation Expense and Reimbursement

Expenses	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Regular Needs Students Expenses	\$583,301	\$161,429	\$206,851	\$225,514	\$197,931
Regular Needs Reimbursement	\$252,936	\$193,255	\$128,672	\$189,136	\$170,354
Percentage Reimbursement	43%	120%	62%	84%	73% ¹
Cost Per Student	\$694	\$186	\$354	\$246	\$262
Reimbursement per Student	\$301	\$223	\$220	\$206	\$217

Source: District Transportation Departments.

¹Note: Columbus Grove percentage omitted for peer average calculation

Bright LSD receives a higher level of reimbursements than the peer districts while maintaining the highest cost per regular needs student which is almost three times the peer average. Columbus Grove receives reimbursements in excess of expenses not only from the efficiency of their operations, but also from the transportation of nonpublic students. Because of its inordinately high reimbursement rate, Columbus Grove was therefore excluded in calculating the peer average reimbursement rate of 73 percent.

According to the T-11 reports, Bright LSD's transportation department transported 3 special needs students in FY 2001-02, at a cost of \$8,449. Bright LSD was reimbursed \$5,487 (approximately 65 percent) by the State for special needs transportation.

Table 5-4 presents basic operating statistics and ratios for Bright LSD and the peer districts.

Table 5-4: Basic Operating Statistics

	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average
Operational Statistics:					
Students Transported					
- Regular students	840	866	585	916	789
- Special needs	3	11	14	4	10
- Total	843	877	599	920	799
Miles Traveled					
- Regular students	245,160	137,880	82,080	122,292	114,084
Square Miles in district	128	72	74	127	91
Expenditures					
- Regular students	\$583,301	\$161,429	\$206,851	\$225,514	\$197,931
- Special needs	\$8,449	\$11,026	\$23,824	\$15,046	\$16,632
- Total	\$591,750	\$172,455	\$230,675	\$240,560	\$214,563
State Reimbursements					
- Regular students	\$252,936	\$193,255	\$128,672	\$189,136	\$170,354
- Special needs	\$5,487	\$740	\$8,986	\$6,214	\$5,313
- Total	\$258,423	\$193,995	\$137,658	\$195,350	\$175,668
Operational ratios:					
Regular students:					
- Cost per mile	\$2.38	\$1.17	\$2.52	\$1.84	\$1.84
- Cost per active bus	\$44,869	\$13,452	\$22,983	\$18,793	\$18,409
- Cost per student	\$694	\$186	\$354	\$246	\$262
- Students per bus	65	72	65	76	73
Special Needs Students:					
-Cost per student	\$2,816	\$1,002	\$1,702	\$3,762	\$2,155
Active buses	13	12	9	12	11
Spare buses	4	4	4	5	4

Source: District T-1, T-2 and T-11 Forms

Bright LSD operational costs and service indicators exceed peer levels in the following areas:

- The cost per mile ratio (\$2.38) is higher than the peer average by 29 percent.
- The cost per bus ratio (\$44,869) is higher than the peer average by 144 percent.
- The cost per student ratio (\$694) is higher than the peer average by 165 percent.
- The average number of students per bus is 12 percent lower than the peer average of 73.

These high costs may be impacted by the geographic layout of the rural District and its resulting route structure; the age of the existing bus fleet and maintenance costs; and contractual obligations.

However, as discussed in this section, opportunities for improved efficiency exist and Bright LSD may be able to bring its operational ratios more in line with the peers.

According to ORC §3327.01, all city school districts where resident pupils in grades K-8 live more than 2 miles from the school, the board of education shall provide transportation for such pupils to and from school. A board of education shall not be required to transport elementary or high school pupils to and from a non-public or community school where such transportation would require more than 30 minutes of direct travel time as measured by school bus from the collection point as designated by the coordinator of school transportation.

Bright LSD has a formal written transportation policy which provides transportation for resident elementary students, kindergarten through grade eight, who live more than two miles from school and for all students with physical or mental disabilities which make walking impossible or unsafe. The transportation of high school students is optional. Exceptions are allowed if walking conditions are extremely hazardous and/or because of overcrowding and subsequent assignment of the student to another building and transportation is deemed necessary. Bright LSD does not follow this policy but instead, offers transportation to all students.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, the following assessment was conducted which did not warrant any changes or yield any recommendations:

- *Competitive bidding for bus purchases*: Bright LSD has implemented a process of using the state pool for the purchase of school buses.

Recommendations

- R5.1 Bright LSD should amend its written transportation policy to reflect the District value that, for safety purposes, all children in the District should be offered transportation. Additionally, the policy should be reviewed annually and amended as necessary. Changes in Bright LSD enrollment, pupil residence, and route configuration should be included as part of the annual review.**

The Bright LSD transportation policy is consistent with Ohio law that requires boards of education to provide transportation for pupils in grades kindergarten through eight who live more than two miles from school. Ohio law goes further, reflecting that transportation may be provided for pupils attending high school but is not required. However, Bright LSD transports all students in the District, a practice that has been in effect since transportation was first offered to District students. The transportation supervisor indicated that this practice was unlikely to change as safe walking routes were not available in the District.

The peer districts have varying transportation policies. Columbus Grove LSD and Crestview LSD, for example, made their respective city limits the extent of the walking zone for their schools. Continental LSD has a one mile walking policy. These districts have centrally located K-12 campuses conducive to implementing a walking policy. While this has improved the efficiency of the transportation operation of the districts through the reduction in stops required of the buses, it was done with the consent and agreement of the superintendent, the school board, and the community. In each case, though, the peer district's transportation policies reflect the actual practices of the district.

The disparity between Bright LSD's policy and practices may lead to confusion and poor controls over ridership. Bright LSD should ensure that its policy and practices are in agreement and that they are reviewed regularly. By ensuring the congruence of District practices and policies, future modifications of policy and changes in ridership levels will be easier to implement.

- R5.2 Bright LSD should implement a more staggered bell schedule allowing an hour between the elementary and high school start and end times. This would allow coupling bus runs on the shorter inbound and outbound bus trips, thereby enabling the drivers to increase the number of passengers per route.**

Two types of routes should then be considered for the District: Multi-run routes or coupled routes could begin by picking up and delivering high school students, then

complete another run into the District to pick-up elementary students. Single run routes should be maintained on the longer routes to minimize student ride time.

Timing and configuration of these multi-run and single-run routes should include consideration for the needs of the students riding the longest distance and provide adequate safety and security for the entire student population.

A bus “run” is a single bus path and group of bus stops to or from a principal school. A bus “route” is a series of runs assigned to one bus that comprise its morning or afternoon assignment. “Coupling” refers to combining runs together to form a bus route.

Bright LSD and the peer districts used single-run routes. Single-run routes are necessitated by the rural nature of Bright LSD and the peers. As a result, the capacity utilization figures shown in **Table 5-4** reflect a relatively low “passenger per bus”. Bright LSD carries approximately 65 passengers per bus, while the peer average is 73 passengers per bus.

Bright LSD currently runs a 13 route single-tier system for busing. Although elementary and high school students are transported on the same buses in the morning, the afternoon runs are designed as a combination of single and multi-tier runs. The combination of practices is used to reduce miles traveled and wear and tear on the buses, as well as minimize riding time for the students. Afternoon runs in the District require four drivers exclusively to transport elementary students to the farthest points from their school. Three additional drivers transport the high school students to the farthest points from the school in the same manner. The remaining elementary students are transported with the high school students.

School districts using multiple runs per route often exceed 100 passengers per bus per route. However, Bright LSD does not achieve this level of efficiency because it uses single-tier runs. Generally, more tiers translate into more efficient busing. More run couplings are possible, resulting in fewer buses needing to be deployed to transport the same number of students. Best practice districts use a multi-tier, multi-run per route configuration, which enables them to operate better than the statewide average from a cost per mile, as well as a cost per pupil, perspective and, therefore, maximize transportation reimbursements.

Bright LSD transportation operations were recently assessed by a transportation consultant working in conjunction with Bright LSD and the Ohio Department of Education (ODE). According to the study, better routing reconfiguration (see also **R5.3 and R5.4**) and multi-tier runs would allow for the elimination of three or four bus routes. Although the multi-tier system would result in added mileage per bus, it would also lead to time savings, cost avoidances, and improved reimbursements. ODE recognizes flaws in the current funding formula especially as it pertains to the ability of a rural district to receive adequate

reimbursement for transportation costs. Efficiency factors in the formula rely heavily on the number of students per bus, and increasing the value of those factors improves the reimbursement percentage from state funds.

Optimizing bus capacity provides the maximum state reimbursement for transportation and is the benefit of this recommendation. The development of multi-run routes requires approval by the Board of Education and the implementation of staggered school start times as recommended in the ODE study.

R5.3 Bright LSD should reconfigure its bus routing once multi-tier runs are implemented (see R5.2). Reconfiguration could be performed manually using a map and route sheets. Although automated systems can achieve the highest degree of efficiency, the size and scope of Bright LSD operations may not warrant the expense for automated routing software. The Bright LSD transportation supervisor should regularly meet with the bus drivers to determine the accuracy of the route information and update the route maps and route sheets accordingly.

Bright LSD does not currently maintain route maps for District transportation operations. ODE recommended mapping routes for all District buses to determine route efficiency. In addition, ODE recommended a comprehensive review of driver completed routes sheets to ensure accurate mapping. Mapping of District routes could then be accomplished using a county street map and the route sheets prepared and updated by drivers.

While computer programs are available to design and map possible route scenarios these programs are often expensive and time consuming. The geographic configuration and rural nature of Bright LSD is such that some students will always have a longer than usual bus ride. Basic route mapping can be accomplished using the county maps and colored push pins. Color coding by elementary and high school with stickers for route numbers will enable the transportation supervisor to identify consolidation opportunities. Two separate maps, one for the morning runs and one for the afternoon runs would provide the transportation supervisor and superintendent with an effective management tool to optimize transportation routing for the District.

Routing maps should be maintained by the transportation supervisor in a conspicuous place and updated at least monthly in conjunction with the review of route sheets submitted by the drivers. Using seven single-run routes and six multi-tier routes (including high school and elementary segments in the morning and the afternoon) would help Bright LSD reduce the transportation operations by three routes (see **R5.4**).

R5.4 Bright LSD should reduce its bus transportation fleet by three buses and drivers. By increasing efficiency as recommended in R5.1 through R5.3, Bright LSD can reduce the scope of its transportation operations and achieve corresponding cost savings through the reduction of excess personnel and the sale of surplus equipment.

Bright LSD currently employs 13 drivers, working an average of 5 hours a day, who are considered full-time according to the contract language. Based on the AOS and ODE recommendations to amend the transportation policy, implement a multi-tier route system and reconfigure routes, Bright LSD should be able to eliminate three routes. The reduction in routes would correspond to a reduction in buses and drivers from 13 to 10. The District could potentially sell the additional buses which would allow the District to maintain a fleet of 14 buses, 10 active and 4 spares. Hoekstra, a company specializing in used buses, estimated the value of Bright LSD's spare buses at \$3,000 each.

Financial Implication: Bright LSD could potentially achieve a one-time revenue enhancement through the sale of its three additional spare buses. The value of these buses is estimated at a total of \$9,000. The cost savings achieved by reducing three drivers would be approximately \$62,640.

R5.5 Bright LSD should develop policies and procedures to ensure that accurate reports are prepared, reviewed and reconciled before being submitted to ODE. The T-Forms submitted to ODE are used to calculate reimbursement a school district receives for transporting students based on the expenses reported. Improving the review process should ensure appropriate reimbursements in the future.

Bright LSD's T-1 form was completed inaccurately due to a transposition error when transferring the numbers from the worksheet to the final form. The form was filed with ODE on October 11, 2002. While the error was only 36 miles of unreported travel, the error had a monetary effect on the reimbursement. The T-1 form is usually completed by the transportation supervisor who forwards it to the treasurer who reviews the form and finalizes the form for submission to ODE.

The process used by Columbus Grove includes draft form completion by the administrative assistant to the superintendent who forwards the form to the treasurer. The treasurer completes the document and returns the forms to the administrative assistant to the superintendent with comments, if any, about the information provided. Lastly, the superintendent/transportation supervisor completes a final review of the form and forwards the forms to ODE. This process allows Columbus Grove to ensure that the information contained in the form is correct by using a system of review prior to submitting it to ODE. Bright LSD should implement a similar procedure by ensuring that the treasurer returns the

completed form to the transportation supervisor for confirmation prior to submission to ODE. The procedure should be formalized in a written policy. Finally, when errors are noted, the District should follow up with ODE to determine if additional reimbursements are available.

R5.6 Bright LSD should consider purchasing its fuel through a cooperative purchasing program. The District should consider becoming a member of the Ohio Department of Administrative Services (DAS) Cooperative Purchasing Program or a similar cooperative purchasing program. The state program offers members the opportunity to purchase diesel fuel and other goods and services through state contracts at a discounted price. These terms can provide a lower pricing structure than Bright LSD might receive for diesel fuel purchased independently.

If Bright LSD decides not to become a member of the cooperative purchase program, it should develop a competitive bid process for the purchase of diesel fuel. A competitive bid process will document that the District solicited and reviewed submitted bids to determine the best terms and conditions for purchasing diesel fuel.

While Bright LSD accepts competitive bids for fuel purchases, it is not a member of a cooperative purchasing program. Bright LSD has not changed fuel suppliers for at least 10 years. Additionally, the District does not have a formal written contract executed with its fuel supplier. A comparison of Bright LSD's fuel expenditures over the last 12 months to the state cooperative region-9 bid prices indicated an annual savings of approximately \$325 by using the state cooperative purchase program.

The Ohio Department of Administrative Services DAS offers a cooperative purchasing program as an option for supply sourcing a variety of commodities including diesel fuel. The service provides a competitive source price option but is not a single source full requirements supplier. As a member of the state cooperative purchasing program, Bright LSD could competitively shop the market for spot supplies and use either local suppliers or the statewide contract, whichever is less expensive. The state cooperative purchasing program provides members the benefits and costs savings of buying goods and services through state contracts. Members are able to purchase goods in limited quantity at bulk rates. The annual membership cost for Ohio school districts is \$125.

Effective management controls require public entities to seek the best price for goods and services through a competitive bid and award process. School districts and public entities purchasing over \$25,000 in goods and services must formalize the contracting practice according to the ORC §3313.46. Bright LSD should begin seeking competitive bids to reduce fuel costs or join the DAS state cooperative purchasing program to ensure best prices for purchased goods. As an added benefit, Bright LSD could use the state program for other purchases including maintenance supplies and propane, as well as other durable and consumable goods. In addition, all contracts over \$25,000 should be documented by a written contract.

Financial Implication: Bright LSD can become a member in the state cooperative purchasing program for \$125. However, Bright LSD could reduce its annual fuel costs by up to \$325 by purchasing fuel through the state cooperative program considering last year's savings as a model. The net cost savings to Bright LSD would be approximately \$200 on diesel fuel purchases alone.

- R5.7 Bright LSD should formally document its bus replacement plan. The plan should be retained in written form and be approved by the Board. Bright LSD's plan should be updated at least annually or as needed. Criteria, such as mileage and chronological age should be included in the replacement plan to guide decision making in purchasing replacement buses. The plan should also take into consideration the potential reduction in required buses if the District implements R5.3 and R5.4, as well as the ridership within the District. By formalizing the replacement plan, Bright LSD will be able to plan for future costs while maintaining its fleet.**

Bright LSD does not have a formal bus replacement plan. Bus replacement is managed through the District treasurer's office. The District tries to purchase one new bus each year; however the most recent purchase of buses occurred three years ago. The financial status of the District has not enabled the District to maintain its bus-per-year purchase plan.

The current bus fleet is comprised of nineteen buses: thirteen buses are used on current routes and four are used as field trip or replacement route buses. The remaining two buses are not used but are kept for emergency purposes. Three buses were manufactured in 2001 and the rest were acquired on a one-per-year basis, dating back to 1988. According to the transportation supervisor and the bus mechanic, approximately eleven buses need replacing. The transportation supervisor and mechanic estimated that all District buses have traveled over 150,000 miles. The fleet maintenance costs exceed the peer average cost of repair and replacement. The superintendent also expressed concern that the fleet would have difficulty obtaining its annual certification for operation and road-worthiness.

There are no state guidelines for bus replacement beyond the requirement that the bus must be able to pass inspection. As long as the bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. However, ODE, private bus contractors and school transportation departments indicated that a bus should be replaced at 12 years of age or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. Bus replacement costs are shared by the State and the school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance. In FY 2002, Bright LSD was granted a \$43,000 purchase allowance. However, the cost of a new bus is approximately \$53,000-55,000 thereby requiring the District to fund the difference of approximately \$10,000.

Bus replacement expenses vary according to the District's reimbursement for transportation. Bright LSD currently receives sufficient funding from state sources to replace two buses every three years. A plan that provides for the scheduled replacement of two buses every three years would provide sufficient state financial support for an aggressive replacement plan while allowing Bright LSD to replace the 11 buses under consideration within the next 15 years. However, in order to meet best practice standards, the District would need to replace at least one bus annually to maintain an operating fleet less than 12 years of age.

R5.8 The transportation supervisor should work with the mechanic and the treasurer to maintain an accurate inventory of supplies. Furthermore, the transportation supervisor should require at least three quotes for expenses above \$50. For large purchases, bids should be used for the acquisition of the supplies. If Bright LSD decided to join the state cooperative purchasing program, the cooperative prices could be substituted for quotes and bids.

Bright LSD transportation supply expenses, such as purchases of parts, oil, and repair equipment, exceed the peer average. Purchases are made exclusively by the mechanic without oversight from the transportation supervisor. However, active involvement in the purchase of supply decisions is part of the job description of the transportation supervisor. According to the mechanic, repair supplies are on hand to enable a quicker turn around on repairs and are sometimes acquired when quantity discounts are offered. Bright LSD's maintenance and repair costs for outsourced repairs are below the peer average because the peers outsource all mechanical repair and maintenance operations while Bright LSD performs some in house. **Table 5-5** summarizes the mechanic and maintenance cost for Bright LSD and the peers.

Table 5-5: District Mechanic and Maintenance Cost Comparison

Mechanic and Maintenance Categories	Bright LSD	Columbus Grove LSD	Continental LSD	Crestview LSD	Peer Average	Difference
Mechanic	\$35,921	N/A	\$0	N/A	\$0	\$35,921
Mechanic Helper	\$0	N/A	\$1,980	N/A	\$1,980	(\$1,980)
Maintenance and Repairs	\$6,894	\$27,464	\$29,817	\$27,716	\$28,332	(\$21,438)
Tires and Tubes	\$11,041	\$4,001	\$8,652	\$6,750	\$6,468	\$4,573
Supplies	\$33,334	\$1,542	\$585	\$16,500	\$6,209	\$27,125
Total	\$87,190	\$33,007	\$41,034	\$50,966	\$42,989	\$44,201
Average Cost per Bus¹	\$6,707	\$3,001	\$4,559	\$4,247	\$3,908	\$2,799

Source: School District Transportation Departments

¹See Table 5-4 for number of buses

Bright LSD total expenses for the mechanic and maintenance function exceeds the peer average by \$44,201. This is attributable to the high mileage covered within the District and the irregular shape of the District's boundaries. Bright LSD's buses cover 128 square miles and travel more than 245,000 road miles annually (see Table 5-4) as compared to the peer averages of 91 square miles and 114,000 road miles annually. The high mileage traveled at Bright LSD leads to a higher frequency of preventive maintenance and bus repairs.

Management controls for the oversight of purchasing operations includes a hierarchy of purchasing authority. Bright LSD's current practice does not enforce the purchasing authority of the transportation supervisor and could lead to increased costs through unnecessary or higher cost purchases. Peers maintain lower supply costs as a function of outsourcing the mechanic function and have documented the purchase of supplies with the associated repairs. Other supplies purchased are usually disposable or used for cleaning up the buses after the routes according to the assistant transportation coordinator at Columbus Grove LSD. Work orders are tracked through the invoice process in the peers.

Maintaining a fleet of buses that travel approximately 107,000 miles more than the closest peer causes Bright LSD to incur additional maintenance and repair costs. However an improved process for managing and controlling costs will help the District ensure that expenditures are appropriate and excess supply inventory is minimized.

R5.9 Bright LSD should develop a formal, written preventive maintenance (PM) program for its buses. A documented PM program will provide the transportation department and Bright LSD administrators a written management tool for monitoring and scheduling bus maintenance. The mechanic should also compile workorders so that management can track the repairs and maintenance being completed to better understand and plan for the fleet replacement needs and the use of the mechanics' services for bus maintenance.

Bright LSD should incorporate the use of computer software to record and track all bus maintenance scheduled, work-in-progress, completed maintenance jobs, and individual bus mileage. Recording the use of all parts, supplies, and associated labor information will provide detailed maintenance history for each bus. Replacing the current manual log system with a computerized system will provide administrators with real-time information and will help the District better monitor transportation expenditures.

Bright LSD does not use an up-to-date, automated vehicle maintenance program (VMP) to record, schedule and monitor bus maintenance and mileage. Currently, the transportation department manually records all bus repairs and maintenance, and files each worksheet in its proper bus file. Bright LSD also does not have a documented preventive maintenance program. The bus mechanic schedules and records completed maintenance using a manual log system that he maintains. The use of service parts and supplies, total job labor time and cost, and the frequency of vehicle repairs are not adequately documented. The current process does not capture individual bus maintenance information.

Automated fleet maintenance records help public entities maintain accurate records of repairs and the costs associated with each vehicle maintained. Similarly, preventive maintenance programs, usually based on manufacturer's specifications, help reduce the likelihood of large, costly repairs by ensuring the day-to-day upkeep of vehicles. Fleet maintenance computer software applications can be obtained for between \$2,000 and \$4,000. However, due to the size of the bus fleet, an in-house computer application, such as an Excel spreadsheet, could be used to establish and maintain individual bus records for all service work scheduled and completed. A software application would assist in tracking, changing, deleting, entering, and sorting data for in-house transportation routing. Maintenance activity could also be recorded and monitored more effectively using a spreadsheet or automated program.

According to the National Association of Fleet Administrator's, Inc. (NAFA) a successful preventive maintenance program requires scheduled and periodic:

- Inspection;
- Lubrication;
- Adjustment;
- Cleaning; and
- Testing and replacement of components which have failed or are on the verge of failure.

Sound financial reasons to perform preventive maintenance include:

- Equipment life-span expectancy increases with fewer costly system replacements;
- Vehicles experience fewer breakdowns with shorter out of service incidents;
- Mechanic workload assignments even out requiring less overtime; and
- Maintenance budget can be forecasted from the perspective of man-hours, parts, and supplies.

Elements of the PM program should include:

- A checklist of maintenance information including:
 - Manufacturers' lists,
 - Past experience,
 - Operating environment (gravel roads requiring air filter replacement), and
 - Records of unscheduled maintenance;
- Individual vehicle records (all repairs by vehicle);
- Vehicle class records, (major repairs by operating systems);
- Development of a schedule;
- Analysis of processes by phase:
 - Inspection phase,
 - Parts ordering phase,
 - Parts removal phase; and
- Operational checks of vehicle equipment upon completion.

Furthermore, no matter how well designed a preventive maintenance program may be, it depends ultimately on the primary vehicle operator for its success. Vehicle operators must be held accountable for performing vehicle inspections at least once a week. Including checking the tire pressures when the tires are cold, and checking engine oil, coolant levels and all other fluids. The most important aspect of the plan is that the analysis is completed.

Without thoroughly documented bus maintenance records, it is difficult for school administrators to thoroughly analyze transportation expenditures and bus performance for fleet maintenance. However, using automated records will enhance the transportation supervisor's ability to report the cost to maintain the fleet. Also, the implementation of a preventive maintenance program will help Bright LSD ensure that the aging bus fleet continues to be operable until replacements are purchased.

Financial Implications Summary

The following table represents a summary of annual cost savings and one time revenue enhancements. For the purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Transportation

Recommendation	Annual Cost Savings	One-time Revenue Enhancement
R5.4 Reduce operations by three bus routes	\$62,640	\$9,000
R5.6 Use the State cooperative purchasing program to buy diesel fuel	\$200	
Total	\$62,840	\$9,000

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