



**Auditor of State
Betty Montgomery**

**EAST LIVERPOOL
CITY SCHOOL DISTRICT
PERFORMANCE AUDIT**

MARCH 4, 2004



Auditor of State Betty Montgomery

To the Residents and Board of Education of the East Liverpool City School District:

On March 15, 2003, East Liverpool City School District (East Liverpool CSD) was placed in fiscal caution because of the possibility of ending the 2004 fiscal year in a deficit as well as the potential for deficits in future years. Because the District failed to submit a financial recovery plan to the Ohio Department of Education, East Liverpool CSD was declared to be in fiscal watch on September 29, 2003. East Liverpool CSD was subsequently placed in fiscal emergency on December 18, 2003, based on an analysis performed by my office. Pursuant to ORC §3316.031 and ORC §3316.042, my office initiated a performance audit of the East Liverpool CSD. 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 East Liverpool CSD in eliminating the conditions which brought about the declarations of fiscal caution, watch and emergency.

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

An executive summary has been prepared which includes the project history, a discussion of the fiscal caution, watch and emergency designations, a district overview, the objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to East Liverpool CSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 4, 2004

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Executive Summary

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 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 the 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. It may review any programs or areas of operation in which AOS believes that greater operational efficiencies or enhanced services can be achieved. The Ohio Department of Education (ODE) placed East Liverpool City School District (East Liverpool CSD) in fiscal caution on March 15, 2003 because of a certified operating deficit. However, based on an analysis performed by the Local Government Services Section of the AOS and considering that the District had not submitted to ODE a five-year forecast with a financial recovery plan, AOS declared East Liverpool CSD to be in a state of fiscal emergency on December 18, 2003.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit on East Liverpool CSD. Based on a review of East Liverpool CSD information and discussions with District officials, the following four functional areas were included in the performance audit:

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

District Overview

East Liverpool CSD is a largely urban school district in Columbiana County encompassing 10 square miles. In FY 2002-03, it had an ADM of 3,099 students and a total of 393.7 full-time equivalent (FTE) employees, including 145 regular teacher FTEs. East Liverpool CSD has six schools housed in five buildings: three elementary schools; an elementary and middle school (grades 6-8) in the same building; and a high school (grades 9-12), which also houses a comprehensive vocational education program.

In FY 2002-03, East Liverpool CSD met 5 of ODE's 22 academic performance standards, resulting in a designation of Academic Watch. This ranked East Liverpool CSD lowest compared to the three peer school districts used in this performance audit, which met an average of 10 performance standards. In addition, East Liverpool CSD had the highest operating cost per pupil of the peer districts in FY 2001-02. East Liverpool CSD's total per pupil operating expenses in FY 2001-02 were \$8,218 – approximately 14 percent higher than the peer average of \$7,227.

East Liverpool CSD is the only school district in Ohio to re-enter the state's school financial oversight program. It was first placed into fiscal watch in October 1996 after requiring a \$1.8 million state emergency operating loan. It was removed in April 2000 after repaying the loan and sustaining several consecutive years of positive fund balances. However, ODE determined that the District's FY 2002-03 five-year financial forecast was unreliable and not supported by sound assumptions. Consequently, AOS performance auditors worked with East Liverpool CSD's consultant, who has ODE experience, in developing a forecast for the District. The forecast projects a negative ending fund balance of approximately \$3.1 million in FY 2003-04, increasing to \$29.6 million by FY 2007-08, in the absence of significant increases in revenues or reductions in expenditures.

During the course of this performance audit, East Liverpool CSD has attempted to address its financial difficulties by reducing costs and shifting some grant funding to relieve pressure on the General Fund. However, given its financial outlook, East Liverpool CSD should consider implementing the recommendations in this performance audit to reduce projected deficits and avoid future financial difficulties. See **R2.9** and **Table 2-11** 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 balances.

Objectives & Methodology

The goal of the performance audit process is to assist East Liverpool CSD management in identifying cost savings, with the objective of eliminating conditions which brought about the initial declaration of fiscal caution. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. These recommendations comprise options that East Liverpool CSD should consider in its continuing efforts to stabilize its financial condition. A second objective of this performance audit is to perform an independent assessment of the school district's financial condition, including development of a framework for a financial recovery plan.

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 East Liverpool CSD, and requested information from selected peer districts. Mad River Local School District (Mad River LSD), Struthers City School District (Struthers CSD), and Washington Court House City School District (Washington Court House CSD) were identified

as peers based on comparable districts identified by ODE, a review of various demographic information, and input from East Liverpool CSD personnel. Best practice data was also used from ODE, the State Employment Relations Board (SERB), various other operating standards, and other Mahoning Valley school districts for additional comparisons. Numerous interviews and discussions were held at many levels at East Liverpool CSD 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 East Liverpool LSD. The following are key noteworthy accomplishments:

- East Liverpool CSD has worked with its Board of Education (the Board) to reduce costs by eliminating positions.
- East Liverpool CSD appears to be transporting students in an efficient manner. For instance, the District transports the highest number of students per bus when compared to the peer districts.
- East Liverpool CSD has installed energy-efficient equipment in its buildings and entered into agreements with utilities to purchase natural gas and electricity at reduced rates.
- East Liverpool CSD improved its ODE ranking from academic emergency in FY 2001-02 to academic watch in FY 2002-03.

Key Recommendations

The performance audit report and executive summary contain a number of recommendations pertaining to East Liverpool CSD. The following are key recommendations:

- East Liverpool CSD should analyze and use the proposed financial forecast outlined in **Table 2-11** to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. East Liverpool CSD should also consider implementing the recommendations in this performance audit to improve the District's current and future financial situation. In addition, East Liverpool CSD should update its five-year forecast on an ongoing basis as critical financial issues are addressed.
- East Liverpool CSD'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. In addition, the East Liverpool CSD treasurer should ensure that the notes and assumptions adequately reflect what is reported in the five-year forecast.

- East Liverpool CSD should implement procedures to make the Food Service Enterprise Fund self-supporting. The District should consider centralizing kitchens to reduce food service staffing and overtime, as well as increasing meal prices and actively promoting participation in federal meal programs. By centralizing food services, the District would save approximately \$149,600 annually in salaries, benefits and overtime costs. While increasing meal prices by \$0.35 for high school, \$0.30 for middle school, and \$0.25 for elementary school students would raise additional revenue of approximately \$89,300 annually, the revised meal prices would still be relatively low as compared to the peers.
- East Liverpool CSD should seek to control and limit salary increases in future contract negotiations, particularly since the performance audit's cost savings can not fully offset future projected deficits and considering the relatively high cost of living increases in previous collective bargaining agreements. By reducing annual cost of living increases from four percent to one percent in FY 2004-05 and FY 2005-06, and to two percent in FY 2006-07 and FY 2007-08, the District would avoid costs of approximately \$10.7 million during the forecasted period.
- East Liverpool CSD should reduce site-based administrative staffing levels in the supervisor/manager/director and/or coordinator categories by 4.0 FTEs, thereby saving approximately \$245,400 annually in salaries and benefits. This should be done by consolidating positions, reallocating duties, restructuring contract lengths and/or contracting out functions to agencies such as the Columbiana County Educational Service Center. For instance, 1.0 FTE administrative position could be reduced by consolidating the director of maintenance and director of operation positions into a new position, the director of facilities.
- East Liverpool CSD should consider reducing 5.0 FTE remedial specialist positions paid by local funds by taking part in the Columbiana County Career and Technical Center's virtual school for remedial services. As a result, the District would realize net annual savings of about \$231,000. If East Liverpool CSD reduced 5.0 FTEs, it would still have the lowest disadvantaged pupil to remedial specialist ratio of the peer districts.
- East Liverpool CSD should consider reducing up to 29.0 FTE regular education teaching positions. While reducing 29.0 FTEs would increase the student to teacher ratio to 20 to 1, it would still be well below the "good faith" levels in the collective bargaining agreement and maximum class size of 25 students per regular education teacher stipulated in OAC Section 3301-35-05(A)(3). Furthermore, the number of students per teacher could be less than 20 to 1 in future years, based on the projected decline in student enrollment (see the **facilities** section). Maximizing the teaching time of its secondary school instructors by reassigning supervision duties to lower-paid monitors would allow the District to reduce regular teacher

positions. By reducing 29.0 FTE regular education teaching positions, the District would save approximately \$1.7 million annually.

- Based on comparisons to OAC staffing requirements and peer staffing levels, East Liverpool CSD should consider reducing 7.0 FTE special education positions by consolidating classes and teacher assignments (e.g., having teachers serve multiple categories of children with disabilities, and both middle and high school students), as long as staffing levels remain within contract and state guidelines for each category of disability. Reducing 7.0 special education FTEs would result in estimated annual cost savings of \$382,200.
- East Liverpool CSD should consider reducing 5.0 FTE positions in its vocational education program by consolidating or eliminating underutilized programs, reallocating duties among teachers to increase productivity, and using state grant funding instead of relying on local dollars to pay for teachers. By reducing 5.0 FTE positions, the District would save approximately \$252,200 annually in its General Fund. If the District chooses to maintain its current number of vocational education programs, it should increase enrollment to qualify for additional state funding without adding internal staff.
- East Liverpool CSD should consider reductions of 4.0 FTEs within the educational service personnel (ESP) classification, which would save approximately \$253,600 annually in salaries and benefits. Classifications that should be reviewed for possible reduction include art teachers, music teachers, physical education teachers and librarian media specialists.
- During future contract negotiations, East Liverpool CSD should seek changes to its health insurance contract provisions. The District should pursue one or more of the following options: require all full-time employees to pay a portion of the monthly premium costs; reduce benefit levels, particularly in the classified plan; or join the County Schools Insurance Consortium. Making such changes could result in estimated annual cost savings of \$335,000.
- East Liverpool CSD should work with its legal counsel to address its ability to implement a reduction in force (RIF) and to determine if language within the certificated contract should be altered to ensure a RIF can be implemented when necessary. The District and its legal counsel should ensure that language in the certificated contract allows for a systematic staff reduction through non-renewal of limited contract teachers.
- Based on the capacity and utilization analysis, East Liverpool CSD should consider closing an elementary school building and reassigning students to the remaining schools, in addition to the planned closure of Westgate Elementary as part of the district-wide rebuilding project. Furthermore, enrollment trends should be closely monitored to ensure that renovation and classroom additions are needed. Closing an elementary school would result in estimated annual cost savings of \$263,800.

Additional Recommendations

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

Financial Systems

- The District should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program. The strategic plan should consider the District's current financial issues in the context of its operational goals.
- East Liverpool CSD should adjust the textbook and instructional set-aside projections for each year of the five year forecast and include a discussion of the set-asides in the forecast. Based on the original set-aside projections and requirements stipulated in OAC Section 3301-92-01, the District should increase the original transfer out projections for set-asides by approximately \$41,400 in FY 2003-04, \$37,300 in FY 2004-05, and \$33,800 in FY 2005-06, and decrease the projected set-asides by approximately \$16,800 and \$112,600 in FY 2006-07 and FY 2007-08, respectively.
- East Liverpool should develop internal controls for time and attendance, and payroll to ensure appropriate and accurate reporting, and substantiate the payments of salaries and related benefits. A manual system should be implemented immediately. In the future, when the District can afford the cost, it should invest in automated time and attendance payroll system.
- East Liverpool CSD should closely examine spending patterns in **Tables 2-5** and **2-7** of the performance audit and the cost reductions recommended in the **human resource, facilities, and transportation sections** of this report. The District should consider reallocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the students' educational performance and proficiency test results.

Human Resources

- East Liverpool CSD should consider reducing 3.0 FTE teaching positions by contracting with the Columbiana County Educational Service Center (CCESC) for instructors in its gifted and talented program. Doing so would save approximately \$60,300 annually.
- East Liverpool CSD should eliminate its Adult Basic Education and Literacy/General Equivalency Diploma (ABLE/GED) program due to its duplication of a program already

offered by the Columbiana County Career and Technical Center in East Liverpool. This would allow the District to reduce 2.0 FTEs, saving approximately \$82,000 annually.

- East Liverpool should reduce 3.0 FTE clerical positions to achieve the peer average clerical staff per 1,000 students, thus saving approximately \$95,100 annually in salaries and benefits. Since East Liverpool CSD has clerical staffing levels at the school building level that are comparable to the peers, the District should focus these reductions within its central office.
- East Liverpool CSD should pay for its crossing guards, to the maximum extent possible, through its federal Safe and Drug Free Schools (SDFS) grant to relieve the burden on the General Fund by approximately \$12,800 annually. The District should also analyze the potential to reduce crossing guards without impacting the safety of its students once elementary students are transferred from the Westgate facility as a result of the renovation project. The District would save approximately \$31,000 annually by reducing three crossing guards from the Westgate facility, when students are relocated during the renovation project. Closing an elementary building would also allow the District to reduce crossing guards. Finally, the District should ask the city of East Liverpool to reassume at least a portion of the funding associated with crossing guard positions.
- East Liverpool CSD should strengthen its employee policy to ensure proper use of sick leave. It should establish guidelines for potential “patterns of abuse” to help department managers in controlling excessive sick leave. Also, supervisors should actively promote the current attendance incentive to encourage employees to reduce the number of sick leave days used. If East Liverpool CSD could reduce the number of sick leave days to the peer average, it could save approximately \$48,500 in annual substitute costs.
- East Liverpool CSD should seek to competitively bid its dental insurance coverage, or apply to the Columbiana County School Insurance Consortium. It might also consider requiring employee contributions to dental premium costs, reducing plan benefits, and/or prohibiting staff married to one another from carrying two separate dental family policies, each paid at District expense. By reducing premium costs and eliminating the ability of married couples to carry two family dental policies, East Liverpool CSD could save approximately \$58,000 annually.
- East Liverpool CSD should negotiate to eliminate payment of health insurance opt-out payments to District staff married to one another, which would save approximately \$22,000 annually. These incentive payments are unnecessary and redundant if an employee is under his or her spouse’s family coverage through the District.
- East Liverpool CSD should seek to gain more flexibility in collective bargaining agreements to address increasing health insurance costs during the life of the agreement. This could be done by either empowering a labor-management insurance committee to adopt plan changes

throughout the agreement term or by negotiating a limited clause that would reopen negotiations limited to health insurance, if premium costs increase by more than a certain percentage. Moreover, East Liverpool CSD should continuously engage its classified and certificated staff through labor-management committees.

- East Liverpool CSD should consider setting life insurance coverage according to the rate of pay, categorizing levels of coverage according to hours worked or paying a flat amount for all categories of employees. East Liverpool CSD should also attempt to reduce the cost it pays for life insurance by seeking price quotes or bidding out coverage. If East Liverpool CSD achieved the peer average life insurance premium costs, it could save approximately \$16,000 annually based on current plan usage.
- East Liverpool CSD should negotiate to eliminate or restrict the \$10,000 retirement incentive bonus for certificated staff, given the program's ineffectiveness in inducing significant staff retirement. Based on the average number of retirements the past three years, eliminating this incentive would save an estimated \$70,000 annually.

Facilities

- The District should transfer 2.0 FTE custodial positions to the maintenance department. Doing so would ensure proper upkeep of the facilities after the OSFC renovations.
- East Liverpool CSD should establish a policy and procedures manual for the custodial and maintenance departments. This would ensure that custodial and maintenance employees are following established guidelines. Additionally, East Liverpool CSD should conduct an annual performance evaluation for each custodial and maintenance staff employee.
- East Liverpool CSD should purchase a comprehensive work order system. The system should allow the District to track work orders, materials used, personnel information, and productivity statistics. It should include capabilities for users in any building to initiate work order requests and check status. A commonly used, Internet-based work order system would cost approximately \$2,000 for a one-year subscription; \$3,500 for two years; and \$4,250 for three years.
- East Liverpool CSD should establish a preventive maintenance program that addresses all building maintenance functions including routine, cyclical, and planned activities. It should also develop a five-year capital improvement plan that is updated on an annual basis to ensure critical repair work or equipment replacement is completed as funds become available.
- East Liverpool CSD should establish written bidding procedures for routine and significant purchases of custodial and maintenance goods and services. In addition, the District should

ensure that all departments are following Ohio Revised Code (ORC) §3313.46 as it relates to soliciting bids and awarding contracts.

- East Liverpool CSD should develop five-year enrollment projections. As variable factors change, the District should review enrollment assumptions and update the projections on a yearly basis. East Liverpool CSD should also review building capacity and utilization periodically, in conjunction with enrollment projections, to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations. The District should adopt a methodology that accounts for its needs, educational programs, and philosophy.

Transportation

- East Liverpool CSD should revise its process for the purchase of fuel for District vehicles. The District should contract with a fuel consortium or seek bids from local commercial vendors for reduced fuel prices, thereby saving approximately \$6,000 annually in fuel costs.
- East Liverpool CSD should explore options to lower special needs transportation costs by promoting parent/guardian contracts and/or establishing agreements with neighboring school districts that may have compatible bus runs for its special needs students. By establishing additional parent/guardian, the District could realize estimated annual cost savings of \$6,000 in special needs transportation costs.
- East Liverpool CSD should draft and approve a bus replacement plan describing its strategy for bus procurement in future years. In addition, East Liverpool CSD should only plan to purchase three buses during the forecast period, which can be fully funded through ODE's bus purchase allowances.
- East Liverpool CSD should create formal written procedures for the appropriate allocation of costs associated with transportation for extra-curricular activities. These procedures should include the criteria for billing at different rates and for total hours of service. These procedures should improve financial reporting by allowing the District to capture the full program costs associated with transportation for extra-curricular activities.

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 East Liverpool CSD should consider. Many of the recommendations are dependent on labor negotiations or labor agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref No.	Recommendations from all Sections	Estimated Annual Cost Savings	Estimated Annual Revenue Enhancement	Estimated Annual Costs
	<i>Financial Systems</i>			
R2.3	Adjust textbook set aside projections	\$3,400 ¹		
R2.7	Reduce food service staff and increase meal prices	\$149,600 ²	\$89,300 ²	
R2.8	Limit cost of living increases	\$2,686,000 ³		
	<i>Human Resources</i>			
R3.1	Reduce three site-based administrators	\$184,000		
R3.2	Reduce five remedial teaching positions	\$231,000		
R3.3	Reduce up to 29 regular education teaching positions	\$1,708,000		
R3.4	Reduce three gifted/talented teaching positions	\$60,300		
R3.5	Reduce seven special education teaching positions	\$382,200		
R3.6	Reduce five voc-educational teaching positions	\$252,200		
R3.7	Reduce four educational service personnel positions	\$253,600		
R3.8	Contract with CCCTC for the ABLE/GED program	\$82,000		
R3.9	Reduce public relations position	\$33,000		
R3.10	Reduce three clerical positions	\$95,100		
R3.11	Fund crossing guards partially through grants	\$12,800		
R3.11	Reduce four crossing guard positions	\$31,000 ⁴		
R3.12	Implement policy to reduce sick leave usage	\$48,500		
R3.13	Require employee contributions as a percentage of premiums	\$335,000		
R3.14	Eliminate insurance opt-out payments to certificated staff married to district employees	\$22,000		
R3.16	Reduce dental premium costs and eliminate ability of staff married to one another to carry two family dental policies	\$58,000		
R3.17	Reduce life insurance premium costs	\$16,000		
R3.18	Eliminate retirement incentive for certificated staff	\$70,000		

<i>Facilities</i>				
R4.1	Combine directors' positions	\$61,400		
R4.4	Purchase work order system			\$2,000
R4.10	Close elementary school	\$263,800		
R4.10	Sell four modular units	\$10,000	\$20,000 ⁵	
<i>Transportation</i>				
R5.3	Develop bidding procedures for fuel procurement	\$6,000		
R5.5	Explore options to reduce special needs transportation costs	\$6,000		
Total Financial Implications		\$7,060,900	\$109,300	\$2,000

Source: Performance audit: **financial systems, human resources, facilities,** and **transportation** sections.

¹ Represents annual average change over the forecasted period.

² Since this impacts the food service fund, it is not included in the recovery plan for the General Fund (see **Table 2-11** in **financial systems**).

³ Represents annual average savings over the forecasted period.

⁴ Savings would not be realized until 2007-08 when Westgate Elementary closes.

⁵ Represents annual average savings over five years. Total one-time revenue enhancement is approximately \$100,000.

The financial implications summarized above are presented on an individual basis for each recommendation. The magnitude of cost savings associated with some of the recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, 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

Background

This section focuses on the financial systems within the East Liverpool City School District (East Liverpool CSD). The objective is to analyze the current financial condition of East Liverpool CSD and develop recommendations for improvements and efficiencies. Comparisons will be made throughout the report to the following peer school districts: Mad River Local School District (Mad River LSD), Struthers City School District (Struthers CSD), and Washington Court House City School District (Washington Court House CSD).

The Auditor of State (AOS) recommended the establishment of fiscal watch and emergency laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility, and technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316.03 establishes fiscal watch and emergency laws for Ohio school districts, while ORC § 3316.031 addresses conditions and procedures for declaring fiscal caution. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

The Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices that could lead to financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consults with the school district board of education. The school board is then required to provide a written proposal to ODE to correct the fiscal deficiencies and ODE may go on-site to provide technical assistance. Further examination by ODE and AOS that identifies potential problems can initiate fiscal caution status. On March 15, 2003, ODE placed East Liverpool CSD in fiscal caution because of a certified operating deficit. On September 29, 2003, AOS declared the District in a state of fiscal watch because it had not submitted to ODE a five-year forecast with a financial recovery plan. On December 8, 2003, ODE notified AOS that East Liverpool CSD had failed to submit a financial recovery plan delineating the steps the Board of Education would take to eliminate the District's operating deficit and avoid incurring operating deficits in the ensuing years. Therefore, on December 18, 2003, AOS declared East Liverpool CSD to be in a state of fiscal emergency.

Financial Operations

Table 2-1 shows selected discretionary expenditures at East Liverpool CSD and peers, as a percentage of total General Fund expenditures for FY 2001-02.

Table 2-1: Discretionary Expenditures FY 2001-02

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Prof. and Technical Service	1.7%	0.8%	0.9%	1.0%	0.9%
Property Services	1.2%	1.0%	1.8%	1.2%	1.3%
Mileage/Meeting Expense	0.2%	0.3%	0.1%	0.2%	0.2%
Communications	0.2%	0.4%	0.5%	0.8%	0.5%
Contract, Craft or Trade Service	0.0%	0.1%	0.0%	0.0%	0.1%
Pupil Transportations	0.0%	0.0%	0.7%	0.0%	0.2%
Other Purchased Service	0.0%	0.0%	0.0%	1.1%	0.3%
General Supplies	0.9%	1.0%	1.3%	1.8%	1.3%
Textbooks/Reference Materials	2.3%	1.0%	1.4%	0.6%	1.0%
Supplies & Materials for Resale	0.0%	0.0%	0.0%	0.0%	0.0%
Food & Related Supplies/Mat	0.0%	0.0%	0.0%	0.0%	0.0%
Plant Maintenance and Repair	0.3%	0.3%	0.1%	0.8%	0.4%
Fleet Maintenance and Repair	0.4%	0.5%	0.1%	0.4%	0.4%
Other Supplies & Materials	0.0%	0.0%	0.0%	0.0%	0.0%
Land, Building & Improvements	0.0%	0.0%	0.0%	2.6%	0.7%
Equipment	0.7%	1.2%	0.4%	0.7%	0.9%
Buses/Vehicles	0.4%	0.6%	0.8%	0.7%	0.7%
Other Capital Outlay	0.0%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	1.0%	6.4%	0.9%	3.3%	4.2%
Insurance	0.2%	0.1%	0.1%	0.0%	0.0%
Awards and Prizes	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%	0.1%	0.0%
Total	9.7%	13.8%	9.0%	15.3%	13.0%

Source: FY 2001-02 4502 Report, Statements A and P

Note: Textbook/Reference Material account includes all textbook funds.

As shown in **Table 2-1**, East Liverpool CSD’s percentage of total discretionary spending (9.7 percent) is below the peer average (13 percent) by approximately 25 percent. East Liverpool CSD has effectively controlled its discretionary spending by closely monitoring expenditures. In FY 2001-02, expenditures for professional and technical services exceeded the peer average due to security costs incurred because the Board of Education had requested 24 hour armed security for the former Superintendent. The current Superintendent indicated that security services will be reduced. Textbooks and reference materials exceeded the peer average due to the District

purchasing textbooks on a biannual basis. All other expenditures were either similar to or below the peer averages.

Table 2-2 presents the District's five-year forecast, which was developed by a consultant for East Liverpool CSD who has Ohio Department of Education experience and with input from AOS. AOS reviewed assumptions developed by the consultant that have a significant impact on East Liverpool CSD's financial recovery, such as tax revenue, unrestricted grants in aid, and salaries and benefits. Where appropriate, changes were made to the consultant's assumptions to present more reliable projections of future revenues and expenditures. Revenues and expenditures do not reflect changes that may result from the Permanent Improvement Plan through the Ohio School Facilities Commission project because the project is in the early stages of implementation. 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 four years of comparative historical information, general assumptions and explanatory comments.

Table 2-2: East Liverpool City School District Forecast (000)s

	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008
Real Estate Property Tax	\$3,509	\$3,374	\$3,333	\$3,403	\$3,441	\$3,631	\$3,823	\$3,842	\$3,861
Tangible Personal Property Tax	\$724	\$808	\$726	\$655	\$690	\$735	\$759	\$748	\$737
Unrestricted Grants-in-Aid	\$13,328	\$13,596	\$14,024	\$13,880	\$15,103	\$15,393	\$15,701	\$16,015	\$16,335
Restricted Grants-in-Aid	\$931	\$1,092	\$1,703	\$2,578	\$1,499	\$1,541	\$1,572	\$1,603	\$1,635
Property Tax Allocation	\$523	\$475	\$501	\$515	\$517	\$517	\$520	\$525	\$530
Other Revenues	\$353	\$1,228	\$604	\$287	\$485	\$490	\$495	\$500	\$505
Total Operating Revenues	\$19,367	\$20,573	\$20,892	\$21,318	\$21,735	\$22,307	\$22,869	\$23,233	\$23,603
Salaries & Wages	\$12,422	\$13,263	\$13,767	\$14,731	\$15,740	\$16,912	\$18,174	\$19,531	\$20,991
Fringe Benefits	\$4,173	\$4,725	\$5,084	\$5,352	\$5,963	\$6,653	\$7,435	\$8,321	\$9,326
Purchased Services	\$1,315	\$1,297	\$1,306	\$1,364	\$1,407	\$1,435	\$1,464	\$1,493	\$1,523
Supplies, Materials & Textbooks	\$617	\$464	\$386	\$440	\$405	\$417	\$430	\$443	\$456
Capital Outlay	\$212	\$264	\$254	\$46	\$30	\$30	\$30	\$30	\$30
Other Expenditures	\$470	\$253	\$270	\$378	\$286	\$298	\$309	\$322	\$335
Total Operating Expenditures	\$19,209	\$20,266	\$21,067	\$22,312	\$23,831	\$25,746	\$27,842	\$30,139	\$32,660
Ohio Solvency Assistance Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Transfers In	\$240	\$193	\$432	\$0	\$0	\$0	\$0	\$0	\$0
Advances In	\$127	\$49	\$37	\$183	\$75	\$75	\$75	\$75	\$75
Other Financing Sources (Uses)	\$14	\$240	\$13	\$29	\$5	\$5	\$5	\$5	\$5
Operating Transfers Out	(\$809)	(\$933)	(\$991)	(\$561)	(\$520)	(\$525)	(\$535)	(\$545)	(\$555)
Advances Out	\$0	(\$137)	(\$189)	\$0	(\$75)	(\$75)	(\$75)	(\$75)	(\$75)
Net Financing Result of Operations (Net)	(\$428)	(\$587)	(\$699)	(\$350)	(\$515)	(\$520)	(\$530)	(\$540)	(\$550)
Beginning Cash Balance	\$2,471	\$2,201	\$1,920	\$1,046	(\$298)	(\$2,910)	(\$6,868)	(\$12,371)	(\$19,817)
Ending Cash Balance	\$2,201	\$1,920	\$1,046	(\$298)	(\$2,910)	(\$6,868)	(\$12,371)	(\$19,817)	(\$29,424)
Outstanding Encumbrances	(\$297)	(\$318)	(\$130)	(\$270)	(\$165)	(\$175)	(\$185)	(\$190)	(\$200)
Ending Fund Balance	\$1,903	\$1,602	\$916	(\$568)	(\$3,075)	(\$7,043)	(\$12,556)	(\$20,007)	(\$29,624)

Source: East Liverpool CSD’s Treasurer, Consultant, and AOS as of May 2003, and updated in October 2003 with FY 2002 actual expenditures.

Note: Due to timing of this performance audit, **Table 2-2** does not completely reconcile to the certification for FY 2003-04 made by the Local Government Services Section (LGS) of the AOS on December 18, 2003. In addition to differences in accounting for certain items (e.g., open enrollment), LGS’s certification includes the savings related to the District’s decision to not fill six teacher positions. Furthermore, LGS does not forecast COLA increases for classified staff because the District and classified bargaining unit are currently in negotiations.

The financial projection in **Table 2-2** presents the expected revenues, expenditures and fund balances of the General Fund for each of the fiscal years including June 30, 2004 through June 30, 2008, with historical information presented for the fiscal years ended June 30, 2000, 2001, 2002, and 2003. East Liverpool CSD completed FY 2002-03 with a negative fund balance of approximately \$568,000. By FY 2008, East Liverpool CSD is forecasted to have negative fund balance of approximately \$29.6 million.

The assumptions disclosed herein have been developed by the District's consultant, tested and reviewed by AOS, and are based on information obtained from East Liverpool CSD. 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 often be differences between projected and actual results.

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

Revenues

- **Real Estate Property Tax:** According to the Columbiana County Auditor's Office, the county will have a reappraisal in calendar year 2004 which will increase real estate taxes by about 10 percent. The effect of the 10 percent increase has been included in the forecast to reflect the timing of the collections. Furthermore, the County Auditor estimates 0.5 percent increases in real estate property taxes for FYs 2006-07 and 2007-08, which is consistent with historical results (FY 2001 to FY 2003). East Liverpool CSD has a 6.7 mill emergency levy that expires in FY 2005-06 that generates \$1,060,000 annually. It is assumed the levy will be renewed.
- **Tangible Personal Property Tax** projections are based on the County Auditor Office's estimates, which are based on historical trends. For instance, tangible personal property tax revenue is projected to decrease in FY 2006-07 and FY 2007-08, which appears to be based on the actual decreases in FY 2001-02 and FY 2002-03.
- **Unrestricted grants-in-aid (State)** for FY 2003-04 and FY 2004-05 are based on ODE simulations as of October 15, 2002 and its recommendation to adjust the calculations based on the actions of state government budget reductions. The standard increase suggested by ODE is 2.8 percent per year. However, for FY 2005-06 through FY 2007-08, the increase is forecasted at two percent each year in anticipation of declining enrollment. The considerable increase for FY 2003-04 is due to the reclassification of parity aid to unrestricted grants-in-aid.
- **Restricted grants-in-aid** include career tech, DPIA, and parity aid. House Bill (HB) 95, effective June 26, 2003, eliminated the requirements in ORC § 3302.041 that school districts spend their parity aid on specific activities and that the payments be aimed at strategies

included in their improvement plans. Parity aid can be used to meet textbook and instructional materials, and capital and maintenance by using the SB 345 or HB 412 method and pursuant to ORC §§ 3315.17 and 3315.18. Parity aid began in FY 2001-02 with the District receiving \$127,481. The District's parity aid for FY 2002-03 was \$992,264, contributing to the significant increase in restricted grants-in-aid in FY 2002-03. ODE estimated parity aid for FY 2003-04 at approximately \$1.5 million, which is reclassified to unrestricted grants-in-aid from FY 2003-04 through 2007-08. The consultant is forecasting modest increases of 2.0 percent for FYs 2005-06, 2006-07 and 2007-08, respectively, which appears to be appropriate since parity aid accounted for the majority of the significant increases in the past.

- **Property Tax Allocation** is estimated by the County Auditor to remain relatively stable, although actual revenue fluctuated in historical years. However, the actual property tax allocation received in FY 1999-00 is comparable to FY 2002-03.
- **Other revenues:** Midland School District, Pennsylvania did not pay tuition in FY 1999-00 and instead paid for two years of tuition costs in FY 2000-01, contributing to the other revenues being significantly higher in FY 2000-01. Midland tuition revenues have been included in the budget for FY 2003-04 through 2007-08. Furthermore, two grant funds were erroneously entered into the General Fund in FY 2001-02, thereby causing a reduction in other revenue for FY 2002-03. Since the contract with Midland comprises the majority of this category, other revenues are projected to increase minimally in the future.

Expenditures

- **Salaries and wages:** For FY 2003-04, salaries are projected based on FY 2002-03 adjustments that account for certain salaries being charged to incorrect funds and grant funds being used to support appropriate salaries. For FY 2003-04 through FY 2007-08, the projections include annual two percent step increases. In addition, AOS included a four percent cost of living increase from FY 2003-04 to FY 2007-08, based on previous collective bargaining agreements. The forecast also includes costs for attendance stipends, insurance waivers, professional growth stipends, extra-curricular pay, retention bonuses, and longevity pay.
- **Fringe Benefits:** AOS projects health care costs to increase 15 percent annually, as reported by SERB, from FY 2003-04 to FY 2007-08. All other benefits, which include retirement, worker's compensation, and unemployment, are projected to increase at the same rate as salaries.

- **Purchased Services** for FY 2003-04 are projected to increase three percent from the prior year to account for a one-time occurrence of increased legal and security services. The consultant forecasted annual increases of two percent for FY 2004-05 through FY 2007-08 in anticipation of reduced legal and security expenses.
- **Supplies, Materials, and Textbooks** for FY 2003-04 through 2007-08 are based on initial projected expenditures for FY 2002-03, with an increase of three percent over prior years. The consultant was originally projecting expenditures for FY 2002-03 at approximately \$392,000, based on actual expenditures to date. However, during the course of this performance audit, actual expenditures for FY 2002-03 were obtained which showed that expenditures for supplies, materials and textbooks were approximately \$440,000, which is 12.2 percent higher than the initial projection (see **R2.1**).
- **Capital Outlay** is estimated at minimal amounts for emergency needs from FY 2003-04 through FY 2007-08. Large capital expenditures are assumed to be included in the Ohio School Facilities Project costs.
- **Other Expenditures** increased 6.5 percent from FY 2000-01 to FY 2001-02 and 41 percent from FY 2001-02 to FY 2002-03. FY 2002-03 had an unusually high increase in dues and fees for administrative support services and fiscal services related to journal adjustments and corrections. Therefore, the consultant's projection for FY 2003-04 reflects a return to an average increase based on years prior to FY 2002-03. Additionally, the consultant is projecting other expenditures to increase by four percent annually from FY 2004-05 through FY 2007-08.
- **Transfers In** is forecasted at zero by the consultant because the majority of the transfers into the General Fund in prior years were from grants or other funds, which should have been accounted for in other appropriate funds.
- **Advances In and Out** are based on the consultant's calculations and adjustments. FY 2002-03 reflects the return of grant advances of \$182,893 from prior years. To cover potential deficits in other funds, the consultant is projecting \$75,000 to be advanced from the General Fund. It is assumed Advances-Out would be returned in the next fiscal year as Advances-In.
- **Operating Transfers Out** is based on the consultant's calculations and adjustments. FY 2002-03 consists of the required set aside for textbooks and instructional material including a deficit of \$31,020 for FY 2001-02, and the HB 264 Honeywell loan payment for energy conservation pursuant to ORC Chapters 133 and 3313. **Table 2-3** shows East Liverpool CSD's debt service from the General Fund, which is shown as a transfer out in **Table 2-2**.

Table 2-3: Debt Service - General Fund

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
H.B. 264 (Honeywell Note 5%) Principal	\$47,148	\$82,383	\$86,598	\$91,028	\$95,686	\$100,581	\$25,838
H.B. 264 (Honeywell Note 5%) Interest	\$57,475	\$22,240	\$18,025	\$13,595	\$8,937	\$404	\$215
Total Debt Service - General Fund	\$104,623	\$104,623	\$104,623	\$104,623	\$104,623	\$100,985	\$26,053

Source: AOS East Liverpool Financial Audit July 1, 1999 – June 30, 2000, FY 2002 4502 Schedule M.

As indicated in **Table 2-3**, the total amount of debt supported by the General Fund is projected to be \$104,623 from FY 2003-04 to FY 2005-06, and subsequently decreasing to \$100,985 and \$26,053 in FY 2006-07 and FY 2007-08, respectively. The consultant is projecting set-asides for textbooks and instructional materials to comprise the remainder of the transfers out of the General Fund, amounting to approximately \$415,000 in FY 2003-04, \$420,000 in FY 2004-05, \$430,000 in FY 2005-06, \$444,000 in FY 2006-07, and \$529,000 in FY 2007-08 (see **R2.3**). East Liverpool CSD transfers out set-asides for textbook and instructional expenditures from the General Fund to a separate fund and accounts for all allowable expenditures related to these set-asides in that other fund.

- **Outstanding Encumbrances** were estimated by the consultant based on FY 2001-02 levels, with modest increases of approximately \$5,000 to \$10,000 annually from FY 2003-04 to FY 2007-08. However, the actual encumbrances of \$270,000 for FY 2002-03 were higher than the initial projection of \$150,000 (see **R2.1**).

In addition to the analyses presented in this report, capital set-aside requirements were reviewed to ensure compliance with Ohio Administrative Code (OAC) § 3301-92-02. Based on historical capital expenditures, the District is projected to comply with OAC Section 3301.92 without having to set aside additional funds during the forecasted period.

General Recommendations

Financial Forecast & Planning

R2.1 East Liverpool CSD’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. In addition, the East Liverpool CSD treasurer should ensure that the notes and assumptions adequately reflect what is reported in the five-year forecast. By providing more detail in the forecast and its supporting notes, the Board of Education (the Board) and the public will better understand the financial condition of the District. Furthermore, the District should periodically monitor projections and expenditures to effectively control and limit spending, and ensure projections are accurate and reliable.

A forecast is a management tool developed by the treasurer with the assistance of other management personnel within the school district. Assumptions are informed estimates developed by 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 as the assumptions and conditions change. Although East Liverpool CSD includes some 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, supplies and textbooks, other expenditures, and specific amounts 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 grants, set-asides, food service, and athletics.

Moreover, the actual expenditures in FY 2002-03 for encumbrances, and supplies, materials and textbooks were 12 percent and 80 percent higher, respectively, than the original projections. By periodically monitoring projections and expenditures, the District would be better able to ensure that spending is limited and controlled, and projections are accurate and reliable.

R2.2 East Liverpool CSD does not currently have a long-range strategic plan. While the District has a continuous improvement plan (CIP) to address academic goals, it does not have a centralized plan which links academic goals to its financial condition and other external events that may affect those goals. The District should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program. The strategic plan should consider the District's current financial issues in the context of its operational goals.

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

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

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

- Changes in the local, regional, or national economic environment; and
- Factors unique to the organization, including partners' and suppliers' needs, strengths, and weakness.

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

R2.3 East Liverpool CSD should adjust the textbook and instructional set-aside projections for each year of the five year forecast and include a discussion of the set-asides in the forecast. As part of the District's annual financial report, a supplemental schedule should be prepared to demonstrate compliance with the set-asides.

To ensure funding for textbooks and instructional materials, OAC Section 3301.92.01 requires schools to annually set aside resources for these requirements. Allowable expenditures to fulfill the set-aside requirements include textbooks, instructional software, instructional materials, supplies, and instructional equipment.

While House Bill (HB) 412's set-aside requirement is based on prior year's base revenue, SB 345 allows districts to use student population multiplied by the base foundation cost per pupil of the prior year. ORC § 3315.19 permits districts to calculate set-asides based either on HB 412 or SB 345. Because East Liverpool lacks a local board of education resolution, S.B. 345 is the required method for set-aside calculation, pursuant to ORC § 3315.19. **Table 2-4** presents the amounts required to be set aside by the District based on SB 345, and the set-aside expenditures for textbooks and instructional as projected by the consultant (see **Table 2-2**). Since East Liverpool CSD accounts for allowable textbook and instructional expenditures in a separate fund, the amount needed to meet the set-aside requirements for textbook and instructional materials is transferred out of the General Fund to the separate fund each year.

Table 2-4 Calculation of Set-Aside Requirements for the Five Year Forecast

SB 345	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Student Population	3,016	2,993	2,672	2,556	2,415
Formula Aid	\$5,058	\$5,169	\$5,330	\$5,430	\$5,530
Total Available for Textbook & Instructional Set-Aside	\$15,213,226	\$15,254,928	\$15,470,817	\$14,241,760	\$13,879,080
Set-Aside per SB 345 (3% of Total Available)	\$456,397	\$457,648	\$464,125	\$427,253	\$416,372
Table 2-2 Set-Aside Forecast	\$415,000	\$420,377	\$430,377	\$444,015	\$528,947
Additional Set-Aside Required	\$41,397	\$37,311	\$33,748	(\$16,762)	(\$112,575)

Source: East Liverpool CSD, AOS and ODE

Note: Student populations for FY 2003-04 and FY 2004-05 are from available ODE projections, and student populations for FY 2005-06, FY 2006-07, and FY 2007-08 are from the **facilities** section.

Table 2-4 shows that the District needs to set aside approximately \$41,400 for FY 2003-04, \$37,300 for FY 2004-05, and \$33,800 for FY 2005-06, in additional funds to fulfill the textbook and instructional set-aside requirements. However, **Table 2-4** also shows that the set-asides projected in FY 2006-07 and FY 2007-08 are over-estimated by approximately \$16,800 and \$112,600, respectively. By adjusting the transfers from the General Fund for textbook and instructional set asides according to **Table 2-4**, the District would ensure compliance with the set-aside requirements and present a more reliable projection of future set-aside transfers from the General Fund.

Financial Implication: Based on the revised projections, the District should increase the original transfer out projections for set-asides by approximately \$41,400 in FY 2003-04, \$37,300 in FY 2004-05, and \$33,800 in FY 2005-06, and decrease the projected set-asides by approximately \$16,800 and \$112,600 in FY 2006-07 and FY 2007-08, respectively.

Internal Controls

R2.4 East Liverpool CSD should develop internal controls for recording time, attendance, and payroll to ensure appropriate and accurate reporting, and substantiate the payments of salaries and related benefits. A manual system should be implemented immediately. In the future, when the District can afford the cost, it should invest in an automated time and attendance payroll system.

Currently, East Liverpool CSD does not have a time and attendance system which ensures appropriate internal controls. Salaries, wages, and related benefits constitute 90 percent of the district's expenses, yet the district uses an exception basis for reporting time and attendance. An exception basis system means an employee is assumed to work a normal work schedule and only reports time absent or other time off. While the superintendent's office prepares a substitute list and part-time employees fill out time

sheets which are sent to the payroll clerk, the District does not develop a daily attendance report for each building. Furthermore, approved time off slips, the Superintendent's substitute list, and time sheets are not reconciled to ensure a proper accounting of all absences and substitutes.

Internal controls surrounding a time and attendance system give reliance that the payroll process complies with legal requirements, reports reliable financial information, and operates effectively and efficiently. In an automated time and attendance environment, each employee would enter a code into a keypad when reporting to and leaving work. The time and attendance system automatically calculates the leave time, worked time, overtime, premium pays, and other appropriate attendance factors, and transfers this into the payroll system. Automated time and attendance would eliminate key punch time and reduce inaccuracies. Thus, the payroll clerk would only edit the payroll. Time and attendance can perform edits (e.g., format, omissions, and reasonableness of data) and other automated tests to assist a supervisor in verifying that time and attendance information has been properly recorded and provides a reasonable basis for making payments. Additionally, the current payroll system does not have the capability to report year-to-date salaries, overtime, and leave time calculations or create many of the reports needed for management analysis and decision making. An automated time and attendance system would allow analysis of the District's largest expense and assist management in making informed decisions.

In the absence of an automated time and attendance system, East Liverpool CSD should develop a manual daily attendance report for each building that is forwarded to payroll. The attendance report should be compared to the substitute list provided by the superintendent's office, time sheets, and the approved leave usage sheets. The three reports should be reconciled each pay period to ensure that all absences are recorded and substitutes are paid properly and in a timely fashion. This would also assure management that supervisors and other authorized officials are accountable for the approval of an employee's work time and absences.

Revenue and Expenditure Analysis

R2.5 East Liverpool CSD should closely examine the spending patterns indicated in Table 2-5 and Table 2-6 and the cost reductions recommended in the human resource, facilities, and transportation sections of this report. The District should 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, the District should analyze the spending patterns and recommendations to aid in efforts to regain financial stability.

Table 2-5 shows revenues and expenditures of East Liverpool CSD compared to the peer districts.

Table 2-5: Revenue by Source / Expenditures by Object

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Property & Income Tax	20.6%	26.6%	31.4%	32.5%	30.2%
Intergovernmental Revenues	76.3%	70.4%	64.9%	66.0%	67.1%
Other Revenues	3.1%	3.0%	3.7%	1.5%	2.7%
Total Revenue	\$19,698,873	\$28,314,757	\$12,397,704	\$12,759,146	\$17,823,869
Wages	60.2%	62.9%	58.1%	61.3%	60.8%
Fringe Benefits	23.9%	18.0%	24.4%	18.1%	20.2%
Purchased Service	6.1%	6.2%	12.4%	7.3%	8.6%
Supplies & Textbooks	1.8%	2.7%	2.9%	3.7%	3.1%
Capital Outlays	1.2%	1.8%	1.2%	3.9%	2.3%
Debt Service	0.0%	0.4%	0.0%	0.0%	0.1%
Miscellaneous	1.3%	6.6%	1.0%	3.4%	3.7%
Other Financing Uses	5.5%	1.4%	0.1%	2.3%	1.2%
Total Expenditures	\$21,310,361	\$25,985,879	\$12,497,359	\$13,474,585	\$17,319,274

Source: 4502 Exhibit 2, Statement P FY 2001-02

As indicated in **Table 2-5**, East Liverpool CSD’s percentage of total income from property and income tax is 20.6 percent as compared to the peer average of 30.2 percent. Intergovernmental revenues, which typically includes state foundation payments received from ODE, is 12 percent higher than the peer average. Therefore, East Liverpool is much more reliant on state funding for its operations.

Table 2-5 indicates that expenditures related to fringe benefits and other financing uses, are higher for East Liverpool CSD than for the peers. Fringe benefits are discussed in the **human resources** section of this report. Other financing reflects the large payment to meet debt service for an energy conservation loan and transfers to cover deficits in grant and other funds. However, the District has not been accurately accounting for grants in the past and is working with the consultant to correctly account for grant activity. 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 need to be evaluated and prioritized.

Analyzing the spending patterns between the various functions should indicate the priorities of the school board and management. In addition, the number of ODE’s 22

performance standards a school district meets typically correlates to the school district’s spending patterns. ORC § 3302.03 specifies that ODE is to annually report to each school district the extent to which each district meets each of the performance standards created by the state board of education under ORC § 3302.02. The current number of performance standard established by the state board of education is 22. This number was reduced from 27 in FY 2001-02 by resolution of the state board of education.

Table 2-6 presents the number of performance standards met by East Liverpool CSD and the peers in FY 1999-00 through FY 2002-03.

Table 2-6 Comparison of ODE Performance Standards Met

Year	Standards	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
1999-2000	27	4	12	16	17	15.0
2000-2001	22	10	14	20	19	17.7
2001-2002	22	6	8	13	14	11.7
2002-2003	22	5	9	13	9	10.3

Source: ODE Report Cards

As shown in **Table 2-6**, East Liverpool CSD met fewer standards in all four years than the peers. Additionally, East Liverpool CSD standards have declined in the past two years and it only met five standards in FY 2003, resulting in an academic watch classification.

Table 2-7 shows the operational expenditures per pupil and percentage of operational expenditures by function for all funds that are classified as governmental fund types.

Table 2-7: Governmental Funds Operational Expenditures by Function

USAS Function Classification	East Liverpool CSD		Mad River LSD		Struthers CSD		Washington Court House CSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$5,021	61.1%	\$4,750	63.5%	\$5,052	66.1%	\$3,881	59.1%	\$4,561	62.9%
Regular Instruction	\$3,336	40.6%	\$3,272	43.7%	\$3,470	45.4%	\$2,996	45.7%	\$3,246	44.9%
Special Instruction	\$1,245	15.1%	\$926	12.4%	\$841	11.0%	\$803	12.2%	\$857	11.9%
Vocational Education	\$409	5.0%	\$415	5.5%	\$341	4.5%	\$25	0.4%	\$260	3.5%
Adult/Continuing Education	\$32	0.4%	\$0	0.0%	\$0	0.0%	\$19	0.3%	\$6	0.1%
Other Instruction	\$0	0.0%	\$137	1.8%	\$401	5.2%	\$37	0.6%	\$192	2.5%
Support Service Expenditures:	\$3,005	36.6%	\$2,490	33.3%	\$2,295	30.0%	\$2,404	36.6%	\$2,396	33.3%
Pupil Support Services	\$417	5.1%	\$360	4.8%	\$315	4.1%	\$339	5.2%	\$338	4.7%
Instructional Support Services	\$416	5.1%	\$325	4.3%	\$212	2.8%	\$424	6.5%	\$320	4.5%
Board of Education	\$16	0.2%	\$16	0.2%	\$27	0.3%	\$7	0.1%	\$17	0.2%
Administration	\$585	7.1%	\$544	7.3%	\$618	8.1%	\$538	8.2%	\$566	7.8%
Fiscal Services	\$157	1.9%	\$263	3.5%	\$223	2.9%	\$187	2.8%	\$224	3.1%
Business Services	\$65	0.8%	\$6	0.1%	\$23	0.3%	\$0	0.0%	\$10	0.1%
Plant Operation & Maintenance	\$1,031	12.5%	\$618	8.3%	\$613	8.0%	\$626	9.5%	\$619	8.6%
Pupil Transportation	\$318	3.9%	\$295	3.9%	\$229	3.0%	\$222	3.4%	\$249	3.4%
Central Support Services	\$1	0.0%	\$63	0.8%	\$35	0.5%	\$61	0.9%	\$53	0.7%
Non-Instructional Services Expenditures	\$49	0.6%	\$107	1.4%	\$79	1.0%	\$6	0.1%	\$64	0.9%
Extracurricular Activities Expenditures	\$143	1.7%	\$133	1.8%	\$212	2.8%	\$272	4.1%	\$206	2.9%
Total Governmental Fund Operational Expenditures	\$8,218	100%	\$7,479	100%	\$7,639	100%	\$6,563	100%	\$7,227	100%

Source: East Liverpool CSD, Mad River LSD, Struthers CSD, Washington Court House CSD 4502s FY 2002.

According to **Table 2-7**, East Liverpool CSD’s overall spending per pupil average of \$8,218 is 14 percent higher than the peer per pupil average of \$7,227. In addition, East Liverpool CSD’s percentage of expenditures for instructional areas is lower than the peer average while the percentage for supportive services is greater. As discussed in the **human resources**, **facilities**, and **transportation** sections of this report, recommendations were made to reduce staffing and benefit expenses, optimize facility usage, and reduce transportation expenses. These recommendations, if implemented, could potentially reduce the relatively high expenditures in the following areas:

- Regular, special and vocational instruction (see **human resources**);
- Pupil and instructional support services (see **human resources**);
- Administration (see **human resources** and **facilities**);
- Plant operation and maintenance (see **facilities**); and
- Pupil transportation (see **transportation**).

Although the District's expenditures per pupil in business services are higher than the peers, fiscal services per pupil expenditures are lower. Variances in these categories may be due to coding and classification differences from district to district.

R2.6 East Liverpool CSD should develop a formal policy for maintaining adequate levels of unreserved General Fund balance. As East Liverpool CSD regains financial stability, this would help the District to support operations over the long term.

Prior to its current fiscal emergency designation, East Liverpool CSD was placed in fiscal watch on September 19, 1996 subsequently removed from fiscal watch on April 3, 2000. Nonetheless, the lack of a formal policy outlining an adequate level of an unreserved General Fund balance could have contributed to the District's on-going financial difficulties and current declaration of fiscal emergency.

In order to sustain operations, GFOA recommends the establishment of a formal policy on the desired level of unreserved General Fund balance. The adequacy of the unreserved fund balance should be assessed based upon specific circumstances of the District. GFOA recommends an unreserved fund balance of no less than 5 to 15 percent of the General Fund operating revenues, or no less than 1 or 2 months of regular operating expenditures.

In establishing a policy to govern the level of unreserved fund balance, the District should consider a variety of factors, including:

- The predictability of revenues and volatility of expenditures;
- The availability of resources in other funds as well as the potential drain upon the General Fund resources from other funds;
- The liquidity of resources versus liabilities; and
- Tentative designations of any portion of the unreserved fund balance for a specific purpose.

Any policy addressing the desirable level of unreserved fund balance should conform with legal and regulatory constraints.

R2.7 East Liverpool CSD should implement procedures to make the Food Service Enterprise Fund self-supporting. The District should consider centralizing kitchens to reduce food service staffing and overtime, as well as increasing meal prices and participation in federal meal programs. By reducing operating costs and increasing revenues, the District could eliminate the potential deficit in food services.

East Liverpool CSD currently spends approximately \$3.10 per meal while the average price of a meal is \$2.65, resulting in a loss of \$0.45 per meal. The District's food

services have depended on a large fund balance in the enterprise fund in past years to subsidize losses. However, that balance has consistently decreased and the fund will be in a deficit situation in FY 2003-04.

Table 2-8 summarizes the financial history of food service operations for East Liverpool CSD.

Table 2-8: Food Service - Enterprise Fund

	Actual FY 2000-01	Actual FY 2001-02	Percent Change	Actual FY 2002-03	Percent Change
Food Services	\$339,028	\$334,592	(1.3%)	\$305,899	(9.4%)
State Restricted Grants-in-Aid	\$17,193	\$44,217	157.2%	\$34,386	(28.6%)
Federal Unrestricted Grants-in-Aid	\$351,243	\$505,826	44.0%	\$545,771	7.3%
Other Revenue				\$27	
Total Revenues	\$707,464	\$884,635	25.0%	\$886,083	0.2%
Salaries, Wages, Benefits	\$518,301	\$577,466	11.4%	\$609,650	5.3%
Other Expenses	\$469,554	\$458,820	(2.3%)	\$441,150	(4.0%)
Total Expenses	\$987,855	\$1,036,286	4.9%	\$1,050,800	1.4%
Results of Operations	(\$280,391)	(\$151,651)	(45.9%)	(\$164,717)	7.9%
Operating Transfer In	\$914				
Beginning Balance	\$768,033	\$488,556		\$336,905	
Ending Balance	\$488,556	\$336,905		\$172,188	

Source: East Liverpool CSD 4502 report Statement E for FY 2001, FY 2002, and FY 2003, and Interview with Food Service Director

As seen in **Table 2-8**, and since FY 1989-90, deficit spending has occurred each year in food service operations. Based on previous net losses, the food service fund will likely end FY 2003-04 with a negative ending fund balance and therefore, require the General Fund to subsidize a portion of food service operations.

Table 2-9 summarizes key information for the food service operations at East Liverpool CSD and its peers.

Table 2-9: FY 2001-02 Food Services Financial Data and Operational Ratios

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Revenue	\$884,635	\$1,266,537	\$574,811	\$708,674	\$850,007
Expenses	\$1,036,285	\$1,288,494	\$507,493	\$656,963	\$817,650
Revenue Over(Under) Expenses	(\$151,650)	(\$21,957)	\$67,318	\$51,711	\$32,357
Other Revenues	\$0	\$5,479	\$62	\$1,196	\$2,246
Results of Operations	(\$151,650)	(\$16,478)	\$67,380	\$52,907	\$34,603
ADM	3,084	3,688	1,931	2,171	2,597
Number of Employees	34	53	13	23	30
FTE's	12.6	20.4	7.0	7.4	11.6
Meals Served	334,299	415,000	180,000	268,500	287,833
Meals per FTE	26,531	20,343	25,714	36,284	27,447
Meals per ADM	108	113	93	124	110
Revenue per Meal	\$2.65	\$3.05	\$3.19	\$2.64	\$2.96
Expenses per Meal	\$3.10	\$3.10	\$2.82	\$2.45	\$2.79

Source: District's and peer's 4502 Statement E for FY 2001-02

¹ Staffing levels are based on 8-hour per day employees

As shown in **Table 2-9**, East Liverpool CSD's expenses per meal are higher than two of the peers, primarily attributable to staffing and benefit costs (see **human resources** for benefits). In addition, Washington Court House CSD serves considerably more meals per FTE than the other districts, which could be due to the district operating a centralized kitchen. In contrast, East Liverpool CSD operates kitchens in five of its six buildings. By centralizing food service operations, which would be aided through a building closure (see **facilities**), the District could reduce 3.5 FTEs and subsequently serve a similar number of meals per FTE as Washington Court House and reduce its expenses per meal. In addition, the District has two vacant part-time positions (0.6 FTEs), which can remain unfilled by centralizing food services. Moreover, an average of \$25,000 in overtime was charged to the food service fund. The majority of overtime is from employees that are considered part-time in food service. However, these employees have positions within East Liverpool CSD which makes them full-time employees. Therefore, in addition to centralizing operations to reduce overtime costs and staffing, the District should ensure that overtime is accurately charged by employees to appropriate funds.

Table 2-9 also shows that revenue per meal at East Liverpool CSD is lower than two peers. Federal reimbursements related to free and reduced meals are one of the largest sources of food service revenue. By actively promoting free and reduced lunches to parents, administrators at Struthers CSD indicated that the district increased participation in the program. Consequently, East Liverpool CSD should consider sending letters and forms to parents to apply for the program and potentially increase federal reimbursements for the District.

East Liverpool CSD should also consider raising the prices of some meal offerings. Currently, the District has three tiers of meal pricing which have not increased since 1990: \$.60 for elementary, \$.65 for middle school, and \$.70 for high school. Furthermore, menu prices have not been adjusted for 13 years. Conversely, the peer districts are charging meal prices ranging from \$1.50 to \$2.00 per meal. Increasing meal prices by \$.35 for high school, \$.30 for middle school and \$.25 for elementary school students would increase prices to \$1.05 for high school, \$.90 for middle school, and \$.85 for elementary school students, respectively. While this would raise additional revenue of approximately \$89,300, the revised meal prices would still be relatively low. Further delaying changes in meal prices could cause the need for a larger adjustment that may be less acceptable to parents and students.

East Liverpool CSD has already implemented some cost saving measures, such as planning menus using USDA-donated commodities, serving more pre-package foods that require less preparation time and labor costs, surveying students regarding which food items they prefer, and monitoring food items discarded by students and eliminating those items from the school menu.

Financial Implication: By centralizing food services, the District would save \$97,100 (3.5 FTEs), \$25,000 in overtime costs, and avoid costs of \$27,500 (0.6 vacant FTEs). Therefore, the total cost savings would be approximately \$149,600 annually. An increase in meal prices could increase revenue by approximately \$89,300 annually. As a result, the net positive change to the food service fund would be \$238,900 annually. Since these savings would be realized in the food service fund and no transfers from the General Fund to the food service fund are projected, this financial implication is not included in the recovery plan (see **R2.9**).

Financial Recovery Plan

R2.8 East Liverpool CSD should seek to control and limit salary increases in future contract negotiations, particularly since the performance audit's cost savings can not fully offset future projected deficits and considering the relatively high cost of living increases in previous collective bargaining agreements (see human resources).

The District’s certificated collective bargaining agreement expired in FY 2002-03 and will be renegotiated, while the classified collective bargaining agreement is in effect until FY 2003-04. According to these agreements, certificated and classified employees received a four percent annual cost of living increase, slightly higher than the peers’ cost of living increases of three percent annually (see **human resources**). Therefore, AOS adjusted the consultant’s forecast to reflect a four percent cost of living increase from FY 2003-04 through FY 2007-08, contributing to significant operating deficits in future years (see **Table 2-2**).

Based on the District’s current and projected financial condition, it should consider limiting future cost of living increases. **Table 2-10** shows the effect of reducing annual cost of living increases from four percent to one percent in FY 2004-05 and FY 2005-06, and two percent in FY 2006-07 and FY 2007-08.

Table 2-10: Cost Avoidance from Reduction of Cost of Living Increases (000s)

Year	Salaries, Wages and Benefits 4% COLA	Salaries, Wages and Benefits 1%, 1%, 2% and 2% COLA	Savings
FY 2004-05	\$23,565	\$22,299	\$1,266
FY 2005-06	\$25,609	\$23,382	\$2,227
FY 2006-07	\$27,851	\$24,723	\$3,128
FY 2007-08	\$30,316	\$26,193	\$4,123
Total	\$107,341	\$96,597	\$10,744

Source: Forecast and AOS

Financial Implication: As illustrated in **Table 2-10**, the District would avoid costs of approximately \$10.7 million throughout the forecasted period by limiting future cost of living increases.

R2.9 East Liverpool CSD should analyze and use the proposed financial forecast outlined in Table 2-11 to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. East Liverpool CSD should also consider implementing the recommendations in this performance audit to improve the District’s current and future financial situation. In addition, the District should update its forecast on an ongoing basis as critical financial issues are addressed.

Table 2-11 demonstrates the effect of the revised assumptions and recommendations in this report. The revised forecast contains the same financial projections presented in **Table 2-2**, with additional lines to incorporate the financial savings and implementation costs associated with the performance audit recommendations. Accompanying tables (**Tables 2-11A, 2-11B, 2-11C, and 2-11D**) 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.

For East Liverpool CSD 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 the District. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan.

Table 2-11: Proposed Financial Recovery Plan (000)s

East Liverpool City School District	Actual 1999-00	Actual 2000-01	Actual 2001-02	Actual 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08
Real Estate Property Tax	\$3,509	\$3,374	\$3,333	\$3,403	\$3,441	\$3,631	\$3,823	\$3,842	\$3,861
Tangible Personal Property Tax	\$724	\$808	\$726	\$655	\$690	\$735	\$759	\$748	\$737
Unrestricted Grants-in-Aid	\$13,328	\$13,596	\$14,024	\$13,880	\$15,103	\$15,393	\$15,701	\$16,015	\$16,335
Restricted Grants-in-Aid	\$931	\$1,092	\$1,703	\$2,578	\$1,499	\$1,541	\$1,572	\$1,603	\$1,635
Property Tax Allocation	\$523	\$475	\$501	\$515	\$517	\$517	\$520	\$525	\$530
Other Revenues	\$353	\$1,228	\$604	\$287	\$485	\$490	\$495	\$500	\$505
Total Operating Revenues	\$19,367	\$20,573	\$20,892	\$21,318	\$21,735	\$22,307	\$22,869	\$23,233	\$23,603
Salaries & Wages	\$12,422	\$13,263	\$13,767	\$14,731	\$15,740	\$16,912	\$18,174	\$19,531	\$20,991
Fringe Benefits	\$4,173	\$4,725	\$5,084	\$5,352	\$5,963	\$6,653	\$7,435	\$8,321	\$9,326
Purchased Services	\$1,315	\$1,297	\$1,306	\$1,364	\$1,407	\$1,435	\$1,464	\$1,493	\$1,523
Supplies, Materials & Textbooks	\$617	\$464	\$386	\$440	\$405	\$417	\$430	\$443	\$456
Capital Outlay	\$212	\$264	\$254	\$46	\$30	\$30	\$30	\$30	\$30
Other	\$470	\$253	\$270	\$378	\$286	\$298	\$309	\$322	\$335
Performance Audit Recommendations:									
One-Time Revenue Not Subject to Negotiations						(\$100)			
Subject to Negotiations					(\$64)	(\$739)	(\$786)	(\$916)	(\$1,059)
Implementation Costs					\$2	(\$4,999)	(\$6,165)	(\$7,351)	(\$8,620)
Total Operating Expenditures	\$19,209	\$20,266	\$21,067	\$22,312	\$23,769	\$19,908	\$20,891	\$21,873	\$22,981
State Emergency Loans and Advances	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Transfers In	\$240	\$193	\$432	\$0	\$0	\$0	\$0	\$0	\$0
Advances In	\$127	\$49	\$37	\$183	\$75	\$75	\$75	\$75	\$75
Other Financing Sources/Uses (Uses)	\$14	\$240	\$13	\$29	\$5	\$5	\$5	\$5	\$5
Operating Transfers Out	(\$809)	(\$933)	(\$991)	(\$561)	(\$520)	(\$525)	(\$535)	(\$545)	(\$555)
Advances Out	\$0	(\$137)	(\$189)		(\$75)	(\$75)	(\$75)	(\$75)	(\$75)
Net Financing Results of Operation (Net)	(\$428)	(\$587)	(\$699)	(\$350)	(\$515)	(\$520)	(\$530)	(\$540)	(\$550)
	(\$270)	(\$280)	(\$874)	(\$1,344)	(\$2,549)	\$1,879	\$1,448	\$820	\$72
Beginning Cash Balance	\$2,471	\$2,201	\$1,920	\$1,046	(\$298)	(\$2,848)	(\$968)	\$480	\$1,300
Ending Cash Balance	\$2,201	\$1,920	\$1,046	(\$298)	(\$2,848)	(\$968)	\$480	\$1,300	\$1,372
Outstanding Encumbrances	(\$297)	(\$318)	(\$130)	(\$270)	(\$165)	(\$175)	(\$185)	(\$190)	(\$200)
Ending Fund Balance	\$1,903	\$1,602	\$916	(\$568)	(\$3,013)	(\$1,143)	\$295	\$1,110	\$1,172

Source: East Liverpool CSD's financial forecast and recommendations identified throughout this performance audit

Tables 2-11A, 2-11B, 2-11C, and 2-11D present the financial implications from the recommendations contained in the various sections of this audit report.

**Table 2-11A: Summary of Performance Audit Recommendations
Not Subject to Negotiation**

Recommendation	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R2.3 Adjust Annual Textbook Set Aside	(\$41,397)	(\$37,311)	(\$33,748)	\$16,762	\$112,575
R3.1 Reduce three site-based administrator positions	\$64,653 ¹	\$202,953	\$212,806	\$224,991	\$238,332
R3.9 Reduce publicity relations position	\$34,786 ¹	\$36,404	\$38,172	\$40,357	\$42,750
R3.10 Reduce three clerical positions		\$104,910	\$110,004	\$116,302	\$123,198
R3.11 Fund crossing guards partially through grants		\$12,800	\$12,800	\$12,800	\$12,800
R3.11 Reduce four crossing guard positions				\$37,911	\$40,159
R3.12 Reduce sick leave usage		\$52,198	\$53,503	\$55,287	\$57,129
R4.1 Combine director positions		\$67,734	\$71,022	\$75,089	\$79,541
R4.10 Sell modular units			\$10,000	\$10,000	\$10,000
R4.11 Close East Elementary School		\$287,247	\$299,411	\$314,182	\$330,260
R5.3 Develop bidding procedures for fuel procurement	\$6,000 ¹	\$6,000	\$6,000	\$6,000	\$6,000
R5.5 Reduce special needs transportation costs		\$6,000	\$6,000	\$6,000	\$6,000
Total Not Subject to Negotiation	\$64,042	\$738,935	\$785,970	\$915,681	\$1,058,744

Source: Financial implications identified throughout this performance audit

Note: Savings related to staff reductions (salaries and benefits) are appreciated each year based on the COLA in R2.8, forecasted step increases of two percent, and projected health care increases of 15 percent.

¹ The District implemented, in whole or in part, some recommendations in FY 2003-04.

**Table 2-11B: Summary of Performance Audit Recommendations
Subject to Negotiation**

Recommendation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R2.6 Limit cost-of-living salary increases	\$1,266,307	\$2,227,075	\$3,128,965	\$4,122,508
R3.2 Reduce five remedial teaching positions	\$254,829	\$267,201	\$282,500	\$299,252
R3.3 Reduce 29 regular teaching positions	\$1,884,300	\$1,975,784	\$2,088,911	\$2,212,778
R3.4 Reduce three gifted/talented teaching positions	\$66,250	\$69,750	\$73,744	\$78,116
R3.5 Reduce seven special education teaching positions	\$421,626	\$442,097	\$467,409	\$495,126
R3.6 Reduce five vocational education teaching positions	\$277,995	\$291,492	\$308,187	\$326,456
R3.7 Reduce four educational service personnel (ESP) positions	\$279,760	\$293,343	\$310,139	\$328,529
R3.8 Contract with CCCTC for the Adult Basic Education/General Equivalency Degree program	\$82,000	\$82,000	\$82,000	\$82,000
R3.13 Require employee contribution to health care premium	\$335,000	\$385,250	\$443,038	\$509,493
R3.14 Eliminate insurance opt-out payments to certified staff married to district employees	\$22,000	\$22,000	\$22,000	\$22,000
R3.16 Reduce dental premium costs and eliminate ability of staff married to one another to carry two family dental policies	\$58,000	\$58,000	\$58,000	\$58,000
R3.17 Reduce life insurance premium costs to peer average	\$16,000	\$16,000	\$16,000	\$16,000
R3.18 Eliminate retirement incentive bonus for certified staff	\$35,000	\$35,000	\$70,000	\$70,000
Total Subject to Negotiation	\$4,999,067	\$6,164,992	\$7,350,888	\$8,620,258

Source: Financial implications identified throughout this performance audit

Note: Savings related to staff reductions (salaries and benefits) are appreciated each year based on the COLA in R2.8, forecasted step increases of two percent, and projected health care increases of 15 percent.

Table 2-11C: Implementation Costs

Implementation Cost	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R4.5 Purchase a work order system	\$2,000				
Total	\$2,000				

Source: Financial implications identified throughout this performance audit

Table 2-11D: One-Time Revenue Enhancement

Implementation Cost	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R4.10 Sell modular units		\$100,000			
Total		\$100,000			

Source: Financial implications identified throughout this performance audit

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Human Resources

Background

This section of the report focuses on various human resources operations within East Liverpool City School District (East Liverpool CSD). Comparisons are made throughout this section of the report to the following peer school districts: Mad River Local School District (Mad River LSD), Struthers City School District (Struthers CSD), and Washington Court House City School District (Washington Court House CSD). Best practices are used from the Ohio Department of Education (ODE), the State Employee Relations Board (SERB), and other school districts for additional comparisons throughout this section of the report.

Organization Function

East Liverpool CSD does not have a separate department dedicated to performing human resource functions. The primary human resources responsibilities are split between the superintendent's and treasurer's offices. The superintendent's office coordinates recruiting and hiring; facilitates employee evaluations; administers and monitors grievance policies and procedures; negotiates and administers union contracts; maintains personnel files; places substitutes; and handles new employee orientations. The treasurer's office monitors compliance with employment standards (background checks and teaching certifications); administers health insurance plans; and conducts employee disciplinary hearings.

Staffing

Table 3-1 illustrates the actual staffing levels at East Liverpool CSD and the peer districts during FY 2002-03 as reported in the Educational Management Information System (EMIS). Adjustments were made to the respective EMIS reports based upon interviews with the appropriate district personnel.

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

Category	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Administrators: Subtotal	22	20	12.3	13.4	15.3
Central Administrators	4.0	4.0	1.4	2.6	2.7
Site-Based Administrators	18.0	16.0	10.9	10.8	12.6
Professional Education: Subtotal	261.3	268.4	130.7	148.9	177.7
Curriculum Specialist ¹	0.3	0.0	0.0	0.0	0.00
Counseling	7.0	9.7	3.0	6.0	6.3
Librarian / Media	3.0	2.1	1.0	2.0	1.7
Remedial Specialist	21.0	6.0	2.0	4.0	4.00
Regular Teaching	145.0	167.5	102.0	107.9	125.8
Special Education Teaching	48	23.0	12.0	19.0	18.0
Vocational Education Teaching	22	21.9	4.0	1.0	9.0
Tutor / Small Group Instructor	1.0	10.0	1.7	0.0	3.9
Educational Service Personnel					
Teachers ²	12.0	25.2	5.0	8.0	12.7
Other Professional ³	2.0	3.0	0.0	1.0	1.3
Professional – Other: Subtotal	8.0	11.4	7.7	2.0	7.1
Accounting	0.0	0.0	1.0	0.0	0.3
Personnel	0.0	0.0	1.0	0.0	0.3
Psychologist	2.0	3.0	1.0	1.0	1.7
Publicity Relations	1.0	0.5	0.0	0.0	0.2
Registered Nursing	2.0	3.7	2.6	0.0	2.1
Speech and Language Therapist	3.0	4.3	1.1	1.0	2.1
Occupational Therapist	0.0	0.0	1.0	0.0	0.3
Technical: Subtotal	5.3	6.7	0.9	3.3	3.6
Printer	0.0	0.0	0.9	0.0	0.3
Library Aide	3.3	3.7	0.0	2.3	2.0
Other Technical	2.0	3.0	0.0	1.0	1.3
Office / Clerical: Subtotal	28.9	32.5	20.3	23.9	25.6
Bookkeeping	1.0	1.0	0.0	2.0	1.0
Clerical	19.5	19.8	10.6	9.5	13.4
Records Managing	1.0	0.0	1.0	0	0.3
Teaching Aide	7.4	11.6	7.8	12.4	10.6
Other Office / Clerical	0.0	0.0	0.9	0.0	0.30
Crafts and Trades	6.0	8.0	0.0	6.0	4.7
Operative (Transportation)	11.5	33.0	5.4	13.0	17.1
Service Work / Laborer: Subtotal	50.8	56.7	27.3	22.5	35.5
Attendance Officer	1	1.0	0.5	0.5	0.7
Custodian ⁴	27.0	32.0	18.0	14.0	21.3
Food Service	12.7	20.4	7.0	7.4	11.6
Monitoring	8.5	0.0	0.0	0.6	0.2
Groundskeeping	0.0	3.0	0.0	0.0	1.0
Attendant	1.0	0.0	1.8	0.0	0.6
Other Service Worker / Laborer	0.6	0.2	0.0	0.0	0.1
Total FTEs	393.7	436.7	204.6	233.2	291.4

Source: FY 2002-03 EMIS Staff Summary and Staff Demographics Reports.

¹The Curriculum Specialist and Other Technical specialists at East Liverpool CSD are contracted through the Columbiana County Educational Service Center and not indicated on EMIS reports.

²Includes art, music and physical education teachers.

³At East Liverpool CSD, this includes two FTE Adult Basic Education/General Equivalency Degree teachers not listed on EMIS reports.

⁴Custodians at East Liverpool CSD also handle groundskeeping duties.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 ADM at East Liverpool CSD and the peers.

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

Category	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Average Daily Membership (ADM)	3,099	3,567	2,038	2,239	2,615
Administrator: Subtotal	7.1	5.6	6	6.6	6.1
Central Administrators Subtotal	1.3	1.1	0.7	1.3	1.0
Site-Based Administrators Subtotal	5.8	4.5	5.3	5.3	5.1
Professional Education Subtotal	84.3	75.3	64.1	73.0	70.8
Curriculum Specialist	0.1	0.0	0.0	0.0	0.0
Counseling	2.3	2.7	1.5	2.9	2.4
Librarian / Media	1.0	0.6	0.5	1.0	0.7
Remedial Specialist	6.8	1.7	1.0	2.0	1.5
Regular Teaching	46.8	47.0	50.0	52.9	50.0
Special Education Teaching	15.5	6.4	5.9	9.3	7.2
Vocational Education Teaching	7.1	6.1	2.0	0.5	2.9
Tutor / Small Group Instructor	0.3	2.8	0.8	0.0	1.2
Educational Service Personnel Teacher	3.9	7.1	2.5	3.9	4.5
Other Professional	0.6	0.8	0.0	0.5	0.4
Professional –Other	2.6	3.2	3.8	1.0	2.7
Accounting	0.0	0.0	0.3	0.0	0.1
Personnel	0.0	0.0	0.3	0.0	0.1
Psychologist	0.6	1.0	0.3	0.3	0.5
Publicity Relations	0.3	0.2	0.0	0.0	0.1
Registered Nursing	0.6	1.2	0.8	0.0	0.7
Speech and Language Therapist	1.0	1.4	0.4	0.3	0.7
Occupational Therapist	0.0	0.0	0.3	0.0	0.1
Technical Subtotal	1.7	1.9	0.4	1.6	1.3
Printer	0.0	0.0	0.4	0.0	0.2
Library Aide	1.1	1.0	0.0	1.1	0.7
Other Technical	0.6	0.8	0.0	0.5	0.4
Office / Clerical Subtotal	9.3	9.1	9.8	11.7	10.2
Bookkeeping	0.3	0.3	0.0	1.0	0.4
Clerical	6.3	5.6	5.2	4.7	5.1
Records Managing	0.3	0.0	0.5	0.0	0.2
Teaching Aide	2.4	3.3	3.8	6.1	4.4
Other Office / Clerical	0.0	0.0	0.3	0.0	0.1
Crafts and Trades	1.9	2.2	0.0	2.9	1.7
Operative (Transportation)	3.7	9.3	2.6	6.4	6.1
Service Work / Laborer Subtotal	16.1	15.6	13.2	10.8	13.2
Attendance Officer	0.3	0.3	0.2	0.2	0.3
Custodian	8.7	9.0	8.8	6.9	8.2
Food Service	4.1	5.7	3.4	3.6	4.3
Monitoring	2.7	0.0	0.0	0.3	0.1
Groundskeeping	0.0	0.8	0.0	0.0	0.3
Attendant	0.3	0.0	0.9	0.0	0.3
Other Service Worker / Laborer	0.2	0.1	0.0	0.0	0.0
DISTRICT GRAND TOTALS	126.7	122.8	100.0	114.1	112.3

Source: FY 2002-03 Staff Summary and Demographic Reports from the districts, Columbiana County Educational Service Center.

As illustrated in **Table 3-2**, East Liverpool has a higher FTE per 1,000 ADM staffing allocation than the peers in several classifications, including the following:

- Site-based administrators (see **R3.1**, and **R4.1** of facilities section)
- Remedial specialists (see **R3.2**)
- Special education teachers, including speech/language therapists (see **R3.5**)
- Vocational education staff (see **R3.6**)
- Library/media specialists (see **R3.7**)
- Adult Basic Education/General Equivalency Degree teachers in Other Professional category (see **R3.8**)
- Publicity relations staff (see **R3.9**)
- Clerical staff (see **R3.10**)
- Monitors (see **R3.11**)
- Food Service (see **financial systems**).

While East Liverpool CSD's regular education teacher staffing levels are comparable overall to the peer districts, the school district's high percentage of special education and vocational education students somewhat skews the comparison. Staffing adjustments were recommended based on regular student per regular teacher data from the Ohio Department of Education (see **R3.3**).

While East Liverpool CSD's educational service personnel (ESP) staffing levels appear comparable to the peer average, Mad River LSD's exceptionally high level of ESP teachers due to its special emphasis in music and art somewhat skews the comparison. (see **R3.7**)

Collective Bargaining Agreements

Certificated and classified personnel in East Liverpool CSD are governed by negotiated agreements. During this performance audit, certain contract and employment issues were assessed and compared to the peer districts. Because such issues directly affect the operating budget, many of the issues have been assessed to show the financial implication on East Liverpool CSD. The implementation of any recommendations based on these assessments would require negotiations with the respective bargaining units. **Table 3-3** and **Table 3-4** illustrate key contract issues in the certificated and classified negotiated agreements. Washington Court House CSD does not have a classified employment bargaining unit.

Table 3-3: Certificated Contractual Agreement Comparison

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD
Length of work day	Secondary – 7 hours, 13 minutes Elementary – 7 hours	7 hours, 15 minutes	7 hours, 20 minutes	7 hours, 20 minutes
Maximum class size	K: 30 students 1 to 6: 32 students 7 to 12: 34 students ¹	Not addressed in contract	K to 4: 25 students 5 to 8: 30 students 9 to 12: 125 for English; remaining 25	Not addressed in contract
Number of contract days Instructional Days In-Service Days Parent/Teacher Conferences Professional Development	<u>183 days</u> 178 days 3 days 2 days N/A	<u>184 days</u> No further specification	<u>183 days</u> 180 days 2 days 1 day N/A	<u>185 days</u> No further specification
Sick and personal leave incentive	\$75 per 9-week grading period for perfect attendance for maximum \$225 annually	Not stated	\$600 annually, no absence, \$300 one absence	\$200 annually, no absence \$150 one absence \$100 two absences
Maximum number of sick days accrued	240 days	295 days	No limit	200 days
Maximum number of sick days paid out at retirement	33% of accumulated sick leave of 90 days, plus 10% of remaining days (total possible maximum payout of 45 days)	25% of accumulated leave of 264 days (total possible maximum payout of 66 days)	25% of accumulated sick leave of 240 days (maximum payout of 60 days)	25% of accumulated leave (total maximum payout of 50 days)
Number of personal days	3 days	3 days	3 days	3 days
Notice required	5 days notice	Yes, but no timeline specified	3 days notice	3 days notice
Number of leave days for association business	12 days per year with association covering full substitute costs	6 days per year with district covering substitute costs	20 days over life of contract with association covering substitute costs	5 days per year; contract silent on substitute costs
Sabbatical leave	No policy stated in contract	May received up to 1 year after 5 years of service with employee receiving partial pay. Employee must return to district for two years.	No policy stated in contract	No policy stated in contract
Pick-up of employee's STRS contribution by district	No	Yes	No	No
Cost of living increases each year of the contract	FY 2003: 4% FY 2004: 4%	FY 2002: 3% FY 2003: 3%	FY 2003: 3% FY 2004: 3%	FY 2004: 3% FY 2005: 3%

Source: Certificated negotiated agreements from East Liverpool CSD and the peer districts.

¹ Per contract, the East Liverpool CSD Board will attempt to maintain good faith class sizes of K: less than 20 students; 1-5: less than 22 students; 6-12: less than 25 students.

Table 3-4: Classified Contractual Agreement Comparisons

	East Liverpool CSD	Mad River LSD	Struthers CSD
Minimum call-in hours paid to employees for emergencies	2 hours	2 hours	2 hours
Vacation time to accumulate	1-5 years: 10 days 6-10 years: 15 days 10-20 years: 20 days 21+ years: 25 days	1-9 years: 10 days 10-14 years: 15 days 15-19 years: 17 days 20+ years: 20 days	1-5 years: 10 days 6-10 years: 15 days 11-20 years: 20 days 21+ years: 25 days
Sick / Personal leave incentive	Employees over one year receive 5 days full pay for 0 days absence, 4 days pay for 1 day absence, 3 days pay for 2 days absence, etc.	Full-time employees receive 5 additional vacation days for working minimum number of days based on seniority; part-time receive 3-4 days bonus pay for working minimum number of days based on contract length	Full-time employees who have not used any sick leave receive \$300 per half year, employees working less than 1,000 hours receive \$150 per half year
Maximum number of sick days accrued	250 days	295 days	Unlimited
Maximum number of sick days paid out at retirement	46 days	62 days	65 days
Number of personal days	3 days	3 days	3 days
Notice required	5 days notice	Advance noticed required by timeline not specified	5 days notice
Number of holidays for 12-month employees	10 days ¹	13 days	12 days
Number of holidays for 9-month employees	9 days	12 days	11 days
Number of leave days for association business	10 employees for Annual District Meeting; 2-3 employees for Annual District Conference not to exceed 4 days with association fully reimbursing for Conference substitutes	3 members unpaid leave for 3 days	Minimum of 1 day for the union president
Cost of living increases each year of contract	FY 2003: 3% FY 2004: 4%	FY 2002: 3% FY 2003: 3.25%	FY 2004: 3% FY 2005: 3%

Source: Classified negotiated agreements from East Liverpool CSD and the peer districts.

¹ Eleven-month employees at East Liverpool CSD also receive this benefit

In addition to the analyses presented 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:

- **Supplemental Contracts.** East Liverpool CSD paid a total \$234,000 in extra-curricular pay, including all supplemental contracts and the salary for a full-time teacher/athletic trainer. This compared to a peer average of \$236,000 for supplemental pay for extracurricular activities. Furthermore, East Liverpool CSD's \$76 cost per student is lower than the peer average of \$98 per student, while the \$1,887 cost per supplemental contract is comparable to the peer average of \$1,872 per supplemental contract.
- **Salaries.** The salaries paid to administrative, certificated and classified staff appeared reasonable compared to peer school districts.
- **Vision Plan.** East Liverpool CSD's vision plan appeared comparable with other school districts.

General Recommendations

Staffing

- R3.1** East Liverpool CSD should reduce site-based administrative staffing levels in the supervisor/manager/director and/or coordinator categories by 4 FTEs. This should be done by consolidating positions, reallocating duties, restructuring contract lengths and/or contracting out functions to agencies such as the Columbiana County Educational Service Center. As part of this exercise, the District should review any cross-training or prior experience of staff in certain operations that might facilitate a reallocation of duties.

Since many of these administrators have multi-year contracts that extend into FY 2004-05 and beyond, the district should consult with its legal counsel as to its options for eliminating these positions, such as invoking an immediate reduction in force (RIF). If East Liverpool CSD cannot invoke a RIF, other options to consider include assessing the contract expiration dates and not renewing the contracts of those administrators it determines are not integral to the mission of the District. In future board policy and administrative contracts, East Liverpool CSD should reserve the right to RIF administrators in a fiscal crisis.

Tables 3-5 and 3-6 present comparisons of site-based administrative staffing levels at East Liverpool CSD versus the peer districts.

Table 3-5: Site-based administrators, FY 2002-03¹

Position	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Assistant Principal	2.0	3.0	2.0	2.0	2.3
Principal	5.0	7.0	4.0	5.0	5.3
Supervising/Managing /Directing ²	8.0	3.0	2.0	2.8	2.6
Coordinator	3.0	1.0	1.9	1.0	1.3
Education Administrative Assistant	0.0	0.0	1.0	0.0	0.3
Other official/administrative	0.0	2.0	0.0	0.0	0.7
Site-Based Administrators Subtotal	18.0	16.0	10.9	11.0	12.6

Source: EMIS Staff Summary Reports; Interviews with school districts

¹All positions have been considered 1 FTE, although individual administrator contracts range among school districts from 10 to 12 months.

²Supervising/managing/directing and coordinators at East Liverpool CSD include two facilities supervisors, two special education supervisors, one food service supervisor, one transportation supervisor, two grant supervisors, one grant coordinator, one gifted and talented coordinator, and one vocational education coordinator.

Table 3-6: Site-Based Administrators per 1,000 Students

Position	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Assistant Principal	0.6	0.8	1.0	1.0	0.9
Principal	1.6	2.0	2.0	2.5	2.1
Supervising / Managing / Directing	2.6	0.8	1.0	1.4	1.1
Coordinator	1.0	0.3	0.9	0.5	0.6
Education Administrative Assistant	0.0	0.0	0.5	0.0	0.2
Other official/administrative	0.0	0.6	0.0	0.0	0.2
Site-Based Administrators Subtotal	5.8	4.5	5.3	5.3	5.0

Source: EMIS Staff Summaries, Interviews with school district personnel

The following factors could be considered to help increase efficiency among administrators.

- None of the peers has separate administrative positions dedicated to custodial and maintenance functions, while East Liverpool CSD maintains separate positions (See **facilities** section, **R4.1**).
- East Liverpool CSD has a sole administrator dedicated to gifted and talented students. The District had 261 gifted and talented students in 2001-02, compared to a peer

district average of 239. Only Washington Court House CSD has an administrator fully dedicated to this function, while Struthers CSD assigns this duty to its curriculum director and Mad River LSD contracts out this function to the Montgomery County Educational Service Center. The Columbiana County Educational Service Center (CCESC) also provides gifted/talented supervision services to every school district in the county except East Liverpool CSD. CCESC charges \$13,700 annually for each district. The CCESC also provides gifted/talented teachers to eight of the ten school districts (see **R.3.4**). If the District uses the CCESC to provide gifted and talented supervision, it would be able to reduce the administrator position.

- While OAC § 3301-51-09(G)(6) recommends that an administrative supervisor oversee no more than 20 special education teachers, reallocating these duties to principals may help eliminate the need for one or two special education supervisor positions. Moreover, the associate superintendent of the CCESC has previously recommended that East Liverpool CSD consider delegating special education supervision duties to building principals. She stated that decentralizing this responsibility may be easier than expecting two central-based supervisors to attend 600 meetings to develop Individual Education Plans. Rather, she stated a central-based supervisor could only be brought in for cases needing special expertise.
- East Liverpool CSD's centralized approach to grant administration also appears to contribute to higher staffing levels than the peers. The District has three site-based administrators and a 0.5 FTE clerical staff fully dedicated to managing all fiscal and some program functions of all grants, although many program functions remain with other administrators in areas such as special education, vocational education and gifted/talented. The peer districts appear to have a more decentralized approach to grant administration, spreading these responsibilities among several staff, including superintendents, associate superintendents, treasurers' office staff, site-based administrators, and building principals; depending on the district. Centralizing grant administration could allow program administrators to focus on other issues. However, East Liverpool CSD's 2001-02 financial audit reported significant violations of grant rules that were partially the responsibility of grant administrators.

The District should investigate if greater decentralization of grant administration duties could reduce General Fund expenses. In addition, since one of the grant administrators will be retiring, the District should carefully consider not filling this position, either by allocating this position's responsibilities to the remaining grant administrators or to other staff deemed appropriate to perform these functions.

East Liverpool should keep certain factors in mind as it considers consolidating or reallocating workload in conjunction with improving its financial condition. It receives double the federal grants of the peer district average, which requires more administrative oversight. Furthermore, federal rules clearly state a grantee cannot reduce a position funded by local dollars and then replace it with a grant-funded position, otherwise known as supplanting. However, a grant specialist at ODE noted that “school-wide” federal grants the District receives may allow for some flexibility in shifting positions among funds in certain buildings.

Finally, the current administrative contracts do not contain a clause allowing for RIFs, unlike contracts with the District’s certificated and classified staff. The lack of such a clause may hinder the ability of the District to address pressing financial needs.

Financial Implication: The financial implication for one position is addressed in **R4.1** of the **facilities** section. If the District reduced the gifted and talented administrator, one special education supervisor, and did not fill the grant administrator position when it becomes vacant due to a retirement in 2004, it would save approximately \$184,000 annually (salary and benefits equaling 38 percent of salary).

R3.2 East Liverpool CSD should consider reducing the five remedial specialist positions paid by local funds. It should consider taking part in the Columbiana County Career and Technical Center’s virtual school to provide remedial services at a cost of \$250 per semester per student.

Generally, remedial specialists service disadvantaged children. The number of disadvantaged children at East Liverpool CSD is 310, nearly double the peer school district average. However, East Liverpool CSD has more than four times the number of remedial specialists than the peers. It has a ratio of 14.8 disadvantaged pupils per remedial specialist, while the next lowest peer ratio is 23.8 at Mad River LSD. Five of these positions are locally funded through the General Fund and 16 are grant-funded through federal Title I monies. If East Liverpool CSD reduced these five positions, it would still have the lowest disadvantaged pupil to remedial specialist ratio of all the peer districts at 19.4.

In FY 2003-04, the Columbiana County Career and Technical Center (CCCTC) will offer a virtual learning academy to every county school district next year, regardless of whether it is in the CCCTC consortium. It currently provides the remedial online program to 120 students at \$250 per semester for as many courses as desired, and will retain this price for outside users. CCCTC teachers monitor and interact with online students either from their homes or a computer lab at the center. The CCCTC superintendent stated the East Liverpool CSD could serve 150 students a day (25 computers times six periods) if it

set aside a similar lab. The virtual academy will also offer advanced placement courses next year.

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$61,230 per remedial specialist, East Liverpool CSD could generate an estimated annual cost savings of approximately \$306,000 by reducing five remedial specialists positions. Assuming 150 students take the CCCTC Internet course for an entire year, East Liverpool CSD would incur \$75,000 in contract costs for a net savings of \$231,000 annually.

R3.3 East Liverpool CSD should consider reducing up to 29 regular education teaching positions. Maximizing the teaching time of its secondary school instructors by reassigning supervision duties to lower-paid monitors would allow the District to reduce regular teacher positions.

Table 3-7 demonstrates the average number of regular students per regular teacher at East Liverpool CSD since 1997-98. An ODE data specialist calculated current-year figures for this table.

Table 3-7: Regular Students Per Teacher

Regular Students per Regular Teacher	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average	State Average
2002-03	15.9	17.0	17.1	18.8	17.6	16.6
2001-02	16.0	17.6	16.9	18.0	17.5	16.9
2000-01	16.3	19.6	18.6	19.2	19.1	18.0
1999-00	16.6	19.1	19.4	19.4	19.3	18.1
1998-99	16.0	19.2	18.8	20.1	19.4	18.6
1997-98	18.3	18.3	19.3	21.0	19.5	20.4

Source: Ohio Department of Education EMIS records

Table 3-7 demonstrates that for several years East Liverpool CSD has maintained regular class sizes far below both the peer district and state averages. Although East Liverpool CSD has the lowest student-to-teacher ratio, it only met five state academic performance standards in FY 2002-03, compared to 13, nine and nine standards met by Struthers CSD, Mad River LSD, and Washington Courthouse CSD, respectively. Reducing 14 teachers would allow East Liverpool to maintain a student-to-teacher ratio comparable to the peer average and have class sizes that are only one student higher than the State average. However, considering the District’s future financial condition (see the **financial systems** section), it should consider reducing regular education teacher staffing levels by up to 29 FTEs. While this would increase the student to teacher ratio to 20 to 1, it would still be well below the maximum class size of 25 students per regular education teacher

stipulated in Ohio Administrative Code (OAC) Section 3301-35-05(A)(3). Furthermore, the number of students per teacher could be less than 20 to 1 in future years, based on the projected decline in student enrollment (see the **facilities** section).

In addition to teaching students, regular, special and vocational education teachers perform supervision duties. Though most high school teachers instruct for six periods, 27 teachers instruct for five or fewer periods because they handle supervision duties in the cafeteria, in-school suspension and other duties. At the middle school, six teachers handle cafeteria supervision. In the District elementary schools, part-time monitors handle cafeteria supervision and other school districts commonly hire part-time assistance if it proves cost-beneficial. As indicated in **Table 3-2**, East Liverpool employs a significantly higher number of monitors per 1,000 ADM than the peers. Pooling and reallocating monitoring duties among several part-time monitors could allow these 27 teachers to each take on an additional class period, thereby assisting East Liverpool CSD in reducing regular teacher positions as well as special and vocational teachers (see **R3.6** and **R3.7**).

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$58,900 per regular education teacher, East Liverpool CSD could generate an estimated annual cost savings of approximately \$1,708,000 by reducing 29 positions.

R3.4 East Liverpool CSD should consider reducing 3 FTE teaching positions by contracting with the Columbiana County Educational Service Center (CCESC) for instructors in its gifted and talented program.

East Liverpool CSD currently has 2.7 FTE teachers (two special education and one regular education) serving its gifted and talented students. However, eight of 11 Columbiana County school districts contract with the CCESC for intervention specialists to service these students. CCESC has operated a gifted/talented program since 1984 providing both teachers and coordinators. Most services have been in the form of resource rooms in districts staffed by coordinators and teachers who are employed by the CCESC (See **R3.1**).

The CCESC treasurer stated that it could provide 2.7 FTE teachers at approximately \$36,000 annually. It would also take over the \$54,700 in state funding that East Liverpool CSD currently receives for teachers in the gifted and talented program.

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$50,300 per gifted and talented teacher, East Liverpool CSD could generate a gross annual savings of \$151,000 by reducing these positions. If it instead contracted with the CCESC for this program, it could achieve a net annual savings of approximately \$60,300. This financial implication does include a 0.3 FTE that

one of the gifted and talented teachers spends in the regular classroom and losses in state funding.

R3.5 East Liverpool CSD should consider reducing 7.0 FTE special education positions. East Liverpool CSD should continue to study special education teacher-student contact time to determine if staff productivity can be further increased. There may be an opportunity for additional consolidation of classes and reductions as long as staffing levels remain within contract and state guidelines for each category of disability.

The District should also consider having special education teachers at the secondary level serve multiple categories of children with disabilities, as the District’s elementary teachers do. This practice could provide greater staff flexibility in meeting the changing service demands of special education students in the middle and high school. In addition, having special education teachers serve both middle and high school students could allow the District to reduce positions. Finally, East Liverpool should determine if the CCESC and other agencies can help serve its special education students.

Every December, the Ohio Department of Education conducts a “count” of special education students per school district to determine weighted funding. **Table 3-8** demonstrates December student counts, student/teacher ratios, state funding, and actual program expenses for East Liverpool CSD and the peer districts.

Table 3-8: Special Education Statistics, FY 2002-03

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD
December student count	597	505	242	300
Number of students considered in regular classroom at any one time¹ (inclusion)	315	305	128	175
% of students in regular classroom	52.8%	60.4%	52.9%	58.3%
Special education teachers	46 ²	23	12	19
Special education students per Teacher	13.0	22.0	20.2	15.8
State funding	\$1,200,000	\$1,100,000	\$431,000	\$453,000
Program expense for teachers (wages/benefits)²	\$2,500,000	\$1,400,000	\$655,000	\$1,100,000

Source: Ohio Department of Education EMIS, interviews with school district staff

¹The December counts also approximate the amount of time each child may spend in the regular classroom environment

²Does not count two gifted/talented teachers classified in EMIS as special education teachers (see **R3.4**)

³Calculates benefits at 33% of wages

Although East Liverpool and the peers predominantly use an inclusion model, **Table 3-8** indicates that the average number of special education students per teacher at East Liverpool CSD is the lowest of the peers. In addition, while state funding varies for each child depending upon the severity of disability, East Liverpool CSD spends nearly 110 percent more on special education instruction than it receives in state aid. In contrast, the peer districts spend an average of 75 percent more on special education instruction than they receive in state aid. Further, East Liverpool CSD spends nearly all of its federal grant money for special education on support services and administration.

Table 3-8 also shows that special needs students are spending a large portion of their day within the regular classroom. The directors of special education at East Liverpool CSD stated that only one special education teacher takes part in team teaching when these students attend regular education classes, which is a common practice in special education. The secondary director of special education stated that instead of team teaching or attending regular education classes with special needs students, special education teachers are teaching class or serving as a resource for students. As a result, there may be opportunities to increase productivity and consequently reduce special education teaching positions.

Both OAC § 3301-51-09(G)(4)(f) and the certificated contract for East Liverpool CSD provide standards for class size maximums (both at the school level and instructional period level). **Table 3-9** compares current staffing ratios for speech-language pathologists and staffing ratios by reducing one position to OAC maximum thresholds.

Table 3-9: Staff Ratio Requirements for Speech/Language Services

Service	Speech/Language (current staffing)	Speech/Language (reduce one staff)
School-age maximum ratio	1:80	1:80
School-age enrollment ¹	155	155
School-age actual ratio	1:51.7	1:77.5
Maximum ratio for multiple disabilities, hearing impaired and/or orthopedic/other health impairments	1:50	1:50
Enrollment for multiple disabilities, hearing impaired and/or orthopedic/other health impairments	60	60
Actual ratio for multiple disabilities, hearing impaired and/or orthopedic/other health impairments	1:20	1:30
Preschool maximum ratio	1:50	1:50
Preschool enrollment	19	19
Preschool actual ratio	1:6.3	1:9.5

Source: East Liverpool CSD

¹All enrollment numbers based on December 2002 student count reports filed with the Ohio Department of Education.

As indicated by **Table 3-9**, East Liverpool CSD is well within the staff operating standards required by the OAC § 3301-51-09(G)(4)(f). Further, reducing one speech pathologist position would still allow the District to fall within state operating standards.

The District could also seek the services of a part-time speech pathologist through the Columbiana County Educational Service Center (CCESC) at a lower cost than retaining three full-time speech/language pathologists. For example, the assistant superintendent at CCESC noted the Beaver LSD contracts for a 0.6 FTE speech/language pathologist to supplement the district’s own full-time speech/language pathologist. A 0.5 FTE contract speech/language pathologist would cost \$32,300, according to the CCESC treasurer. This compares to \$55,300 average compensation (with benefits) for a full-time speech/language pathologist.

Table 3-10 shows staffing levels for cognitive disabilities at the high school.

Table 3-10: Special Education Staffing

Disability Category or Related Service	Maximum Ratio at School Level	Maximum Ratio During Instruction Period	Actual Total Enrollment	Number of Teachers	Average Ratio
Elementary Cognitive Disability/Specific Learning Disability	16	12	153	13	11.8
High School Cognitive Disabilities	24	16	70	5	14

Source: East Liverpool CSD

At the elementary level, 13 teachers serve 153 students in the cross-categories of cognitive disabilities/specific learning disabilities. It may be possible to reduce three of these positions and still remain within state staffing guidelines if the District were to have roving teachers serving multiple elementary schools, similar to its speech pathologists. Reducing three positions would leave an overall school-level ratio of 15.3. While this ratio is higher than the instructional period ratio, **Table 3-11** demonstrates that a significant number of elementary students spend their time outside the special education classroom.

Table 3-11: Time Outside Elementary Special Education Classroom

% of School Day Spent Receiving Special Education Services	East Elementary	LaCroft Elementary	North Elementary	Westgate Elementary
0%	1%	8%	2%	2%
Less than 21%	15%	15%	17%	23%
21% to 50%	5%	19%	19%	16%
51% to 60%	14%	19%	22%	20%
More than 61%	65%	32%	40%	29%
100% (Self-contained class)	0%	7%	0%	10%

Source: East Liverpool CSD Special Education Department.

Given this significant amount of time spent by students outside the special education classroom, it could be feasible to create schedules allowing the District to comply with instructional period staffing guidelines. In addition, the proposed closing of East Elementary School (see **R4.11 in facilities**) and Westgate Elementary School (as part of the renovation project) would provide greater centralization of special education services to elementary students. Consequently, this may allow the District to consolidate classes and meet state staffing requirements while reducing the need for roving staff.

At the high school level, five teachers serve 70 students with cognitive disabilities (see **Table 3-10**). Reducing two positions results in a ratio of 23 students, which is below the school level ratio of 24. While this is slightly above the instructional period ratio, more than 40 students above age 15 in this category spend at least 40 percent of their time in the regular classroom. Given the high percentage of time cognitive students spend in the regular classroom, the District should likely be able to arrange schedules to fall within the instructional period state guideline. Moreover, four of the high school cognitive teachers spend one period a day in supervisory duties. If these duties could be reallocated to lower-paid monitors, this should ensure that sufficient teacher resources are available to meet state standards (see **R3.3** for additional discussion on monitors).

East Liverpool CSD also employs a full-time work/study coordinator to assist students with special needs in making successful workplace transitions. This individual is serving six students although OAC § 3301-51-09(G)(5)(a) allows work/study coordinators to serve 75 students with disabilities. East Liverpool CSD should attempt to reduce this position and reallocate duties internally. However, the District could also contract with the CCESC to provide a work/study program for \$13,000 annually, if it cannot internally reallocate duties.

East Liverpool CSD should also investigate the costs/benefits of having other Columbiana County agencies such as the CCESC, Columbiana County Head Start and the Robert Bycroft School service its preschool students. Currently, two teachers and

three part-time teaching aides serve 17 preschool children. Speech/language teachers and school psychologists could also serve these students. In the past, East Liverpool CSD has not received the maximum state funding for these services due to low enrollment.

OAC 3301-51-09(G)(3)(g) allows individual teachers to serve multiple categories of students, as demonstrated by the district practice of using the same elementary teachers to serve both students with cognitive and specific disabilities. This rule allows for effective staffing practices. However, special education teachers at the middle and high school levels do not serve multiple categories of children, which could contribute to the relatively low number of special education students per teacher at East Liverpool CSD (see **Table 3-8**). Another consolidation option allowed by the OAC is having a special education teacher service both middle and high school students – as long as the number of students served at any one time does not exceed the ratio that applies to the level of the majority of students assigned. For example, if the teacher is assigned to provide services to nine middle school students and five high school students, the student to teacher ratio should not exceed 16:1, as opposed to the 24:1 allowed at the high school level.

Based on this analysis, East Liverpool should consider reducing 7.0 FTE special education teachers (1.0 FTE speech pathologist position, 1.0 FTE work/study coordinator, 2.0 FTE high school teachers for cognitive disabilities, and 3.0 FTE elementary teachers for cognitive/specific learning disabilities). Reducing 7.0 FTE special education positions would result in a special education student to teacher ratio of 15.3, which is comparable to Washington Court House CSD but still less than Mad River LSD and Struthers CSD. However, examining the ability of teachers at the middle and high school to serve multiple categories of students and/or serve both levels of students simultaneously, using other county agencies to help serve special education students, and reviewing other strategies to consolidate classes may allow the District to reduce additional positions. Finally, creating more effective staffing and scheduling practices for special education students at East Liverpool CSD may require changes in the certificated contract (see **R3.20**).

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$54,600 per special education teacher, East Liverpool CSD could generate an estimated annual cost savings of approximately \$382,200 by reducing seven positions.

- R3.6 East Liverpool CSD should consider reducing five positions in its vocational education program by consolidating or eliminating underutilized programs, reallocating duties among teachers to increase productivity, and using state grant funding instead of relying on local dollars to pay for teachers. If the District chooses to maintain its current number of vocational education programs, it should increase enrollment to qualify for additional state funding without adding internal staff.**

Table 3-12 shows various statistics concerning the District's vocational education program.

Table 3-12: East Liverpool Vocational Education Statistics, FY 2002-03

Course	Actual enrollment	FTE enrollment (by time spent in class)	Weighted state funding ¹	Number of instructors in program	Weighted state funding per FTE enrollment
Auto Mechanics	24	10	\$21,635	1	\$2,164
Drafting	20	8.3	\$18,029	1	\$2,172
Marketing	17	7	\$15,325	1	\$2,189
Machine Trades	16	6.6	\$14,423	1	\$2,185
Criminal Justice	15	6.2	\$13,522	1	\$2,181
Diversified Health Occupations	14	5.8	\$12,620	1	\$2,176
Job Training	14	5.8	\$12,620	1	\$2,176
Industrial Maintenance	13	5.4	\$11,719	1	\$2,170
Early Childhood Development	13	5.4	\$11,719	1	\$2,170
Diversified Cooperative Health Occupations	12	5	\$10,817	1	\$2,163
Information Technology	10	4.2	\$9,014	1 ²	\$2,146
Pathways to Teaching	8	3.3	\$7,211	1 ²	\$2,185
Intensive Office Education	7	2.9	\$6,310	1	\$2,176
Business Office Education	7	2.9	\$6,310	1	\$2,176
Building Maintenance	3	1.2	\$2,704	1	\$2,253
Career-Based Intervention	37	14.5	\$16,383	2	\$1,130
Work and Family	263	29.1	\$31,050	3	\$1,067
Career and Employability	155	17	\$31,253	3 ³	\$1,838
Totals	646	140.6	\$246,060	21	\$1,750

Source: East Liverpool CSD, Ohio Department of Education

¹Weighted funding and FTE enrollment are so much lower for the last two categories because these only represent one class period a day.

²Teachers in these classes only instruct vocational education students 2-3 periods a day, and spend the remainder with regular education students.

³Two of the three teachers in this category also instruct other vocational education classes.

Table 3-12 shows that East Liverpool CSD receives significantly less state funding per student FTE for career-based intervention, work and family, and career and employability programs. East Liverpool's vocational education program costs approximately \$1.3 million in teacher salaries and benefits alone. Approximately \$246,000 of this cost, or 19 percent, is offset by additional state funding. In contrast, Mad River LSD offsets its cost by 30 percent in state funding, while operating a comprehensive vocational education program.

The following illustrates strategies East Liverpool could consider in reducing vocational education costs.

- Two vocational special education coordinators serve 60 students with disabilities, for a ratio of 30 students per teacher. While OAC § 3301-51-09(G)(5)(b) recommends a student/teacher ratio of 1:50 for vocational special education coordinators, it does not specifically limit the number of students per teacher. Further, the director of vocational education stated that the duties of the two coordinators could be consolidated into one position. Other duties they currently perform, such as development of Individual Education Plans, could potentially be reallocated to special education supervisors or building principals (See **R3.1**).
- Three programs, Building Maintenance, Intensive Office Education, and Business Office Education, each have a FTE enrollment below three students, yet are staffed by a single teacher. Consolidating classes and/or reallocating teaching duties for these classes could allow East Liverpool CSD to operate more efficiently and subsequently reduce positions. For instance, the director of vocational education stated that students in the Building Maintenance Program could likely be transferred to the Job Training Program. She also indicated the Intensive Office Education and Business Office Education programs could be consolidated under one teacher. If East Liverpool either combined Intensive Office Education with the Business Office Education program and Building Maintenance with the Job Training program, or required one teacher to instruct Intensive Office Education and Business Office Education, and one teacher to instruct Building Maintenance and Job Training, it could reduce 2.0 FTE vocational education teacher positions.
- Enrollment for the Employability Skills (a class in the Career and Employability program), the sole responsibility of a teacher, has dropped significantly for 2003-04. Further, the director of vocational education noted the state has reduced available funding for this program in 2003-04. If the District reallocated duties to the other two instructors in this program or considered eliminating this class due to the relatively low student demand, it could reduce one teacher position. On the other hand, the District could maintain its current teacher staffing levels in this program by actively

- promoting Employability Skills to increase student demand and subsequent state grant funding to make the program more cost-effective.
- The director of vocational education intends to reduce one position in Work and Family and shift this individual to a new grant-funded position to work with pregnant and parenting teens. East Liverpool CSD has not received this grant, although it has 27 eligible teens. This program will provide \$46,000 in state funding that was previously paid from the General Fund.
 - The instructor for the District's drafting program, which has the second highest enrollment, retired after 2002-03 but has verbally agreed to return as a permanent substitute for at least two years. Paying this individual substitute wages creates an annual savings of \$54,000.

Taking into account the new grant funded position in the Work and Family program and using the instructor in the drafting program as a substitute, East Liverpool could potentially reduce six positions previously funded by the General Fund. However, reallocating additional duties currently performed by the two vocational education coordinators could be difficult due to potential reductions in administrator staffing levels (see **R3.1**). Therefore, East Liverpool CSD should consider reducing five vocational education teacher positions. As previously discussed, the District has already identified strategies to reduce the costs of two positions currently paid from the General Fund by using a grant to fund the position in the Work and Family program, and using the instructor in the drafting program as a substitute.

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$60,400 per vocational education teacher, East Liverpool CSD could generate a gross annual cost savings of approximately \$302,000 by reducing five vocational education positions. However, this financial implication is offset by \$50,000 to account for permanent substitute costs, state funding lost from potential program elimination, and General Fund costs to cover a portion of the salaries and benefits for the new grant program position. This results in a net savings of \$252,000 annually. Conversely, East Liverpool CSD could generate new state revenue by actively promoting its vocational education programs to increase student enrollment, especially in those programs with a relatively low student enrollment.

- R3.7 East Liverpool CSD should consider reductions of 4.0 FTEs within the educational service personnel (ESP) classification. Classifications that should be reviewed for possible reductions include art teachers, music teachers, physical education teachers and librarian media specialists.**

Table 3-13 compares the staffing levels for ESP personnel at East Liverpool CSD for FY 2002-03 to peer district staffing levels, illustrated in FTEs.

Table 3-13: Comparison of ESP Staffing Levels, FY 2002-03

Classification	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
ESP Teachers	12.0	25.2	5.0	8.0	12.7
Counselors	7.0	9.7	3.0	6.0	6.2
Librarian Media Specialists	3.0	2.1	1.0	2.0	1.7
Registered Nurse	2.0	3.7	2.6	0.0	2.1
Totals	24.0	40.7	11.6	16.0	22.8
ESP FTE per 1,000 ADM	7.7	11.4	5.7	6.1	8.6

Source: EMIS reports from East Liverpool CSD and the peer districts.

As illustrated in **Table 3-13**, East Liverpool CSD has 7.7 FTEs per 1,000 students in ESP personnel. This number is below the peer average of 8.6 FTE per 1,000 ADM, but well above state minimum requirements for five full-time ESP personnel for every 1,000 students in the regular student population. Specifically, staffing levels in the counselor and library media specialist function are higher than the peer average.

Also, Mad River has significantly more ESP teachers than the other school districts due to the district’s emphasis on music and art. The East Liverpool CSD superintendent stated there are no district-developed goals impacting staffing within the ESP classification. East Liverpool has close to two more ESP positions per 1,000 ADM than Struthers CSD and Washington Court House CSD.

Reducing four ESP positions would allow East Liverpool CSD to still allocate more ESP FTEs per 1,000 ADM (6.5) than the state minimum requirements, and remain comparable to Struthers CSD and Washington Court House CSD.

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$63,400 per educational service personnel, East Liverpool CSD could generate an annual cost savings of approximately \$253,600 by reducing four ESP positions.

R3.8 East Liverpool CSD should eliminate its Adult Basic and Literacy Education/General Equivalency Diploma (ABLE/GED) program due to its duplication of an ABLE/GED program already offered by the Columbiana County Career and Technical Center in East Liverpool.

Until the 2001-02 school year, the three teachers in the ABLE/GED program were part-time employees receiving \$15 per hour and no benefits. The program was largely paid through a \$30,000 state grant. That year, the instructors were moved into the certificated bargaining unit with full benefits, although the state grant level was not increased. Consequently, East Liverpool CSD largely subsidized the teachers' salaries and benefits through its General Fund. One teacher has since moved into regular education.

CCCTC offers the same ABLE/GED program within East Liverpool. Moreover, the ABE/GED consultant for the Ohio Department of Education stated that East Liverpool CSD's program has significant deficiencies in terms of academic performance and that a program site visit will be performed.

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$59,300 per ABE/GED teacher, East Liverpool CSD could generate an annual cost savings of approximately \$119,000 by reducing its two ABE/GED teachers. The net savings would be \$82,000, after deducting the subsequent loss in grant funding.

R3.9 East Liverpool CSD should consider not renewing the contract for its public relations position when it expires in June 2003. This individual's duties could be shifted to central office secretarial staff. As an alternative, the District could reallocate additional duties to this individual.

Mad River LSD is the only other peer to maintain a public relations position, and this individual is 0.6 FTE. According to the president of the Ohio chapter of the National School Public Relations Association, most individuals handling communications in a district the size of East Liverpool CSD also handle other duties such as grant writing, safe schools initiatives, and even secretarial work. For example, he noted that the staff person handling communications at Mad River LSD also performs multiple functions. However, according to the East Liverpool CSD superintendent, public relations is the only function of the District's public relations employee. Further, this individual is a retired East Liverpool CSD teacher who is also receiving a \$10,000 early retirement bonus. The District did not renew this contract.

Financial Implication: If the District reduces the public relations position, it could generate annual cost savings of \$33,000 assuming current salary and benefits equaling 38 percent of salary.

R3.10 East Liverpool should reduce three FTE clerical positions to achieve the peer average per 1,000 students. It appears the District should focus these reductions within its central office.

East Liverpool CSD maintains 6.3 clerical FTEs per 1,000 students compared to the peer district average of 5.2 FTEs as seen in **Table 3-1**. **Table 3-14** further compares secretarial FTEs in East Liverpool CSD to the peer districts at the school building level.

Table 3-14: School Building-Specific Clerical Personnel, FY 2002-03

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Clerical Personnel ¹	10.5	11.0	7.8	6.7	8.5
Enrollment	3,099	3,567	2,038	2,239	2,615
Clerical Personnel per 1,000 Students	3.4	3.1	3.8	2.9	3.3
Number of School Buildings	5.0	7.0	3.0	7.0	5.7
Clerical Personnel per School Building	2.1	1.6	2.6	1.0	1.7

Source: Interviews; FY 2000-01 EMIS Staff Summary Report and Enrollment Report

¹Does not include central office clerical staff.

Based on **Table 3-14**, East Liverpool CSD has clerical staffing levels at the school building level that are comparable with those of peers. Consequently, there are significantly more central office clerical employees at East Liverpool than at the peer school districts. Pooling and sharing clerical staff at the central office could allow the District to reduce clerical positions.

Financial Implication: Assuming an average compensation (salary and benefits equaling 38 percent of salary) of \$31,700 per clerical staff, East Liverpool CSD could generate an annual cost savings of approximately \$95,100 by reducing three positions.

R3.11 East Liverpool CSD should pay for its crossing guards, to the maximum extent possible, through its federal Safe and Drug Free Schools (SDFS) grant to relieve this burden on the General Fund. The District should also analyze the potential to reduce crossing guards without impacting the safety of its students once elementary students are transferred from the Westgate facility as a result of the renovation project. Finally, the District should request the city of East Liverpool to reassume at least a portion of the funding associated with crossing guard positions.

East Liverpool CSD employs 12 part-time crossing guards equaling approximately 2.5 FTEs. Two of these crossing guard positions are three-hours per day due to the responsibility of crossing both elementary and middle school students at the Westgate facility. This has provided one employee who already worked another part-time job in the District with enough hours to qualify for benefits.

These crossing guards are currently paid through the General Fund. However, a grant consultant from the Ohio Department of Education stated that the District is allowed to use up to 40 percent of its Title IV Safe and Drug Free Schools grant to fund its crossing guards. This would equate to approximately \$12,700 based on current SDFS grant funding. It does not appear that shifting this funding would materially affect curriculum, as most of the grant is currently spent on professional development.

According to the District director of operations, reducing the number of crossing guards at this time may present a safety risk due to numerous busy roadways around the Westgate building. However, he said when elementary students are relocated from the Westgate facility during the renovation project, there is potential to reduce at least three crossing guards. He believed middle school children could handle certain crossings at Westgate at which elementary students need assistance. However, he stated reconstruction on Westgate is not slated to begin until 2005, and that moving up this project would not be cost-effective. Also, **R4.11** in the **facilities** section recommends closing an elementary building, which would reduce the need for crossing guards.

Finally, the city of East Liverpool historically funded crossing guards for the school district. However, due to financial difficulties within the city, the school district accepted this responsibility in the late 1990s. Some communities, such as the city of Hamilton, split the costs of crossing guards between the school district and city government.

Financial Implication: If East Liverpool CSD used the maximum allowable amount of SDFS grant dollars to fund crossing guards, it could save \$12,800 annually in General Fund spending. Assuming an average annual salary of \$6,127 and that one position receives full benefits, East Liverpool CSD could save \$31,000 by reducing three crossing guards from the Westgate facility or by closing an elementary building. However, it will not be able to realize this savings until 2007 when Westgate Elementary School is closed.

Leave Usage

R3.12 East Liverpool CSD should strengthen its employee policy to ensure proper use of sick leave. It should establish guidelines and policies that include prohibitions against “pattern abuse” to help department managers in identifying excessive sick leave usage. Pattern abuse may include consistent sick leave usage:

- **Before and/or after holidays;**
- **Before and/or after weekends;**
- **After pay days;**
- **Any one specific day;**
- **Absence following overtime worked;**

- **Half days;**
- **Continued pattern of maintaining zero or near zero leave balances; and**
- **Excessive absenteeism – use of more sick leave than granted.**

The policy should provide that if an employee engages in the above pattern abuse, he/she may be subject to discipline. East Liverpool CSD should consult with its legal counsel to ensure that all required notices and opportunity to dispute abuse claims are addressed as required by applicable laws and/or collective bargaining agreements. Also, supervisors should actively promote the current attendance incentive to encourage employees to reduce the number of sick leave days used.

Table 3-15 and Table 3-16 illustrate sick leave usage among employees in FY 2001-02. Sick leave usage by any staff over 30 days was taken out of the per employee calculation to account for long-term illness. Struthers CSD was not able to provide complete data on sick leave usage.

Table 3-15: Leave Usage for Classified Employees: FY 2001-02

	East Liverpool CSD	Mad River LSD	Washington Court House CSD	Peer Average
Total sick leave	1,643	1,393	935	1,164
Sick days per employee	7.9	7.1	6.9	7.0

Source: Staff attendance reports from each school district.

¹Employees using more than 30 days sick leave have been excluded from per employee calculations to account for long-term illness. At East Liverpool CSD this was 10 employees, at Mad River LSD this was 4, and at Washington Court House this was 5 employees.

Table 3-16: Leave Usage for Certificated Employees FY 2001-02

	East Liverpool CSD	Mad River LSD	Washington Court House CSD	Peer Average
Total Sick Leave Days	2,430	1,875	1,094	1,485
Sick Leave Days per Employee¹	7.2	5.0	5.0	5.0
Teacher Attendance Rate	95%	97.1%	96%	96.6%

Source: Staff attendance reports from each school district and EMIS

¹ Employees using more than 30 days sick leave have been excluded from per employee calculations to account for long-term illness. At East Liverpool CSD this was 9 employees, at Mad River LSD this was 8, and at Washington Court House this was 7 employees.

As indicated by Table 3-15 and 3-16, East Liverpool CSD has the highest rate of sick leave days used per classified and certificated employee among the peer school districts. In addition, the classified sick leave rate is 84 percent higher than the average absence rate of 4.3 days for full-time (35 hours or more) government employees as reported by the Bureau of Labor Statistics for 2001.

Also, **Tables 3-3** and **3-4** demonstrate that East Liverpool CSD employees have cash incentive plans as part of their contracts for good attendance. The classified staff has the most generous incentive among the peer districts and certificated staff has the second most generous incentive. However, in 2001-02, less than \$7,000 in incentive pay was awarded to classified staff and \$20,000 to certificated staff, while the District spends nearly \$50,000 in substitute costs above the peer average.

Financial Implication: If East Liverpool CSD could reduce the number of classified sick leave days to the peer average, it could save approximately \$5,800 in annual substitute costs. If it could reduce the number of certificated sick leave days to the peer average, it could save \$42,700 in annual substitute costs.

Health Care

R3.13 During future contract negotiations, East Liverpool CSD should seek changes to its health insurance. The District should pursue one or more of the following options:

- **Require all full-time employees to pay a portion of the monthly premium costs;**
- **Reduce benefit levels, particularly in the classified plan (e.g., increase out-of-pocket maximums, require employee copays/coinsurance, increase out-of-network deductibles, etc.); or**
- **Join the County Schools Insurance Consortium.**

East Liverpool CSD spends 24 percent of its General Fund for employee health benefits, compared to the peer average of 20 percent. The District pays the total premium cost for all employees. According to the State Employment Relations Board, health care costs are traditionally more expensive in the Mahoning Valley than in other parts of the state. Therefore, the sole managed health plan at East Liverpool CSD was compared to plans of several school districts in the Mahoning Valley. This includes comparisons to other managed health plans as well as traditional plans, which are generally more expensive in nature. **Table 3-17** compares premium costs and employee contribution levels at East Liverpool CSD to 14 Mahoning Valley school districts.

Table 3-17: Medical Premium Costs¹, FY 2002-03

School	Plan Type	Monthly Premium for Single Plan		Full-time Employee Share for Single Plan		Monthly Premium for Family Plan		Full-time Employee Share for Family Plan	
		Certificated	Classified	Certificated	Classified	Certificated	Classified	Certificated	Classified
East Liverpool CSD	Preferred Provider Org	\$364	\$411	\$0	\$0	\$902	\$1,018	\$0	\$0
Niles CSD	HMO	\$315	\$315	\$0	\$0	\$717	\$717	\$0	\$0
Girard CSD	PPO	\$356	\$356	\$0	\$0	\$930	\$930	\$0	\$0
LaBrae LSD ²	PPO	\$357	\$357	\$18	\$18	\$930	\$930	\$30	\$40
Brookfield LSD	PPO	\$360	\$360	\$0	\$0	\$908	\$908	\$0	\$0
Champion LSD	PPO	\$374	\$374	\$0	\$0	\$757	\$757	\$0	\$0
Leetonia LSD ³	PPO	\$223	\$223	\$15	\$10	\$510	\$510	\$30	\$20
Peer average – managed plans		\$353	\$353	\$4	\$4	\$848	\$848	\$6	\$8
Niles CSD	Traditional	\$404	\$404	\$0	\$0	\$892	\$892	\$0	\$0
Struthers CSD	Traditional	\$486	\$486	\$0	\$0	\$1,174	\$1,174	\$0	\$0
Columbiana County School Insurance Consortium Average ⁴	Traditional	\$378	\$378	\$8	\$7	\$914	\$914	\$19	\$18
Peer average – traditional plans		\$393	\$393	\$7	\$6	\$940	\$940	\$14	\$14
SERB regional average (all local govt.) ⁵	N/A	\$315	\$315	\$4	\$4	\$732	\$732	\$19	\$19
SERB statewide average (school districts 2,500-9,999 enrollment)	N/A	\$275	\$275	\$16	\$16	\$681	\$681	\$51	\$51

Source: School district records

¹Includes medical and prescription drugs

²LaBrae certificated staff contribute 5 percent (up to \$30) toward monthly premium costs, classified employees working less than 7 hours a day pay on a sliding scale toward their premium costs. A conservative estimate puts the average contribution at 5 percent of premium costs.

³Due to its lack of full prescription coverage as part of its plans, Leetonia was not included in the peer average.

⁴Districts in the CCSIC include the Columbiana County Career & Technical Center, the Columbiana County Educational Service Center, Salem CSD, East Palestine CSD, Southern LSD, United LSD, and Crestview LSD.

⁵The SERB average is from the *Report on the Cost of Health Insurance in Ohio's Public Sector*. It is based on responses of public employers in Trumbull, Mahoning, Columbiana, and Jefferson counties on health care costs in FY 2001-02. It has been adjusted for an increase of 14 percent. However, not all survey respondents included prescription coverage under medical premium coverage.

Table 3-17 shows that East Liverpool CSD’s premium costs for the certificated single and family plans are higher than the peer average. The premium costs for the classified single and family plans are higher than all six peer managed plans, as well as the traditional plans at CCSIC and Niles CSD. While East Liverpool does not require employee contributions, Labrae LSD, Leetonia LSD and three districts in the CCSIC require varying levels of employee contributions to help offset healthcare costs.

Moreover, SERB reported an average employee contribution of \$16 for single (6 percent) and \$51 for family (7.5 percent) for school districts similar in size to East Liverpool CSD.

Table 3-18 compares benefit levels at East Liverpool CSD to three Mahoning Valley school districts: Niles CSD, Struthers CSD and Leetonia LSD. Current benefit data was not available for all Mahoning Valley school districts reviewed.

Table 3-18: Benefit Comparison, FY 2002-03

Type of Plan	East Liverpool CSD		Niles CSD		Leetonia CSD ¹		Struthers CSD	
	PPO		HMO		PPO		Traditional	
Employee Type	Certificated	Classified	Certificated	Classified	Certificated	Classified	Certificated	Classified
Maximum Deductible (Single/Family)	\$150/\$300	\$200/\$350 major medical only ²	\$0	\$0	\$100/\$200	\$100/\$200	\$150/\$300	\$150/\$300
Out-of-pocket cap including deductible (Single/Family)	\$550/\$700	\$400/\$500 major medical only	\$0	\$0	\$600/\$1,200 (hired before 1993); \$1,100/\$2,200 (after 1993)	\$600/\$1,200 (hired before 1993); \$1,100/\$2,200 (after 1993)	\$2,500	\$2,500
Coinsurance/copay for hospitalization	80%	100%	100%	100%	100% (hired before 1993); 80% (after 1993)	90% (hired before 1993); 80% (after 1993)	100%	100%
Coinsurance/pay for office visits	80%	100%	100%	100%	90% (hired before 1993); 80% (after 1993)	90% (hired before 1993); 80% (after 1993)	100% after meeting deductible	100% after meeting deductible
Coinsurance/copay Maternity	80%	100%	100%	100%	90% (hired before 1993); 80% (after 1993)	90% (hired before 1993); 80% (after 1993)	100% after meeting deductible	100% after meeting deductible
Coinsurance/copay Well child care	80%	100%	100%	100%	90% (hired before 1993); 80% (after 1993); \$500 limit	90% (hired before 1993); 80% (after 1993); \$500 limit	100% after meeting deductible	100% after meeting deductible
Prescription copay (generic/brand)	\$0/\$15	\$0/\$15	\$2 (short-term only)	\$2 (short-term only)	Discount card	Discount card	\$0/\$2	\$0/\$2
Coverage available	Upon hire	6 months after hire	Upon hire	Upon hire	Upon hire	Upon hire	Upon hire	Upon hire
Need to choose primary care physician	No	No	Yes	Yes	No	No	No	No
Minimum hours to qualify for full coverage	N/A	20 (hired before 1990); 22.5 (after 1990)	N/A	20	N/A	27.5 (hired after 1993)	N/A	32 family only; 24 single

Source: School district records

¹A primary reason for Leetonia’s low premium cost is the lack of full prescription coverage as part of its plans.

²Classified East Liverpool CSD employees pay an annual \$25 hospitalization deductible for each covered employee and dependent (limit of \$25 for either single or family coverage).

As indicated in **Table 3-18**, the certificated plan at East Liverpool CSD is relatively comparable to the peers, although the out-of-pocket cap is less than all three peers. However, numerous elements of East Liverpool CSD's benefit plan for classified staff are more generous than the peers including the following, which could contribute to higher monthly medical premium costs (see **Table 3-17**).

- **Out of pocket cap:** The cap is significantly less at East Liverpool CSD.
- **Coinsurance and co-pays:** East Liverpool CSD does not require employee co-pays or coinsurance for hospitalization, office visits, maternity and well child care.
- **Minimum hours to qualify for coverage:** Nearly 40 classified staff work 30 or fewer hours per week, but receive the same insurance benefit as staff working full time. Many of these individuals are earning more in benefits than salary. Districts such as Leetonia LSD and Struthers CSD limit benefit costs by having a higher minimum hour requirement to qualify for full health coverage. Other districts, such as Mad River LSD, require part-time employees to contribute to their health coverage using a pro-rated scale based on hours worked.

East Liverpool CSD employees pay nothing toward prescription coverage if they choose generic drugs. A report from the District's health insurer on prescription activity from June 2002 through February 2003 shows 93 percent of employees chose generic drugs. According to the non-profit Kaiser Family Foundation, a national health-care information resource, the average copay nationally for generic drugs is \$9. Also, the plan does not mandate that employees receive long-term prescriptions through the mail – an efficient practice being adopted by several businesses and governments including the State of Ohio. The District's health insurer reported that of 8,142 prescriptions dispensed to East Liverpool CSD employees, 5,329 were long-term prescriptions picked up at a retail outlet. Furthermore, the Kaiser Foundation reported that the majority of American workers are covered under three-tier drug plans that create efficiencies by breaking brand-name drugs into preferred and higher copay non-preferred drugs. East Liverpool has not split its brand name option in this manner.

Maximizing network usage can also help control premium costs. However, East Liverpool CSD employees have the same deductible level for in-network as out-of-network physicians. According to a report from the District's health insurer, 6 percent of employees made claims out-of-network from February 2002 to January 2003. In addition, East Liverpool CSD extends health coverage to qualified dependents until age 25, and does not require that dependents 19-23 be enrolled at an accredited college or university to receive coverage. With the exception of disabled children, this level of coverage is uncommon according to an independent health insurance consultant serving several Columbiana County school districts.

Several of the Mahoning Valley districts surveyed pool their resources for plan administration through countywide school insurance consortiums. Members benefit from group purchasing discounts, yet can still choose their own health package. For example, surveyed schools in the Trumbull County consortium have managed health plans like East Liverpool CSD. Compared to East Liverpool CSD's certificated plan (the least expensive of the District's two plans), average single premium costs for the Trumbull County consortium are nearly identical while the average family premiums cost \$22 less per month. In 2002-03, school districts in the CCSIC all offered generally more expensive traditional plans. However, compared to East Liverpool CSD's certificated plan, single and family premium costs are only \$12 and \$14 higher, respectively. This indicates the pooling of resources is likely providing a savings to these consortium districts. Nonetheless, prior to joining, East Liverpool CSD should review the consortium's premium costs and plan benefit levels, as well as the District's flexibility to participate in other types of plans (i.e., managed health plans) and its ability to alter plan benefits to ensure healthcare costs would be reduced and effectively controlled by joining the consortium.

Finally, East Liverpool is the only school district among those surveyed that has separate plans for its classified and certificated staff. As indicated by **Table 3-18**, the premium costs are much higher and benefit levels are more generous in the classified plan than the certificated plan. Merging the plans could create efficiencies in terms of plan administration and provide equal health costs and benefits to all employees. However, if the District can only have one employee group accepted into the Columbiana County school insurance consortium, keeping separate plans may be the better option.

Financial Implication: By requiring employee contributions and/or changing plan benefit levels to attain the peer average districts' share of the premium costs in the managed plans, East Liverpool CSD could save approximately \$335,000 annually. For instance, if East Liverpool CSD required employee contributions as reported by SERB for similar sized school districts (6 percent single, 7.5 percent family), it would save approximately \$255,000 annually. Additional savings could be achieved by altering plan benefits or joining the consortium.

R3.14 East Liverpool CSD should negotiate to eliminate payment of health insurance opt-out payments to District staff married to one another. These incentive payments are unnecessary and redundant if an employee is under his or her spouse's family coverage through the District.

The East Liverpool CSD treasurer's office reports that 30 staff within the District are married to one another. In all but one case, these married persons are covered under one family policy. However, in 11 of these cases when at least one of the married partners is in the certificated bargaining unit, that individual annually collects a \$2,000 incentive

payment for waiving health insurance coverage. While the East Liverpool CSD classified contract also offers an incentive payment to employees for waiving health coverage, it specifically prohibits incentive payments to employees who continue coverage under the District's health insurance program.

Financial implication: If East Liverpool CSD discontinued the practice of insurance "opt-out" payments to certificated staff married to other District staff and subsequently covered under a family plan, it could save \$22,000 annually

R3.15 East Liverpool CSD should seek to gain more flexibility in collective bargaining agreements to address increasing health insurance costs during the life of the agreement. This could be done by either empowering a labor-management insurance committee to adopt plan changes throughout the agreement term or by negotiating a limited clause that would reopen negotiations limited to health insurance, if premium costs increase by more than a certain percentage.

At the very least, the District should establish for both bargaining units a labor-management insurance study committee to facilitate understanding of current coverage, periodically explore the market place for improved coverage and/or reduced costs, and review any proposed rate increases or benefit changes during the term of the contract agreement.

Some Ohio school districts have created innovative partnerships with their bargaining units allowing for ongoing monitoring and intervention on health care issues. After a performance audit showed Warren City School District had the highest benefit costs per employee of Ohio's urban school districts, the district's labor-management committee switched in mid-contract to a managed care plan to save \$500,000 annually. Though East Liverpool CSD's classified unit has a labor-management insurance study committee, it is not empowered to make such changes in mid-contract. Washington Court House CSD has a clause in its contract with its certificated staff allowing negotiations to reopen for health insurance when premium costs increase by more than 15 percent over the prior year.

Dental and Life Insurance

R3.16 East Liverpool CSD should seek to competitively bid its dental insurance coverage or apply to the Columbiana County School Insurance Consortium (R3.13). Even if it does not join the Consortium, it should investigate the benefits and costs of bidding out its dental coverage separate from its medical coverage.

If East Liverpool CSD cannot realize sufficient savings by changing dental plans, it should consider an employee contribution to dental premium costs for its full-time employees, and a pro-rated contribution for part-time employees. Another option would be a reduction in plan benefits. Finally, East Liverpool CSD should negotiate to prohibit staff married to one another from carrying two separate family policies, each paid at District expense.

Table 3-19 shows premium rates for East Liverpool CSD are generally much higher than those paid by school districts that receive dental insurance through the Columbiana County school insurance consortium. The fiscal agent for the consortium stated that dental plans are generally standard in terms of benefits offered, and low rates can be at least partially attributed to claims activity at each member school district.

Table 3-19: Dental Benefit Premium Costs, FY 2002-03¹

Coverage	East Liverpool CSD	Columbiana Career Center	Columbiana ESC	East Palestine CSD	Southern LSD	United LSD	Crestview LSD	Consortium average
Single	\$27	\$36	\$16	\$15	\$14	\$13	\$18	\$19
Family	\$67	\$36	\$44	\$38	\$33	\$32	\$45	\$38

Source: East Liverpool CSD, Columbiana County School Insurance Consortium

¹Salem CSD does not receive dental coverage through the Consortium

According to the District treasurer’s office, dental coverage has traditionally been obtained through the same insurance carrier. The treasurer’s office noted that consolidating coverage under one carrier creates less administrative work for the District. Mad River LSD and Washington Courthouse CSD both have dental plans separate from their medical carriers. As indicated by Table 3-20, they both have lower family premium rates for dental coverage than East Liverpool CSD.

Table 3-20: Dental Insurance Benefits, FY 2002-03

Benefit	East Liverpool CSD¹	Mad River LSD	Struthers CSD	Washington Court House CSD
Premium cost -- Single/family	\$27/\$67	\$53/\$54	\$45/\$45	\$20/\$52
Work hours required to receive coverage for classified²	22.5 hours	30 hours (at full-time coverage rate)	32 hours (family) 24 hours (single)	25 hours
Employee premium share -- single/family	\$0	\$2/ \$2 – 30 hours \$6/\$6 – 25 hours \$18/\$18 – 18 hours	0 (certificated) 0 (qualifying classified) ³	0/\$9
Deductible-- single/family⁴	\$25/ \$75	\$25/ \$50	\$25/\$50	\$25/\$50
Coinsurance	100% preventive; 80% essential; 50% complex	100% preventive; 80% essential; 50% complex	100% preventive; 80% essential; 50% complex	100% preventive; 60% essential; 60% complex ⁵
Maximum benefit	\$1,500	\$1,500	\$1,000	\$1,500 ⁶

Source: East Liverpool CSD and peer district records

¹According to East Liverpool CSD certificated contract, two married bargaining unit members enrolled with two separate family policies shall coordinate dental benefits to receive 100 percent coverage.

² Minimum work hours for East Liverpool CSD classified employees hired before 1990 is 20, for Mad River LSD hired before 1990 is 25

³ Struthers CSD includes dental benefits in its sliding scale for health benefits for part-time classified staff . See **Table 3-13**.

⁴ Deductible does not apply for preventive services except at Washington Court House CSD, where certain preventive services are subject to deductible and complex services are not subject to deductible.

⁵ Certain preventive benefits at Washington Court House CSD covered at 80 percent.

⁶ Maximum benefits for complex services at Washington Court House CSD is \$1,000.

Compared to the peer districts, East Liverpool CSD appears to have the most generous dental benefit package. While it does require the highest family deductible, the peer districts require higher hours to qualify for coverage and larger employee premium contributions.

East Liverpool CSD is also the only school district among the peers that allows its staff that are married to one another to carry two separate family policies and consequently coordinate dental benefits to 100 percent coverage for all services. The District treasurer’s office stated that all 15 couples carry two family dental policies paid fully at District expense. The dental plan for the Washington Court House CSD, on the other hand, specifically requires staff married to one another to enroll under a single application card and receive benefits under a single contract without coordination of benefits.

Financial Implication: East Liverpool CSD could save \$46,000 annually by achieving the average premium costs of Mad River LSD, Struthers CSD and Washington Court House

CSD based on current plan usage. East Liverpool CSD could save an additional \$12,000 annually by eliminating the ability of married staff couples to carry two family dental policies. These changes would result in total savings of \$58,000 annually.

R3.17 East Liverpool CSD should consider setting life insurance coverage according to the rate of pay, categorizing levels of coverage according to hours worked or paying a flat amount for all categories of employees. East Liverpool CSD should also attempt to reduce the cost for life insurance by seeking price quotes or bidding out coverage.

Most employers generally offer basic life insurance coverage at no additional cost to employees. **Table 3-21** and **Table 3-22** present the monthly premium costs and benefits of life insurance at East Liverpool CSD and the peers.

Table 3-21: Life insurance Premium Costs, FY 2002-03¹

	East Liverpool CSD	Mad River LSD	Struthers CSD	Washington Court House CSD	Peer Average
Administrative	\$14.50	\$12.64	\$9.60	\$7.51	\$9.91
Certificated	\$11.60	\$10.50	\$7.04	\$7.51	\$8.35
Classified	\$8.70	\$6.50	\$2.08	\$7.51	\$5.36

Source: District records

¹East Liverpool CSD, Washington Court House CSD and Mad River LSD (certificated only) reflect standard premium costs for each employee. Struthers CSD bases benefit levels on rate of pay and Mad River has a sliding benefit scale for administrative/classified based on position or hours worked. Consequently, premium costs were calculated based on premium cost per thousand dollars salary and average salary for each classification.

Table 3-22: Life insurance benefits, FY 2002-03

	East Liverpool CSD ¹	Mad River LSD	Struthers CSD	Washington Court House CSD
Administrative	\$50,000	\$50,000-55,000 ²	Rate of pay	\$37,500
Certificated	\$40,000	\$50,000	Rate of pay up to \$50,000	\$37,500
Classified^{2,3}	\$30,000	\$25,000 for less than 25 hours; \$50,000 for more than 25 hours	Rate of pay up to \$50,000	\$37,500

Source: District records

¹Plan also includes accidental death/dismemberment rider that doubles coverage

²Benefit level depends on position. Also, superintendent and treasurer receive double salary benefit.

³Classified employees at East Liverpool CSD must work 22.5 hours to qualify, at Struthers CSD 24 hours and at Washington Court House 25 hours

The tables indicate that the peer districts have controlled life insurance premium costs by setting coverage according to the rate of pay, categorizing levels of coverage according to hours worked or paying a flat amount for all categories of employees. Also, the East

Liverpool CSD treasurer's office stated that it does not normally bid out life insurance coverage. According to a June 2003 article on Bankrate.com, a leading national personal finance website, term life insurance rates will be going down as much as one-third in the near future because regulators have revised life-expectancy projections for the first time since 1980. Consequently, better rates may be available. The treasurer at Mad River LSD stated that she was aware of this expected decline and intended to seek price quotes and/or bids.

Financial Implication: If East Liverpool CSD achieved the peer average life insurance premium costs, it could save approximately \$16,000 annually based on current plan usage.

Contract Issues

R3.18 East Liverpool CSD should negotiate to eliminate or restrict the \$10,000 retirement incentive bonus for certificated staff given the program's ineffectiveness in inducing significant staff retirement.

East Liverpool CSD offers any certificated staff with more than 20 years service in the district a \$10,000 bonus to retire. In FY 2002-03, East Liverpool CSD teachers had an average 15 years of experience. However, approximately 20 staff have taken advantage of this incentive in the past three years. The certificated bargaining unit leadership confirmed that while many of its members are eligible to retire, they continue working due to concerns over the increasing cost of health care in the State Teachers Retirement System (STRS).

In May 2003, STRS approved a plan to increase the share of premium costs for retirees under 65 from 12 percent to 25 percent. Retirees with less than 30 years service will pay even more, and the new plan also eliminates the STRS subsidy to help pay the premium cost for dependents.

Mad River LSD and Struthers CSD also offer retirement incentives for their certificated staff of \$10,000 and \$11,000, respectively. However, the plans are much more restrictive than East Liverpool CSD's plan. Both peers require at least 30 years of service credit in the retirement system (25 years in certain instances at Struthers CSD) with at least 10 years in the school district, and that employees take the incentive in the first year they qualify. Moreover, Struthers CSD prohibits retiring employees from collecting both the incentive and severance from accumulated sick leave.

Financial Implication: If East Liverpool CSD eliminated its early retirement incentive program, it could save \$70,000 annually assuming the number of average retirements (7) during the past three years.

R3.19 East Liverpool CSD should work with its legal counsel to address its ability to implement a reduction in force (RIF) and to determine if language within the certificated contract should be altered to ensure a RIF can be implemented when necessary. The District and its legal counsel should ensure that language in the certificated contract allows for a systematic staff reduction through non-renewal of limited contract teachers.

The current certificated contract restricts a RIF to the following reasons:

- A pattern of decreased enrollment for the previous four years;
- Suspension of schools (i.e., physical closing of a building) or territorial changes affecting the District; or
- Return to duty of a regular bargaining unit member from a leave of absence.

This language is much more restrictive than the peer district contracts in allowing management to implement a reduction in teaching staff. For example, none of the other peer contracts requires four years of declining enrollment to implement a RIF. Also, all three peer district certificated contracts allow RIFs for financial reasons.

Furthermore, the East Liverpool CSD certificated contract does not allow for staff reduction through a systematic non-renewal of limited contract teachers. Mad River LSD allows for systematic non-renewals of limited contract teachers by certificated area based upon seniority. Consideration should also be given to proficiency in teacher evaluations and district needs regarding supplemental activities.

R3.20 East Liverpool CSD should negotiate to remove language limiting class sizes.

Two of the peer districts (Mad River LSD and Washington Court House CSD) do not have class size limitations in their contracts. Further, the “good faith” class size limitations in the East Liverpool CSD contract are much more stringent than those in the Struthers CSD contract, as demonstrated by **Table 3-3**. It is possible that this contract pressure to limit class sizes may have contributed to actual class sizes far below those stated in the contract (see **R3.3**).

Also, the East Liverpool certificated contract section on special education states that to the maximum extent possible, classes will be scheduled at times that will lend themselves to equalizing enrollment. None of the peers have a similar clause in their certificated contracts. As a result, this clause may impair the ability of the East Liverpool CSD management to effectively staff and schedule its special education program (see **R3.5**).

R3.21 East Liverpool CSD should negotiate to eliminate the clause in the current classified contract reopening negotiations if the District’s unencumbered cash balances exceed \$500,000.

None of the peer contracts contains such a clause. Further, \$500,000 is an unrealistically low threshold to reopen negotiations and could potentially subject the District to additional labor costs. Unanticipated expenses, especially in health care costs, could immediately eliminate a \$500,000 cash balance.

R3.22 East Liverpool CSD should continuously engage its classified and certificated staff through labor-management committees.

East Liverpool CSD does not have labor-management committees with either of its bargaining units, with the exception of an insurance study committee with classified employees. Labor management committees are an important tool for school districts to improve communications and resolve problems outside of negotiations.

Struthers CSD and Washington Court House CSD each maintain labor-management committees with their certificated units, while Mad River LSD has joint committees studying specific issues such as supplemental pay and teacher evaluations. Mad River LSD and Struthers CSD also have labor-management committees for their classified units. Most of these committees meet routinely throughout the year, and both Struthers CSD and Washington Court House CSD use a federal mediator to provide consultation and training to members.

Financial Implications Summary

The following table is a summary of estimated annual cost savings from the recommendations discussed in this section of the performance audit. The financial implications are divided into those that are subject to negotiations with bargaining units and those that are not. Implementation of those recommendations subject to negotiations would require an agreement with the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.1 Reduce three site-based administrators	\$184,000
R3.9 Reduce publicity relations position	\$33,000
R3.10 Reduce three clerical positions	\$95,100
R3.11 Fund crossing guards partially through grants	\$12,800
R3.11 Reduce four crossing guard positions	\$31,000 ¹
R3.12 Implement policy to reduce sick leave usage	\$48,500
Totals	\$404,400

¹Savings would not be realized until 2006 when Westgate Elementary School closes

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.2 Reduce five remedial teaching positions	\$231,000
R3.3 Reduce up to 29 regular education teaching positions	\$1,708,000
R3.4 Reduce three gifted/talented teaching positions	\$60,300
R3.5 Reduce seven special education teaching positions	\$382,200
R3.6 Reduce five voc-educational teaching positions	\$252,000
R3.7 Reduce four educational service personnel positions	\$253,600
R3.8 Contract with CCCTC for the ABE/GED program	\$82,000
R3.13 Require employee contributions as a percentage of premiums	\$335,000
R3.14 Eliminate insurance opt-out payments to certificated staff married to district employees	\$22,000
R3.16 Reduce dental premium costs and eliminate ability of staff married to one another to carry two family dental policies	\$58,000
R3.17 Reduce life insurance premium costs	\$16,000
R3.18 Eliminate retirement incentive for certificated staff	\$70,000
Totals	\$3,470,100

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Facilities

Background

The facilities section covers the custodial and maintenance operations of the East Liverpool City School District (East Liverpool CSD). The objective is to analyze custodial and maintenance operations and develop recommendations for improvements and possible reductions in expenditures. Throughout the report, comparisons are made to the following peer school districts: Mad River Local School District (Mad River LSD), Washington Court House City School District (Washington Court House CSD), and Struthers City School District (Struthers CSD).

Organizational Structure and Function

East Liverpool CSD currently has five operational schools (see **Table 4-1**), two of which (Westgate Elementary and Middle) are housed within the same building. The Westgate facility was built in 1956. The remainder of the District's school buildings were built in 1968. In February 2001, the District added four modular units to the school district. One modular unit is at North Elementary and the other three units are located at Westgate Elementary and Middle School.

The Ohio School Facilities Commission (OSFC) provides funding, management oversight, and technical assistance to Ohio school districts for the construction and renovation of schools. OSFC has been working with East Liverpool CSD and has developed a master plan to renovate all of the existing buildings. The project, which the District hopes to begin within the next several years, will add additional square footage to four buildings (see **Table 4-1**) and will completely renovate the interiors of all five school buildings. The total cost of the project is estimated at \$59,337,192. When the project is completed, LaCroft Elementary, North Elementary, and East Elementary will house grades kindergarten through five (K-5), Westgate will house grades six through eight (6-8), and East Liverpool high school will house grades nine through twelve (9-12).

The conversion of the current administration building to a charter school by FY 2004-05 is being considered by the District and may affect facilities' issues in the future. The current administration building houses all District administrative staff. Therefore, if East Liverpool CSD decides to lease the administration building to a charter school, the District will have to find another place to house administration offices. Based on overall capacity (see **Table 4-8**) the District will have room to house administration offices in either its modular units or another school building.

Table 4-1 displays East Liverpool CSD’s current student enrollment and total square footage per building.

Table 4-1: 2002-03 Current Enrollment and Square Footage by Enrollment

Building Name	Grades	Enrollment	Total Square Feet	Additional Square Feet (OSFC Project)	Total Square Feet After Additions
East Elementary	K-5	327	46,209	16,980	63,189
LaCroft Elementary	K-5	322	41,687	32,528	74,215
North Elementary (includes 1 modular unit)	K-5	426	63,009	21,898	84,907
Westgate Elementary and Middle School (includes 3 modular units) ¹	K-8	1,004	181,917	Renovations only, no additional space.	181,917
East Liverpool High School	9-12	995	202,229	19,284	221,513

Source: Ohio School Facilities Commission CFAP Assessment Report and Master Plan Study, November 12, 2001 and Ohio Department of Education, Education Management Information System (EMIS) 2002-03 School Enrollment Data (First Full Week of October).

¹ Westgate is being renovated, but there will be no additional square footage added.

Total facilities staff is 35 FTEs, including two administrative directors, 28 custodians, four line maintenance staff and a secretary. The Director of Operations oversees all custodial staff and operations, including grounds keeping, security, and custodial requirements for all facilities. Each school has one head custodian. East and North elementary schools are staffed with 3.0 FTEs; LaCroft with 2.5 FTEs; and Westgate with 7.5 FTEs. The high school academic building has 7 FTEs and an additional 3 FTEs working at the field house. Finally, there are 2 custodian FTEs assigned to the administration building. The original staffing levels were assigned based on the 1968 Inertia (a management consulting firm) Study. The Inertia Study was designed to assist the District in establishing custodial staffing levels, cleaning methodologies, and cleaning assignments according to school district floor plans. Staffing levels were reduced in 1979 and then again in 2001 due to the District’s financial difficulties.

The custodial staff’s main responsibilities are to protect the health and safety of those using school buildings and grounds, preserve school property and equipment, care for buildings and grounds, and provide a climate for teaching and learning. In the winter, the custodial staff may do minor snow removal on sidewalks; however, approximately 95 percent of snow removal duties are handled by the maintenance department. Custodial employees, in general, are responsible for dealing with all cleaning issues.

East Liverpool CSD’s maintenance staff consists of five full-time employees, including a Director of Maintenance. Maintenance employees are responsible for repair and/or construction

projects in the areas of carpentry, masonry, light plumbing, light electrical, roofs, driveway and parking lot maintenance, fencing, and school district furniture. Maintenance employees are also responsible for functioning as back-up equipment operators, performing grounds keeping duties, and supervising support work in the school district.

Table 4-2 depicts East Liverpool CSD's current facility staffing levels.

Table 4-2: Number of Positions and Full-Time Equivalents for FY 2002-03

Classification	Total Number of Positions	Number of Full-time Equivalents
Director of Operations	1	1.0
Director of Maintenance	1	1.0
Secretary	1	1.0
Total Administration	3	3.0
Total Maintenance	4	4.0
Head Custodian	5	5.0
Custodian	23	23.0
Total Custodial	28	28.0
Total	35	35.0

Source: East Liverpool CSD's Director of Operations and Maintenance Office

Key Statistics

Key statistics related to the maintenance and operations of East Liverpool CSD are presented in **Table 4-3**. In addition, results from the 32nd Annual American Schools & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2003, are included in **Table 4-3** and throughout the **facilities** section of the report. AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. This year's report provides the median and mean number for each category on a national level and by district enrollment.

According to the 32nd Annual AS&U study, "The economy has taken its toll on school district budgets, and it has been especially hard on maintenance and operations (M&O) funding. One of the first areas targeted for cuts is M&O, even as deferred maintenance and the effects of inadequate upkeep, such as mold and indoor environmental quality, continue to plague more and more institutions."

Unless noted, peer district averages do not include statistics for East Liverpool CSD.

Table 4-3: Key Statistics and Indicators

		With OSFC Proposed Additional Square Footage
Number of School Buildings	6	6
Elementary Schools	4	4
Middle Schools	1	1
Junior High Schools	0	0
High Schools	1	1
Total Square Feet Maintained	515,681	606,371
East Elementary	46,209	63,189
North Elementary (Plus 1 Modular 1,680 Sq. ft)	47,889	69,787
La Croft Elementary	41,687	74,215
Westgate Elementary and Middle School (Plus 3 Modulares at 1,680 Sq.ft each)	136,557	136,557
East Liverpool High School ¹	202,229	221,513
Administration Building	41,110	41,110
Square Feet Per FTE Custodial Staff Member (28)	18,417	21,656
Elementary Schools/ Middle School (16)	17,021	21,484
High School (10)	20,223	22,151
Administration Building (2)	20,555	20,555
AS&U 32nd Annual Cost Survey 1,000-3,499 Students	24,900	24,900
AS&U 32nd Annual Cost Survey National Average	24,167	24,167
Peer District Average	23,780	23,780
Square Feet Per FTE Maintenance Employee (4)	128,920	151,593
AS&U 32nd Annual Cost Survey 1,000-3,499 students	116,660	116,660
AS&U 32nd Annual Cost Survey National Average	95,120	95,120
Peer District Average ²	99,201	99,201
FY 2001-02 Maintenance and Operations Expenditures Per Square Foot	\$4.81	\$4.09
Custodial and Maintenance	\$3.35	\$2.85
Utilities	\$0.80	\$0.68
Other ³	\$0.66	\$0.56
Peer District Average	\$3.51	\$3.51

Source: Budget Account Summary Reports FY Ending 2000-03, interviews, and district documents

¹ The stadium square footage is not included in the high school total.

² Struthers is excluded from the peer average because it contracts for the majority of its maintenance activities.

³ 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 East Liverpool CSD’s facilities for FY 2000-01, 2001-02, and FY 2002-03.

Table 4-4: ELCSD General Fund Maintenance and Operations Expenditures

Accounts	FY 2000-01 Total	FY 2001-02 Total	FY 2001 to FY 2002 Percentage Change	FY 2002-03 Total	FY 2002 to FY 2003 Percentage Change
Salaries	\$1,089,409	\$1,196,720	10%	\$1,155,015	(3%)
Benefits	\$487,211	\$531,338	9%	\$543,125	2%
Purchased Services	\$269,664	\$243,136	(10%)	\$123,751	(49%)
Utilities	\$513,169	\$414,643	(19%)	\$480,619	15%
Supplies/ Materials	\$120,288	\$89,554	(26%)	\$67,328	(24%)
Capital Outlay	\$76,915	\$9,480	(88%)	\$4,141	(56%)
Total	\$2,556,657	\$2,484,870	(3%)	\$2,373,979	(4%)

Source: East Liverpool City School District Budget Account Summary Reports for Fiscal Years 2000, 2002, 2001, and 2003

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

- *A 49 percent decrease in purchased services from FY 2001-02 to FY 2002-03:* This decrease is primarily attributed to the District reducing contracts for security services.
- *An 88 percent decrease in capital outlay and 26 percent decrease in supplies and materials from FY 2000-01 to FY 2001-02, and a 56 percent decrease in capital outlay and 24 percent decrease in supplies and materials from FY 2001-02 to the budget for FY 2002-03:* Due to the OSFC project resulting in renovations all five of East Liverpool CSD's schools, the maintenance department stopped spending money on items that would be replaced with the renovations. Therefore, the current spending reflects only items that are needed to perform day-to-day tasks. The director of maintenance stated, however, that the District would buy or replace items (until construction on the new facilities is completed) if needed for safety or emergency purposes.
- *A 10 percent increase in salaries and 9 percent increase in benefits from FY 2000-01 to FY 2001-02:* Starting September 1, 2000, the maintenance and custodial staff received a 3 percent salary increase plus two additional step increases in pay, and on September 1, 2001 the maintenance and custodial staff received another 3 percent salary increase plus another two additional step increases in pay. According to the District, salaries and benefits are budgeted to slightly decrease in FY 2002-03 due to measures taken to reduce overtime use.

Revenue from the General Fund supports the maintenance and operation of East Liverpool CSD's facilities. **Table 4-5** illustrates East Liverpool CSD's and the peer districts' FY 2001-02 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

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

Expenditure	ELCSD	MRLSD	SCSD	WCHCSD	Peer Average	AS&U for 1,000-3,499 Students
Custodial & Maintenance Salaries and Benefits	\$3.35	\$2.83	\$ 2.45	\$ 1.58	\$2.29	\$1.97
Purchased Services	\$0.47	\$0.30	\$0.40	\$0.26	\$0.32	\$0.23
Utilities	\$0.80	\$0.73	\$0.85	\$0.61	\$0.73	\$1.23
Supplies/ Materials	\$0.17	\$0.14	\$0.06	\$0.21	\$0.14	\$0.43
Capital Outlay	\$0.02	\$0.01	\$0.02	\$0.07	\$0.03	\$0.00
Other	\$0.00	\$0.02	\$0.00	\$0.00	\$0.01	\$0.00
Total General Fund Expenditures	\$4.82	\$4.03	\$3.78	\$2.73	\$3.51	\$3.93

Source: East Liverpool City School District Budget Account Summary Reports for Fiscal Year 2001- 2002. MRLSD, SCSD, and WCHCSD 4202 Fiscal Reports for Fiscal Year 2001-2002.

As indicated in **Table 4-5**, salaries and benefits per square foot are the highest of the peers, which is primarily attributed to employing two separate positions to oversee maintenance and custodial operations (see **R4.1**) and to the District’s relatively higher benefit costs (see **human resources**). Purchased service expenditures per square foot are also the highest of the peers, mainly due to contracts for security services. The superintendent has subsequently reduced security service contracts, thereby reducing purchased service expenditures in FY 2002-03 (see **Table 4-4**).

In addition to the analyses presented 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:

- **Energy conservation measures-** East Liverpool CSD took advantage of House Bill 264, which allowed districts to borrow money for energy conservation purposes (see ORC §§ 133.06 and 3313.273). East Liverpool CSD purchases electricity at a discounted rate and gas at a deregulated rate. In addition, its utility cost of \$0.80 per square foot is comparable to the peer districts (see **Table 4-5**).
- **Building use policy and fee schedule-** An assessment of the District’s building use policy and fee schedule indicates that custodial and maintenance costs are recouped.
- **Custodial and maintenance overtime usage–** An assessment of custodial and maintenance overtime indicates that overtime usage is minimal.
- **Incurred operating costs from leased or vacant buildings-** East Liverpool CSD does not have any leased or vacant buildings.

- **Purchased services-** See **Tables 4-4** and **4-5**.
- **Custodial and maintenance salaries-** Although salaries and benefits per square foot in **Table 4-5** are higher than the peers (see **R4.1** and **R4.10**), custodial and maintenance average base salaries are slightly less than the peer average.

General Recommendations

General Operations

- R4.1 East Liverpool CSD should consolidate the director of maintenance and director of operation positions into a new position, the director of facilities. The director of facilities should oversee and supervise the District’s maintenance and custodial operations.**

Currently, East Liverpool CSD has two positions (director of maintenance and director of operations) to oversee the District’s maintenance and custodial operations. Two of the three peer school districts (Mad River LSD and Washington Court House CSD) have only one facilities supervisor managing both maintenance and custodial operations.

Consolidating these two positions could enhance the District’s ability to coordinate custodial and maintenance functions. Centralized management may also enhance communication between custodial and maintenance staff, allow for efficient resolution of minor maintenance issues, and improve consistency in the management of department staff. In addition, closing a school building may allow East Liverpool CSD to be able to operate effectively with one less supervisor because fewer custodial staff would need to be supervised and one less building would require maintenance.

Financial Implication: The reduction of one of the positions would provide an annual cost savings of approximately \$61,400 in salary and benefits.

- R4.2 The District should transfer 2.0 custodial FTE positions to the maintenance department. Doing so would ensure proper upkeep of the facilities after the OSFC renovations.**

Currently, the custodial department is slightly overstaffed. **Table 4-3** shows East Liverpool CSD custodians are cleaning approximately 5,500 square feet less than the AS&U national and peer averages. When the additional square footage that the new OSFC project will provide is factored in, the District remains below national square footage standards. Conversely, East Liverpool CSD maintenance employees are maintaining approximately 30,000 to 34,000 more square feet than national and peer averages (see **Table 4-3**). The OSFC project will add approximately 22,000 additional square feet for each of the maintenance employees to maintain. The maintenance department is also performing grounds keeping duties and the majority of maintenance activities, since the District does not contract out projects.

If the District closes East Elementary (see **R4.10**) and includes the additional square footage resulting from the OSFC project, the revised square footage for East Liverpool CSD would be 543,182. Consequently, the remaining 25 custodians would be cleaning approximately 21,700 square feet per FTE, which is considerably less than the AS&U and peer averages. The four maintenance staff would be responsible for approximately 135,800 square feet per FTE, which is still higher than the AS&U and peer averages. Reallocating 2.0 FTE custodian positions to maintenance would increase square footage per custodian to about 23,600 which is still less than the AS&U and peer averages; and decrease square footage per maintenance FTE to approximately 90,500 to be more comparable to the peer and AS&U national averages. Transferring custodial positions to maintenance operations would ensure adequate staffing levels for the proper upkeep of facilities, which is especially critical after completion of the OSFC project.

R4.3 East Liverpool CSD should establish a policies and procedures manual for the custodial and maintenance departments.

Currently, the custodial and maintenance departments do not have policies and procedures manuals. By not having established policies and procedures, the District cannot ensure that all employees are adhering to and following consistent processes and internal controls. *The Government Finance Officers Association Accounting Issues and Practices: A Guide for Smaller Governments* states that every government should maintain and follow an up-to-date policies and procedures manual. By establishing a policies and procedures manual, East Liverpool CSD can ensure that custodial and maintenance employees are following established guidelines. Documenting operational policies and procedures should also limit or prevent potential liability issues with internal and external clients.

R4.4 East Liverpool CSD should purchase a comprehensive work order system. The work order system should allow the district to track work orders, materials used, personnel information, and productivity statistics. The automated system should also include the capability for users in any building to initiate work order requests and check status. In addition, East Liverpool CSD should include the use of the work order process in the policies and procedures manual (see R4.3).

Currently, there is no standardized process for submitting a work order. The work orders are called in, submitted in written form, or verbally communicated to the maintenance crew or director of maintenance. The director of maintenance then prioritizes the work orders by the following hierarchy: threats to safety/liability; threats to education process (lights, heating, etc); and all other requests. However, because only the director maintains a work order log, it is difficult for the entire maintenance staff (and any other authorized personnel) to access work orders, check to see if a work order has been completed, input status notes, close out completed work orders, and run reports. In addition, the director of maintenance manually tracks material and labor costs.

Using a comprehensive computerized work order system would allow East Liverpool CSD to standardize the work order process, increase accountability, and allow the District to track material and labor costs. This would also allow the District to better budget for future repairs. *The Public Works Management Practices Manual (Fourth Edition)*, states that standardization of works orders reduces the number of errors and confusion concerning maintenance assignments. A computerized work order system would automatically meet this need and reduce paperwork for the director of maintenance.

Financial Implication: A commonly used, Internet-based work order system would cost approximately \$2,000 for a one-year subscription; \$3,500 for two years; and \$4,250 for three years. After the subscription expires, the District would need to renew the subscription. The company also provides an E-rate (a U.S. government program discounting technology services for schools) discount to schools which could range from 20 percent to 90 percent depending on the level of poverty and the urban/rural status of the population served.

R4.5 East Liverpool CSD should establish a preventive maintenance program that addresses all building maintenance functions including routine, cycled and planned maintenance activities. With the development of a preventive maintenance program, East Liverpool CSD should also develop a five year capital improvement plan that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available.

Currently, East Liverpool CSD does not have a preventive maintenance program. The director of maintenance stated that due to understaffing issues and the age of buildings, staff currently spends its time on emergency repairs. *The Planning Guide for Maintaining School Facilities* warns that continual emergency repairs will cost more in the long term than a preventive maintenance program. As part of the renovation project, the OSFC requires a preventive maintenance plan be in place six months prior to the completion of any facility for occupancy, and also requires a school district to establish a maintenance fund. East Liverpool CSD has a one-half mill permanent improvement levy that will be dedicated to maintenance needs of the newly renovated facilities. Nonetheless, a preventive maintenance plan will help prevent sudden and unexpected equipment failure, and inhibit the accumulation of damage and repair tasks. Additional maintenance staff may aid in this process (see **R4.2**).

East Liverpool CSD also lacks a capital improvement plan. Along with a preventive maintenance plan, the OSFC requires a five-year capital improvement plan that is to be updated annually. The District may select and engage a maintenance plan advisor from the OSFC's list of pre-qualified individuals and firms. The advisor would serve as an expert to assist the District in creating a preventive maintenance and capital-planning program for the newly completed facilities. The advisor's costs are covered under the

half-mill levy dedicated to maintenance costs. The District should also consult with the OSFC to ensure that all required elements are included in its capital improvement and preventive maintenance plans.

R4.6 East Liverpool CSD should conduct an annual performance evaluation for each custodial and maintenance staff employee. The performance evaluation and review criteria should be position specific.

Currently, custodial and maintenance staff are not receiving annual performance evaluations. Performance evaluations provide supervisors and staff with an opportunity to review job performance, provide feedback and praise, and offer guidelines for improvement, if needed. In order to assess staff productivity, the District should establish performance standards and evaluation criteria. The *Planning Guide for Maintaining School Facilities* states, “A custodian’s performance might be measured by the amount of floor space or number of rooms serviced, the cleanliness of those facilities, and his or her attendance history.”

While East Liverpool CSD does have a policy in its Bylaws and Policies (policy number 4220) regarding the evaluation of employees, the policy does not specify timeframes for evaluation and the criteria for assessing employee performance are broad. The policy states that an evaluation process should encompass the following:

- Establishment of the procedures;
- Identification of weaknesses or deficiencies hindering achievement of the employee’s objectives, as determined by the evaluator; and
- Provision for the remediation of unsatisfactory performance and scheduling follow-up conferences to assess change.

These categories are ambiguous and may result in individual evaluations based on different measurement and performance criteria. Having set timeframes and specific performance evaluation criteria will allow employees to understand expectations and frequency of evaluations.

R4.7 East Liverpool CSD should establish written bidding procedures for routine and significant purchases of custodial and maintenance goods and services. In addition, it should ensure that all departments are following Ohio Revised Code (ORC) § 3313.46 that pertains to the procedure for soliciting bids and awarding contracts.

East Liverpool CSD does not have written bidding procedures for routine and day-to-day goods and services. *The Government Finance Officers Association Accounting Issues and Practices: A Guide for Smaller Governments* states that “routine biddings involve obtaining price quotes in person or by telephone, the results of which are

reported on requisitions, and are used for smaller dollar value purchases (e.g., typically less than \$5,000, sometimes as low as \$1,000) and other routine purchases.” Therefore, the District should establish a similar bidding threshold for routine purchases.

Significant bids are usually dictated by state statutes and are typically required for larger dollar items and other special purchases, such as contractual services and equipment purchases in excess of a specified dollar threshold (typically \$10,000). The formal bid threshold as required by ORC § 3313.46 is \$25,000. *Baker’s Handbook of Ohio School Law* states in Section 6.19, page 393, “Whenever a board of education determines to build, repair, enlarge, improve, or demolish a school building, the cost of which will exceed \$25,000, the law imposes a mandatory duty to observe the particular methods and procedures provided by the competitive bidding statute. A particular project cannot be done in piecemeal in order to evade the dollar limitations of the statute, nor can the statute be evaded by purchasing only the materials required, and having employees of the school district supply the necessary labor.” The District should refer to ORC § 3313.46 for specific guidelines and procedures for soliciting bids and awarding contracts and should make sure that its policy is in compliance with the ORC and all applicable State and federal laws.

Finally, policies and procedures should be established for the control of requisitions, the use of purchase orders, confirmation of deliveries, and timely payment of invoices. Established purchasing policies could also assist in meeting the needs of the requisitioning department.

Capacity Analysis

R4.8 East Liverpool CSD should develop five year enrollment projections. As variable factors change, the District should review enrollment assumptions and update the projections on a yearly basis.

The District has not developed enrollment projections. Enrollment projections are a valuable planning tool that can assist the District with predictions of state funding allocations, help complete financial forecasts, determine appropriate staffing levels for certified and classified staff, and help to evaluate building usage and capacity.

According to *Planning and Managing School Facilities* by Theodore J. Kowalski, the cohort survival method is the simplest and most widely used process for estimating enrollment. The method projects enrollment by computing the estimated size of each grade for the next immediate year from the size of the present year’s next lower grade. For example, the projection for second grade in 2004 is determined by multiplying the first grade enrollment in 2003 by the mean survival ratio calculated from the survival ratios of the previous five years. The survival ratio for a particular year and grade is determined by dividing that grade’s enrollment one year after the actual year, by the prior

grade’s enrollment for that year. For example, the survival ratio for grade 2 in 2002 is calculated by dividing the number of grade 2 students in 2003 by the number of grade 1 students in 2002.

Table 4-6 shows East Liverpool CSD enrollment, by grade, for 1998 through 2003 and projected enrollments based on the cohort survival method for 2004 through 2008.

Table 4-6: Five Year Enrollment Projections

Grade	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
K	262	273	228	218	250	189	192	180	167	154	142
1	276	247	268	228	241	234	188	191	178	166	153
2	275	267	233	254	229	213	222	178	181	169	157
3	274	267	266	223	271	213	210	219	175	178	167
4	241	272	258	257	240	246	209	206	215	172	175
5	265	233	279	259	261	226	244	207	204	213	171
6	268	267	225	258	265	237	218	235	200	197	205
7	270	261	251	227	278	251	235	216	233	198	195
8	243	257	244	232	233	250	238	222	205	221	188
9	349	243	308	276	277	246	279	265	248	228	246
10	284	404	238	292	284	258	248	282	268	250	230
11	270	205	220	238	267	243	208	200	227	216	202
12	230	152	210	195	212	238	207	177	171	193	184
Total	3,507	3,348	3,228	3,157	3,308	3,044	2,898	2,778	2,672	2,556	2,415

Source: ODE First Full Week in October Enrollment Reports

Table 4-6 shows a projected yearly decline in enrollment. Factors that could potentially affect this projection include birth rates, new housing developments, and area job opportunities. Reasons for the considerable increase in enrollment for 2002 could not be provided by the District.

Population trends in East Liverpool also support the declining enrollment projections. **Table 4-7A** shows census data from the past three decennial census counts for East Liverpool.

Table 4-7A Census Data

	1980 Census	1990 Census	Variance From Previous Census	2000 Census	Variance From Previous Census	Total Period Variance
18 Year Olds and Above	12,146	9,973	(17.9%)	9,543	(4.3%)	(21.2%)
17 Year Olds and below	4,541	3,681	(18.9%)	3,546	(3.7%)	(22.6%)
Totals	16,687	13,654	(18.2%)	13,089	(4.1%)	(22.3%)

Source: U.S. Census data

The City of East Liverpool has experienced a significant decline in population over the 20-year period since 1980. Especially important is the overall decline in 17 year olds and under. The loss of jobs, including those of large manufacturing firms, has also contributed to the decline. **Table 4-7B** shows the year-to-year changes in population and birth rates since 1993.

Table 4-7B East Liverpool Population Changes

Year	Population	Percent Change	Number of Births	Percent Change
1993	13,166	N/A	474	N/A
1994	13,073	(0.7%)	427	(9.9%)
1995	13,017	(0.4%)	394	(7.7%)
1996	13,191	1.3%	322	(18.3%)
1997	13,079	(0.8%)	400	24.2%
1998	12,972	(0.8%)	454	13.5%
1999	12,848	(1.0%)	398	(12.3%)
2000	13,089	1.9%	337	(15.3%)
2001	12,994	(0.7%)	413	22.6%
2002	12,862	(1.0%)	418	1.2%

Source: U.S. Census and East Liverpool Health Department

Table 4-7B shows that East Liverpool’s population declined in seven of the nine years, and declined 2.3 percent from 1993 to 2002. **Table 4-7B** also shows considerable fluctuations in birth rates. However, birth rates significantly declined in five of the nine years, while they significantly increased in only three of the nine years. Furthermore, birth rates declined by 12 percent from 1993 to 2002.

R4.9 East Liverpool CSD should review building capacity and utilization periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations. The District should adopt and use a methodology that accounts for its needs, educational programs, and philosophy.

Building capacity is a vital component when planning for future facility needs. As stated earlier in the background of this report, East Liverpool CSD will be renovating all of its school buildings with the aid of the OSFC. Maintaining accurate building capacity and utilization rates will allow the district to plan for adequate classroom availability based on projected student populations. This will also allow the District to more accurately forecast expenses related to capacity issues, and determine the best use of facility space, such as whether classrooms need to be converted into special needs classrooms.

The Auditor of State (AOS) uses a standard methodology often employed by educational planners when calculating building capacity. The capacity for elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students,

the number of kindergarten and preschool rooms by 25 students for all day programs (by 50 for half-day programs), and the number of special education classrooms by 10 students. The capacities for each (elementary, kindergarten/preschool, and special education) are then totaled to arrive at the 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 for middle schools and high schools is calculated by multiplying the number of regular classrooms by 25 students and special education classrooms by 10 students, and then multiplying the result by an 85 percent utilization factor. The utilization rate is then calculated by dividing the head count by the building capacity.

Table 4-8 compares each school building’s student capacity to the *2002-2003 School Enrollment First Full Week in October EMIS Reports* to determine each building’s current utilization rate.

Table 4-8: FY 2002 Building Capacity and Utilization Rates

Building	Building Capacity	2002-03 Head Count	Over/(Under) Capacity	Building Utilization Rate
East Elementary	600	375	(225)	63%
North Elementary ¹	630	425	(205)	67%
La Croft Elementary	575	358	(217)	62%
Westgate Elementary ¹	475	274	(201)	58%
Elementary School Total	2,280	1,432	(848)	63%
Middle School Total ¹	590	744	154	126%
High School Total	1,045	1,022	(23)	98%
Total for all Buildings	3,915	3,198	(717)	82%

Source: District Floor Plans and 2002-03 School Enrollment First Full Week in October EMIS Reports.

¹The modular classroom units are excluded from the building capacity figure.

East Liverpool CSD’s building utilization rate is currently 82 percent. Every school, except for the middle school (which is in the Westgate Complex) and high school, is currently operating well under capacity. The District has three modular units, each having a capacity of 50 students, at the middle school to help alleviate overcrowding.

R4.10 East Liverpool CSD should consider closing an elementary school building and reassigning students to the remaining elementary schools. The District should consider transferring the one modular unit at North Elementary to the Westgate Complex to help with the over capacity issue at the middle school. In addition, enrollment trends should be closely monitored to ensure that renovation and classroom additions are needed. Also, when the OSFC project is completed, the District should consider selling some or all of its existing modular units. Furthermore, if East Liverpool CSD closes an elementary school building, it should

work with the OSFC to appropriately revise planned renovations to the District’s school buildings.

Table 4-9A shows capacity rates for school years 2003-04 through 2007-08 based on enrollment projections in Table 4-6. Since renovations are expected to be completed by the 2007-08 school year, capacity rate projections do not consider additional space or the reconfiguration of Westgate Middle and Elementary to the middle school (grades 6 to 8) until 2007-08.

Table 4-9A Capacity Rate Projections – Existing Buildings

	2003-04	2004-05	2005-06	2006-07	2007-08
East Elementary	48%	42%	36%	31%	34%
North Elementary	65%	62%	62%	59%	54%
La Croft Elementary	56%	54%	53%	53%	45%
Westgate Elementary	53%	49%	45%	43%	
Elementary School Total	55%	52%	49%	47%	45%
Middle School Total	117%	114%	108%	104%	59%
High School Total	90%	88%	87%	85%	82%
Total for all Buildings	74%	71%	68%	66%	58%

Source: AOS Projections and Capacity Analysis

Similar to Table 4-8, projections for 2003-04 show significant underutilized capacity in the elementary buildings. By 2007-08, these rates decline even further. The projected utilization rate for the District for all school buildings decreases by 16 percentage points from 2003-04 to 2007-08. As a result, the District could close an elementary building and still operate well within capacity. Table 4-9B shows the capacity rate projections by closing East Elementary in 2004-05 and equally reassigning students to the other elementary buildings.

Table 4-9B Capacity Rate Projections – East Elementary Closure

	2003-04	2004-05	2005-06	2006-07	2007-08
East Elementary	48%				
North Elementary	65%	75%	73%	69%	67%
La Croft Elementary	56%	69%	66%	63%	59%
Westgate Elementary	53%	67%	61%	56%	
Elementary School Total	55%	70%	67%	63%	63%
Middle School Total	117%	114%	108%	104%	59%
High School Total	90%	88%	87%	85%	82%
Total for all Buildings	74%	84%	81%	77%	67%

Source: AOS Projections and Capacity Analysis

Table 4-9B shows that utilization rates for the elementary buildings in future years are still well under optimal capacity by closing East Elementary. Therefore, if population and enrollment projections increase even though historical trends indicate otherwise (see **R4.8**), the District should be able to accommodate additional students in the remaining elementary buildings. Since the middle school is projected to operate over capacity from FY 2003-04 to FY 2006-07 and considering that the middle school is operating slightly over 100 percent capacity even with the three current modular units, the District should consider transferring the modular classroom at North elementary to the middle school, which would accommodate 50 students.

Based on the projected utilization rate in 2007-08 at the middle school, East Liverpool CSD should consider eliminating the three modular units upon completion of the OSFC project. Furthermore, considering enrollment and utilization rate projections, the District should continuously monitor enrollment trends and utilization rates to ensure optimal use of renovated facilities and that renovation funds are used appropriately. Decisions to revise renovation plans should be made as early as possible.

Financial Implication: By closing East Elementary, the District would realize total annual cost savings of approximately \$263,800. Annual cost savings from purchased services, utilities, and supplies would be approximately \$60,000. In addition, one principal and three custodial positions could be reduced. The annual cost savings from the reduction of three custodial positions, including benefits, would be approximately \$108,000. The annual cost savings from the principal's position, including benefits, would be approximately \$95,800. Moreover, the District should be able to reduce food service and clerical positions by closing East Elementary (see **financial systems** and **human resources**). A one-time revenue infusion could also be recognized, depending on the sale price of the building. According to District officials, if the four existing modular units were sold, they could potentially realize proceeds of approximately \$100,000, in addition to saving \$10,000 annually in operating costs.

Financial Implications Summary

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

Summary of Financial Implications for Transportation

Recommendation	Estimated Implementation Costs (Annual)	Estimated Annual Cost Savings	Estimated Revenue Enhancements (One-Time)
R4.1 Combine director's positions	\$0	\$61,400	\$0
R4.4 Purchase work order system	\$2,000	\$0	\$0
R4.10 Close elementary school	\$0	\$263,800	\$0
R4.10 Sell four modular units	\$0	\$10,000	\$100,000
Total	\$2,000	\$335,200	\$100,000

Transportation

Background

The East Liverpool City School District (East Liverpool CSD) provided transportation to 2,280 regular needs students in FY 2001-02 using District-owned yellow buses. The District provides transportation to public school students attending its schools, as well as students attending two local parochial schools. The Board of Education (Board) adopted a formal transportation policy that states the District will provide transportation to any student, grades K-8 and 9-12, that lives one mile or more from their school of attendance, and for all disabled children who are unable to walk to school. Therefore, the District's policy is within the guidelines set forth in Ohio Revised Code § 3327.01 for transportation of pupils. The Board has determined that areas more than one mile from schools within the District are hazardous due to the lack of sidewalks, the hilly terrain and the need to cross four-lane roadways. Therefore, it is East Liverpool CSD's practice to transport students who live more than one mile from their school of attendance.

Table 5-1 identifies the total riders of East Liverpool CSD and the peer districts used for comparison purposes in this performance audit.

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

	East Liverpool CSD	Mad River LSD	Washington Court House CSD	Struthers CSD	Peer Average
Public	2,168	2,555	1,377	502	1,478
Non-Public	112	200	0	39	80
Total Regular Needs Riders	2,280	2,755	1,377	541	1,558
Total Special Needs Riders	48	23	24	68	38
Total All Riders	2,328	2,778	1,401	609	1,596

Source: District T-1 and T-11 Forms

Organizational Structure and Function

The transportation supervisor at East Liverpool CSD oversees the transportation department and has supervisory responsibilities for the drivers, aides, and mechanics. East Liverpool CSD currently employs two full-time certified aides to ride on the special needs vehicles. It also employs two mechanics who are responsible for the on-site maintenance and repair of the bus fleet and all other District-owned vehicles. **Table 5-2** displays East Liverpool CSD's transportation department staffing levels in comparison to the peer districts.

Table 5-2: Transportation Department Staffing Levels FY 2003

Staffing	East Liverpool CSD		Mad River LSD		Washington Court House CSD		Struthers CSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	1.0	1.0	1.0	1.0	0.5	1.0	0.5	1.0	0.7
Bus Driver	18.0	11.5	27.0	18.2	12.0	6.5	8.0	4.0	15.7	9.6
Mechanic/Assistant	2.0	2.0	2.0	2.0	1.0	1.0	1.0	0.2	1.0	1.1
Van Drivers	0.0	0.0	0.0	0.0	3.0	1.6	0.0	0.0	1.0	0.5
Aides	2.0	1.5	0.7	0.7	0.0	0.0	2.0	0.5	0.2	0.4
Total	23.0	16.0	30.7	21.9	15.0	9.6	12.0	5.2	19.2	12.2
Students Transported per Bus Driver FTE	202.4		152.6		215.5		152.3		173.5	
Students Transported per Total FTE	145.5		126.8		145.9		117.1		129.9	
Square Miles per FTE	0.60		0.50		0.45		0.77		0.57	

Source: District Transportation Departments

East Liverpool CSD’s transportation staffing levels are higher than two of the peer districts and the peer average. However, it is transporting more students per bus driver FTE and total FTE than the peer average. In addition, one of the mechanics works full time on maintenance and repair of the bus fleet; while the other works on buses and repairs other vehicles maintained by the transportation department.

East Liverpool CSD bus drivers are guaranteed five hours of pay per day for regular routes and seven hours of pay per day for regular routes plus kindergarten, as outlined in the Master Agreement between the Board and the Ohio Association of Public School Employees (OAPSE) Local #223. All drivers receive a minimum of two hours pay for all extra duty driving in excess of the guaranteed hours for each type of bus route. Drivers are paid at regular rates unless they work over eight hours that day.

Operational Statistics

East Liverpool CSD uses a fleet of 18 active and five spare buses to provide transportation to its regular and special needs students, both public and non-public. The District uses 16 buses to transport regular needs students and the remaining two buses to transport special needs students. In FY 2001-02, East Liverpool CSD served 2,280 students through the regular needs program, traveling approximately 150,300 miles for the year. The District also contracted with the parents of four regular needs students to provide payment in lieu of bus transportation for their children because they lived in inaccessible areas. The average annual cost of these contracts was \$320. The total cost of the regular needs transportation program was \$585,744, of which \$537,375 (91.7 percent) was reimbursed by the State.

In FY 2001-02, East Liverpool CSD transported 48 students in its special needs transportation program at a cost of \$99,539. Forty seven students were transported by District-owned yellow buses that traveled approximately 20,160 miles for the year while the District entered a parent guardian contract with a special needs student's parents to provide transportation. The total cost of this contract was \$1,320 for FY 2002. East Liverpool CSD received \$58,470 (58.7 percent) as reimbursement from the State for special needs transportation.

Overall, East Liverpool CSD transported 2,328 students on 18 active buses traveling approximately 170,000 miles for the year. The total cost of the transportation program at East Liverpool CSD was \$685,283, of which 86.9 percent was reimbursed by the State. **Table 5-3** provides basic operating statistics and ratios for East Liverpool CSD and the peer districts.

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

	East Liverpool CSD	Mad River LSD	Washington Court House CSD	Struthers CSD	Peer Average
Operational Statistics					
Students Transported					
- Regular students	2,280	2,755	1,377	541	1,558
- Special needs	48	23	24 ¹	68	38
- Total	2,328	2,778	1,401	609	1,596
Miles Traveled					
- Regular students	150,300	286,740	81,900	61,020	143,220
- Special Needs	20,160	18,000	6,300	N/A ²	12,150
- Total	170,460	304,740	88,200	61,020	155,370
Square Miles in district	10.0	11.0	4.3	4.0	6.4
Expenditures					
- Regular students	\$585,744	\$1,057,779	\$374,350	\$205,534	\$545,888
- Special needs	\$99,539	\$34,941	\$35,966	\$121,081	\$63,996
- Total	\$685,283	\$1,092,720	\$410,316	\$326,615	\$609,884
State Reimbursements					
- Regular students	\$537,375	\$664,111	\$233,307	\$146,802	\$348,073
- Special needs	\$58,470	\$16,409	\$10,962	\$51,156	\$26,176
-Total	\$595,845	\$680,520	\$244,269	\$197,958	\$374,249
Operational ratios:					
Regular students:					
Yellow Bus					
- Cost per mile	\$3.89	\$3.69	\$4.57	\$3.37	\$3.88
- Cost per bus	\$36,609	\$39,177	\$34,032	\$29,362	\$34,190
- Cost per student	\$257	\$384	\$272	\$380	\$345
- Students per bus	143	102	125	77	101
Special Needs Students:					
- Cost per student all methods	\$2,074	\$1,519	\$1,499 ¹	\$1,781	\$1,600
School Sites:					
- Public	6	7	7	5	6
- Non-public	2	9	0	5	5
Active buses(regular buses)	16	27	11	7	15
Special needs buses	2	1	1	1	1
Spare buses	5	4	5	3	4

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

¹ 12 of these 24 students are transported by buses while 12 are transported by vans.

² Struthers CSD intermixes special needs students with regular students. Therefore, the number of special needs miles could not be computed. The peer average is computed based on the average of Mad River LSD and Washington Court House CSD.

As displayed in **Table 5-3**, East Liverpool CSD has a high student per bus ratio. This is mainly due to the four-tiered bell schedule that East Liverpool uses on several of its routes, allowing it to accommodate more students with fewer buses compared to the peer average. Furthermore, the efficient use of buses is reflected in East Liverpool's lower cost per student ratio compared to the peer average. East Liverpool CSD uses a premium health insurance plan that covers nearly all medical benefits for employees enrolled (see **human resources** section), and contributes to the relatively high cost per mile and cost per bus. For example, the District's health insurance costs exceeded Mad River LSD, which transports the closest number of students to East Liverpool CSD, by \$69,699 during FY 2002. By excluding these excess costs, the District's cost per mile and bus decrease to \$3.43 and \$32,253, respectively, which are both lower than the peer average.

In addition to the analyses presented in this report, additional assessments were conducted on several areas of transportation operations that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Transportation staffing:** East Liverpool CSD seems to be adequately staffed (see **Table 5-2**).
- **Transportation policy:** The Board has determined nearly the entire District is hazardous due to the lack of sidewalks, the hilly terrain near schools, and the need to cross four-lane roadways. East Liverpool CSD's practice to transport students who live more than one mile from their school of attendance seems reasonable given these circumstances.
- **Routing software:** East Liverpool CSD transported more students per bus than the peers and would not likely receive a benefit equal to the costs of purchasing this software.
- **Guaranteed hours of pay per day for bus drivers:** Bus drivers either run guaranteed five or seven hour regular routes within the District which include one half hour pre-trip inspections on a daily basis. As defined in the labor agreement, all drivers receive a minimum of two hours pay for all extra duty driving in excess of the guaranteed hours for each type of bus route. The peers did not define guaranteed hours in their contracts; however, these hours were consistent with the hours normally worked by the peers.

General Recommendations

Bus Replacement

R5.1 East Liverpool CSD should draft and approve a bus replacement plan describing its strategy for bus procurement in future years.

The District intends to purchase at least two buses per year over the next three years to replace the aging bus fleet. However, East Liverpool CSD did not formally draft or approve a bus replacement plan. Based on audits of the 21 largest urban school districts in Ohio by AOS, those school districts with a formal, written bus replacement plan had lower operating costs. In addition to this benefit, a bus replacement plan would help East Liverpool CSD better plan for new bus purchases, and communicate its transportation needs to the Board and the public. The bus replacement plan should include the number of buses to be replaced each fiscal year, the average age of the buses at the time of replacement, the estimated cost of replacement, and a financial plan on how the buses will be purchased, including smaller buses for special needs or larger buses for field trips.

R5.2 East Liverpool CSD should only plan to purchase three buses during the forecast period, which can be fully funded through ODE's bus purchase allowances.

There are currently no State minimum standards for the replacement of school buses. A general consensus among ODE, private bus contractors, and transportation departments is that buses should be replaced at 200,000 miles for diesel buses. East Liverpool CSD currently has 23 diesel buses that have an average of 98,036 miles with no buses over the 200,000-mile mark.

Despite the general mileage guidelines noted above, a school district can use a bus for student transportation as long as it passes a mandatory annual inspection completed by the Ohio Highway Patrol. The transportation director noted that East Liverpool CSD has a preventative maintenance plan, which helps prevent major breakdowns and keeps buses running efficiently. Another consensus among ODE, private bus contractors, and transportation departments is that spare buses should be no more than 20 percent of a district's regular bus fleet. While East Liverpool CSD's spare buses comprise 21.7 percent of its total fleet which is slightly higher than the 20 percent guideline, it is less than the peer average of 25 percent.

Based on the average miles traveled for the District's bus fleet (9,804) and the current fleet mileage only three buses are projected to be over the 200,000 mile mark by the end of the forecast period (FY 2008). Furthermore, 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. The cost of a

new bus is between \$55,000 and \$60,000, and East Liverpool CSD plans to purchase two buses at the beginning of FY 2004 using bus allowances of \$59,602 and \$57,390 received in years FY 2002 and 2003. With the purchase of two buses in FY 2004 and the annual receipt of bus allowances, the District is not planning to purchase any buses during the forecast period using unrestricted funds.

Fuel Procurement

R5.3 East Liverpool CSD should revise its process for the purchase of fuel for District vehicles. The District currently purchases fuel from only one commercial vendor located in the District. Relying on one vendor may not be the most cost-effective method of fuel procurement. The following revisions should be considered to reduce East Liverpool CSD's fuel purchase costs.

The District could arrange with three to four local fuel vendors to submit written bids, by letter or by fax, at the end of each month or quarter to the District, to obtain the right to sell fuel to East Liverpool CSD for the upcoming period. This process is currently being used by Crestview LSD, which receives bids from four fuel vendors, including the same vendor and grade of gas used by East Liverpool CSD. Crestview LSD's transportation supervisor noted monthly variances of ten cents per gallon in bids quoted by local commercial fuel vendors. The average fuel price for Crestview LSD for the period September 2002-April 2003 was \$1.01. The average fuel price for East Liverpool CSD for the same period was \$1.29, 28 percent higher than Crestview CSD.

Alternatively, East Liverpool CSD could enter into an agreement with another local government entity, such as Columbiana County, or an adjacent school district for the procurement of all, or a portion, of the District's fuel. Such an agreement would allow East Liverpool CSD to take advantage of an existing fuel tank and negotiated rates.

Financial Implication: If East Liverpool CSD contracted with a fuel consortium or sought bids from local commercial vendors for reduced fuel prices, it could potentially save 28 percent on fuel purchase costs, based on Crestview LSD's average fuel prices. Assuming a conservative benchmark of 20 percent and based on FY 2001-02 fuel expenditures of \$30,128, it would save approximately \$6,000 per year.

Financial Chargeback of Extra Field Trip Costs

R5.4 East Liverpool CSD should create formal written procedures for the appropriate allocation of costs associated with transportation for extra-curricular activities. These procedures should include the criteria for billing at different rates and for total hours of service. While these procedures would not improve the District's financial condition, they would improve financial reporting by allowing the

transportation department to capture the full program costs associated with transportation for extra-curricular activities. For example, East Liverpool CSD should charge back all field trip costs to the appropriate departments. This will ensure expenditures are properly classified by department, fund, and/or building. In addition, by billing for field trips that occur during the school day, the transportation department may encourage consolidation of groups on extra field trips, thereby saving costs.

East Liverpool CSD uses its regular buses to provide transportation for after-school athletic contests and other extracurricular activities. According to the secretary responsible for the billing of transportation costs, there are no formal written procedures on the billing of extra runs. Transportation costs for athletic events are charged back to the athletic department (300 funds) at \$0.30 a mile plus the cost of the driver's salary. However, East Liverpool CSD does not charge other school departments for the cost of classroom field trips and special trips. The transportation department's practices currently do not provide for the recovery of the transportation costs associated with all field trips. By not recovering the entire cost of all field trips, the District may lose its ability to account for regular transportation department expenditures separately from field trip expenditures.

The General Accounting Office (GAO) suggests that programs follow a reasonable cost allocation principle and when possible, fully charge for services provided in order to determine, more accurately, if programs are truly operating in a cost efficient manner. One of the peers, Washington Court House CSD, charges other departments a fee for extra trips. It bases this fee on recouping the cost of the driver's salary and respective fuel costs; based on the number of miles of each trip. The transportation supervisor at Washington Court House CSD commented that since it started charging other departments a fee for bus transportation during extra field trips, overall transportation costs have decreased within the last year. The supervisor stated that departments are being charged for these costs and are more willing to consolidate trips and accommodate schedules of bus drivers to minimize costs.

Special Needs Transportation

R5.5 East Liverpool CSD should explore the following options to lower special needs transportation costs:

- **Promoting parent/guardian contracts with the District.**
- **Establishing agreements with neighboring school districts that may have compatible bus runs for its special needs students.**

As indicated in **Table 5-3**, East Liverpool CSD's cost per special needs student was 30 percent higher than the peer average. Promoting parent/guardian contracts could help the District reduce its special needs costs. The District has entered into a parent guardian contract with a special needs student's parents to provide transportation. The total cost of this contract was \$1,320 for FY 2002, considerably less than East Liverpool CSD's overall special needs transportation cost per student of \$2,074. While parents cannot be required to provide transportation, East Liverpool CSD can promote the use of these contracts with the goal of decreasing the total number of special needs students that receive bus transportation provided by the District. According to ODE, most parental contracts are set up on a per mile basis. A district agrees to a set price per mile and then pays the parent based on the miles traveled to drop-off and pick-up the child.

The District should also consider sharing special needs transportation services with neighboring districts. Agreements with neighboring districts should follow the rules defined by ORC § 3327. By entering into an agreement with a neighboring school, East Liverpool CSD could be able to reduce its costs because it will be able to pool and share resources.

Financial Implication: Of the total students transported in FY2002, 2.1 percent comprised special needs students at East Liverpool CSD, compared to 0.8 percent and 1.7 percent at Mad River LSD and Washington Court House CSD, respectively. To obtain a percentage similar to Washington Court House CSD, East Liverpool CSD would need to establish eight parent guardian contracts with special needs students' parents. Based on the overall transportation cost per student (\$2,074) and the parent guardian contract cost for FY 2002 (\$1,320), East Liverpool CSD would be able to save approximately \$6,000 annually by entering into eight additional agreements. Certain costs would remain fixed regardless of number of students transported; however, the impact of these costs on the overall cost per student could not be readily quantified.

Financial Implications Summary

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

Summary of Financial Implications for Transportation

Recommendation	Total Annual Cost Savings
R5.3 Develop bidding procedures for fuel procurement	\$6,000
R5.5 Explore options to reduce special needs transportation costs	\$6,000
Total Cost Savings	\$12,000