



**Auditor of State**  
**Betty Montgomery**

# COVENTRY LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

MAY 27, 2003



## Auditor of State Betty Montgomery

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

On May 15, 1997, Coventry Local School District (Coventry LSD) was placed in fiscal watch because of a certified operating deficit. Pursuant to ORC §3316.031 and ORC §3316.042, my office initiated a performance audit on Coventry 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 Coventry LSD in eliminating the conditions which brought about the declaration of fiscal watch.

The performance audit contains recommendations which provide cost savings and efficiency improvements. The performance audit also provides an independent assessment of Coventry 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 Coventry 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, Coventry LSD worked diligently with its Board of Education and the community to decrease expenditures in various areas.

An executive summary has been prepared which includes the project history, a discussion of fiscal watch designation, district overview, objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to the Coventry LSD and its contents discussed with appropriate officials and 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 27, 2003

# **Executive Summary**

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## **Project History**

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the state 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, AOS may conduct a performance audit of a school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced programs can be achieved. Coventry Local School District (Coventry LSD) was placed in fiscal watch on May 15, 1997 because of a certified operating deficit.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit on Coventry LSD. Based on a review of Coventry 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**

Coventry LSD is a suburban/rural school district in Summit County. The District encompasses 14 square miles. In FY 2001-02, Coventry LSD had an ADM of 2,423 students and had a total of 257.8 FTE employees, including 99.6 regular teacher FTEs. Coventry LSD has six school buildings: three elementary schools, one middle school (grades 5 – 7), one junior high school (grades 8 – 9), and one high school (grades 10 – 12). In FY 2001-02, Coventry LSD met 19 of the Ohio Department of Education's (ODE) 27 performance standards, resulting in a designation of continuous improvement as defined by ODE. In addition, Coventry LSD's total per pupil operating expenditures including governmental funds, facilities acquisition and construction expenditures, and debt service expenditures of \$7,468 in FY 2001-02 was higher than all three of the peer school districts used in this performance audit.

During the course of this performance audit, Coventry LSD has attempted to address its financial difficulties by making numerous cost reductions and adjusting its five-year forecast to better project future revenues and expenditures. In addition to implementing policies to control purchases, and reducing positions and the number of students being transported, Coventry LSD placed an emergency levy of 9.59 mills on the ballot in May 2003. However, this levy was not passed by the voters.

In October 2002, the District was forecasting negative ending fund balances in FY 2003-04 through FY 2006-07, with a negative ending fund balance of slightly over \$5.0 million in FY 2006-07. The treasurer updated the forecast in January 2003 to include reductions the District has implemented, or is anticipating implementing, resulting in positive ending fund balances in FY 2002-03, FY 2003-04 and FY 2004-05, and a reduction in the negative ending fund balance in FY 2006-07 of approximately \$3.0 million. However, Coventry LSD is also forecasting additional use of tax anticipation notes (TANs) to help address its financial condition. As a result, Coventry LSD should consider implementing the recommendations in this performance audit to avoid future financial difficulties and reduce its reliance on TANs. See **R2.14** and **Table 2-13** in the **financial systems** section of this report for the proposed financial recovery plan and impact of the performance audit recommendations on the General Fund ending balance.

## **Objectives & Methodology**

The goal of the performance audit process is to assist Coventry LSD management in identifying cost savings, with the objective of eliminating conditions which brought about the declaration of fiscal watch. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. These recommendations comprise options that Coventry LSD can consider in its continuing efforts to stabilize its financial condition. A second objective of the performance audit is to perform an independent assessment of the school district's financial situation, including development of a framework for a financial recovery plan. Coventry LSD's financial forecast, along with its accompanying notes and assumptions, is also assessed for reasonableness.

To complete this report, the auditors gathered and evaluated a significant amount of data pertaining to the reporting areas, conducted interviews with various individuals associated with Coventry LSD, and assessed requested information from selected peer districts. Crestview Local School District (Crestview LSD), Field Local School District (Field LSD) and Lakeview Local School District (Lakeview LSD) were identified as peers based on comparable districts identified by ODE, a review of various demographic information, and input from Coventry LSD personnel. Best practice data was also used from ODE, the State Employment Relations Board (SERB) and other school districts for additional comparisons. Numerous interviews and discussions were held at many levels at Coventry LSD and with groups of individuals involved internally and externally with the District.

## **Noteworthy Accomplishments**

The performance audit report and executive summary contain noteworthy accomplishments made by Coventry LSD while in fiscal watch. The following are key noteworthy accomplishments:

- Coventry LSD worked diligently with its Board of Education (the Board) and the community to decrease expenditures in various areas, thereby increasing ending fund balances and improving its financial condition.
- The current treasurer, who was appointed in January 2002, has worked diligently in updating previous forecasts to present more reliable and accurate projections of Coventry LSD's current and future financial condition.
- Coventry LSD's percentage of total discretionary spending was below each of the peers. Therefore, it appears that Coventry LSD effectively controls its discretionary spending by closely monitoring expenditures.
- While Coventry has been in fiscal watch since 1997, the District's report card score increased from meeting 13 standards in FY 1999-00, to 18 standards in FY 2000-01, and to 19 standards in FY 2001-02.
- Coventry LSD's square footage maintained per maintenance FTE is greater than the peer average and AS&U standards. The District's transportation cost per mile (\$2.64), cost per bus (\$24,852), regular needs cost per student (\$276), and special needs cost per student (\$2,619) were lower than each of the peers. As a result, Coventry appears to be providing efficient maintenance and transportation services.

## **Key Recommendations**

The performance audit report and executive summary contain a number of recommendations pertaining to Coventry LSD. The following are key recommendations:

- Coventry LSD should analyze and use the proposed financial forecast outlined in **Table 2-13** to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. Coventry LSD should also consider implementing the recommendations in this performance audit to better manage its financial condition and avoid future financial difficulties.

- Coventry LSD should review its policy regarding open enrollment and establish limits on the number of students accepted into the District. A formal policy adopted by Coventry LSD should outline and predetermine annually the number of students it would accept based on openings for each grade level, programs offered, staffing levels, and space availability. In addition, all costs should be evaluated in determining the cap that would maximize the financial and educational benefits of open enrollment. A properly implemented policy would allow the District to forecast open enrollment students with a greater degree of reliability
- Coventry LSD should adopt the use of a central kitchen, which would improve the efficiency of food service operations and reduce food service staffing by 3.5 FTEs, saving approximately \$60,700 annually in salary and fringe benefit costs. Since Coventry LSD is serving the lowest number of students per staff member and has the second highest expenditures per pupil of the peers, Coventry LSD's current food service operations appear to be inefficient. Coventry LSD should also closely monitor food service operations to minimize waste and spoilage. By reducing operating costs, the District could reduce the amount that food service operations are subsidized by the General Fund.
- Coventry LSD should review its staffing levels in the educational service personnel (ESP) classification for a potential reduction of 4.0 FTEs. However, before the District makes any reductions, it should determine the potential impact on the attainment of its mission and goals. Coventry LSD could generate an estimated cost savings of approximately \$215,000 annually by reducing 4.0 FTEs from the ESP classification.
- During future contract negotiations, Coventry LSD should either require all employees to pay a portion of the monthly premium costs for health insurance or reduce benefit levels. Each of the peer districts requires its full-time employees to contribute to the cost of their monthly health insurance premium. Additionally, the medical benefits offered at Coventry LSD are more generous than those offered at the peer districts, thereby contributing to the higher premiums. Assuming that Coventry LSD required a full-time employee contribution equal to the SERB average of 12 percent for single coverage and 14 percent for family coverage, the District would save approximately \$280,000 annually.
- Coventry LSD should maximize the use of its computerized energy management system which frequently monitors facilities to reduce utility expenditures. Coventry LSD should train maintenance and head custodial staff in system operations to eliminate the misuse of such technology. Other strategies that would help control and minimize facility expenditures include increasing cooling temperatures and decreasing heating temperatures; turning off computers and office equipment or programming them to power down when not in use; purchasing gas and electricity through a discounted program or consortium; and consistently monitoring manual changes by maintenance staff. Adjusting thermostat settings to those

recommended in the *Facilities Management Handbook* could save Coventry LSD approximately \$67,000 annually.

- Due to the significant under-utilization of the junior high school, Coventry LSD should consider restructuring the elementary schools to serve grades kindergarten through six, and the junior high school to serve grades seven through nine. If Coventry LSD elects to implement these restructuring suggestions, enough space would be created to close the smallest elementary school, Lakeview. The total cost savings for closing Lakeview Elementary would be approximately \$273,100 annually.
- Coventry LSD should consider the use of transportation routing software to evaluate scheduling alternatives more efficiently and to determine if existing routes could be consolidated, thereby enabling the elimination of one or more buses. Based on the relatively small size of the District and lower ratio of miles per bus, Coventry may have the ability to reduce its bus fleet by using software to optimize routes. By purchasing transportation routing software and reducing four buses, net annual savings in the first year would be approximately \$75,800 and \$96,800 annually in subsequent years.

## **Additional Recommendations**

The remainder of this executive summary highlights additional recommendations from the audit report. Additional recommendations include the following:

### *Financial Systems*

- Coventry LSD's five-year forecast and the accompanying assumptions or notes should be expanded to consistently present more detailed historic and projected information and explanatory comments. By providing more detail in the forecast and its supporting notes, the Board and the public will better understand the financial condition of Coventry LSD.
- Coventry LSD should avoid issuing debt to cover operating expenses. Instead, Coventry LSD should closely examine the cost savings identified throughout this performance audit to effectively reduce expenditures and gain better control of its overall finances. In addition, Coventry LSD should fully disclose the reliance on TANs in the forecasted period.
- Coventry LSD should correct the historical portion of its "other financing sources" in the five-year forecast to more adequately disclose the amounts and types of debt outstanding. The forecast should detail the amount of principal and interest for each debt, by fiscal year. The notes should fully explain why and when the District issues debt and which fund or

funds will be used to repay the debt and interest. The increased detail will provide all of the forecast users with a clearer understanding of Coventry LSD's finances.

- When forecasting salary increases for periods not covered by a contract, Coventry LSD should assume a maximum of two percent step increases and a two percent cost of living or annual increase. Furthermore, Coventry LSD should closely monitor expenditures in capital outlay, purchased services, and supplies and materials, and should consider adjusting the assumptions and projections to be more reasonable and reliable.
- Coventry LSD should closely examine its spending patterns and consider reallocating monies to those programs and priorities which have the greatest impact on improving students' education and proficiency test results.
- Coventry LSD should ensure that all capital outlay expenditures are made in accordance with the District's capital improvement plan. Coventry LSD should formally outline how the capital expenditures funded from the General Fund and permanent improvement levy will be spent.
- Coventry LSD should review the athletic program and implement procedures to reduce the reliance of the athletic fund on transfers from the General Fund. A gender equitable reduction in sports offered and/or a pay-to-participate fee policy, and using historical and projected participation should also be considered. However, when instituting a pay to participate policy, Coventry LSD should recognize that cost may affect participation.
- Coventry LSD should use the expertise of an actuary to help predict future health care costs. The District should also maintain an adequate reserve in the internal service fund as determined by the actuary. By developing reasonable and reliable calculations reflecting reserves and disbursements, the District should eliminate negative balances in the internal service fund and avoid all future transfers from the General Fund to cover health care expenditures.
- Coventry LSD should develop a financial recovery plan that is specific, practical, and provides sufficient details on the actions that will be taken to remove itself from fiscal watch status. The financial recovery plan should include strategies and timelines for the effective resolution of the financial crisis as well as any staffing reductions, staffing realignments, and building closures.



### *Human Resources*

- Coventry LSD should increase the enrollment in its vocational education programs or stop offering vocational education programs which are requiring significant funding from the General Fund. Coventry LSD could generate an estimated annual cost savings of approximately \$58,000 by eliminating the vocational education program which operates with the highest deficit, assuming its remaining vocational education programs would absorb students from the eliminated program.
- Coventry LSD should seek to decrease the maximum number of sick leave days paid out at retirement to its certificated and classified employees. If the District decreased the maximum number of days paid out to 63 days for certificated staff and 60 days for classified staff, it would realize a cost savings of approximately \$19,000 in each of the next five fiscal years and provide a level of days paid out comparable to the peer districts.
- During future contract negotiations, Coventry LSD should seek to eliminate or reduce the retirement incentive in the certificated negotiated agreement, as well as limit the cost of living allowance (COLA) for certificated staff to 2.0 percent for each year of the agreement. If Coventry LSD reduced the amount of the retirement incentive to match that of the next highest peer (Lakeview LSD at \$17,500 per retiree), the District could realize a cost savings of \$30,000 over the next five years, for an annual average of \$6,000. Limiting COLA increases will bring Coventry LSD's certificated salary schedule more in line with the peer district's salary schedules.

### *Facilities*

- Coventry LSD should account for all funds and expenditures in accordance with the guidelines set forth in the Uniform School Accounting System (USAS) manual. Properly coding funds is important to accurately represent financial data at all times and to ensure reliable forecasts of future expenditures.
- Coventry LSD should reassign 1.75 FTE elementary school custodial staff to Erwine (0.25 FTE), Coventry Junior High (0.25 FTE), and Coventry High School (1.25 FTE). Reassigning custodial staff in this manner would make the square footage per FTE more equitable among all of the buildings and provide resources to better maintain Erwine, Coventry Junior, and Coventry High schools.
- Coventry LSD should design a standard and uniform electronic work order request form that can be accessed by employees via the Intranet or e-mail system. An electronic work order

request form would allow Coventry LSD to effectively track work completed or needing to be addressed, and monitor workload for maintenance staff.

- Coventry LSD should develop and implement a standard preventive maintenance program for all facilities. Preventive maintenance checklists, including task frequency, should be developed for each facility. Incorporating preventive maintenance tasks in the custodians' daily routine could potentially avoid several costly emergency repairs.
- Coventry LSD's administration should keep fire marshal reports on file for each school. This practice would allow the District to assess the schools which are cited most frequently and use this information to supplement capital improvement decisions.
- Coventry LSD's building capacity and utilization should be reviewed periodically in conjunction with a more effective enrollment projection process to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations. A methodology that accounts for Coventry LSD's needs, educational programs and philosophy should be adopted by the district and used to determine school building utilization at least every two to three years.

### *Transportation*

- Coventry LSD should include bus replacement in its capital planning to anticipate costs over and above the bus purchase allowance granted by ODE. Included in this plan should be the number of buses to be replaced each fiscal year, along with the average age at the time of replacement and the estimated cost of replacement. Assuming that Coventry LSD replaced five buses closest to the mileage guidelines, Coventry LSD would need to purchase one bus in FY 2005, three buses in FY 2006, and one bus in FY 2007. Considering the State purchase allowance, the approximate costs to Coventry LSD would be \$30,000 in FY 2005, \$90,000 in FY 2006, and \$30,000 in FY 2007.

## **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 Coventry LSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (**R3.3**, **R3.4**, and **R3.5**). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

<b>Ref No.</b>	<b>Recommendations from all Sections</b>	<b>Estimated Annual Cost Savings</b>	<b>Estimated Annual Implementation Costs</b>	<b>Estimated One-Time Implementation Costs</b>
	<i>Financial Systems</i>			
<b>R2.9</b>	Implement a centralized kitchen, resulting in a reduction in food service staff by 3.5 FTEs	\$60,700		
	<i>Human Resources</i>			
<b>R3.1</b>	Consider eliminating the vocational education program with the largest deficit	\$58,000		
<b>R3.2</b>	Reduce ESP staffing by 4.0 FTEs	\$215,000		
<b>R3.3</b>	Require employee contribution towards medical monthly premium	\$280,000		
<b>R3.4</b>	Decrease sick leave payout at retirement	\$19,000		
<b>R3.5</b>	Reduce certificated retirement incentive	\$6,000		
	<i>Facilities</i>			
<b>R4.5</b>	Adjust temperature settings	\$67,000		
<b>R4.8</b>	Close Lakeview Elementary	\$273,100		
	<i>Transportation</i>			
<b>R5.1</b>	Purchase transportation software and reduce four school buses	\$100,000	\$3,200	\$21,000
<b>R5.2</b>	Purchase one bus in FY 2005, three buses in FY 2006, and one bus in FY 2007			\$150,000
	<b>Total Financial Implications</b>	<b>\$1,078,800</b>	<b>\$3,200</b>	<b>\$171,000</b>

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.

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# Financial Systems

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## Background

This section focuses on the financial systems within the Coventry Local School District (Coventry LSD). The objective is to analyze the current financial condition of Coventry LSD and develop recommendations for improvements and efficiencies.

In an effort to improve the financial situation of Coventry LSD, the District has used tax anticipation notes (TANs) to help with cash flow, used HB 264 loans to provide funding for energy and cost saving building improvements, and sought voter approval of a number of levies to raise revenue. In November 2002, the District placed a 1.85 mill replacement levy for permanent improvements on the ballot which was defeated by Coventry voters. The last levy for General Fund expenses was voted in 1992 for 7.50 mills, the current effective rate of which is 4.57 mills. The total effective rate of all General Fund current expense millage is approximately 19.30. The District passed a 2.8 mill emergency levy in 1999, which is in effect from FY 2000-01 through FY 2004-05 and generates approximately \$670,000 annually. The District sought another emergency levy of 9.59 mills in May 2003. However, this levy was not passed by the voters.

### *Financial Operations*

**Table 2-1** shows selected discretionary expenditures as percentages of total General Fund expenditures from Coventry LSD's FY 2001-02 General Fund and compares these expenditures to similar spending by peer districts.

**Table 2-1: FY 2001-02 Discretionary Expenditures as a Percentage of General Fund Expenditures**

	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
<b>Prof. and Technical Service</b>	1.6%	3.1%	1.0%	0.6%	1.6%
<b>Property Services</b>	1.3%	1.7%	2.5%	1.6%	1.9%
<b>Mileage/Meeting Expense</b>	0.1%	0.3%	0.2%	0.2%	0.3%
<b>Communications</b>	0.5%	0.4%	0.5%	0.3%	0.4%
<b>Contract, Craft or Trade Service</b>	0.3%	0.2%	0.0%	0.0%	0.1%
<b>Pupil Transportation</b>	0.3%	0.0%	0.0%	0.0%	0.0%
<b>Other Purchased Service</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>General Supplies</b>	0.8%	1.5%	1.8%	1.5%	1.6%
<b>Textbooks/Reference Materials</b>	0.6%	1.0%	1.3%	1.4%	1.2%
<b>Supplies &amp; Materials for Resale</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Food &amp; Related Supplies/Mat</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Plant Maintenance and Repair</b>	0.5%	0.5%	0.8%	0.7%	0.7%
<b>Fleet Maintenance and Repair</b>	0.4%	0.8%	1.1%	0.5%	0.8%
<b>Other Supplies &amp; Materials</b>	0.0%	0.0%	0.0%	0.1%	0.0%
<b>Land, Building &amp; Improvements</b>	0.0%	1.6%	0.0%	0.9%	0.8%
<b>Equipment</b>	0.6%	1.4%	2.0%	0.4%	1.3%
<b>Buses/Vehicles</b>	1.0%	1.5%	0.6%	0.4%	0.8%
<b>Other Capital Outlay</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Dues and Fees</b>	1.3%	0.9%	1.8%	1.5%	1.4%
<b>Insurance</b>	0.1%	0.1%	0.0%	0.1%	0.1%
<b>Awards and Prizes</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Miscellaneous</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>9.5%</b>	<b>14.9%</b>	<b>13.6%</b>	<b>10.4%</b>	<b>12.9%</b>

Source: Coventry LSD, Field LSD, Crestview LSD and Lakeview LSD's FY 2001-02 4502 Reports

As shown in **Table 2-1**, Coventry LSD's percentage of total discretionary spending was below all of the peers, as well as the peer average. Coventry LSD has the highest percentages in the following categories:

- Contract, craft and trade expenditures represents costs associated with building maintenance, capital equipment purchases and other capital improvements. In FY 2001-02, approximately \$35,000 in these expenses was reduced from the previous year.

- Expenditures for pupil transportation were affected by a contract with Laidlaw and are further explained in the **transportation** section.

It appears that Coventry LSD effectively controls its discretionary spending by closely monitoring expenditures.

The financial forecast presented in **Table 2-2** represents the treasurer's projection of Coventry LSD's present and future financial condition in the absence of significant increases in revenues or reductions in expenditures. The forecast and accompanying assumptions are the representations of Coventry LSD and are presented without further verification. However, this report evaluates the assumptions for reasonableness and accuracy. The projections, which incorporate the combined General and Disadvantaged Pupil Impact Aid (DPIA) Funds, and that portion of the Debt Service Fund relating to General Fund obligations, are accompanied by three years of comparative historical results, general assumptions and explanatory comments. Assumptions that have a significant impact on Coventry LSD's financial recovery, such as unrestricted grants-in-aid, other revenues, salaries and wages, and fringe benefits were tested for reasonableness. See **R2.1** through **R2.5**.

**Table 2-2: Coventry Local School District Forecast**

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07
Real Estate Property Tax	\$5,650,429	\$6,127,148	\$6,095,941	\$5,976,436	\$6,095,965	\$5,882,884	\$5,330,542	\$4,767,153
Personal Property Tax	433,640	509,626	497,003	645,134	638,683	632,296	625,973	619,713
Unrestricted Grants-in-Aid	3,352,640	3,325,233	3,988,049	4,010,603	4,088,273	4,079,913	4,159,135	4,239,943
Restricted Grants-in-Aid	57,166	56,063	80,474	196,381	199,193	202,567	206,616	206,616
Property Tax Allocation	735,207	792,688	875,567	803,404	819,472	835,861	852,579	869,630
Other Revenues	3,619,234	3,622,079	4,204,502	4,337,774	4,381,173	4,424,985	4,469,235	4,513,927
<b>Total Revenues</b>	<b>\$13,848,316</b>	<b>\$14,432,837</b>	<b>\$15,741,536</b>	<b>\$15,969,732</b>	<b>\$16,222,759</b>	<b>\$16,058,506</b>	<b>\$15,644,080</b>	<b>\$15,216,982</b>
Salaries & Wages	8,504,105	8,876,672	9,249,763	9,210,253	8,812,854	8,707,093	8,788,850	8,866,287
Fringe Benefits	2,251,893	2,681,301	2,915,797	3,628,512	3,702,765	3,996,558	4,343,994	4,757,093
Purchased Services	1,153,570	1,670,699	1,765,725	2,033,540	1,980,615	1,977,449	1,987,336	1,997,273
Supplies & Materials	490,980	498,804	351,017	409,010	390,627	379,349	381,246	383,152
Capital Outlay	515,198	379,838	252,927	195,560	205,338	215,605	226,385	237,704
Other Expenditures <sup>1</sup>	0	0	0	259,982	253,467	245,965	246,477	247,002
Interest on Loans	211,418	245,480	240,520	226,514	255,063	236,769	217,550	197,081
<b>Total Expenditures</b>	<b>\$13,127,164</b>	<b>\$14,352,794</b>	<b>\$14,775,749</b>	<b>\$15,963,371</b>	<b>\$15,600,729</b>	<b>\$15,758,788</b>	<b>\$16,191,838</b>	<b>\$16,685,592</b>
Ohio Solvency Assistance Loan	(\$607,619)	0	0	0	0	0	0	0
Proceeds From TAN Notes	\$700,000	\$970,000	\$1,300,000	\$850,000	\$500,000	\$500,000	\$500,000	\$500,000
Other Financing Sources/(Uses)	1,853	39,152	67,124	265,049	200,000	200,000	100,000	100,000
Other Note Payments	(1,054,711)	(1,166,877)	(1,717,534)	(215,335)	(227,740)	(240,266)	(252,942)	(220,000)
HB 264 Note Payments <sup>2</sup>	0	(35,324)	(37,557)	(39,931)	(81,717)	(86,928)	(92,382)	(98,371)
TAN Note payments <sup>3</sup>	0	0	0	(850,000)	(500,000)	(500,000)	(500,000)	(500,000)
Net Transfers/Advances In/(Outs)	15,761	(21,470)	(490,439)	(150,000)	(150,000)	(50,000)	(50,000)	(50,000)
<b>Net Financing</b>	<b>(944,716)</b>	<b>(214,519)</b>	<b>(878,406)</b>	<b>(140,217)</b>	<b>(259,457)</b>	<b>(177,194)</b>	<b>(295,324)</b>	<b>(268,371)</b>
<b>Result of Operations</b>	<b>(\$223,564)</b>	<b>(\$134,476)</b>	<b>\$87,381</b>	<b>(\$133,856)</b>	<b>\$362,573</b>	<b>\$122,524</b>	<b>(\$843,082)</b>	<b>(\$1,736,981)</b>
Beginning Cash Balance	\$466,791	\$243,227	\$108,751	\$196,132	\$62,276	\$424,849	\$547,373	(\$295,709)
<b>Ending Cash Balance</b>	<b>\$243,227</b>	<b>\$108,751</b>	<b>\$196,132</b>	<b>\$62,276</b>	<b>\$424,849</b>	<b>\$547,373</b>	<b>(\$295,709)</b>	<b>(\$2,032,690)</b>
Outstanding Encumbr. <sup>4</sup>	142,654	83,175	73,429	0	0	0	0	0
DPIA <sup>4</sup>	0	2,530	263	0	0	0	0	0
"412" Textbook/ Instruct. <sup>4</sup>	13,752	1,780	32,519	0	0	0	0	0
"412" Capital Reserve <sup>4</sup>	1,768	18,515	17,770	0	0	0	0	0
"412" Budget Reserve <sup>4</sup>	79,810	\$0	\$0	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$5,243</b>	<b>\$2,751</b>	<b>\$72,151</b>	<b>\$62,276</b>	<b>\$424,849</b>	<b>\$547,373</b>	<b>(\$295,709)</b>	<b>(\$2,032,690)</b>

Source: Coventry LSD's treasurer as of January, 2003

<sup>1</sup> "Other expenditures" had not been forecasted in the past for FYs 1999-00, 2000-01, and 2001-02.

<sup>2</sup> HB 264 Loans were received in FYs 1999-00 and 2000-01 as capital projects funds and are being repaid from general fund and permanent improvement levy money.

<sup>3</sup> Although the use of TAN's is discouraged, the District is representing its historical reliance for cash flow purposes.

<sup>4</sup> Outstanding encumbrances, DPIA, and reserves for textbook, capital and budget are not forecasted by the District because these amounts are included in the budget for each school year.



The financial projection in **Table 2-2** presents the expected revenues, expenditures and fund balance of the General Fund for each of the fiscal years, including June 30, 2003 through June 30, 2007, with historical information presented for the fiscal years ended June 30, 2000, 2001 and 2002. Coventry LSD completed FY 2001-02 with a positive fund balance of approximately \$72,000. However, by FY 2006-07, Coventry LSD is forecasting a negative fund balance of approximately \$2 million.

The assumptions disclosed herein are based on information obtained from Coventry 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.

Major assumptions used to develop the five year forecast were as follows:

### **Revenues**

- General property real estate tax is forecasted to increase two percent for FY 2003-04 through FY 2006-07 and has been provided by the Summit County Fiscal Office. However, the forecast also reflects the FY2004-05 expiration of the emergency levy which generates \$670,000 annually. Six months of tax collection will be received in FY 2005-06 and none in FY2006-07. FY 2004-05 reflects receipt of only six months of the emergency tax levy revenue because of the calendar tax year collection versus fiscal year reporting. The emergency tax levy was approved in August 1999 for a five year period, and the collection will end in December 2004. The net result of the two events, the 2 percent increase and the expiration of the emergency levy, would be the net decrease of general property taxes. Revenue for FY 2001-02 includes a \$100,000 tax advance by the Summit County Fiscal Office from FY 2002-03. The cyclical rise and fall of general property tax revenue represents the three year revaluation of property and the subsequent decrease in effective millage.
- Fiscal year tax collection from FY 2003 to FY 2007 reflects no growth in tangible personal property taxes, but accounts for the estimated reduction of one percent annually resulting from HB 283. Reductions, as prescribed by the legislation, begin in FY 2002-03. In addition, revenue as of January 2003 increased by 17 percent and is anticipated to increase 33 percent by the last settlement by June 2003 due in large part to new construction of a new industrial park on North Turkeyfoot Road.
- The Ohio State School Foundation Program payments are shown in unrestricted grants-in-aid and reflect a one percent annual growth for FY 2002-03 through 2006-07 according to District conversations with ODE. The amount for FY 2003-04 includes a per pupil increase of \$135. ODE's simulations of State Foundation funding for FY 2004-

05 and FY 2005-06 reflect increases in funding. However, ODE cautions that the projections are based on preliminary estimates of unduplicated counts and should be “viewed as very tentative.” The County Auditor certifies public utility reimbursement funds; and since FY 2001-02, the Auditor of State (AOS) has required the fund amount to be recorded as State unrestricted revenue.

- Coventry LSD’s restricted grants-in-aid consist of parity aid the District receives from the Ohio Department of Education (ODE), Disadvantaged Pupil Impact Aid (DPIA), and school bus funding. According to the laws that regulate parity aid, each school district that is eligible to receive parity aid will receive an additional 20 percent each year through FY 2005-06, when they will be fully funded. In addition, for FY 2002-03, there is an increase in total restricted grants-in-aid of approximately \$155,000. The major increase can be attributed to a \$95,000 reclassification from unrestricted grants-in-aid to restricted grants-in-aid for federal reimbursement through the Community Alternative Funding System (CAFS), an increase in the amount received for Career Tech of \$14,355, and an increase in parity aid of \$24,066. The CAFS reimbursement is a Medicaid cost reimbursement program. The reclassification does not affect revenues in total.
- The treasurer is forecasting the District’s property tax allocation, Homestead and rollback tax credits to increase two percent annually. The forecasted amount is certified by the Summit County Auditor’s Office.
- “Other Revenues” are State foundation reimbursements for open enrollment students entering the District from other districts. For FY 2001-02, the amount per student was \$4,814 for 628 student FTEs, as determined by ODE. The amount per student was increased by \$135 and the number of students was forecasted to increase to approximately 700 in FY 2002-03, contributing to the relatively large increase in other revenues. From FY 2003-04 to FY 2007-07, the District is forecasting a 1.0 percent increase in other revenues. However, the District has not established adequate policies that would promote the reliable forecast of open enrollment students (see **R2.2**). The other items in this revenue line item are projected to be constant.
- Coventry LSD’s proceeds from the sale of notes include a \$500,000 TAN that was issued in July 2001, a \$800,000 TAN issued in December 2001 and a \$850,000 TAN issued in December 2002 for cash flow purposes. The District historically uses short term borrowing to relieve cash flow. The use of TANs and its related interest expense are forecasted for the period through FY 2006-07. See **R2.3** and **R2.6** for a complete discussion of TANs.

- The District issued a \$220,000 bus acquisition bond to finance the purchase of four school buses. The bond will be repaid over a five-year period beginning July 2001. The repayment of the bond is included in debt service (other note payments).

### **Expenditures:**

- The treasurer is forecasting personal services, which are salaries and wages for certificated and classified personnel, to increase by two percent to allow for only incremental step increases for current employees. Salary expenditures are forecasted to decrease by approximately \$400,000 because the District plans to reduce three certificated positions and 0.5 FTE classified position. In addition, FY 2003-04 and FY 2004-05 include reductions of an administrative position each year. FY 2004-05 includes the reduction of an additional three certificated personnel. Moreover, an average of three certificated employees will retire each year throughout the forecast, with more teachers retiring in FY 2003-04 than other forecasted years. The treasurer has calculated the salary and fringe benefits for the replacements as single, newly hired staff with no dependents. However, the District has not included cost of living adjustments (COLA) for the forecasted period (see **R2.5**).
- Fringe benefits include employee retirement and health care. Employee retirement is forecasted with a two percent increase to reflect the two percent increase in salaries. Medical insurance premiums increased in FY 2001-02 by approximately 68 percent. However, medical insurance premiums from FY 2003-04 through FY 2006-07 are forecasted by the treasurer to increase by 15 percent per year. The forecast is based on the assumptions that current reviews for changes in the medical plan will result in cost savings to the District; there will not be an unusually high number of catastrophic claims as previously experienced; and a slight reduction in premiums will result due to the elimination of the broker/agent of record effective February 1, 2003. See **R2.11** regarding self-insurance.
- The historical increases in purchased services are due largely to an increase in tuition paid to other districts for open enrollment and joint vocational education students. The treasurer is forecasting reductions in FY 2003-04 and FY 2004-05 due to actions taken to reduce transportation expenditures (see the **transportation** section). In addition, the treasurer forecasts an increase in purchased services of 0.5 percent in FY 2005-06 and FY 2006-07 (see **R2.5**).
- The historical variances in supplies and materials are attributed to the cyclical purchase of textbooks and contract and trade service labor for technology upgrades. Coventry LSD is only forecasting 0.5 percent increases in FY 2005-06 and FY 2006-07 (see **R2.5**).

- Capital outlay is estimated to remain steady with only a one percent increase throughout the forecasted period (see **R2.5**). However, Coventry LSD does not have a capital improvement plan and the permanent improvement levy expired in 2002 (see **R2.8** and **R2.12**).
- Other expenditures had not been shown separately by the previous treasurer and were included within other line items. The current treasurer is appropriately presenting such items as dues and memberships, educational service center (ESC) charges, tax fees, county fiscal services and auditors' fees within other expenditures. Consequently, this impacts variances and projections in other categories, such as purchased services and supplies and materials.
- FY 1999-00 through FY 2002-03 shows the use of TANs for cash flow purposes. In addition, Coventry LSD has forecasted the use of TANs in future periods to reflect the District's historical dependence on short term borrowing (see **R2.3** and **R2.6**). Interest and principal payments for the school improvement bonds, the bus acquisition bond and one of HB 264 loans for energy conservation are made from the General Fund. Another HB 264 loan will be paid from the General Fund beginning in FY 2003-04 due to the expiration of the permanent improvement levy (see **R2.8** and **R2.12**).
- Transfers out for Coventry LSD include a substantial transfer to the self-insurance fund as the result of multiple catastrophic insurance claims during FY 2001-02. (**R2.11**) In addition, advances were made out of the General Fund to support the food service and the athletic funds. However, in FY 2002-03 through FY 2006-07, the transfers out of the General Fund to these funds are forecasted to be minimal. See **R2.9** regarding transfers in and out for food service and **R2.10** for athletic programs.
- Although estimated encumbrances and set asides for textbook and capital purchase have averaged approximately \$150,000 in the three actual years presented (FY 1999-00 through FY 2001-02), no encumbrances or set-asides have been forecasted for any future periods. New legislation has changed the original set-asides as required by HB 412. Senate Bill 345 eliminated the Budget Reserve fund effective FY 2001-02. According to the treasurer, the set-asides, supplies/materials and capital improvements are spent within the school district budget each year of the forecast.

## Recommendations

### *Financial Forecast*

**R2.1 Coventry LSD's five-year forecast and the accompanying assumptions or notes should be expanded and consistently present more detailed historic and projected information and explanatory comments. In addition, the Coventry LSD treasurer should ensure 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 Coventry LSD's Board of Education (the Board) and the public will better understand the financial condition of Coventry LSD.**

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

- Inflation rates - historic and projected;
- Internal financial objectives and comparable external averages;
- Enrollment and Average Daily Membership (ADM) - historic and projected, including open enrollment in and out of the District;
- Information regarding facility utilization;
- Staffing by position-historic and projected;
- Expenditures for main components of purchased services, materials and supplies, and other expenditures, specifically amount fulfilling minimum state requirements;
- Projected capital outlay expenditures with details identifying amounts related to routine maintenance, specific projects, and fulfilling minimum state requirements;
- Debt service obligation with detailed description;
- Outstanding encumbrances at year-end and discussion of their impact; and
- Transfers out of the General Fund for self-insurance, food service, and athletics.

**R2.2 Coventry LSD should review its policy regarding open enrollment and establish limits on the number of students accepted into the District. A formal policy adopted**

**by the District should outline and predetermine annually the number of students it would accept based on openings for each grade level, programs offered, District staffing levels and space availability. The policy should be applied in conjunction with careful planning by District management. In addition, Coventry LSD should incorporate an accurate cost per pupil when calculating expenditures, break even points, and the overall cost-effectiveness of open enrollment and other programs.**

Although Coventry adopted an open enrollment policy to accept students from adjacent districts, the District has not developed a formal policy, as required by Amended Substitute Senate Bill 140, directing the admission of students through open enrollment to include the establishment of caps based on programs, space, and staffing. Ohio Revised Code (ORC) 3313.98 further states, “Every year each school district must declare its policy on open enrollment to reflect the following three options that are available:

- Entirely prohibit open enrollment;
- Allow open enrolment from adjacent districts; or
- Allow open enrollment from all other districts, both adjacent and non-adjacent.”

An agreement between Coventry LSD and Akron LSD previously capped the number of students that Coventry LSD would receive from Akron CSD. The cap placed at 750 students will expire in FY 2002-03.

A properly implemented policy would allow the District to forecast open enrollment students with a greater degree of reliability. Furthermore, ORC 3313.98 asserts that a district must establish application procedures to include stated capacity limits by grade level, school building, and education program. Requirements that “native students” be given preference over adjacent district students and procedures to ensure that racial balance is maintained must also be reflected in the procedure. The guidelines are not intended to limit school choice, but rather to ensure that the accepting district develops plans that appropriately allocate teaching staff, space, and supplies. Such a policy would compel the district to review enrollment, programs, and staffing to ensure the most appropriate placement of students. In addition, the policy would further encourage district management to keep abreast of similar issues in surrounding districts that would affect the influx of open enrollment students.

Many of the assumptions regarding revenues, expenditures and break even points for the implementation of open enrollment, other programs, and capital projects were, and continue to be, based on inaccurate cost per pupil figures. The decision to purchase the current high school building was based on a cost per pupil using only direct instructional costs and a portion of facility maintenance costs. Other costs such as administration,

supplies, debt service, and textbooks were omitted. The under-estimated cost per student figures were also used to determine how much the District would benefit through expanding open enrollment. While certain costs remain fixed regardless of the number of students, administrative, supplies, and textbook costs would likely increase as the District continually accepts more open enrollment students.

Considering the large number of open enrollment students historically entering Coventry LSD and the District's fiscal watch status, a clearly defined and specific open enrollment policy should be developed and all costs should be evaluated in determining the cap that would maximize the financial and educational benefits of open enrollment.

- R2.3 Coventry LSD should continue to disclose the reliance on TANs for the forecasted period. As further noted in R2.7, the District should also continue to reduce its reliance on TANs. Although TANs are short-term with borrowing and repayment typically occurring in the same fiscal year, Coventry LSD should report its continued reliance on short-term debt in the forecast. The disclosure would be appropriately placed in footnotes. The resulting interest should be forecasted and included in Interest on Loans. The increased amount of detail will enable all users of the financial statements to make informed decisions.**

The use of TANs or Ohio solvency assistance loans was not forecasted for the period through FY 2006-07 in the forecast issued October 28, 2002. However, during the course of the audit, another forecast was developed on January 31, 2003, in which the use of TANs was included in future periods. For FY 2001-02, Coventry LSD's proceeds from the sale of notes include a \$500,000 TAN that was issued in July 2001 and another \$800,000 TAN issued in December 2001. According to the treasurer, the District will issue an \$850,000 TAN for FY 2002-03, but it is not shown in the forecast. The historic information regarding FY 1996-97 through FY 2001-02, presented in **Table 2-6**, shows a heavy reliance on TANs for cash flow purposes and the added expense of interest on the short-term borrowings. The use of TANs is a poor financial management practice and should be eliminated as further discussed in **R2.6**.

- R2.4 Coventry LSD should correct the historical portion of its "other financing sources" in the five-year forecast to more adequately disclose the amounts and types of debt outstanding. In addition, the forecast should detail the amount of principal and interest for each debt by fiscal year. Furthermore, the notes of the financial forecast should include a more detailed explanation of why and when the District issues debt and which fund or funds will be used to repay the debt and interest. The increased detail will provide all of the forecast users with a clearer understanding of District finances.**

The historical portion of “other financing sources” does not provide detail regarding Coventry LSD’s debt service to include the type of debt and repayment schedules. As shown in **Table 2-3**, Coventry LSD is servicing a large amount of debt from the General Fund, Permanent Improvement Fund, and Debt Service Fund.

**Table 2-3: Debt Service as of June 30, 2002 - All Funds**

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Principal Tax Anticipation Note 07/02/01	\$500,000	\$0	\$0	\$0	\$0	\$0
Principal Tax Anticipation Note 12/03/01	\$800,000	\$0	\$0	\$0	\$0	\$0
Principal H.B 264 Phase 1 (General Fund) 5/2000	\$37,557	\$39,931	\$42,454	\$45,137	\$47,899	\$51,023
Principal H.B 264 Phase 2 (Permanent Improvement fund) 10/2000	\$34,656	\$36,887	\$39,263	\$41,791	\$44,483	\$47,348
Principal School Improvement Bond (Bond Retirement)	\$165,000	\$175,000	\$185,000	\$195,000	\$205,000	\$220,000
Principal Bus Acquisition Bond	\$43,696	\$40,353	\$42,740	\$45,267	\$47,942	0
<b>Total Principal</b>	<b>\$1,580,909</b>	<b>\$292,173</b>	<b>\$309,457</b>	<b>\$327,195</b>	<b>\$345,324</b>	<b>\$318,371</b>
Interest Tax Anticipation Note 07/02/01 and Interest Tax Anticipation Note 12/03/01 <sup>1</sup>	\$15,408	\$0	\$0	\$0	\$0	\$0
Interest H.B 264 Phase 1	\$51,016	\$48,642	\$46,119	\$43,435	\$40,583	\$37,550
Interest H.B 264 Phase 2	\$53,723	\$51,491	\$49,115	\$46,587	\$43,896	\$43,031
Interest School Improvement Bond	\$83,738	\$153,588	\$143,688	\$133,238	\$122,238	\$110,550
Interest Bus Acquisition Bond	\$8,162	\$10,420	\$8,035	\$5,509	\$2,833	\$0
Other Interest	\$79,200	\$0	\$0	\$0	\$0	\$0
<b>Total Interest</b>	<b>\$291,247</b>	<b>\$264,141</b>	<b>\$246,957</b>	<b>\$228,769</b>	<b>\$209,550</b>	<b>\$189,131</b>
<b>Total Debt Service</b>	<b>\$1,872,156</b>	<b>\$556,314</b>	<b>\$556,414</b>	<b>\$555,964</b>	<b>\$554,874</b>	<b>\$507,502</b>

Source: Coventry LSD. Outstanding debt balances are as of June 30, 2002.

<sup>1</sup>The amount of interest for the each TAN was not available.

**Table 2-3** shows the annual debt service requirement in each issue for the forecasted period. The treasurer’s forecast assumes Coventry LSD will pay debt obligations as they come due. As further indicated in **Table 2-3**, Coventry LSD has used long and short term borrowing to assist with meeting financial needs. Obligations for Coventry LSD are as follows:



- Debt service includes the repayment of a school bus purchase bond and a school improvement bond for the purchase and renovation of the high school building. Both of these debts are paid from the bond retirement fund.
- Coventry LSD issued a \$500,000 TAN in July 2001 and another in December 2001 for \$800,000. Coventry repaid both notes in FY 2001-02. School districts can borrow monies in anticipation of taxes that will be generated by the passage of a tax levy. During December 2002, the District issued a TAN for \$850,000. See **R2.6** for a detailed discussion of TANs.
- The H.B. 264 energy conservation notes are authorized by legislation to be issued for the sole purpose of making capital improvements which result in energy efficiencies. Under the program, Coventry LSD borrowed approximately \$1.7 million. The first H.B. 264 Loan is being paid from the General Fund, while the second H.B. 264 is paid from capital improvement money. The combined outstanding balance of the H.B. 264 debt is approximately \$1.6 million.

Although detailed information regarding debt service is included in the assumptions that accompany the forecast, the treasurer should consider preparing a debt service table such as **Table 2-3**. As noted in **Table 2-2**, it is difficult to determine when each type of debt was issued, how much was issued and from which fund it was paid. The proposed table would better explain the District's debt service requirements. Furthermore, the other financing sources section of the forecast should be expanded to separate the proceeds received from each type of debt into its own line item. In addition, the presentation of the forecast could also be modified to separate the amount paid for principal and interest for each type of debt paid from the General Fund, Debt Service Funds, and Permanent Improvement levy.

**R2.5 Although Coventry LSD should seek to control expenditures for salaries, wages and benefits, forecasting for such items should be reasonable. When forecasting salary increases for periods not covered by a contract, the District should assume a maximum of two percent step increase and a two percent cost of living or annual increase which would be consistent with historical trends. Furthermore, Coventry LSD should closely monitor expenditures in capital outlay, purchased services, and supplies and materials, as well as consider adjusting the assumptions and projections to be more reasonable and reliable.**

The District's negotiated agreements with certificated and classified employees were in effect through FY 2001-02. According to the agreements, certificated and classified employees received annual increases of approximately 3.0 percent. Step increases for certificated employees average 5.0 percent while step increases for classified employees

average 0.6 percent. Employees are currently working without a contract. Beginning in FY 2002-03 and throughout the forecast period, the District is assuming a two percent increase in salaries for step increases only.

**Table 2-4** presents the effects of the current forecast’s assumption of a 2.0 percent step increase in FY 2002-03 through FY 2006-07.

**Table 2-4: Salary Increases for FY 2002-03 through FY 2004-05**

Current Forecast (Table 2-2)					
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
<b>Percent Salary Increase</b>	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Total Revenue and Other Financing sources</b>	\$15,969,732	\$16,222,759	\$16,058,506	\$15,644,080	\$15,216,982
<b>Salaries and Wages Expenditures</b>	\$9,210,253	\$8,812,854	\$8,707,093	\$8,788,850	\$8,866,287
<b>Total Expenditures</b>	\$16,103,588	\$15,860,186	\$15,935,982	\$16,487,162	\$16,953,963
<b>Results of Operations (Net)</b>	(\$133,856)	\$362,573	\$122,524	(\$843,082)	(\$1,736,981)
<b>Beginning Fund Balance</b>	\$196,132	\$62,276	\$424,849	\$547,373	(\$295,709)
<b>Ending Fund Balance</b>	\$62,276	\$424,849	\$547,373	(\$295,709)	(\$2,032,690)

Source: Coventry LSD’s five-year forecast

<sup>1</sup>Total expenditures includes operating expenditures and net financing.

As shown in **Table 2-4**, Coventry LSD’s total expenditures are forecasted to exceed its total revenue and other financing sources in FY 2002-03, FY 2005-06 and FY 2006-07. Therefore, Coventry LSD is forecasting a negative ending fund balance beginning in FY 2005-06 because of negative net results of operations.

**Table 2-5** presents the effects on the current forecast of two percent annual increases and two percent step increases in salary and wages for FY 2003-04 through FY 2006-07.

**Table 2-5: Proposed Salary Increases for FY 2002-03 through FY 2004-05**

New Forecast (See Table 2-14)					
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
<b>Percent Salary Increase</b>	2.0%	4.0%	4.0%	4.0%	4.0%
<b>Total Revenue and Other Financing sources</b>	\$15,969,732	\$16,222,759	\$16,058,506	\$15,644,080	\$15,216,982
<b>Salaries and Wages Expenditures</b>	\$9,210,253	\$8,989,111	8,881,234	8,964,627	9,043,612
<b>Total Expenditures</b>	\$16,103,588	\$16,036,443	\$16,110,123	\$16,662,939	\$17,131,288
<b>Results of Operations (Net)</b>	(\$133,856)	\$186,316	(\$51,617)	(\$1,018,859)	(\$1,914,306)
<b>Beginning Fund Balance</b>	\$196,132	\$62,276	\$248,592	\$196,975	(\$821,884)
<b>Ending Fund Balance</b>	\$62,276	\$248,592	\$196,975	(\$821,884)	(\$2,736,190)

Source: Coventry LSD’s five-year forecast and treasurer’s office

As shown in **Table 2-5**, by negotiating a salary increase of two percent and a step increase of two percent, the cumulative effect would result in a negative ending fund balance of approximately \$2.7 million or nearly \$700,000 more than forecasted. Although the treasurer did not forecast any salary increases for the period not covered by a negotiated contract, it is not reasonable to assume that District employees will agree to step increases only. During contract negotiations, Coventry LSD and its employees should carefully consider the effects of salary increases on District's finances. The forecasts in **Tables 2-4** and **Table 2-5** do not reflect any personnel reductions that could occur as a result of recommendations found throughout this report. Such cost savings from personnel reductions are reflected in **Table 2-14**.

In addition to forecasting minimal increases in salary and wages, the District is forecasting capital outlay to increase only one percent from FY 2003-04 to FY 2006-07, and purchased services and supplies and materials to only increase 0.5 percent in FY 2005-06 and FY 2006-07, respectively. As a result, Coventry LSD needs to closely monitor these categories to ensure forecasted expenditures reasonably approximate actual expenditures. Furthermore, Coventry LSD should consider adjusting these categories in future forecasts to provide greater flexibility and reliability.

### *Revenue and Expenditure Analysis*

**R2.6 Coventry LSD should avoid borrowing against its future property tax revenue through the use of TANs to cover current operating expenditures. As an alternative, Coventry LSD should closely examine the cost savings identified throughout this performance audit to effectively reduce expenditures and gain better control of its overall finances.**

**Table 2-6** shows Coventry LSD's historical reliance on the use of TANs to provide cash flow.

**Table 2-6: Historical TAN Issuance and Related Interest**

	Total TANs	Total TAN Interest
<b>FY 1995-96</b>	\$1,263,000	\$40,374
<b>FY 1996-97</b>	\$2,055,068	\$35,810
<b>FY 1997-98</b>	\$1,500,000	\$50,857
<b>FY 1998-99</b>	\$700,000	\$35,923
<b>FY 1999-00</b>	\$700,000	\$16,139
<b>FY 2000-01</b>	\$750,000	\$20,357
<b>FY 2001-02</b>	\$1,300,000	\$15,409

Source: Coventry LSD 4502's.

As **Table 2-6** illustrates, the District is borrowing against future revenue to pay current operating expenditures and is incurring additional interest costs. The practice of issuing

debt to cover operating expenditures is a poor cash management practice, and makes it very difficult for the District to regain financial stability and remove itself from fiscal watch status.

**R2.7 Coventry LSD should closely examine the spending patterns indicated in Table 2-7 and Table 2-9 and consider reallocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the students' education and proficiency test results. Furthermore, Coventry LSD should analyze the cost reductions recommended in the human resource, facilities, and transportation sections of this report to aid Coventry LSD's efforts to regain financial stability.**

Table 2-7 shows income and expenditures of Coventry LSD compared with similar spending by the peer districts.

**Table 2-7: Revenue by Source and Expenditures by Object Code**

	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
Property & Income Tax	31.8%	24.6%	49.9%	47.0%	40.5%
Intergovernmental Revenues	32.5%	68.5%	48.6%	47.3%	54.8%
Other Revenues - Tuition	25.6%	0.3%	0.3%	3.2%	1.3%
Other Revenues	10.1%	6.6%	1.2%	2.4%	3.4%
<b>Total Revenue</b>	<b>\$15,421,867</b>	<b>\$7,632,591</b>	<b>\$14,285,159</b>	<b>\$14,820,756</b>	<b>\$12,246,169</b>
Wages	60.3%	54.7%	63.3%	65.9%	61.3%
Fringe Benefits	19.0%	18.0%	20.2%	19.9%	19.3%
Purchased Service	11.4%	13.5%	6.6%	6.5%	8.9%
Supplies & Textbooks	2.3%	3.8%	4.9%	4.3%	4.3%
Capital Outlays	1.6%	4.4%	2.6%	1.7%	2.9%
Debt Service	0.6%	0.4%	0.1%	0.0%	0.2%
Miscellaneous	1.4%	1.0%	1.8%	1.6%	1.5%
Other Financing Uses	3.4%	4.2%	0.5%	0.0%	1.6%
<b>Total Expenditures</b>	<b>\$15,333,597</b>	<b>\$7,635,169</b>	<b>\$14,734,325</b>	<b>\$12,327,715</b>	<b>\$11,565,736</b>

Source: Coventry LSD, Field LSD, Crestview LSD and Lakeview LSD's FY 2001-02 4502s

As indicated in Table 2-7, Coventry LSD's percentage of total income from "Other Revenues" is significantly above the peer average. "Other Revenues" typically include state foundation received from open enrollment. However, other revenue-tuition is shown separately here to further illustrate the impact of open enrollment on Coventry LSD.

**Table 2-7** indicates that expenditures related to purchased services, debt service and other financing uses, are higher for Coventry LSD than for the peers. Purchased services can be largely attributed to services associated with capital improvement and technology related purchases. Debt services result from Coventry LSD's various long and short-term obligations (see **R2.3**). Other financing reflects the large transfers out to support the internal service fund for self-insurance and the enterprise funds for food service and athletics. See **R2.11**, **R2.9** and **R2.10**, respectively.

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's 27 performance standards a school district meets should also correlate to the school district's spending patterns. Ohio law calls for each school district to receive a performance accountability rating based on 27 performance standards. These 27 standards are minimum performance goals for public education in Ohio.

**Table 2-8** presents the number of performance standards met by Coventry LSD and the peers in FY 1999-00, FY 2000-01 and FY 2001-02.

**Table 2-8 ODE Performance Standards Comparison**

Number of 27 Performance Standards Met	Coventry LSD	Lakeview LSD	Crestview LSD	Field LSD	Peer Average
FY 1999-2000	13	21	15	17	18
FY 2000-2001	18	21	18	16	18
FY 2001-2002	19	27	20	23	23

Source: ODE Report Cards

As shown in **Table 2-8**, Coventry LSD's district report card score of 19 for FY 2001-02 is lower than all of the peers. Although the number of standards met by Coventry LSD is equal to or lower than the peer average for the three years reviewed, Coventry LSD increased the number of standards met each year.

**Table 2-9** shows the operational expenditures per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types. Governmental funds are used to account for a district's governmental-type activities.

**Table 2-9: Governmental Funds Operational Expenditures by Function**

USAS Function Classification	Coventry LSD		Crestview LSD		Field LSD		Lakeview LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$3,878</b>	<b>58.4%</b>	<b>\$3,968</b>	<b>60.1%</b>	<b>\$4,361</b>	<b>59.7%</b>	<b>\$4,036</b>	<b>60.3%</b>	<b>\$4,147</b>	<b>60.0%</b>
Regular Instruction	\$3,017	45.5%	\$3,097	46.9%	\$3,641	49.9%	\$3,235	48.3%	\$3,361	48.7%
Special Instruction	\$577	8.7%	\$721	10.9%	\$567	7.8%	\$707	10.6%	\$656	9.5%
Vocational Education	\$80	1.2%	\$150	2.3%	\$117	1.6%	\$0	0.0%	\$78	1.1%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$204	3.1%	\$0	0.0%	\$36	0.5%	\$94	1.4%	\$51	0.7%
<b>Support Service Expenditures:</b>	<b>\$2,533</b>	<b>38.2%</b>	<b>\$2,315</b>	<b>35.0%</b>	<b>\$2,820</b>	<b>38.6%</b>	<b>\$2,422</b>	<b>36.2%</b>	<b>\$2,552</b>	<b>36.9%</b>
Pupil Support Services	\$379	5.7%	\$251	3.8%	\$433	5.9%	\$340	5.1%	\$357	5.2%
Instructional Support Services	\$301	4.5%	\$262	4.0%	\$297	4.1%	\$294	4.4%	\$288	4.2%
Board of Education	\$14	0.2%	\$48	0.7%	\$13	0.2%	\$15	0.2%	\$21	0.3%
Administration	\$659	9.9%	\$421	6.4%	\$764	10.5%	\$649	9.7%	\$643	9.3%
Fiscal Services	\$136	2.0%	\$151	2.3%	\$189	2.6%	\$168	2.5%	\$173	2.5%
Business Services	\$11	0.2%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Plant Operation & Maintenance	\$652	9.8%	\$607	9.2%	\$686	9.4%	\$650	9.7%	\$654	9.5%
Pupil Transportation	\$322	4.9%	\$550	8.3%	\$434	5.9%	\$305	4.6%	\$409	5.9%
Central Support Services	\$60	0.9%	\$26	0.4%	\$4	0.1%	\$0	0.0%	\$7	0.1%
<b>Non-Instructional Services Expenditures</b>	<b>\$101</b>	<b>1.5%</b>	<b>\$21</b>	<b>0.3%</b>	<b>\$2</b>	<b>0.0%</b>	<b>\$2</b>	<b>0.0%</b>	<b>\$6</b>	<b>0.1%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$123</b>	<b>1.9%</b>	<b>\$304</b>	<b>4.6%</b>	<b>\$118</b>	<b>1.6%</b>	<b>\$231</b>	<b>3.5%</b>	<b>\$203</b>	<b>2.9%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$6,635</b>	<b>100.0%</b>	<b>\$6,608</b>	<b>100.0%</b>	<b>\$7,300</b>	<b>100.0%</b>	<b>\$6,691</b>	<b>100.0%</b>	<b>\$6,909</b>	<b>100.0%</b>

Source: Coventry LSD, Field LSD, Crestview LSD and Lakeview LSD 4502s.

According to **Table 2-9**, Coventry LSD’s overall per pupil spending of \$6,635 is approximately four percent lower than the peer per pupil average of \$6,909. However, Coventry LSD allocates a smaller percentage of its expenditures to direct instructional activities than the peers.

As discussed in the **human resources, facilities, and transportation** sections of this report, recommendations were made to reduce staffing, optimize facility usage and enhance transportation operations. These recommendations, if implemented, could potentially reduce expenditures and are further supported by the analysis in **Table 2-9** which shows the following:

- **Other instruction at Coventry LSD is \$204 per pupil while the peer average is \$51 (see R2.2).** “Other Instruction” is tuition paid by the District to other districts for residents that participate in open enrollment, attend community or Mental Retardation and Developmental Disabilities (MRDD) schools. The corresponding revenue is State Foundation funding received from ODE and is reported as “Other Revenue.” Coventry LSD appropriately reports the income and expenses separately. ODE has recommended that all districts should begin reporting revenue and expenditures separately, as Coventry LSD does, and plans to change the State Foundation report to facilitate this.
- **Pupil support service and instructional support services are above the peer average.** These costs are directly tied to the District’s commitment to a larger investment in educational technology, specifically instruction and educational media. In addition, Crestview LSD’s per pupil expenditures for support and instructional services are significantly lower than Field LSD and Lakeview LSD, which skews the peer average. By excluding Crestview LSD, Coventry LSD’s per pupil expenditures for pupil services are 2.1 percent lower than the peer average while per pupil expenditures for instructional services are only 1.7 percent higher than the peer average.
- **Fiscal services are \$37 per pupil below the peer average; however business services are above the peer average by \$11.** The District has recorded liability insurance in the business services function code 2600. This code is used to record those activities concerned with purchasing, receiving, transporting, exchanging, and maintaining goods and services for the district. In contrast, the peers record these items within fiscal services.
- **Central support services at Coventry LSD is \$60 per pupil, while the peer average is \$7.** Central support services include food services, which has been operating at a deficit over each of the past seven years (see R2.9).
- **Non-Instructional support services at Coventry LSD is \$101 per pupil, while the peer average is \$6 per pupil.** In the General Fund, the “Community Services” portion of non-instructional support services contains some expenditures associated with the Fitness Center portion of the high school building. However, the majority of the “Community Services” expenditures are for “Non-public school services.” The expenditures, which are approximately \$226,000, are accounted for in a Special Revenue Fund, as well as the corresponding revenues which are restricted-grants in aid. The Special Revenue Fund provides accountability as Coventry LSD serves as the fiscal agent for a parochial school located within the District.

- **Coventry LSD’s transportation expenditures are \$87 per pupil less than the peer average.** Although Coventry LSD’s transportation expenditures are lower than the peer average, Coventry LSD should evaluate the recommendations suggested in the **transportation** section of this report to further improve its operations.
- **Extracurricular expenditures at Coventry LSD are \$123 per pupil while the peer average is \$203.** While Coventry LSD’s extracurricular expenditures are lower than the peer average, the District has a history of subsidizing the athletic fund from the General Fund. As noted in **R2.10**, the amount transferred from the General Fund to the athletic fund was approximately \$203,000 for FY 2001-02.

**Table 2-10** presents the total governmental fund expenditures, including facilities acquisition and construction, and debt service.

**Table 2-10: Total Governmental Fund Expenditures by Function**

USAS Function Classification	Coventry LSD		Crestview LSD		Field LSD		Lakeview LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Governmental Funds Operational Expenditures</b>	\$6,635	88.8%	\$6,608	94.4%	\$7,300	99.7%	\$6,691	95.0%	\$6,909	96.7%
<b>Facilities, Acquisition &amp; Construction Expenditures</b>	\$61	0.8%	\$102	1.5%	\$0	0.0%	\$63	0.9%	\$47	0.7%
<b>Debt Service Expenditures</b>	\$773	10.3%	\$293	4.2%	\$20	0.3%	\$288	4.1%	\$185	2.6%
<b>Total Governmental Funds Expenditures</b>	<b>\$7,468</b>	<b>100.0%</b>	<b>\$7,003</b>	<b>100.0%</b>	<b>\$7,320</b>	<b>100.0%</b>	<b>\$7,042</b>	<b>100.0%</b>	<b>\$7,141</b>	<b>100.0%</b>

Source: Coventry LSD, Field LSD, Crestview LSD and Lakeview LSD’s FY 2001-02 4502s

As shown in **Table 2-10**, Coventry LSD’s total governmental expenditures of \$7,468 per pupil are higher than the peer average by \$327 dollars per pupil. Debt service of \$773 per pupil, or 10.3 percent of expenditures, is the largest contributing factor to the higher per pupil cost. (See **R2.3** and **R2.6** concerning Coventry LSD’s debt service.)

**R2.8 Coventry LSD should ensure that all capital outlay expenditures are made in accordance with the District’s capital improvement plan. Coventry LSD should formally outline how the capital expenditures funded from the General Fund and permanent improvement levy will be spent. In addition, Coventry LSD should ensure that all capital outlay expenditures coincide with the District’s long range facilities plan as noted in the facilities section and its bus acquisition and replacement fund as noted in the transportation section.**

The District does not have a capital improvement plan whereby the future capital needs of the District are considered in conjunction with the continuous improvement plan.



According to the five-year forecast, Coventry LSD has projected \$258,000, \$260,000, \$263,000 and \$266,000 for capital expenditures in FY 2003-04, FY 2004-05, FY 2005-06 and FY 2006-07, respectively. However, the District's capital improvement levy, which generated approximately \$225,000 annually, expired at the end of 2002. Although a renewal was sought from the voters on four occasions, it was defeated each time. If the levy had passed in November 2002, it would have been used to pay one of the H.B. 264 loans. See **R2.12** for further discussion regarding the use of permanent improvement funds.

**R2.9 Coventry LSD should adopt a central kitchen which would improve the efficiency of food service operations and reduce food service staffing by 3.5 FTEs. The consolidation of food service operations would be further impacted if the District implemented any building reductions mentioned in the facilities section of this report. Cost savings would also be achieved through centralized food supply purchases. In addition, Coventry LSD should closely monitor food service operations to limit waste and spoilage. By reducing operating costs, the District could reduce the amount that food service operations are subsidized by the General Fund.**

Historically, the food service operations of Coventry LSD have relied on the General Fund to supplement operations. In FY 2001-02, the net loss from food service operations was \$86,185. Given that the District is in fiscal watch, the General Fund can no longer afford to subsidize the operations of food services at this level.

**Table 2-11** summarizes the financial history of food service operations for Coventry LSD.

**Table 2-11: Food Service - Enterprise Fund**

	Actual FY 1995-96	Actual FY 1996-97	Actual FY 1997-98	Actual FY 1998-99	Actual FY 1999-00	Actual FY 2000-01	Actual FY 2001-02	Percent Change From FY1995-02
Operating Revenues	\$378,297	\$375,685	\$395,886	\$395,465	\$412,545	\$415,635	\$414,653	9.6%
Operating Expenses	\$591,920	\$628,468	\$638,162	\$615,899	\$586,605	\$604,112	\$675,993	14.2%
Net Operating Loss	(\$213,623)	(\$252,783)	(\$242,276)	(\$220,434)	(\$174,060)	(\$188,477)	(261,340)	22.3%
Non-Operating Revenue <sup>1</sup>	\$143,630	\$147,027	\$144,420	\$133,065	\$115,697	\$129,956	\$175,155	21.9%
Net Loss	(\$69,993)	(\$105,756)	(\$97,865)	(\$87,369)	(\$58,363)	(\$58,521)	(\$86,185)	23.3%

Source: Coventry LSD 4502's Schedule E

<sup>1</sup> Non-operating revenue includes restricted and un-restricted grants-in-aid.

As indicated in **Table 2-11**, operating revenues have increased 9.6 percent from FY 1995-96 to FY 2001-02, while operating expenses increased 14.2 percent over the same period. Because operating expenses are outpacing operating revenues at an increasing rate, the annual net loss resulting from food service operations has increased 23.3 percent from FY 1995-96 to FY 2001-02. In response to the budget cutbacks throughout the District, ala carte items will be reduced at the high school.

**Table 2-12** summarizes key information for the food service operations for Coventry LSD as well as its peers.

**Table 2-12: Food Services Financial Data and Operational Ratios**

	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
<b>General Information</b>					
Average Daily Membership (ADM)	2,423	1,196	2,100	2,126	1,807
Food service Staffing (FTE) <sup>1</sup>	15.66	7.75	10.22	10.29	9.42
Food service salaries	\$256,835	\$103,733	\$164,897	\$164,131	\$144,254
FY 2001-02 Operating Revenue <sup>2</sup>	\$414,653	285,421	\$314,529	\$411,972	\$337,307
FY 2001-02 Non-Operating Revenue	\$175,155	\$96,101	\$112,604	\$95,059	\$101,255
FY 2001-02 Total Revenue	\$589,808	\$381,522	\$427,133	\$507,031	\$438,562
FY 2001-02 Operating Expenditures <sup>3</sup>	\$675,993	\$377,522	\$468,146	\$524,300	\$456,656
FY 2001-02 Net Income (Loss)	<b>(\$86,185)</b>	<b>\$4,000</b>	<b>(\$41,013)</b>	<b>(\$17,269)</b>	<b>(\$18,094)</b>
<b>Operational Ratios</b>					
# of Students per Staff member	154.7	159.5	205.5	206.6	190.5
Avg. Salary per Staff Member	\$16,401	\$13,385	\$16,135	\$15,951	\$15,157
FY 2001-02 Revenue per pupil <sup>3</sup>	\$243	\$319	\$203	\$239	\$241
FY 2001-02 Expenditures per pupil	\$279	\$316	\$223	\$247	\$252
FY 2001-02 Net Income (Loss) per Student	<b>(\$36)</b>	<b>\$3</b>	<b>(\$20)</b>	<b>(\$9)</b>	<b>(\$9)</b>

Source: Coventry LSD, Field LSD, Crestview LSD and Lakeview LSD's FY 2001-02 4502s

<sup>1</sup> Staffing levels are based on employees working 8-hours per day.

<sup>2</sup> Includes Non-operating revenue

<sup>3</sup> Includes Operating and Non-operating Revenue

As shown in **Table 2-12**, Coventry LSD's total revenue per pupil is greater than the peer average. A review of pricing schedules reveals that Coventry LSD charges slightly more for meals than the peers, contributing to the relatively higher revenue per pupil.

Consequently, expenditures appear to be the primary cause of the operating deficit in the food service fund. Since Coventry LSD is serving the lowest number of students per staff member and has the second highest expenditures per pupil of the peers, Coventry LSD food service operations appear to be inefficient.

Coventry LSD currently operates a kitchen in each of its six buildings. However, Field LSD is able to serve over 200 students per food service employee through the use of a central kitchen at its central campus, consisting of a middle school, high school and kinder house. Each elementary school has its own kitchen and staff. Field LSD reduced food service staffing by 6.0 FTEs when it implemented a central kitchen at the central campus. In addition, Field LSD was also able to avoid the cost of replacing equipment, such as a steamer and dishwashing equipment. Subsequently, some utility cost savings occurred as well. Food is transported by a regular van, with a removable seat that makes it available for other activities. Portable transport containers are used to move the food. Coolers are at each location and some old warming equipment may be used occasionally.

Furthermore, a feasibility study was conducted by a public accounting firm hired when the District was considering the purchase of the building that is now the high school complex. Because the building had a large commercially outfitted kitchen, the CPA firm suggested that Coventry LSD use the new facility as a central kitchen and reduce food service staffing by three positions. Based on **Table 2-12**, Coventry LSD would serve close to 200 students per food service employee by reducing 3.5 FTEs.

*Financial Implication:* If Coventry LSD implemented a centralized kitchen, it could reduce 3.5 food service FTEs, thereby saving approximately \$60,700 in salary and fringe benefit costs. Additional savings, although difficult to quantify, could be realized by closely monitoring operations to minimize waste and spoilage, reducing the amount of equipment purchases and subsequent maintenance and repair costs at multiple sites, and centralizing food supply purchases. The largest single purchase necessary to facilitate the central kitchen concept would be the one-time purchase of a cargo van to transport the food. The cost of a new heavy-duty cargo van would be approximately \$16,000. However, the District should review the possibility of additional discounts offered through the state purchasing program or other purchasing consortiums.

**R2.10 Coventry LSD should review the athletic program and implement procedures to reduce the reliance of the athletic fund on transfers from the General Fund. A gender equitable reduction in sports offered and/or a pay to participate fee based on targeted revenue and using historical and projected participation should also be considered. However, when instituting a pay to participate policy, the District should recognize that cost will affect participation.**

Historically, the athletic fund of Coventry LSD has relied heavily on the General Fund. In FY 2001-02, the General Fund provided \$210,958 to the athletic fund. The financial recovery plan submitted to ODE in September 2001, and discussed in **R2.14**, stated that the amount that the General Fund would subsidize the athletic fund would be eliminated by the District. However, Coventry LSD did not provide any details concerning the methods it would use to achieve a favorable athletic fund balance without the use of General Fund money. In November 2002, the superintendent developed, and the Board accepted, a list of cost reductions and revenue enhancements. Included in the revenue enhancements was a “pay to participate” policy for athletics, to be in effect with any sports or activities that had not begun at that time. The cost per activity is \$125. Coventry LSD adopted the policy without documentation regarding the number of students expected to participate in spring sports, historic participation or the amount or revenue that could be expected to be generated through “pay to participate.” Therefore, the cost savings could not be adequately determined.

**R2.11 Coventry LSD should use the expertise of an actuary to help predict future health care costs. An actuary can provide the District with assurance that the health benefit costs forecasted are reasonable, based on the District’s experience rate and extensive calculations regarding future events. The District should also maintain an adequate reserve in the internal service fund as determined by the actuary. By developing reasonable and reliable calculations reflecting reserves and disbursements, the District should eliminate negative balances in the internal service fund and avoid all future transfers from the general fund to cover health care expenditures.**

Coventry LSD does not use an actuary to help calculate future health benefits costs. The District has forecasted employee retirement with a two percent increase to reflect the two percent increase in salaries. Although medical insurance premiums actually increased in FY 2001-02 by approximately 68 percent, medical insurance premiums from FY 2003-04 through FY 2006-07 are forecasted to increase by 15 percent per year. The forecast is based on the assumptions that current reviews for changes in the medical plan will result in cost savings to the District; there will not be an unusually high number of catastrophic claims as previously experienced; and a slight reduction in premiums will result due to the elimination of the broker/agent of record effective February 1, 2003.

Coventry LSD made a substantial transfer from the general fund to the self-insurance internal service fund as a result of the multiple catastrophic insurance claims during FY 2001-02. The transfer of nearly \$307,000 provided an ending balance to the fund of only \$151. From FY 2002-03 through FY 2006-07, the transfers out of the General Fund to support the self-insurance fund are forecasted to be minimal to reflect the assumption that catastrophic claims will not occur.

According to ORC 9.833, self insured governments, which include school districts, are required to cover health care benefits and liabilities. It also requires programs to prepare a report within 90 days after the fiscal year end reflecting reserves and disbursements made to pay self-insured claims, legal, and consultant costs. An actuary must certify that the amounts reserved within the self-insurance fund are fairly stated in accordance with sound loss reserving principles.

### *Financial Recovery Plan*

**R2.12 Coventry LSD should not use permanent improvement levy funds to meet current expenses or as a means of financial relief. In the financial recovery plan submitted to ODE on September 27, 2001, Coventry LSD assumed the passage of permanent levy and “borrowing one half of new revenue to offset General Fund deficit” as a revenue enhancement strategy. However during the course of the audit, a new forecast was developed dated January 31, 2003, and the use of permanent improvement levy money was not indicated for current expenses.**

In the financial recovery plan submitted to ODE in November 2001, Coventry LSD proposed using, or borrowing, permanent improvement levy money to pay current operating costs as a revenue enhancement strategy. A permanent improvement levy is a tax, the proceeds from which can only be used to construct, add to, or repair buildings; lay sidewalks; build parking lots; and make any other such improvements to school property and assets. Permanent improvements are goods generally expected to last five years or more. According to ORC 5705.14B, “Transfers from a permanent improvement fund to a general fund can only be made if certain conditions are met and then only with court approval.” Permanent improvement levies for specific projects can be voted for a maximum of five years. Levies for general, on-going permanent improvements may be levied for a continuing period of time. However, proceeds from permanent improvement levies cannot be used to pay current operating costs.

**R2.13 Coventry LSD should develop a financial recovery plan that is specific, practical, and provides details on the actions that will be taken to remove itself from fiscal watch status. The financial recovery plan should include strategies and timelines for the effective resolution of the financial crisis as well as any staffing reductions, staffing realignments, or building closures.**

The District has submitted financial recovery plans in the past that lack detailed strategies or specific and practical solutions. The financial recovery plan submitted to ODE, and adopted by the Board, on September 27, 2001 did not fully address the financial situation at Coventry LSD. Much of the detail that is required on the form was blank, such as the summary of the deficit, and the District’s compiled forecast. In addition, cost reductions and/or revenue enhancements were incomplete.

On November 20, 2002, ODE provided the District with blank forms and sample recovery plans that illustrate how to complete a thorough financial recovery plan. For example, details of position and program reductions include the salary and benefit breakdown for all years forecasted

The Financial Recovery Plan Guidelines from ODE outline items that are to be considered in a recovery plan. “The plan may include a revenue enhancing strategy but must include an expenditure reduction plan sufficient to offset any deficit in the event that the revenue enhancing strategy is not completely successful. The recovery plan should address the following areas:

- General strategy and timeline for addressing the financial crisis;
- Building closures;
- Program consolidations;
- Administrative realignment or other reorganizations;
- Central staff reductions;
- Building administrative staff reductions;
- Support staff reductions;
- Teaching staff reductions;
- Non-staff expenditure reductions;
- Plans for short term borrowing;
- Plans for enhancing revenue;
- Policies for sound accounting procedures; and
- Policies for controlling district-wide purchasing.”

During the course of the audit, a new forecast was developed on January 31, 2003, that provided more specific and direct assessments of remedial action necessary to eliminate current and future deficits. The forecast was subsequently approved by ODE. According to the financial recovery plan, the District will place an emergency levy of 9.59 mills on the May 2003 ballot to raise \$2,775,000 in property tax revenue. However, the levy is not included in the forecast submitted to ODE. Furthermore, the levy was not passed by the voters.

**R2.14 Coventry LSD should analyze and use the proposed financial forecast outlined in Table 2-13 to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. Coventry LSD should consider implementing the recommendations in**

**this performance audit to avoid future financial difficulties. In addition, Coventry LSD should update the financial forecast on an ongoing basis as critical financial issues are identified and addressed.**

**Table 2-13** is being presented as a potential financial forecast for Coventry LSD management to use to assess the financial condition of the district. It is a management tool to be utilized to assess the impact that implementation of the various performance audit recommendations will have on Coventry LSD's financial condition. The forecast presented contains the same financial projections as presented in **Table 2-2** with additional lines presenting the financial implications and implementation costs associated with the performance audit recommendations. In addition, salaries and wages forecasted in **Table 2-2** have been increased by two percent to account for cost of living increases (see **R2.5**).

Accompanying tables, **Table 2-14a** and **Table 2-14b**, summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, implementation costs associated with the various recommendations are also summarized.

For Coventry to achieve and maintain financial stability, it will be necessary to make difficult management decisions. The ideas and recommendations included in this report should be considered for implementation by Coventry LSD. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated in the future financial recovery plans of Coventry LSD.

**Table 2-13: Coventry Local School District Proposed Financial Forecast**

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07
Real Estate Property Tax	\$5,650,429	\$6,127,148	\$6,095,941	\$5,976,436	\$6,095,965	\$5,882,884	\$5,330,542	\$4,767,153
Tangible Personal Property Tax	433,640	509,626	497,003	645,134	638,683	632,296	625,973	619,713
Unrestricted Grants-in-Aid	3,352,640	3,325,233	3,988,049	4,010,603	4,088,273	4,079,913	4,159,135	4,239,943
Restricted Grants-in-Aid	57,166	56,063	80,474	196,381	199,193	202,567	206,616	206,616
Property Tax Allocation	735,207	792,688	875,567	803,404	819,472	835,861	852,579	869,630
Other Revenues	3,619,234	3,622,079	4,204,502	4,337,774	4,381,173	4,424,985	4,469,235	4,513,927
<b>Total Operating Revenues</b>	<b>\$13,848,316</b>	<b>\$14,432,837</b>	<b>\$15,741,536</b>	<b>\$15,969,732</b>	<b>\$16,222,759</b>	<b>\$16,058,506</b>	<b>\$15,644,080</b>	<b>\$15,216,982</b>
Salaries & Wages	8,504,105	8,876,672	9,249,763	9,210,253	8,989,111	8,881,234	8,964,627	9,043,612
Fringe Benefits	2,251,893	2,681,301	2,915,797	3,628,512	3,702,765	3,996,558	4,343,994	4,757,093
Purchased Services	1,153,570	1,670,699	1,765,725	2,033,540	1,980,615	1,977,449	1,987,336	1,997,273
Supplies, Materials & Textbooks	490,980	498,804	351,017	409,010	390,627	379,349	381,246	383,152
Capital Outlay	515,198	379,838	252,927	195,560	205,338	215,605	226,385	237,704
Other Expenditures	0	0	0	259,982	253,467	245,965	246,477	247,002
Interest on Loans	211,418	245,480	240,520	226,514	255,063	236,769	217,550	197,081
<b>Performance Recommendations <sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(\$1,053,800)</b>	<b>(\$1,064,828)</b>	<b>(\$1,076,297)</b>	<b>(\$1,085,599)</b>
<b>Implementation Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$37,000</b>	<b>\$53,200</b>	<b>\$153,200</b>	<b>\$53,200</b>
<b>Total Operating Expenditures</b>	<b>\$13,127,164</b>	<b>\$14,352,794</b>	<b>\$14,775,749</b>	<b>\$15,963,371</b>	<b>\$14,760,186</b>	<b>\$14,921,301</b>	<b>\$15,444,518</b>	<b>\$15,830,518</b>
Net Financing	(944,716)	(214,519)	(878,406)	(140,217)	(259,457)	(177,194)	(295,324)	(268,371)
<b>Result of Operations (Net)</b>	<b>(223,564)</b>	<b>(134,476)</b>	<b>87,381</b>	<b>(133,856)</b>	<b>1,203,116</b>	<b>960,011</b>	<b>(95,762)</b>	<b>(881,907)</b>
Beginning Cash Balance	466,791	243,227	108,751	196,132	\$62,276	\$1,265,392	\$2,225,403	\$2,129,641
<b>Ending Cash Balance</b>	<b>243,227</b>	<b>\$108,751</b>	<b>\$196,132</b>	<b>\$62,276</b>	<b>\$1,265,392</b>	<b>\$2,225,403</b>	<b>\$2,129,641</b>	<b>\$1,247,734</b>
Outstanding Encumbrances	142,654	83,175	73,429	0	0	0	0	0
DPIA	0	2,530	263	0	0	0	0	0
"412" Textbook/Instructional	13,752	1,780	32,519	0	0	0	0	0
"412" Capital Reserve	1,768	18,515	17,770	0	0	0	0	0
"412" Budget Reserve	79,810	0	0	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$5,243</b>	<b>\$2,751</b>	<b>\$72,151</b>	<b>\$62,276</b>	<b>\$1,265,392</b>	<b>\$2,225,403</b>	<b>\$2,129,641</b>	<b>\$1,247,734</b>

**Source:** Coventry LSD's financial forecast and recommendations identified throughout this performance audit

<sup>1</sup> Does not include recommendations for retirement incentive and sick leave paid out at retirement.

The performance audit recommendations presented in **Table 2-14a** are broken down into two categories; those recommendations subject to negotiation and those recommendations not subject to negotiation. **Table 2-14b** presents the implementation costs associated with various recommendations contained with the performance audit.



**Table 2-14a: Summary of Performance Audit Recommendations**

<b>Recommendations Not Subject to Negotiations</b>		<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>
<b>R2.9</b>	<b>Centralized kitchen with a reduction in food service personnel by 3.5 FTE's</b>	\$60,700	\$63,128	\$65,653	\$68,279
<b>R3.1</b>	<b>Consider eliminating the vocational education program with the largest deficit</b>	\$58,000	\$58,000	\$58,000	\$58,000
<b>R3.2</b>	<b>Reduce ESP staffing by 4.0 FTEs</b>	\$215,000	\$223,600	\$232,544	\$241,846
<b>R4.8</b>	<b>Close Lakeview Elementary</b>	\$273,100	\$273,100	\$273,100	\$273,100
<b>R4.5</b>	<b>Adjusting temperature settings</b>	\$67,000	\$67,000	\$67,000	\$67,000
<b>R5.1</b>	<b>Purchase transportation software to reduce four school buses.</b>	\$100,000	\$100,000	\$100,000	\$100,000
<b>Totals Not Subject to Negotiations</b>		<b>\$773,800</b>	<b>\$784,828</b>	<b>\$796,297</b>	<b>\$805,599</b>
<b>Recommendations Subject to Negotiations</b>					
<b>R3.3</b>	<b>Require employee contribution towards medical monthly premium</b>	\$280,000	\$280,000	\$280,000	\$280,000
<b>R3.4</b>	<b>Decrease sick leave payout at retirement</b>	\$19,000	\$19,000	\$19,000	\$19,000
<b>R3.5</b>	<b>Reduce certificated retirement incentive</b>	\$6,000	\$6,000	\$6,000	\$6,000
<b>Totals Subject to Negotiations</b>		<b>\$305,000</b>	<b>\$305,000</b>	<b>\$305,000</b>	<b>\$305,000</b>
<b>Total Recommendations</b>		<b>\$1,078,800</b>	<b>\$1,089,828</b>	<b>\$1,101,297</b>	<b>\$1,110,599</b>

Source: Financial implications identified throughout this performance audit

**Table 2-14b: Implementation Costs**

	<b>Implementation Cost</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>
<b>R2.9</b>	<b>Van purchase for central kitchen</b>	\$16,000			
<b>R5.1</b>	<b>Purchase transportation software.</b>	\$21,000	\$3,200	\$3,200	\$3,200
<b>R5.2</b>	<b>Purchase one bus in FY 2005, three buses in FY 2006 and one bus in FY 2007.</b>	0	\$50,000	\$150,000	\$50,000
<b>Totals</b>		<b>\$37,000</b>	<b>\$53,200</b>	<b>\$153,200</b>	<b>\$53,200</b>

Source: Financial implications identified throughout this performance audit

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# Human Resources

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## Background

This section of the report focuses on the human resources operations within Coventry Local School District (Coventry LSD). Peer district information and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) will be used for comparisons throughout the human resources section of the report.

### *Organizational Function*

Coventry LSD does not have a separate department dedicated to performing human resources functions. The superintendent, principals and support services coordinator complete the primary human resources responsibilities. These responsibilities include the following: 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 union contracts; conducting disciplinary hearings; maintaining personnel files; placing selected substitutes; and participating in new employee orientation. Assistance is also obtained from the treasurer's office which administers the health insurance plans for all employees of Coventry LSD and helps negotiate and manage collective bargaining agreements.

### *Staffing*

**Table 3-1** illustrates the actual staffing levels at Coventry LSD and the peer districts during FY 2001-02 as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with appropriate district personnel. All positions are shown as full-time equivalents (FTEs), based on 7.5 hours per day for certificated staff and eight hours per day for classified staff.

**Table 3-1: FTE Staffing Levels for FY 2001-02**

Category	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
<b>Administrators: Subtotal</b>	<b>16.8</b>	<b>10.5</b>	<b>10.0</b>	<b>12.0</b>	<b>10.8</b>
Central Based Administrators	3.0	2.0	2.0	3.0	2.3
Site Based Administrators	13.8	7.7 <sup>1</sup>	8.0	9.0 <sup>2</sup>	8.2
Other Administrators	0.0	0.8	0.0	0.0	0.3
<b>Professional Education: Subtotal</b>	<b>150.5</b>	<b>86.3</b>	<b>149.5</b>	<b>134.7</b>	<b>123.5</b>
Curriculum Specialists	1.0	0.0	0.0	0.0	0.0
Counseling	4.0	2.0	4.0	5.0	3.7
Librarian / Media	1.0	1.0	3.0	3.0	2.3
Remedial Specialists	0.0	4.3	2.0	2.0	2.8
Regular Education Teachers	99.6	57.5	108.5	100.1	88.7
Special Education Teachers	17.0	9.5	15.0	16.6	13.7
Vocational Education Teachers	3.0	3.0	5.0	0.0	2.7
Tutor / Small Group Instructor	9.9	0.5	5.0	0.0	1.8
Educational Service Personnel <sup>3</sup>	15.0	8.5	7.0	7.0	7.5
Other Professional	0.0	0.0	0.0	1.0	0.3
<b>Professional – Other</b>	<b>7.1</b>	<b>0.0</b>	<b>6.6</b>	<b>3.4</b>	<b>3.3</b>
<b>Technical: Subtotal</b>	<b>5.6</b>	<b>3.0</b>	<b>0.0</b>	<b>5.5</b>	<b>2.8</b>
Computer Operator	1.0	1.0	0.0	0.0	0.3
Practical Nursing	0.0	0.0	0.0	2.6	0.9
Library Technician	3.7	0.0	0.0	0.0	0.0
Printer	0.0	0.0	0.0	0.6	0.2
Library Aide	0.9	2.0	0.0	2.3	1.4
<b>Office / Clerical: Subtotal</b>	<b>13.9</b>	<b>7.0</b>	<b>27.9</b>	<b>11.4</b>	<b>15.5</b>
Bookkeeping	1.0	1.0	1.0	0.9	1.0
Clerical	12.9	6.0	14.8	10.3	10.4
Messenger	0.0	0.0	0.0	0.2	0.1
Teaching Aide	0.0	0.0	12.1	0.0	4.0
<b>Crafts / Trades</b>	<b>3.5</b>	<b>3.3</b>	<b>2.1</b>	<b>2.0</b>	<b>2.5</b>
<b>Transportation</b>	<b>11.4</b>	<b>9.0</b>	<b>18.1</b>	<b>10.1</b>	<b>12.4</b>
<b>Attendance Officer</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.1</b>
<b>Custodial</b>	<b>16.8</b>	<b>8.1</b>	<b>10.5</b>	<b>16.0</b>	<b>11.5</b>
<b>Food Service</b>	<b>15.7</b>	<b>7.5</b>	<b>10.2</b>	<b>10.3</b>	<b>9.3</b>
<b>Monitoring</b>	<b>2.4</b>	<b>3.8</b>	<b>7.6</b>	<b>0.0</b>	<b>3.8</b>
<b>Groundskeeping</b>	<b>1.0</b>	<b>0.0</b>	<b>1.6</b>	<b>3.0</b>	<b>1.5</b>
<b>Attendant</b>	<b>8.1</b>	<b>0.0</b>	<b>0.0</b>	<b>10.6</b>	<b>3.5</b>
<b>Other Service Worker / Laborer</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.5</b>	<b>0.5</b>
<b>Total FTEs</b>	<b>257.8</b>	<b>138.5</b>	<b>244.4</b>	<b>220.5</b>	<b>201.0</b>

Source: FY 2001-02 EMIS Staff Summary Reports

<sup>1</sup> Includes 0.70 FTE who serves as Crestview LSD's special education coordinator, but is employed by the District's ESC. Crestview LSD reimburses the ESC for this service.

<sup>2</sup> Includes 1.0 FTE who serves as Lakeview LSD's special education coordinator, but is employed by the District's ESC. Lakeview LSD reimburses the ESC for this service.

<sup>3</sup> The educational service personnel classification only includes art, music and physical education teachers. All other positions classified as educational service personnel according to the Ohio Administrative Code (OAC) are coded separately in EMIS.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** shows the staffing levels per 1,000 Average Daily Membership (ADM) at Coventry LSD and the peer districts for FY 2001-02.

**Table 3-2: FTE Staffing Levels for FY 2001-02 per 1,000 ADM**

Category	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
<b>ADM</b>	<b>2,423</b>	<b>1,255</b>	<b>2,275</b>	<b>2,202</b>	<b>1,911</b>
<b>Administrators: Subtotal</b>	<b>6.9</b>	<b>8.3</b>	<b>4.4</b>	<b>5.5</b>	<b>6.2</b>
Central Based Administrators	1.2	1.6	0.9	1.4	1.3
Site Based Administrators	5.7	6.1 <sup>1</sup>	3.5	4.1 <sup>2</sup>	4.7
Other Administrators	0.0	0.6	0.0	0.0	0.2
<b>Professional Education: Subtotal</b>	<b>62.1</b>	<b>68.8</b>	<b>65.8</b>	<b>61.3</b>	<b>65.3</b>
Curriculum Specialists	0.4	0.0	0.0	0.0	0.0
Counseling	1.7	1.6	1.8	2.3	1.9
Librarian / Media	0.4	0.8	1.3	1.4	1.2
Remedial Specialists	0.0	3.4	0.9	0.9	1.7
Regular Education Teachers	41.1	45.8	47.7	45.5	46.3
Special Education Teachers	7.0	7.6	6.6	7.5	7.3
Vocational Education Teachers	1.2	2.4	2.2	0.0	1.5
Tutor / Small Group Instructor	4.1	0.4	2.2	0.0	0.9
Educational Service Personnel <sup>2</sup>	6.2	6.8	3.1	3.2	4.3
Other Professional	0.0	0.0	0.0	0.5	0.2
<b>Professional – Other</b>	<b>3.0</b>	<b>0.0</b>	<b>2.9</b>	<b>1.5</b>	<b>1.5</b>
<b>Technical: Subtotal</b>	<b>2.3</b>	<b>2.4</b>	<b>0.0</b>	<b>2.5</b>	<b>1.7</b>
Computer Operator	0.4	0.8	0.0	0.0	0.3
Practical Nursing	0.0	0.0	0.0	1.2	0.4
Library Technician	1.5	0.0	0.0	0.0	0.0
Printer	0.0	0.0	0.0	0.3	0.1
Library Aide	0.4	1.6	0.0	1.0	0.9
<b>Office / Clerical: Subtotal</b>	<b>5.7</b>	<b>5.6</b>	<b>12.2</b>	<b>5.2</b>	<b>7.6</b>
Bookkeeping	0.4	0.8	0.4	0.4	0.5
Clerical	5.3	4.8	6.5	4.7	5.3
Messenger	0.0	0.0	0.0	0.1	0.0
Teaching Aide	0.0	0.0	5.3	0.0	1.8
<b>Crafts / Trades</b>	<b>1.4</b>	<b>2.6</b>	<b>0.9</b>	<b>0.9</b>	<b>1.5</b>
<b>Transportation</b>	<b>4.7</b>	<b>7.2</b>	<b>8.0</b>	<b>4.6</b>	<b>6.6</b>
<b>Attendance Officer</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Custodial</b>	<b>6.9</b>	<b>6.5</b>	<b>4.6</b>	<b>7.3</b>	<b>6.1</b>
<b>Food Service</b>	<b>6.5</b>	<b>6.0</b>	<b>4.5</b>	<b>4.7</b>	<b>5.1</b>
<b>Monitoring</b>	<b>1.0</b>	<b>3.0</b>	<b>3.3</b>	<b>0.0</b>	<b>2.1</b>
<b>Groundskeeping</b>	<b>0.4</b>	<b>0.0</b>	<b>0.7</b>	<b>1.4</b>	<b>0.7</b>
<b>Attendant</b>	<b>3.3</b>	<b>0.0</b>	<b>0.0</b>	<b>4.8</b>	<b>1.6</b>
<b>Other Service Worker / Laborer</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>0.2</b>
<b>Total FTEs</b>	<b>106.3</b>	<b>110.4</b>	<b>107.4</b>	<b>100.4</b>	<b>106.1</b>

Source: FY 2001-02 EMIS Staff Summary Report and School Enrollment from Coventry LSD and the peer districts

<sup>1</sup> Includes 0.5 FTE per 1,000 ADM who serves as Crestview LSD's special education coordinator, but is employed by the District's ESC. Crestview LSD reimburses the ECS for this service.

<sup>2</sup> Includes 0.5 FTE per 1,000 ADM who serves as Lakeview LSD's special education coordinator, but is employed by the District's ESC. Lakeview LSD reimburses the ESC for this service.

<sup>3</sup> The educational service personnel classification only includes art, music and physical education teachers. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

As illustrated in **Table 3-2**, Coventry LSD has higher FTE staffing levels per 1,000 ADM as compared to the peer average in the following classifications:

- Site-based administrators (see **R4.8** in the **facilities** section);

- Curriculum specialist (see Page 3-6);
- Tutor / small group instructor (see Page 3-7);
- Educational service personnel (**R3.2**);
- Library technician (see Page 3-7);
- Custodial (see **R4.8** in the **facilities** section);
- Food service (see **R2.9** in the **financial systems** section);
- Attendant (see Page 3-7); and
- Other service worker / laborer (see Page 3-7).

In an effort to reduce expenditures, Coventry LSD's Board of Education (the Board) approved staffing reductions which will occur during and at the end of FY 2002-03. During FY 2002-03, the Board eliminated a cook's helper position. Additional reductions to occur at the end of FY 2002-03 include the following:

- 1.0 FTE guidance position;
- 1.0 FTE technology position; and
- 0.5 FTE administrative position.

### *Collective Bargaining Agreements*

Certificated and classified personnel within Coventry LSD are governed by negotiated agreements. During this 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 to show the financial impact on Coventry LSD. The implementation of any contractual recommendations would require negotiations with the respective unions. **Tables 3-3** and **3-4** illustrate key contractual issues in the certificated and classified negotiated agreements.

**Table 3-3: Certificated Contractual Agreement Comparisons**

	<b>Coventry LSD</b>	<b>Crestview LSD</b>	<b>Field LSD</b>	<b>Lakeview LSD</b>
<b>Length of work day</b>	7 hours, 30 minutes	7 hours, 30 minutes	7 hours, 30 minutes	7 hours, 15 minutes
<b>Maximum class size</b>	K to 1: 20-25 <sup>1</sup> 2 to 4: 24-27 <sup>1</sup> 5 to 12: 28-32	K to 12: 27	K to 2: 28 3 to 12: 25 <sup>2</sup>	K to 2: 24 3 to 4: 25 5 to 12: 28
<b>Number of Contract Days</b>	<b>184 days</b> <sup>3</sup>	<b>184 days</b>	<b>184 days</b> <sup>3</sup>	<b>184 days</b>
<b>Instructional Days</b>	178 days	178 days	178 days	178 days
<b>In-Service Days</b>	2 days	4 days	1.5 days	3 days
<b>Records Days</b>	2 days	0 days	1.5 days	1 days
<b>Parent/Teacher Conference</b>	2 days	2 days	2 days	2 days
<b>Professional Development</b>	0 day	0 day	1 day	0 day
<b>Maximum number of sick days accrued</b>	285 days	240 days	Unlimited	Unlimited
<b>Maximum number of sick days paid out at retirement</b>	70 days	50 days	FY 2001-02: 54.25 days FY 2002-03: 55.50 days FY 2003-04: 56.75 days	80 days
<b>Number of personal days</b>	3 days	3 days	3 days	3 days
<b>Notice required</b>	3 days notice	5 days notice	3 days notice	5 days notice
<b>Number of leave days for association business</b>	2 days	up to 8 days	6 days for entire staff; 3 days for delegates/officers of OEA and/or NEA	2 days
<b>Sabbatical leave</b>	1 year allowed after 7 years service, with requirement to return for 1 year	No sabbatical leave policy stated in contract	1 year allowed after 5 years service, with requirement to return for 1 year	1 year allowed after 5 years or service, with requirement to return for 1 year
<b>Pick-up of employee's STRS contribution by district</b>	No	No	No	No
<b>Cost of living increases each year of the contract</b>	FY 2000: 3.0% FY 2001: 3.0% FY 2002: 3.0%	FY 2001: 3.0% FY 2002: 3.0% FY 2003: 4.0% FY 2004: 3.0% FY 2005: 5.0%	FY 2002: 3.5% FY 2003: 3.0%	FY 2003: 2.5% FY 2004: 3.0% FY 2005: 4.0%

**Source:** Certificated negotiated agreements currently in effect and interviews with district personnel

<sup>1</sup> Class size is on average per building, per the negotiated agreement.

<sup>2</sup> Per the master agreement between Field LSD and the Field Local Teachers Association, except for kindergarten through second grades, at least one FTE classroom teacher will be employed for every 25 pupils in the District's ADM, as calculated in accordance with ORC requirement.

<sup>3</sup> Per the respective negotiated agreements, teachers new to each district have a 185 day contract year. The additional day is an orientation day.

**Table 3-4: Classified Contractual Agreement Comparisons**

	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD
<b>Minimum call-in hours paid to employees for emergencies</b>	None	2 hours	2 hours for call back and 1 hour for calamity day arrival	2 hours for calamity day arrival
<b>Vacation time to accumulate</b>	1-6 years: 10 days 7-12 years: 15 days 13-19 years: 20 days 20+ years: 25 days	1-10 years: 10 days 11-20 years: 15 days 20+ years: 20 days	1-7 years: 10 days 8-13 years: 15 days 14-20 years: 20 days 20+ years: 25 days	1-8 years: 10 days 9-16 years: 15 days 17+ years: 20 days
<b>Sick / Personal leave incentive</b>	1 to 4 hour employees who do not use any personal, sick or emergency leave receive \$50 (\$75 for two consecutive years and \$125 for three consecutive years)  4 + hour employees who do not use any personal, sick or emergency leave receive \$75 (\$100 for two consecutive years and \$150 for three consecutive year)	None	Employees who work 2,080 hours per year and do not use personal or sick leave receive \$400 annual bonus  Employees who work less than 2,080 hours per year and do not use any personal or sick leave receive a prorated amount	Employees with at least 98 percent attendance who work more than 30 hours per week receive \$150 and those who work less than 30 hours per week receive \$100
<b>Maximum number of sick days accrued</b>	240 days for FY 1999-00 260 days for FY 2000-01 285 days for FY 2001-02	240 days	Unlimited	Unlimited
<b>Maximum number of sick days paid out at retirement</b>	FY 1999-2000: 65.0 days FY 2000-01: 75.0 days FY 2001-02: 87.5 days	50.0 days	49.5 days	80.0 days
<b>Number of personal days</b>	4 days	3 days	3 days	3 days
<b>Notice required</b>	None specified	5 days notice	3 days	5 days notice
<b>Number of holidays for 12-month employees</b>	10 days	7 days	11 days	11 days
<b>Number of holidays for 9-month employees</b>	8 days	6 days	7 days	8 days
<b>Number of leave days for association business</b>	Local President and/or designee allowed 8 days	2 delegates may go for a maximum of 3 days per year for OAPSE meeting	Delegates may attend annual Union conference	2 delegates, 2 days each for Association business
<b>Pick-up of employee's SERS contribution by district</b>	No	No	No	No
<b>Cost of living increases each year of the contract</b>	FY 2000: 3.0% FY 2001: 3.0% FY 2002: 3.0%	FY 2001: 3.5% FY 2002: 3.5% FY 2003: 3.5% FY 2004: 3.5% FY 2005: 3.5%	FY 2002: 3.5% FY 2003: 3.0% FY 2004: 3.0%	FY 2003: 2.5% FY 2004: 3.0% FY 2005: 4.0%

Source: Classified negotiated agreements currently in effect from Coventry LSD and the peer districts; interview with the personnel of Coventry LSD and peer districts

In addition to the analyses in this report, additional 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:

- *Curriculum specialist staffing level:* This position is vacant and will not be filled until Coventry LSD improves its financial condition.



- *Tutor / small group instructor staffing levels:* These positions are for special education, which are tied to Individual Educational Programs (IEPs), or for Title I programs, and are funded by on-going grants.
- *Library technician staffing levels:* Coventry LSD employs library technicians instead of certified librarians or library aides. Overall library staffing levels are comparable to the peer districts.
- *Attendant staffing levels:* Attendants work with special needs students and are included in student IEPs.
- *Other service worker / laborer staffing levels:* These positions are non-certificated personnel who assist special education teachers in the classroom.
- *Regular education staffing levels:* Regular education teachers staffing levels are adequate as compared to the peer districts and state benchmarks, and do not warrant any staffing changes.
- *Special education staffing levels:* Special education teachers staffing levels are adequate as compared to the peer districts and state benchmarks, and do not warrant any staffing changes.
- *Leave usage:* The District's attendance rate of 96.7 percent is higher than the state average of 95.5 percent.
- *Sick leave usage:* Coventry LSD's average sick days used per FTE is relatively low.

## Recommendations

### *Staffing*

**R3.1 Coventry LSD should increase the enrollment in its vocational education programs or stop offering vocational education programs which are requiring significant funding from the General Fund.**

Coventry LSD should consider increasing enrollment in its vocational education classes. Increased enrollment will generate additional revenues from ODE, which would, in turn, decrease the costs covered by the General Fund. If Coventry LSD is not able to increase enrollment levels, the District should consider eliminating programs which are not self-sustaining. Eliminating one of the vocational education programs could result in Coventry LSD receiving a smaller reimbursement from ODE, if the total number of students enrolled in vocational education decreases. Subsidizing vocational education program expenditures from the General Fund decreases funds available for the regular and special education of students.

During FY 2001-02, Coventry LSD had three teachers (3.0 FTEs) responsible for educating the students enrolled in its consumer and family education classes, which are not offered through the local joint vocational school. The District's total revenue for vocational education programs was approximately \$155,000 in FY 2001-02. This includes \$105,000 from ODE and \$50,000 from open enrollment adjustments. However, the total expenditures for these programs were \$180,000. As a result, the District was required to subsidize \$25,000 in costs from its General Fund.

*Financial Implication:* Coventry LSD could generate an estimated annual cost savings of approximately \$58,000 by eliminating the vocational education program which operates with the highest deficit. This assumes an average annual salary of \$44,053 per vocational education teacher and benefits equal to 32 percent of annual salaries. Furthermore, this assumes that Coventry LSD's remaining vocational education programs would absorb students from the eliminated program. The District could experience a potential loss of revenue if some students enrolled in the eliminated program do not enroll in a remaining program.

**R3.2 Coventry LSD should review its staffing levels in the educational service personnel (ESP) classification for a potential reduction of 4.0 FTEs. Classifications which should be reviewed for possible reductions include art teachers, music teachers, physical education teachers and counselors. However, before the District makes any reductions, it should determine the potential impact on the attainment of its mission**

**and goals. Additional factors which Coventry LSD should consider are the impact on student contact time and the financial situation of the District.**

**Table 3-5** compares the FY 2001-02 staffing levels of all ESP personnel at Coventry LSD with the peer districts. Staffing levels are illustrated in actual FTEs and FTEs per 1,000 ADM.

**Table 3-5: FY 2001-02 ESP Staffing Levels**

Classification	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
ESP Teacher <sup>1</sup>	15.0	8.5	7.0	7.0	7.5
Counselor	4.0	2.0	4.0	5.0	3.7
Librarian / Media Specialist	1.0	1.0	3.0	3.0	2.3
Registered Nurse	0.9	0.0	1.0	1.0	0.7
Social Worker	1.0	0.0	0.0	0.0	0.0
<b>Totals</b>	<b>21.9</b>	<b>11.5</b>	<b>15.0</b>	<b>16.0</b>	<b>14.2</b>
<b>FY 2001-02 ADM</b>	<b>2,423</b>	<b>1,255</b>	<b>2,275</b>	<b>2,202</b>	<b>1,911</b>
<b>ESP Staff per 1,000 ADM</b>	<b>9.0</b>	<b>9.2</b>	<b>6.6</b>	<b>7.3</b>	<b>7.4</b>

**Source:** District FY 2001-02 EMIS Staff Summary Reports and Staff Demographics Reports

<sup>1</sup> Includes those individuals who teach art, music or physical education at the elementary level.

As demonstrated in **Table 3-5**, Coventry LSD has 9.0 FTEs per 1,000 ADM in the ESP classification, which is greater than the peer average of 7.4 FTEs and the minimum standards identified in OAC 3301-35-05 (A)(4) of 5.0 FTEs per 1,000 ADM. Approximately 68 percent of Coventry LSD's ESP staff members are art, music and physical education teachers who have direct instructional contact with students throughout the day. If Coventry LSD adjusts its ESP staffing ratio to the minimum standards identified in the OAC, it could reduce 9.7 FTEs. However, a reduction of less than 9.7 FTEs would allow Coventry LSD to remain above the minimum standards while also reducing costs. A reduction of 4.0 FTEs would bring Coventry LSD in line with peer average ESP staffing levels, but would allow the District to remain above minimum standards by 2.4 FTEs per 1,000 ADM.

*Financial Implication:* Coventry LSD could generate an estimated cost savings of approximately \$215,000 by reducing 4.0 FTEs from the ESP classification. This assumes an estimated annual salary of approximately \$40,726 per ESP staff member and benefits equal to 32 percent of annual salaries.

### *Benefits Administration*

**R3.3 During future contract negotiations, Coventry LSD should seek changes to its health insurance. Coventry LSD should either require all employees to pay a portion of the monthly premium costs for health insurance or reduce benefit levels. The**

employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs. Renegotiating the District's generous benefit levels could further lower monthly premiums and assist Coventry LSD in reducing costs.

Coventry LSD's full-time employees do not contribute toward their health insurance premiums. Classified employees who work a minimum of 25 hours per week and less than 40 hours, do not contribute towards single coverage, but must pay 50 percent of the difference between single coverage and family coverage if they choose family coverage. Furthermore, classified employees who work a minimum of 20 hours per week, but less than 25 hours, must contribute 75 percent of the cost for both single and dependent coverage. **Table 3-6** compares the FY 2001-02 hospitalization monthly premiums for Coventry LSD, the peer districts and the SERB averages for like-sized school districts and the Akron / Canton region.

**Table 3-6: Health Insurance Premiums in FY 2001-02**

School	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Coventry LSD <sup>1</sup>	Self-insured	\$387.02	\$0.00	\$1,018.75	\$0.00
Crestview LSD	Anthem – TPA	\$280.00	\$28.00	\$660.00	\$66.00
Field LSD	Portage Area Schools Consortium	\$302.73	\$10.00	\$740.43	\$20.00
Lakeview LSD	Medical Mutual PPO	\$357.92	\$17.89	\$929.68	\$46.48
	Medical Mutual HMO	\$357.31	\$17.87	\$928.22	\$46.42
	Medical Mutual Traditional with RX	\$383.39	\$19.17	\$1,022.97	\$51.15
SERB School District Average (1,000-2,499 students)	N/A	\$253.79	\$18.86	\$637.34	\$68.53
SERB Akron / Canton Regional Average	N/A	\$238.51	\$12.06	\$594.68	\$40.58

Source: District treasurers' offices and 2001 SERB Report

<sup>1</sup> Both Coventry LSD's Exclusive Provider Organization (EPO) plan and Preferred Provider Organization (PPO) plan have the same monthly premium.

As shown in **Table 3-6**, each of Coventry LSD's peer districts requires its full-time employees to contribute to the cost of their monthly health insurance premium. According to SERB's *2001 Report on Health Care Costs*, public employees' average monthly contributions are approximately 12 percent for single coverage and 14 percent for family coverage.

Furthermore, the District’s monthly premiums are higher than each peer district’s plans, with the exception of Lakeview LSD’s Medical Mutual Traditional plan. Coventry LSD’s monthly premiums are also significantly higher than the SERB averages for like-sized school districts and for the Akron / Canton region.

**Table 3-7** compares key medical insurance benefits of both Coventry LSD’s Exclusive Provider Organization (EPO) plan and Preferred Provider Organization (PPO) plan to those of the peer districts’ medical plans.

**Table 3-7: Key Medical Plan Benefits**

	Coventry LSD		Crestview LSD	Field LSD	Lakeview LSD		
	Self-Insured EPO	Self-Insured PPO	Traditional	Medical Mutual PPO & Ohio Health Choice PPO	Medical Mutual PPO	Medical Mutual HMO	Medical Mutual Traditional
<b>Office Visits</b>	100%	90%	100%	90% of the first \$1,000 and 100% thereafter <sup>1</sup>	100% <sup>2</sup>	100% <sup>2</sup>	90%
<b>Prescription Plan Included?</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Employee Annual Deductible</b>	None	\$100 S / \$200 F	\$100 S / \$200 F	\$50 S / \$100 F	None	None <sup>3</sup>	\$200 S / \$400F
<b>Employee Out of Pocket Maximum</b>	None	\$950 S / \$1,900 F	\$400 per person	\$150 S / \$300 F <sup>4</sup>	None	None	\$500 S / \$1,000 F
<b>Need to Choose Primary Physician</b>	No	No	No	No	No	Yes	No
<b>Maternity</b>	100%	90%	90%	90% of the first \$1,000 and 100% thereafter <sup>1</sup>	100% <sup>2</sup>	100% <sup>2</sup>	90%
<b>Well Child Care</b>	100%	90%	100% (to max of \$300 per child)	100%	100% <sup>2</sup>	100% <sup>2</sup>	90% (to max of \$500 per child per year)
<b>Inpatient Hospital Care</b>	100%	90%	100%	90% of the first \$1,000 and 100% thereafter <sup>1</sup>	100%	100%	100%

Source: Schedule of Benefits and Interviews

Note: Benefits for EPO and PPO plans are for in-network services only.

<sup>1</sup> For all care and treatment, not for each coverage area

<sup>2</sup> After a \$10 copayment

<sup>3</sup> Deductibles of \$100 single / \$200 family apply to institutional inpatient services, including mental health and substance abuse.

<sup>4</sup> Includes deductibles

As indicated in **Table 3-7**, the medical benefits offered at Coventry LSD, particularly in its EPO plan, are more generous to those offered at the peer districts, thereby contributing to the higher premiums at Coventry LSD (see **Table 3-6**). Employees selecting the EPO plan do not have any co-payments. Additionally, participants in the EPO plan who receive services within the network are covered at 100 percent and do not pay annual deductibles or out of pocket maximums. Of the 227 employees enrolled in the District’s health care plans, 189 (83.3 percent) are enrolled in the EPO plan and 38 (16.7 percent) are enrolled in the PPO plan. Considering that both plans do not require an employee

contribution while the EPO plan provides more generous benefits than the PPO plan, employees are more likely to participate in the EPO plan.

According to District administrators, employees have experienced a number of catastrophic illnesses in recent years, which have resulted in higher monthly premiums. Although the occurrences of catastrophic illness are beyond the District's control, decreasing some benefit levels could help offset the premium increases associated with catastrophic illnesses.

In addition to not requiring employee healthcare contributions and offering generous healthcare benefits, salary levels for certain classified staff and the salary schedule for certificated staff are relatively high. **Table 3-8** presents average salaries for those EMIS classifications in which Coventry LSD's average salary is higher than the peer average. The classifications in **Table 3-8** account for 32 percent of Coventry LSD's staff, which increases to 91 percent when the professional education classification is included. See **Table 3-9** and **R3.6** for an assessment of the salary schedule for certificated staff.

**Table 3-8: FY 2001-02 Average Salaries by EMIS Classification**

EMIS Classification	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average <sup>1</sup>
Administration	\$58,366	\$40,411	\$55,809	\$58,547	\$51,887
Office / Clerical	\$24,634	\$19,675	\$18,381	\$23,424	\$19,820
Crafts / Trades	\$33,104	N/A <sup>2</sup>	\$29,726	\$29,733	\$29,730
Transportation	\$22,501	\$19,618	\$17,344	\$20,043	\$18,627
Custodians	\$27,074	\$21,613	\$26,653	\$27,093	\$25,676
Food Service	\$16,932	\$13,831	\$16,166	\$15,935	\$15,456
Service Worker / Laborer	\$15,620	\$6,728	\$15,415	\$16,577	\$14,884

Source: District EMIS Staff Summary Reports and Staff Demographics Reports

<sup>1</sup>The peer average is determined by the total number of FTEs and the total salary for each classification.

<sup>2</sup>Salary data not available

A number of factors can impact employee salaries, including employee longevity, experience, training, licensing or certification, and job responsibilities. Nonetheless, **Table 3-8** indicates that Coventry LSD employees' salaries in these classifications are either the highest or second highest of the peer districts. As a result, Coventry LSD employees could contribute towards the cost of their medical insurance and still maintain salaries comparable to, or above, the peer districts. Additionally, vacation accrual rates for Coventry LSD's classified employees are higher than two of the three peer districts (**Table 3-4**).

*Financial Implication:* Assuming that Coventry LSD required a full-time employee contribution equal to the SERB average of 12 percent for single coverage and 14 percent for family coverage, the District would save approximately \$280,000 annually. This is based on the number of full-time employees with single coverage (63) and the number of

employees with family coverage (143) and the respective monthly premiums of \$387.02 for single coverage and \$1,018.75 for family coverage. Reducing benefit levels in the EPO plan to be comparable to the peers would provide additional cost savings.

### *Collective Bargaining Agreements*

**R3.4 Coventry LSD should seek to decrease the maximum number of sick leave days paid out at retirement to its certificated and classified employees. Decreasing the number of days would lessen the financial burden placed on the District.**

Per the Coventry LSD's negotiated agreements, certificated employees receive a maximum of 70 sick leave days paid out at retirement and classified employees receive a maximum of 87.5 days. These are significantly higher than the peer averages of 62.3 for certificated staff and 59.8 for classified staff (see **Tables 3-3** and **3-4**). Ohio Revised Code (ORC) §124.39(B) states sick leave payout shall not exceed the value of 30 days of accrued but unused sick leave. However, section (C) permits political subdivisions to compensate employees for more than 30 days. Decreasing sick leave payout to 63 days for certificated staff and 60 days for classified would help Coventry LSD improve its financial situation while providing a severance payment at least twice the maximum identified in ORC §124.39(B) and comparable to the peer districts.

*Financial Implication:* If Coventry LSD decreased the maximum of number of days paid out to 63 days for certificated staff and 60 days for classified staff, the District would realize a cost savings of approximately \$19,000 in each of the next five fiscal years. This is based on the FY 2001-02 hourly wage of each employee who the District projects as eligible to retire in FY 2002-03 through FY 2006-07.

**R3.5 During future contract negotiations, Coventry LSD should seek to eliminate or reduce the retirement incentive in the certificated negotiated agreement.**

Coventry LSD's certificated negotiated agreement contains a provision which gives certificated employees with 30 years of experience a retirement incentive. Employees receive \$10,000 a year in each of the two years after their retirement, for a total incentive of \$20,000. The retirement incentive was \$110,000 in FY 2001-02 and is expected to be \$60,000 in FY 2002-03.

Two of the peer districts, Field LSD and Lakeview LSD, also include retirement incentives in their certificated negotiated agreements. Field LSD pays teachers who retire with 30 years experience, but less than 31 years, a retirement incentive equal to 68.55 percent of the difference between the master's degree plus 15 hours, step 14 salary and the bachelor's degree, step 0 salary. The retirement incentive was approximately \$16,500 per retiree in FY 2001-02. Lakeview LSD gives teachers with 30 years

experience a retirement incentive. However, Lakeview LSD's incentive amount is a lump sum of \$17,500 per retiree and only 10 percent of bargaining unit employees can receive the incentive each fiscal year.

If Coventry LSD decides to keep the retirement incentive, the District should try to reduce the amount of the incentive to be more in line with peer districts. Furthermore, Coventry LSD should replace retired teachers with lower-salaried teachers in order to maximize the financial benefit. If Coventry LSD can either eliminate this provision from future negotiated agreements or revise the policy to minimize the costs incurred by the District, it could allocate more resources to the direct instruction of students. Eliminating the incentive would generate a \$48,000 average annual cost savings in each fiscal year through FY 2006-07.

*Financial Implication:* If Coventry LSD reduced the amount of the retirement incentive to match that of the next highest peer (Lakeview LSD at \$17,500 per retiree), the District would pay \$2,500 less per employee. Based on the number of teachers who will be first-time eligible to retire with 30 years of service, Coventry LSD could realize a cost savings of \$30,000 over the next five years for an annual average of \$6,000 (\$7,500 in FY 2002-03, \$5,000 in FY 2003-04, \$7,500 in FY 2004-05, \$2,500 in FY 2005-06 and \$7,500 in FY 2006-07).

**R3.6 During the next certificated contract negotiations, Coventry LSD should limit the cost of living allowance (COLA) for certificated staff to 2.0 percent for each year of the agreement. Limiting COLA increases will bring Coventry LSD's certificated salary schedule more in line with the peer district's salary schedules.**

Certificated staff at Coventry LSD received 3.0 percent COLA increases in each of the three fiscal years of the previous negotiated agreement, which expired June 30, 2002. According to the treasurer, Coventry LSD and the Coventry Education Association (CEA) have a formal agreement extending the negotiated agreement through May 2003. Certificated staff did not receive a COLA increase in FY 2002-03. **Table 3-9** compares Coventry LSD's certificated salary schedule to the peer districts' certificated salary schedules.



**Table 3-9: FY 2001-02 Certificated Salary Schedules**

	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD <sup>1</sup>	Peer Average
<b>Bachelor</b>					
Step 0	\$27,746	\$23,952	\$26,340	\$26,341	\$25,544
Step 12	\$43,962	\$35,449	\$39,265	\$41,197	\$38,637
<b>Percent Change</b>	<b>58.4%</b>	<b>48.0%</b>	<b>49.1%</b>	<b>56.4%</b>	<b>51.3%</b>
<b>Average Step Increase</b>	<b>4.9%</b>	<b>4.0%</b>	<b>4.1%</b>	<b>4.7%</b>	<b>4.3%</b>
<b>Master</b>					
Step 0	\$29,674	\$26,826	\$30,876	\$28,843	\$28,848
Step 12	\$48,770	\$41,485	\$45,847	\$48,415	\$44,249
<b>Percent Change</b>	<b>64.4%</b>	<b>54.6%</b>	<b>48.5%</b>	<b>67.9%</b>	<b>53.4%</b>
<b>Average Step Increase</b>	<b>5.4%</b>	<b>4.6%</b>	<b>4.0%</b>	<b>5.7%</b>	<b>4.7%</b>

Source: District certificated negotiated agreements

<sup>1</sup> Lakeview LSD's salaries are for FY 2002-03.

As illustrated in **Table 3-9**, Coventry LSD's Bachelor and Master salary schedules provide a higher total salary increase from Step 0 to Step 12 than the peer average. Coventry LSD's total salary increase on the Bachelor schedule is 58.4 percent, which is 7.3 percent higher than the peer average. On the Master schedule, Coventry LSD's total salary increase of 64.4 percent is 11.0 percent higher than the peer average.

Limiting the certificated staff's COLA increases to two percent in the next contract period would assist Coventry LSD in gaining financial stability while providing adequate compensation to its certificated staff, considering the relatively higher step schedule. Based on FY 2001-02 total certificated salaries of approximately \$7.2 million, Coventry LSD could save approximately \$72,000 in FY 2003-04, \$76,000 in FY 2004-05 and \$80,000 in FY 2005-06 if the District limited the certificated staff's COLA increases to two percent in each year of the next negotiated agreement. The proposed financial recovery plan in the **financial systems** section identifies the financial impact of two percent COLA increase.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in the section of the report. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
<b>R3.1 Consider eliminating the vocational education program with the largest deficit</b>	\$58,000
<b>R3.2 Reduce ESP staffing by 4.0 FTEs</b>	\$215,000
<b>Totals</b>	<b>\$273,000</b>

### Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
<b>R3.3 Require employee contribution towards medical monthly premium</b>	\$280,000
<b>R3.4 Decrease sick leave payout at retirement</b>	\$19,000
<b>R3.5 Reduce certificated retirement incentive</b>	\$6,000
<b>Totals</b>	<b>\$305,000</b>

# Facilities

## Background

The facilities section focuses on custodial and maintenance operations in the Coventry Local School District (Coventry LSD). The objective is to analyze building operations of Coventry LSD and develop recommendations for improvements and reductions in expenditures.

### *Organizational Structure and Function*

The support services coordinator facilitates custodial and maintenance operations. The goal of the custodial staff is to provide the students with a safe, attractive and clean place in which to learn, play and develop. The principals of each school building are responsible for the immediate supervision of the custodial staff assigned to their buildings and for completing performance evaluations. Maintenance staff report to the maintenance coordinator whose immediate supervisor is the superintendent.

Coventry LSD's maintenance staff consists of two full-time equivalent (FTE) maintenance workers and one FTE maintenance coordinator. The maintenance staff is responsible for maintaining the district's buildings, responding to emergency repair needs and completing a majority of the grounds work. **Table 4-1** contains the staffing levels and the number of FTE employees responsible for maintaining Coventry LSD's facilities.

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

Classification	Total Number of Positions	Number of Full-Time Equivalents
Maintenance Coordinator	1	1.00
Maintenance Workers	2	2.00
<b>Total Maintenance</b>	<b>3</b>	<b>3.00</b>
Head Custodians	6	6.00
Assistant Head Custodians	3	3.00
Custodial Helpers	9	7.75
<b>Total Custodial</b>	<b>18</b>	<b>16.75</b>
<b>Total</b>	<b>21</b>	<b>19.75</b>

Source: Coventry LSD's Superintendent's Office

**Table 4-2** further illustrates the building assignments for custodial staff, separate from the maintenance staff at Coventry LSD.

**Table 4-2: Building Assignments for Custodial Staff**

Building Assignment	Custodial FTE	Square Footage	Square Footage per FTE
Cottage Grove Elementary School	2.00	20,696	10,348
Lakeview Elementary School	1.50	23,529	15,686
Turkeyfoot Elementary School	2.00	30,442	15,221
Erwine Middle School	3.75	96,840	25,824
Coventry Junior High School	4.00	101,680	25,420
Coventry High School	3.50	120,000	34,286
<b>Total</b>	<b>16.75</b>	<b>393,187</b>	<b>23,474</b>

Source: Coventry LSD

Current custodial assignments cause the elementary school custodians to maintain less square footage per FTE than the middle, junior, and high school custodians. Additionally, the American Schools & University (AS&U) standards and the peer average suggest maintaining approximately 24,000 square feet per custodial FTE (see **Table 4-3**). See **R4.2** for further analysis of custodial staffing.

### *Key Statistics*

Additional key statistics related to the maintenance and custodial operations of Coventry LSD are presented in **Table 4-3**. In addition, results from the 31st annual AS&U Maintenance & Operations Cost Study (AS&U), which was released in April 2002, are included in **Table 4-3** and throughout the facilities section of the report. AS&U mailed a detailed survey to chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. Unlike previous AS&U reports where results were divided into regions, this year's report provides the median number for each category on a national level and by district enrollment (less than 1,000 students; 1,000 to 3,499 students; and greater than 3,500 students).

According to the 31st Annual AS&U study, long-term and preventive maintenance issues continue to be a central theme in school building maintenance. The study states, "Even as the effects of inadequate maintenance continue to plague many of the nation's school buildings, maintenance and operations budgets continue to be among the first cut during tight financial times – resulting in a classic 'pay me now or pay me later' scenario."

**Table 4-3: Key Statistics and Indicators**

<b>Number of School Buildings</b>	<b>6</b>
Elementary Schools	3
Middle Schools	1
Junior High Schools	1
High Schools	1
<b>Total Square Feet Maintained</b>	<b>393,187</b>
Cottage Grove Elementary	20,696
Lakeview Elementary	23,529
Turkeyfoot Elementary	30,442
Elementary Schools Total	74,667
Middle Schools <sup>1</sup>	96,840
Junior High Schools	101,680
High Schools	120,000
<b>Square Feet Per FTE Custodial Staff Member (16.75)</b>	<b>23,474</b>
Elementary Schools (5.50)	13,576
Middle Schools (3.75)	25,824
Junior High Schools (4.00)	25,420
High Schools (3.50)	34,286
<b>AS&amp;U 30th Annual Cost Survey 1,000-3,499 students</b>	<b>24,782</b>
<b>AS&amp;U 30th Annual Cost Survey National Average</b>	<b>23,985</b>
<b>Peer District Average</b>	<b>23,151</b>
<b>Square Feet Per FTE Maintenance Employee</b>	<b>131,062</b>
<b>AS&amp;U 31st Annual Cost Survey 1,000-3,499 students</b>	<b>86,204</b>
<b>AS&amp;U 31st Annual Cost Survey National Average</b>	<b>89,000</b>
<b>Peer District Average</b>	<b>113,466</b>
<b>FY 2001-02 Maintenance and Operations Expenditures Per Square Foot</b>	<b>\$3.81</b>
<b>Custodial and Maintenance</b>	<b>\$2.33</b>
<b>Utilities</b>	<b>\$1.06</b>
<b>Other<sup>2</sup></b>	<b>\$0.41</b>
<b>Peer District Average</b>	<b>\$4.20</b>

**Source:** Budwork Report, interviews, and district documents

**Note:** The square footage for the bus garage at the middle school and the fitness center at the high school are included in the respective totals. Square footage for the administrative offices have been excluded in this analysis because Coventry LSD employs 0.03 FTE for the upkeep of these offices.

<sup>1</sup> The stadium square footage is not included in the middle school total

<sup>2</sup> Other includes purchased services, supplies and materials, and capital outlay.

### *Financial Data*

**Table 4-4** illustrates the General Fund expenditures incurred to maintain and operate Coventry LSD's facilities for FYs 2000-01, FY 2001-02, and the budget for FY 2002-03.

**Table 4-4: Maintenance and Operations Expenditures**

Accounts	FY 2000-01 Total	FY 2001-02 Total	FY 2001 to FY 2002 Percentage Change	FY 2002-03 Budget	FY 2002 to FY 2003 Percentage Change
Salaries	\$648,540	\$672,261	3.7%	\$639,442	(4.9%)
Benefits	\$210,054	\$226,392	7.8%	\$242,049	6.9%
Purchased Services	\$106,670	\$70,583	(33.8%)	\$142,290	101.5%
Utilities	\$388,942	\$418,678	7.6%	\$457,296	9.2%
Supplies/ Materials	\$84,105	\$77,988	(7.3%)	\$94,274	20.9%
Capital Outlay	\$6,110	\$12,749	108.7%	\$13,104	2.8%
<b>Total</b>	<b>\$1,444,421</b>	<b>\$1,478,651</b>	<b>3.7%</b>	<b>\$1,588,455</b>	<b>7.4%</b>

Source: Coventry LSD Expense Budget Work Sheet, and interviews with treasure and assistant to the treasurer.

Explanations for the significant variances in **Table 4-4** are as follows:

- *A 4.9 percent decrease in salaries and 6.9 percent increase in benefits from FY 2001-02 to FY 2002-03:* The maintenance staffing levels were reduced by 1.0 FTE as a result of the maintenance coordinator retirement. Benefits increased due to an overall premium increase for healthcare costs and accounting practices used by Coventry LSD (see **R4.1**).
- *A 33.8 percent decrease in purchased service expenditures from FY 2000-01 to FY 2001-02:* Coventry LSD had boilers repaired at various schools in addition to a \$10,000 contract for snow plowing in FY 2000-01.
- *A 101.5 percent increase in purchased services from FY 2001-02 to FY 2002-03:* Coventry LSD's insurance for the bus fleet, liability and property increased because schools were identified as high risk due to the September 11, 2001.
- *A 20.9 percent increase in supplies and materials from FY 2001-02 to FY 2002-03:* Coventry LSD's supplies expenditures increased in FY 2002-03 due to anticipated repairs for the aging buildings, such as for boilers and water tanks.
- *A 108.7 percent increase in capital outlay costs from FY 2000-01 to FY 2001-02:* Coventry LSD purchased \$7,000 of carpeting for the Portage Lakes Fitness Center in the basement of the high school building.

Revenue from the General Fund is used to support the maintenance and operations of Coventry LSD facilities. As shown in **Table 4-4**, in FY 2001-02, the General Fund provided \$1.5 million for building operations and expenses including custodial and maintenance staff salaries and benefits, supplies and materials, purchased services and capital outlay. **Table 4-5** compares Coventry LSD's FY 2001-02 General Fund custodial and maintenance related expenditures per square foot to peers.

**Table 4-5: FY 2001-02 General Fund Expenditures per Square Foot**

Expenditure	Coventry	Crestview	Field	Lakeview	Peer Average	AS&U National Median 1,000-3,499 Students
<b>Custodial and Maintenance Salaries and Benefits</b>	\$2.32	\$2.14	\$1.97	\$2.75	\$2.29	\$1.63
<b>Purchased Services</b>	\$0.18	\$0.29	\$1.10	\$0.15	\$0.51	\$0.02
<b>Utilities</b>	\$1.06	\$1.09	\$0.97	\$0.73	\$0.93	\$1.20
<b>Supplies/ Materials</b>	\$0.20	\$0.21	\$0.43	\$0.32	\$0.32	\$0.28
<b>Capital Outlay</b>	\$0.03	\$0.07	\$0.34	\$0.01	\$0.14	N/A
<b>Other</b>	\$0.00	\$0.00	\$0.05	\$0.00	\$0.05	\$0.17
<b>Total General Fund Expenditures</b>	\$3.79	\$3.80	\$4.86	\$3.96	\$4.21	\$3.30

Source: Coventry LSD and peer district Treasurers' Offices, FY 2001-02 expense budget worksheets for the General Fund, function 2700

According to **Table 4-5**, Coventry LSD General Fund expenditures are less than the peer average in all line items except salaries and benefits and utility costs (see **R4.5**). Higher healthcare premiums at Coventry LSD contribute to the higher salaries and benefits costs per square foot (see the **human resources** section).

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

- *Maintenance salaries*: By excluding the salary for the previous maintenance coordinator who had 30 years of service, maintenance salary levels are comparable to the peers.
- *Maintenance staffing levels*: Coventry LSD's square footage maintained per maintenance FTE is greater than the peer average and AS&U standards. However, closing a building (see **R4.8**) would decrease square footage maintained per maintenance FTE to be more comparable with peer districts.
- *Custodial salaries*: Coventry LSD custodial salaries were only slightly higher than the peers (see the **human resources** section).
- *Formal facilities master plan*: Coventry LSD contacted the Ohio School Facilities Commission (OSFC) to evaluate its facilities in FY 2000-01. OSFC identified building cost estimates for repairs, replacements and the cost to rebuild each building in relation to the total condition of the buildings. Overall, Coventry LSD needs \$4.9 million for repairs, \$24.7 million for replacements, or \$53.6 million to replace all existing buildings. Additionally,

Coventry LSD is scheduled to receive \$8.1 million in FY 2009 for facility funding.

- *Permanent Improvement Levy:* Coventry LSD has unsuccessfully attempted for several years to pass a permanent improvement levy to address the needs of its facilities. The last permanent improvement levy was passed for calendar year (CY) 1998 until CY 2002. The FY 2002 permanent improvement expenditure report showed the majority of these funds were used for sanitary laterals and to pay the energy conservation loan.
- *Purchased services:* Considering the high amount of square footage per maintenance FTE, Coventry LSD has contracts for snow removal and ground maintenance for the stadium.
- *Supplies and materials:* Coventry LSD participated in a consortium for district-wide bulk purchases.



## Recommendations

### *General Operations*

- R4.1 Coventry LSD should account for all funds and expenditures in accordance with the guidelines set forth in the Uniform School Accounting System (USAS) manual. When funds and expenditures are not coded according to the USAS guidelines, inaccurate functional fund and expenditure data is created. Although the Coventry LSD treasurer uses some fund codes as “dump” codes and redistributes funding to the proper code at a later date, properly coding funds is important to represent actual financial data at all times. Without accurate information, it is not possible to easily recognize abnormally high expenditures or opportunities for cost savings. In addition, the ability to forecast and budget functional area expenditures is also compromised.**

According to the FY 2001-02 Expense Budget Worksheet Report, Coventry LSD uses the 2700 function for all classified staff benefit appropriations until approximately mid-year when the treasurer examines what was expended and compares that amount to future requirements. As a result, it is difficult to determine Coventry LSD’s true cost for maintenance and custodial benefits. Furthermore, because Coventry LSD is self-insured, it is important to maintain accurate financial data on benefits to identify opportunities to reduce costs in appropriate areas as soon as it is possible.

### *Custodial Staffing*

- R4.2 Coventry LSD should reassign 1.75 FTE elementary school custodial staff to Erwine (0.25 FTE), Coventry Junior High (0.25 FTE), and Coventry High School (1.25 FTE) to increase the efficiency of custodial operations. This transition could be accomplished by transferring the custodial helper (1.0 FTE) at Cottage Grove to Coventry High School and having the custodial helper currently at Turkeyfoot allocate time equally between Turkeyfoot (0.25 FTE), Erwine (0.25 FTE), Coventry Junior High School (0.25 FTE) and Coventry High School (0.25 FTE).**

While **Table 4-2** illustrates that the overall square footage per custodial FTE at Coventry (23,569) is similar to the peer average (23,151) and slightly lower than the AS&U national average (23,985), elementary school custodians are maintaining significantly less square footage per FTE than the custodians at the middle and high schools. **Table 4-6** illustrates the custodial assignments and square footage maintained if 1.75 FTE were reassigned to the other school buildings and the result of closing Lakeview Elementary School as discussed in **R4.8**.

**Table 4-6: Custodial Staff Reassignment**

School	Current FTE and Square Footage			Recommended FTE and Square Footage	
	FTE	Square Footage	Square Footage per FTE	FTE Adjustment	Adjusted Square Footage per FTE
Cottage Grove	2.00	20,696	10,348	1.00	20,696
Lakeview	1.50	23,529	15,686	0.00 <sup>1</sup>	0
Turkeyfoot	2.00	30,442	15,221	1.25	24,354
Erwine Middle	3.75	96,840	25,824	4.00	24,210
Coventry Junior High	4.00	101,680	25,420	4.25	23,925
Coventry High	3.50	120,000	34,286	4.75	25,263
<b>Total</b>	<b>16.75</b>	<b>394,787</b>	<b>23,474</b>	<b>15.25</b>	<b>25,783</b>

Source: Coventry LSD

<sup>1</sup> Analysis of building capacity suggests closing Lakeview Elementary School, see **R4.8**.

Reassigning custodial staff would make the square footage per FTE more equitable among all of the buildings and provide resources to better maintain Erwine, Coventry Junior, and Coventry High schools. Furthermore, the overall square footage per FTE at Coventry LSD becomes higher than the peer district and AS&U averages by closing Lakeview (see **R4.8**).

### *Custodial and Maintenance Operations*

**R4.3 Coventry LSD should design a standard and uniform electronic work order request form that can be accessed by employees via the Intranet or e-mail system. The electronic format would allow the support services coordinator to receive work orders requests and distribute them to the maintenance staff immediately. On the electronic form, space should be provided for the assigned employee to record the amount of time used to complete the request and the parts and supplies used. The building repairs and completed work order information should be recorded in a database to allow for easy tracking and analysis. In the future, a database could be used to develop easily accessible, comprehensive building repair records.**

Coventry LSD currently does not have a uniform method to process work orders for maintenance and custodial work needed. Custodial requests are completed through conversations in the hall ways, a note in the custodians' mailbox, or a page from the main office. When school custodians cannot complete a work order, a blue work order form is usually completed and sent through inter-office mail to the support services coordinator, who screens the requests for maintenance to determine if they are appropriate, and forwards them to the maintenance coordinator. At this time, the maintenance coordinator divides the work orders into three categories: emergency, semi-emergency and routine. If there is an emergency, the request may be called in and the maintenance coordinator completes the form. As a result of the current process, Coventry LSD does not have a method in place for tracking work completed or needing to be addressed, monitoring workload for maintenance staff, and filing and storing paper forms for historical

reference.

- R4.4 Coventry LSD should develop and implement a standard preventive maintenance program for all facilities. At a minimum, preventive maintenance schedules for the building's heating, cooling, plumbing and electrical systems should be developed. After determining which components will be included, preventive maintenance checklists, including task frequency, should be developed for each facility. Most preventive maintenance tasks should be scheduled according to manufacturers' recommendations. After a task is completed, it should be recorded on the checklist, or in a logbook, and copies should be sent to the support services coordinator. The support services coordinator should file these records and review them periodically to ensure work is being completed in a timely manner.**

The Superintendent of Coventry LSD stated the move from preventive maintenance to emergency maintenance is the result of the failure to pass a permanent improvement levy. However, custodians consider building checks, boiler cleaning, and minor electrical and plumbing work as preventive maintenance. The variances in responses to preventive maintenance from the superintendent to the custodians could result in some buildings being maintained at a lower quality level than other buildings. Not having a formal and standard preventive maintenance program could result in a greater number of significant repairs in the long-term that could have been avoided if identified and repaired earlier. Incorporating preventive maintenance tasks in the custodians' daily routine would not incur additional costs but could potentially avoid several costly emergency repairs.

- R4.5 Coventry LSD should maximize the use of its computerized energy management system which monitors facilities around the clock and could reduce facility expenditures by regulating temperatures, activating or deactivating blowers, and performing other heating, ventilation and air conditioning functions. Coventry LSD should train maintenance and head custodial staff in system operations to eliminate the misuse of such technology. Furthermore, Coventry LSD should begin implementing the following measures:**

- **Increasing cooling temperatures at the high school to 78 degrees and decreasing heating temperatures to 68 degrees;**
- **Turning off computers and office equipment or programming them to power down when not in use;**
- **Purchasing gas and electricity through a discounted program or consortium; and**
- **Consistent monitoring of manual changes by maintenance staff to ensure they are not excessive.**

In an effort to operate facilities in an energy efficient manner, Coventry LSD implemented a computerized energy management system to regulate heating and cooling functions throughout the district. This system maintains building temperatures between 50 (when school is not in session) and 70 (during the winter months when school is in session) degrees. Coventry High School is the only building with air conditioning which begins to operate at 74 degrees. However, interviews with custodians revealed that building temperatures are sometimes manually adjusted upon request. Additionally, Lakeview Elementary School's control was temporarily out of order because of excessive manual overrides by the school staff. Maintaining these temperatures has resulted in higher utility costs per square foot (see **Table 4-5**). In order for Coventry LSD to realize the true benefits of the system, manual overrides should be limited to emergency situations or eliminated. Because of the need to provide a comfortable learning environment, the custodians should take part in determining the constant temperatures for the building based on previous usage. Not maximizing the automated heating and cooling system resulted in a 12 percent increase in Lakeview Elementary School's utility costs when compared to the other elementary schools. This negates the desired energy savings which prompted the purchase of the system.

The *Facilities Management Handbook* estimates the potential energy savings of adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating could reduce costs approximately 16 percent if there were no energy management efforts in place. Therefore, if Coventry LSD changes the thermostat settings to reflect the facility management guidelines, it could reduce utility expenditures and allow the allocation of more funds to building maintenance and repairs.

*Financial Implication:* Adjusting thermostat settings to those recommended in the *Facilities Management Handbook* could save Coventry LSD approximately 16 percent of its utility expenditures. Based on the actual utility expenditures of approximately \$419,000 in FY 2001-02 (see **Tables 4-4 and 4-5**), Coventry LSD could save approximately \$67,000 annually. These savings would reduce Coventry LSD's expenditures per square foot to \$0.89, which is slightly lower than the peer average (see **Table 4-5**).

**R4.6 Coventry LSD's administration should keep fire marshal reports on file for each school. This practice would allow the District to assess the schools which are cited most frequently and use this information to supplement capital improvement decisions.**

For several years, Coventry LSD has had many inspections by the state and local fire marshals. However, the support services coordinator does not have all of these reports on file. Additionally, the support services coordinator did not know if the reports were at the individual schools or the respective fire marshals' offices. According to the Coventry

LSD's staff, schools are required to have annual inspections to ensure the safety of the facilities. By not having this information on file, Coventry LSD's administration does not have the appropriate information to support capital improvements, additional purchases to correct violations, or gain a full understanding of the condition of all school buildings.

### Capacity Utilization

**R4.7 Building capacity and utilization should be reviewed periodically in conjunction with a more effective enrollment projection process (see financial section) to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations. A methodology that accounts for Coventry LSD's needs, educational programs and philosophy should be adopted by the district and used to determine school building utilization at least every two to three years. The building capacity calculations should be reviewed and updated at least once every three to five years or when a change in building structure, enrollment, or educational philosophy occurs.**

While enrollment and building capacity are key components when planning for future facility needs, Coventry LSD has not established student enrollment projections or capacity for any of its school buildings. **Table 4-7a** illustrates the enrollment history at Coventry LSD for the previous five years.

**Table 4-7a: Coventry LSD Enrollment History**

School Year	Head Count			Percent of Change from Previous Year		
	Coventry Residents	Open Enrollment	Total	Coventry Residents	Open Enrollment	Total
2001-2002	1,794	685	2,479	1.2%	9.9%	3.5%
2000-2001	1,772	623	2,395	0.9%	(10.0%)	(2.2%)
1999-2000	1,757	692	2,449	(6.0%)	(0.6%)	(4.6%)
1998-1999	1,870	696	2,566	13.0%	3.3%	10.2%
1997-1998	1,654	674 <sup>1</sup>	2,328	N/A	N/A	N/A

Source: Coventry LSD

<sup>1</sup> Coventry LSD could not provide an open enrollment figure for FY 1999-1998, so an average of the four most recent years was used.

According to **Table 4-7a**, Coventry LSD student enrollment has not had a significant increase since the 1998-1999 school year. Enrollment decreased in both the 1999-2000 and 2000-2001 school years. The modest growth in 2001-2002 appears to be primarily the result of open enrollment students coming into the district. Therefore, adjusting building capacity using current enrollment data should not present a capacity issue in the future as discussed further in **R4.8**.

The Auditor of State (AOS) calculated the buildings' capacities using a standard methodology often employed by educational planners. The capacity for the elementary school buildings is calculated by multiplying the number of regular, full day kindergarten and pre-school classrooms by 25 students, the number of half day kindergarten and pre-school rooms by 50 students, and the number of special education classrooms by 10 students. The three products are then added together to arrive at the total capacity for the building. Classrooms used for gym, music, art, library and computer labs are set aside and excluded from the number of rooms used in the calculation. The capacity in the middle, junior and senior high schools is calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor. **Table 4-7b** compares each school building's student capacity to the 2002 student head count to determine the building utilization rate.

**Table 4-7b: Building Capacity and Utilization Rates**

Building	Grade Level	Building Capacity	2002 Head Count		Over/(Under) Capacity	Building Utilization Rate
			Open Enrollment	Total Students		
Cottage Grove Elementary <sup>1</sup>	Pre-school-Three	520	75	394	(126)	76%
Lakeview Elementary	One- Four	270	59	227	(43)	84%
Turkeyfoot Elementary	One- Four	320	48	282	(38)	88%
<b>Elementary School Total</b>	N/A	1,110	182	903	(207)	81%
<b>Middle School Total</b>	Five- Seven	723	189	599	(124)	83%
<b>Junior High School Total</b>	Eight- Nine	680	157	446	(234)	66%
<b>High School Total</b>	Ten- Twelve	680	174	604	(76)	89%
<b>Total for all Buildings</b>	N/A	<b>3,193</b>	<b>702</b>	<b>2,552</b>	<b>(641)</b>	<b>80%</b>

Source: Coventry LSD building floor plans; 2002 EMIS School Enrollment Report- First Full Week in October

<sup>1</sup>Capacity calculation includes the six modular units owned by Coventry LSD.

According to **Table 4-7b**, Coventry LSD's overall building utilization rate is currently at 80 percent, which is 5 percent below the target utilization rate of 85 percent typically used by facility planners. The junior high school is operating significantly under capacity by 234 students, and the overall building utilization rate is 66 percent.

**R4.8 Coventry LSD should consider restructuring the elementary schools for grades kindergarten through six and the junior high school for grades seven through nine. If Coventry LSD elects to implement these restructuring suggestions, enough space would be created to close the smallest elementary school, Lakeview.**

Based upon the junior high school's utilization rate of 66 percent, which is significantly less than the other school buildings (see **Table 4-7b**), the junior high school (currently grades eight and nine) has enough space to accommodate additional students. Moving 207 seventh graders to the junior high school would allow the middle school (currently grades five and six) to be converted to an elementary school (grades kindergarten through

six). The two remaining elementary schools should also serve grades kindergarten through six, for a total of three elementary schools. Based on the building capacity and the Ohio School Facilities Commission (OSFC) report on the soundness of the buildings, Lakeview Elementary could be closed, leaving Cottage Grove, Turkeyfoot, and Erwine to house Coventry LSD's kindergarten through six graders. **Table 4-8** illustrates how redistributing the fifth and sixth grade students to the elementary schools and the seventh graders to the junior high school would impact the elementary and junior high school building capacity and utilization rates. **Table 4-8** also illustrates that when you remove the seventh grade students from Erwine, the extra capacity permits a larger number of students to be transferred from Cottage Grove, Lakeview, and Turkeyfoot to Erwine.

**Table 4-8: Adjusted Elementary and Junior High Building Capacity and Utilization**

	Cottage Grove	Turkeyfoot	Erwine	Coventry Junior High	Total
<b>Preschool</b>	65	-	-	-	65
<b>Pre-kindergarten</b>	7	-	-	-	7
<b>Kindergarten</b>	180	-	-	-	180
<b>First</b>	55	54	-	-	109
<b>Second</b>	57	71	-	-	128
<b>Third</b>	30	75	-	-	105
<b>Fourth</b>	-	82	-	-	82
<b>Fifth</b>	-	-	167	-	167
<b>Sixth</b>	-	-	225	-	225
<b>Seventh</b>	-	-	207	-	207
<b>Eighth</b>	-	-	-	210	210
<b>Ninth</b>	-	-	-	236	236
<b>Net Redistribution of Students</b>	<b>47<sup>2</sup></b>	<b>(7)<sup>3</sup></b>	<b>(20)<sup>4</sup></b>	<b>207<sup>5</sup></b>	<b>227</b>
<b>Adjusted Head Count</b>	441	275	579	653	1,948
<b>Building Capacity</b>	520	320	675 <sup>1</sup>	680	2,195
<b>Over/(Under) Capacity</b>	(79)	(45)	(96)	(27)	(247)
<b>Adjusted Building Utilization Rate</b>	85%	86%	86%	96%	89%
<b>Utilization Rate Before Changes</b>	76%	88%	83%	66%	89%

**Source:** Coventry LSD building floor plans; 2002 EMIS School Enrollment Report- First Full Week in October

**Note:** The building capacity figures do not include the high school.

<sup>1</sup> Erwine Middle School building capacity does not account for elementary students (see **R4.7**). Therefore, the building capacity has been adjusted to accurately represent the recommended students.

<sup>2</sup> Net redistribution of students for Cottage Grove includes third and fourth grade students from Lakeview Elementary and fifth and sixth grade students from Erwine; kindergarten, first, and second graders from Cottage Grove transferred to Erwine to convert Cottage Grove to an elementary school with grades kindergarten through six.

<sup>3</sup> Net redistribution of students for Turkeyfoot includes kindergartners from Cottage Grove and transferring first, second, third, and fourth graders to Erwine to convert Turkeyfoot to an elementary school with grades kindergarten through six.

<sup>4</sup> Net redistribution of students for Erwine include kindergartners, first, and second graders from Cottage Grove; first, second, third, and fourth graders from Lakeview and Turkeyfoot; transferring seventh grade students to Coventry Junior High to convert Erwine to an elementary school with grades kindergarten through six.

<sup>5</sup> Net redistribution of students for Coventry Junior High includes seventh grade students from Erwine to convert Coventry Junior High to grades seven through nine.



As indicated by **Table 4-8**, the adjusted building utilization rates for the elementary schools are close to the targeted capacity of 85 percent. While the adjusted building utilization rate is higher than the target rate for the junior high school, this could be controlled through open enrollment limitations in future school years as discussed in the **financial** section of this report. Furthermore, closing Lakeview Elementary would eliminate the need for further renovation or maintenance costs necessary to keep the facility operating as a school.

*Financial Implication:* The total cost savings for closing Lakeview Elementary would be approximately \$273,100. Based on Lakeview Elementary's FY 2001-02 facilities-related operational expenditures, Coventry LSD could save approximately \$57,800 in salary and benefit costs for 1.5 FTE custodians; \$176,400 in salary and benefits for the principal and administrative support for 4.7 FTEs (principal, clerical, library aide, and food service staff); \$34,300 annually in utility costs; and \$4,600 annually in maintenance contract expenditures if Lakeview Elementary is closed. Coventry LSD should not experience significant increases in transportation costs due to closing the Lakeview building because of the close proximity of the other school buildings and the recommendation to use transportation software as discussed in the **transportation** section of this report.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

### Facilities Financial Implications Summary

Recommendation	Annual Cost Savings
R4.8 Close Lakeview Elementary	\$273,100
R4.5 Adjusting temperature settings	\$67,000
<b>Total</b>	<b>\$340,100</b>

# Transportation

## Background

Coventry Local School District (Coventry LSD) provided transportation to 1,811 regular needs students in FY 2002 using District owned buses and payments-in-lieu of transportation. Coventry LSD provided transportation to public students attending schools in the District, as well as parochial and community students. The Board of Education (Board) adopted a formal transportation policy that states the District will provide transportation to any student, grades K-8, that 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. Therefore, the District's policy mirrors Ohio Revised Code 3327.01 – transportation of pupils.

The Board may create exceptions to its established transportation policy when required. Examples include when walking conditions to a school are extremely hazardous or when overcrowding causes students to be assigned to another building. The Board has determined nearly all the District is hazardous due to the lack of sidewalks and the need to cross four-lane roadways. Therefore, it is Coventry LSD's practice to transport nearly all its students. Open enrollment students must be present at an existing District bus stop to receive bus transportation. The majority of open enrollment students are transported by the District from two main open enrollment bus stops. In FY 2002, Coventry LSD transported 1,672 regular needs students, of which 281, or 16.8 percent, were open enrollment students (see the **finance section** for additional information on open enrollment.)

**Table 5-1** identifies the total riders of Coventry LSD and peer districts used for comparison purposes in this performance audit.

**Table 5-1: Total Regular Needs and Special Needs Riders**

<b>FY-2002</b>	<b>Coventry LSD</b>	<b>Crestview LSD</b>	<b>Field LSD</b>	<b>Lakeview LSD</b>	<b>Peer Average</b>
<b>Public Riders</b>	1,672	1,269	1,998	1,554	1,607
<b>Non-public Riders</b>	133	32	155	72	86
<b>Community School Riders</b>	6	0	0	0	0
<b>Total Regular Needs Riders</b>	<b>1,811</b>	<b>1,301</b>	<b>2,153</b>	<b>1,626</b>	<b>1,693</b>
<b>Total Special Needs Riders</b>	43	6	33	0	13
<b>Total All Riders<sup>1</sup></b>	<b>1,854</b>	<b>1,307</b>	<b>2,186</b>	<b>1,626</b>	<b>1,706</b>

Source: Districts' T-1 and T-11 Forms

<sup>1</sup>Includes students provided with payment-in-lieu of transportation.

### Organizational Structure and Function

The transportation coordinator oversees general transportation department operations. However, the coordinator's position does not carry any supervisory responsibilities. The transportation coordinator, mechanic, bus drivers and bus aides are responsible directly to the superintendent. An additional one-half full-time equivalent (FTE) mechanic is employed to assist the mechanic who maintains the bus fleet and five other District vehicles. **Table 5-2** displays Coventry LSD's transportation department staffing levels in comparison to the peer districts.

**Table 5-2: Transportation Department Staffing Levels FY 2002**

Staffing	Coventry LSD		Crestview LSD		Field LSD		Lakeview LSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
<b>Supervisor/Coordinator</b>	1.0	0.8	1.0	0.7	1.0	0.1	1.0	1.0	1.0	0.6
<b>Bus Drivers</b>	22.0	11.4	18.0	9.0	30.0	18.1	20.0	10.1	22.7	12.4
<b>Mechanics/Assistants</b>	2.0	1.5	1.0	1.3	4.0	2.1	2.0	2.0	1.7	1.8
<b>Secretary</b>	1.0	0.3	1.0	0.1	1.0	0.5	0.0	0.0	0.7	0.2
<b>Total</b>	<b>26.0</b>	<b>13.9</b>	<b>21.0</b>	<b>11.1</b>	<b>36.0</b>	<b>20.8</b>	<b>23.0</b>	<b>13.1</b>	<b>26.7</b>	<b>15.0</b>
<b>Total Number of Students Transported</b>	1,841 <sup>1</sup>		1,299 <sup>2</sup>		2,140 <sup>3</sup>		1,616 <sup>4</sup>		1,685	
<b>Students Transported per Bus Driver FTE</b>	162		144		118		160		112	
<b>Students Transported per Total FTE</b>	133		117		103		123		115	

Source: Districts' T-1, T-2 and T-11 Forms, District transportation departments

<sup>1</sup> Does not include 13 students who received payment-in-lieu of transportation and one special needs student transported on a contracted yellow bus.

<sup>2</sup> Does not include eight students who received payment-in-lieu of transportation.

<sup>3</sup> Does not include 25 students transported by another school district and 21 students who received payment-in-lieu of transportation.

<sup>4</sup> Does not include 10 students who received payment-in-lieu of transportation.

**Table 5-2** indicates that Coventry LSD's number of students transported per bus driver FTE and total FTE is higher than each of the peers. Based on this, Coventry LSD's transportation department is adequately staffed.

### Operational Statistics

In FY 2002, Coventry LSD used a fleet of 21 active and 5 spare buses to provide transportation to its regular and special needs students attending public, non-public and community schools. Eighteen buses were used to transport regular needs students, two buses were used for both regular and special needs students and one bus was used exclusively to transport special needs students. Coventry LSD transported 1,798 regular needs students, traveling approximately 188,100 miles. In addition, Coventry LSD provided 13 non-public students with payment-in lieu

of transportation. The total cost for regular needs student transportation was \$499,068, of which \$328,622 (65.8 percent) was reimbursed by the State.

The special needs transportation program at Coventry LSD transported 43 students in FY 2002 at a cost of \$112,610. Forty-two students were transported by District-owned buses that traveled a combined total of approximately 10,800 miles per year. A contract yellow bus was used to transport one special needs student to Lakeview Elementary for a cost of \$50,969. In total, Coventry LSD was reimbursed \$32,801 (20.1 percent) by the State for special needs transportation.

Overall, Coventry LSD transported 1,841 students on 21 buses which traveled approximately 198,900 miles in FY 2001-02. The total cost of the transportation program at Coventry LSD was \$611,678, of which 59 percent was reimbursed by the state. **Table 5-3** provides basic operating statistics and ratios for Coventry LSD and its peers.

**Table 5-3: Basic Operating Ratios and Statistics FY 2002**

	Coventry LSD	Crestview LSD	Field LSD	Lakeview LSD	Peer Average
<b>Operational Statistics:</b>					
Students Transported:					
- Regular needs students	1,811	1,301	2,153	1,626	1,693
- Special needs students	43	6	33	0	13
- Total	1,854	1,307	2,186	1,626	1,706
Miles traveled:					
- Regular needs students	188,100	167,670	258,660	203,220	209,850
- Miles per regular needs bus	9,405	9,315	12,933	10,161	10,803
Expenditures:					
- Regular needs students	\$499,068	\$503,687	\$786,282	\$594,772	\$628,247
- Special needs students	\$112,610	\$37,880	\$109,331	\$0	\$49,070
- Total	\$611,678	\$541,567	\$895,613	\$594,772	\$677,317
State reimbursements:					
- Regular needs students	\$328,622	\$256,528	\$443,994	\$357,339	\$352,620
- Special needs students	\$32,801	\$11,163	\$17,644	\$31,454	\$20,087
- Total	\$361,423	\$267,691	\$461,638	\$388,793	\$372,707
- Percentage of reimbursement	59%	49%	52%	65%	55%
- Bus purchase allowance	\$30,495	\$31,415	\$41,642	\$33,678	\$35,578
<b>Operational ratios:</b>					
Regular needs students – yellow bus:					
- Cost per mile	\$2.64	\$2.99	\$3.02	\$2.90	\$2.97
- Cost per bus	\$24,852	\$26,438	\$30,045	\$29,446	\$28,643
- Cost per student	\$276	\$388	\$366	\$371	\$375
- Students per bus	90	68	82	81	77
Special needs students – all methods:					
- Cost per student	\$2,619	\$6,313	\$3,313	\$0	\$3,209
School sites:					
- District	6	5	5	4	5
- Non-district	4	1	4	5	3
Square miles in the district	14	105	49	25	60
Active buses	21	19	26	20	22
Spare buses	5	8	7	6	7

**Source:** Districts' FY 2001-2002 Ohio Department of Education (ODE) T-Forms, ODE Website

As illustrated in **Table 5-3**, the District's cost per mile (\$2.64), cost per bus (\$24,852), cost per student (\$276) and special needs cost per student (\$2,619) were lower than each of the peers. As a result, Coventry appears to be providing efficient transportation services.

In FY 2002, Coventry LSD contracted with Laidlaw for \$50,969 to transport one special needs student to Lakeview Elementary School. The contract was necessary since Coventry LSD did not have a bus sized or equipped to transport the student. During that same time period, Coventry LSD was able to transport the remaining 42 special needs students for \$61,641, or \$1,468 per student. In November 2002, Coventry LSD purchased one special needs school bus for \$47,426, which eliminated the need for Laidlaw services. Based on the Laidlaw contract (\$50,969) and cost per special need student of \$1,468, Coventry LSD will save approximately \$49,500 annually by using its bus to transport the special needs student.

Although Coventry LSD overall compares favorably to the peer districts, several areas where the District could possibly reduce costs or improve operational efficiencies have been identified in this report (see **R5.1** and **R5.2**).

In addition to the analysis in this report, additional assessments were conducted on several areas within the transportation section which did not warrant changes or yield recommendations. These areas include the following:

- **Staffing:** Coventry LSD's transportation department seems to be adequately staffed (see **Table 5-2**).
- **Fuel procurement and distribution:** Coventry LSD purchases its fuel from the Community University Education Purchasing Association (CUE), thereby getting the benefits of volume bidding and purchasing.
- **Paid work hours per day for bus drivers:** Bus drivers are paid for the actual time worked including pre-trip inspections and washing assigned buses once a month. As defined in the labor agreement, the minimum time a bus driver is paid is two hours per route.
- **State reimbursement:** Coventry LSD seems to be appropriately reimbursed by ODE based on a review of filed state required transportation forms – T-1, T-2 and T-11 (see **Table 5-3**).

During the course of this audit, the Board took cost reduction action affecting transportation that included the following:

- Cancellation of busing to and from school for grades 9-12 (January 6, 2003);
- Cancellation of all private and community school busing determined to be impractical (January 6, 2003);

- Expansion of the distance for cluster busing stops (December 2, 2002); and
- Cancellation of field trips unless covered by funds other than the general fund expenditures not required in the curriculum (November 19, 2002).

In addition, the Board stated it may move from its present practice of transporting nearly all of its K through 8 students because of hazardous conditions, to abiding by its transportation policy which states the District will only transport students in grades K through 8 who live more than two miles from their assigned schools.



## Recommendations

**R5.1 Coventry LSD should consider the use of transportation routing software to better manage its transportation operations. Transportation routing software can be used to evaluate scheduling alternatives more efficiently. Examples include the ability to interactively update the student data base, minimize the number of vehicles while maximizing service, and run “what if” scenarios. Several alternative sets of runs and/or routes can be quickly produced and evaluated to optimize transportation routes and stay consistent with District policies.**

Coventry LSD uses historical route information and manually adjusts routes as required, which may result in some inefficiencies. For example, Coventry LSD was only able to reduce 1.5 routes and 7.3 bus driver hours from Board decisions to eliminate transportation for high school students and other private and community school busing deemed to be impractical. The District was not able to complete “what if” scenarios due to the lack of routing software and therefore, was unable to optimize its routing.

Discussions with transportation software companies revealed that school districts with approximately 1,000 students and/or at least 10 buses could benefit from transportation software. Transportation routing software also includes a module on redistricting which allows for assessment of student distribution when determining school attendance areas. This software can accurately tally and locate students living within any area of Coventry LSD and can simulate various school boundary changes which could assist in the closing/opening of schools. (See the **facilities section** concerning the closing of schools).

**Table 5-4** identifies the implications of selected increases in bus capacity levels.

**Table 5-4 Regular Needs Student per Bus Capacity Utilization Analysis**

Students per Bus <sup>1</sup>	Number of Buses	Potential Bus Reduction <sup>2</sup>	Annual Cost Savings
95	19	1	\$25,000
100	18	2	\$50,000
106	17	3	\$75,000
112	16	4	\$100,000

**Source:** Coventry LSD transportation department, AOS analysis

<sup>1</sup> Represents 85 percent of manufacturer’s seating capacity on buses.

<sup>2</sup> Based on FY 2002 1,798 regular needs students transported on District yellow buses.

**Table 5-4** shows that Coventry LSD could save approximately \$100,000 annually by reducing four buses. Previous performance audits have indicated that school districts using transportation software generally transport more students per bus. In addition, certain school districts using routing software transport more than 112 students per bus.

Although the District transports an average of 90 students per bus (see **Table 5-3**), Coventry LSD has the smallest district in area (14 square miles) when compared to the peer average (60 square miles). In addition, the District has the second lowest miles per regular needs bus (9,405) when compared to the peers. Based on the relatively small size of the District and lower ratio of miles per bus, Coventry may have the ability to reduce its bus fleet by using software to optimize routes.

*Financial Implication:* Purchase of transportation routing software would cost the District about \$21,000, with an annual maintenance fee of approximately \$3,200. The District could possibly decrease the cost of transportation routing software by encouraging its educational service center, Northeast Ohio Network for Educational Technology (NEONET), to negotiate a volume discount for its members. Tri-County Education Service Center charges its three district participants \$1,387 per district each year for their share of the annual maintenance agreement. Based on **Table 5-4**, cost savings of up to \$100,000, at \$25,000 per bus, could be achieved by reducing four buses. Therefore, net annual savings in the first year would be approximately \$75,800, and would average \$96,800 annually in subsequent years.

**R5.2 Coventry LSD should include bus replacement in its capital planning to anticipate costs over and above the bus purchase allowance granted by ODE. Included in this plan should be the number of buses to be replaced each fiscal year, along with the average age at the time of replacement and the estimated cost of replacement. Further, the District should investigate and analyze potential funding methods for bus purchases.**

The transportation department operates 26 buses including five spares, but does not consistently use operating statistics to review the age and condition of the bus fleet, such as the average bus age and the average mileage by model year.

There are no state guidelines for bus replacement. A general consensus among ODE, private bus contractors and school transportation departments is 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. Regardless of age or mileage, as long as a bus can pass inspection, a district may continue to use the bus for transportation. **Table 5-5** lists Coventry LSD's bus inventory.

**Table 5-5: Bus Fleet Analysis**

Model Year	Number of Buses by Seating Capacity			Average Bus Mileage June 30, 2002
	65	71	Total	
1980	1		1	139,930
1981	1		1	165,397
1982	2		2	147,577
1983	1		1	134,026
1986	2		2	204,602
1987		1	1	91,482
1988	2		2	142,924
1989	5		5	142,503
1990		1	1	123,664
1991	2		2	118,100
1993	2		2	154,207
1999	2		2	92,731
2001	4		4	10,780
<b>Total</b>	<b>24</b>	<b>2</b>	<b>26</b>	<b>120,401</b>

Source: Coventry LSD transportation department

The district has 16 of its 26 buses over 12 years of age, with only one bus over 200,000 miles. Additionally, all buses have passed required inspections. However, based on the regular and special needs average miles per active bus (9,471), three gasoline buses will surpass 150,000 miles and six diesel buses will exceed 200,000 miles within the next five years. Although four of these buses could be reduced by purchasing routing software (see **R5.1**), Coventry LSD would need to replace five buses during the next five years to meet the mileage replacement guidelines.

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, Coventry LSD was granted a \$30,495 bus purchase allowance. However, the cost of a new bus is between \$55,000 and \$60,000, thereby requiring the District to cover the difference of \$25,000 to \$30,000.

On November 15, 2000, the District borrowed \$220,000 to purchase four buses at a cost of \$223,200 to be repaid over five years. However, the District could not provide any documentation on how it was determined to purchase four buses or how its ODE bus purchase allowance impacted the purchase cost.

In addition to the current method of borrowing funds, another viable financing option could be to participate in the Ohio School Bus Pooled Financing Program. The program was created by the Ohio Association of School Business Officials and companies in the private sector. The program allows school districts to do the following:

- Finance school bus purchases over a 5-year to 10-year repayment period at the election of each school district;
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and
- Start immediately to begin replacing bus fleets without making a large lump sum capital outlay.

*Financial Implication:* Assuming that Coventry LSD reduced four buses closest to the \$200,000 or \$150,000 mileage guideline (see **R5.1**), Coventry would need to purchase one bus in FY 2005, three buses in FY 2006 and one bus in FY 2007. Considering the State purchase allowance, the approximate costs to the District would be \$30,000 in FY 2005, \$90,000 in FY 2006 and \$30,000 in FY 2007.

## Financial Implication Summary

The following table represents a summary of implementation costs, annual recurring costs and annual cost savings.

### Summary of Financial Implications

Recommendation	Implementation Costs (One-time)	Annual Recurring Costs	Annual Costs Savings
<b>R5.1 Purchase transportation software and reduce four school buses.</b>	\$21,000	\$3,200	\$100,000
<b>R5.2 Purchase one bus in FY 2005, three buses in FY 2006 and one bus in FY 2007.</b>	\$150,000		
<b>Total</b>	<b>\$171,000</b>	<b>\$3,200</b>	<b>\$100,000</b>

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