



Auditor of State
Betty Montgomery

ELYRIA CITY SCHOOL DISTRICT PERFORMANCE AUDIT

JANUARY 13, 2005



Auditor of State Betty Montgomery

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

In March of 2004, the Elyria City School District (ECSD) contacted the Auditor of State's Office (AOS) to initiate a performance audit. The District and Board of Education selected four functional areas for assessment: 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 ECSD in improving its financial condition over the next five years.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of ECSD's financial situation and a framework for a financial recovery plan to help the District eliminate its projected deficits. While the recommendations contained within the performance audit are resources intended to assist in improving ECSD's financial condition, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to ECSD 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

January 13, 2005

Executive Summary

Project History

In March of 2004, the Elyria City School District (ECSD or the District) contacted the Auditor of State's Office (AOS) to request a performance audit. Consistent with the District's commitment to the students and residents of ECSD, the administration requested an independent assessment of District operations to identify efficient and effective practices and determine potential areas for improvement.

ECSD underwent a performance audit during fiscal year (FY) 1997-1998 as part of the urban school district initiative that was included in that year's biennial budget bill (Am. Sub. HB 215). The performance audit identified 24 noteworthy accomplishments or commendations and 98 recommendations for improvement in the areas of human resources, facilities, financial systems, transportation and technology utilization. Within six months of the completion of the performance audit, and as a condition of HB 215, school districts were required to complete an "economy and efficiency" plan to demonstrate to the Ohio Department of Education (ODE) their intent to implement the recommendations made in the performance audit.

ECSD successfully completed an economy and efficiency plan, and contacted AOS to conduct another performance audit to identify additional areas for improvement. Pursuant to discussions with the District's administration, the following areas were included in the performance audit:

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

The performance audit is designed to develop recommendations that provide cost savings, revenue enhancements, and efficiency improvements, and to identify noteworthy accomplishments that recognize efficient and effective practices currently in place at ECSD. The District is encouraged to continue to monitor and assess its operations to identify additional areas for improvements.

District Overview

The Elyria City School District operates under a five member elected Board of Education and is responsible for providing public education to the residents of the District. ECSD is located in Lorain County, approximately 25 miles west of Cleveland, Ohio.

According to ODE, the District's average daily membership was approximately 7,800 students in FY 2003-04. ECSD leases 1 special needs preschool building, and operates 1 kindergarten village / administration building, 11 elementary schools, 3 junior high schools, 1 high school and 1 alternative high school. The District also has three closed school buildings, one of which is leased to a community service organization. According to the 2000 Census, the District population of 56,498 includes a significant percentage (18.5 percent) of school aged (under 18 years old) residents. ECSD is located in a predominately urban area, with significant commercial and industrial activity.

During FY 2003-04, the District employed approximately 917 full-time equivalent (FTE) employees, including 413 regular instruction teachers. According to ODE, the overall student to teacher ratio for regular instruction staff is approximately 15 to 1. As a result of the District's continuous improvement strategies, from 2002 to 2004, ECSD's performance index score increased from 76.0 to 84.2 out of 120 possible points. This is the second year the District has been in the continuous improvement category after being either in academic watch or emergency from 1998 to 2002. The District has made conscious decisions to limit class size and focus on student achievement with strategies such as curriculum mapping and identifying students at academic risk.

Like many districts in the State, ECSD is projecting future financial difficulties without additional local funding. The District's October 2004 five-year forecast shows a negative ending fund balance of approximately \$6.0 million beginning in FY 2005-06. In November 2004, ECSD voters passed a 4.48 mill five-year renewal emergency levy, but did not pass an additional 6.99 mill five-year emergency levy. Therefore, the District will be facing serious fiscal challenges within the coming year in order to avoid a deficit position.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between April and November 2004. The goal of the performance audit process was to assist ECSD management in identifying cost saving opportunities, with the primary objective of eliminating the conditions that cause the projected negative ending fund balances. The ensuing recommendations comprise options that ECSD can consider in its continuing efforts to improve and stabilize its financial condition. This

performance audit assessed the key operations of ECSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's October 15, 2004 five-year financial forecast, including its underlying financial data, along with accompanying notes and assumptions, were assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation operational statistics, such as staffing, average costs per bus, and average costs per student were reviewed to identify potential efficiency improvements and cost savings for the District's transportation operations, and an analysis of ECSD transportation contract management processes was conducted.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with ECSD personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made to three school districts with similar socioeconomic and population demographics. These districts include Garfield Heights City School District (Garfield Hts. CSD) in Cuyahoga County; Massillon City School District (Massillon CSD) in Stark County; and Newark City School District (Newark CSD) in Licking County. These districts were selected as peers based on their identification as comparable districts by the Ohio Department of Education, reviews of various demographic information, and input from ECSD personnel. Best practice information was used from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with ECSD, including preliminary drafts of audit findings and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from ECSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express their appreciation to the ECSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments were identified during the course of the performance audit and are presented below.

Financial Systems

- The District uses a detailed and complex methodology to estimate future real estate tax collections. This methodology is generally consistent with AOS Technical Bulletin 98-015, which states that property tax estimates for future years may estimate revenue growth based on historical patterns including, but not limited to, reappraisal, updates and changes in valuation.
- During the course of this performance audit, it was discovered that supporting electronic documents used for foundation funding estimates for FY 2005-06 and beyond became corrupted and could not be reconciled to the District's projections. However, the ECSD treasurer attempted to recreate this supporting documentation. Although this recreated document could not be reconciled, it closely mirrors the District's five-year forecast and comprises an excellent projection methodology.

Human Resources

- ECSD's health care premium costs are lower than peer premium costs. Additionally, regional and State premium averages for both single and family coverage were higher than the District's. ECSD is a self-funded insurance provider, which sets its own premium rates and currently does not require monthly employee contributions.
- ECSD billing and collection of the excess costs for out-of-district special education students is sufficiently detailed and tracked to ensure optimal reimbursement for these students.

Facilities

- ECSD's purchased service, and supply and material expenditures per square foot are both 30 percent less than the peer average. The District has policies and a Finance and Purchasing Manual to guide requestors through the purchasing process, and the documents comply with State purchasing regulations for school districts and public entities.

Key Recommendations

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

Financial Systems

- ECSD should analyze and use the financial recovery plan outlined in **Table 2-14** to evaluate the effect of recommendations presented in this performance audit on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its future financial difficulties. In addition, ECSD should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.
- The District should revise its unrestricted grants-in-aid projections to adequately account for known additional unrestricted grant receipts that are not part of the foundation program, such as State reimbursements for lost utility property taxes. This would increase original projections by approximately \$327,000 in FY 2004-05 and FY 2005-06, and \$164,000 in FY 2006-07.
- The District should adjust the restricted grants-in-aid projections beginning in FY 2004-05 to account for bus purchase funds. Doing so would increase original projections by approximately \$95,000 annually during the forecast period.
- Elyria CSD should revise its forecasting methodology for portions of the Employees' Retirement/Insurance Benefits line item attributed to employer retirement contributions for FY 2004-05 through FY 2008-09. Retirement contributions should continue to be based upon expected salary levels and the ratio of contributions to salary costs. However, the appreciation rate should be adjusted to reflect historical increases. By using the historical ratio of retirement contributions to salary costs of 16.3 percent, the District's original projections for retirement and benefit expenditures increase by an annual average of approximately \$12,000 over the forecast period.
- The District should revise either its projections for capital outlay costs or for transfers out so that the District's figures reflect continued compliance with capital outlay set aside requirements established in ORC § 3315.18. This would increase the original projected capital outlay costs or transfers out by approximately \$366,000 in FY 2007-08 and \$1.0 million in FY 2008-09.

- Elyria CSD should revise its purchased services projections to include the annual energy and operational savings guaranteed by Honeywell International, Inc. (Honeywell) in a recently initiated HB 264 energy conservation project, which would reduce the District's original projections by approximately \$519,000 annually from FY 2005-06 to FY 2008-09. The District should also revise its debt payment projections to account for principal and interest payments associated with the project of approximately \$537,000 annually from FY 2005-06 to FY 2008-09.

Human Resources

- ECSD should continue to focus on improving academic achievement while balancing desired class sizes with financial constraints. In order to help reduce its projected deficits, the District could increase class sizes by reducing the number of regular education teachers. A reduction in force of 66 regular education teachers would make the District comparable to the next highest peer staffing ratio and result in approximately \$4.2 million in savings. If ECSD was faced with a more dire financial position and went to State maximum class sizes of 25 to 1, the District could reduce up to 156 regular education FTEs. However, achieving an average class size of 25 to 1 may be difficult based on the maximum number of instructional periods stipulated in the certificated collective bargaining agreement, and inconsistencies in enrollment by grade and the corresponding impact on individual class sizes. If the District reduced staffing levels based on the average of the next highest peer staffing and the State maximum class size, it would save approximately \$7.0 million annually.
- ECSD should implement performance measures to determine the efficiency and effectiveness of providing special education, especially to out-of-district students. Since the District's special education expenditures per student are much higher than the peers, it should seek to reduce direct cost expenditures, as well as related costs of serving out-of-district students. Examples of specific strategies that could help minimize special education expenditures include: ensuring psychologist and counselor staffing levels are not excessive by tracking and monitoring workload data and outcomes, especially those of psychologists and counselors on intervention assistance teams, and addressing its high special needs transportation costs per student (see the **transportation** section). ECSD is currently operating with approximately three more psychologists than required by State minimums, and District counseling positions per 1,000 ADM are 70 percent above the peer average. If ECSD reduced its expenditures per special education student to the peer average, it could realize approximately \$2.5 million in annual savings.
- ECSD should consider sharing administrators between junior high schools and reducing one assistant principal position, which would save approximately \$106,000 annually in salaries and benefits. If the District chooses to close a junior high school (see **facilities section**), it could also reduce one principal and one additional assistant principal position.

- ECSD should take steps to maximize its Medicaid Community Alternative Funding System (CAFS) reimbursements. Eligible CAFS expenses that are not reimbursed are expensed to the General Fund. By increasing reimbursements to the peer average per poverty status student, ECSD could realize an additional \$74,000 in annual claims paid.
- ECSD should revisit and reduce the number of employees receiving the pick up on the pick up retirement benefit. Doing so would save the District approximately \$510,000 annually in benefit costs.

Facilities

- ECSD should develop formal policies that identify its educational philosophy, desired class sizes, and desired programs to address the educational needs of its students. By doing so, it would be better able to address its facility needs and particularly, the amount of space required to accomplish ideas identified in the new policies. As ECSD's forecast indicates that the District is faced with a deteriorating financial position, increasing class sizes and closing facilities may be the most accessible remedy. However, it may not be the most logical given the efforts made to improve the District's educational quality. Therefore, the policies will help balance the educational needs of ECSD with its potential financial constraints. Lastly, the District should carefully review with its stakeholders the numerous options discussed in the **facilities** section to potentially close a building(s), determine the educational and financial impact on the District, and decide which option would most benefit the District. ECSD could save approximately \$1.0 million annually by closing a building(s), which is the average savings of three options.
- ECSD should attempt to modify overtime contractual language to reduce overtime expenditures. The District should indicate that coverage would be offered to staff first and then to substitutes, and the language guaranteeing a minimum of fours to cover employee absences should be removed, and only actual time worked should be paid. Rather than specifying who should be present at extracurricular events, the contract language should explain a method of rotation to be used, similar to Newark CSD. The District should also indicate that schedules will be adjusted to meet its needs during winter months, and should state that overtime will be provided as needed. Closely monitoring sick leave and other usage to ensure that abuse is not occurring, and adjusting staff schedules whenever possible to provide coverage during extracurricular events could further help reduce overtime costs. If these measures are instituted and overtime usage is reduced to the peer average, the District could reduce overtime expenditures by \$202,000 annually.

Transportation

- ECSD should direct its transportation contractor, First Student, Inc., to optimize routes and increase bus utilization to ensure the efficient use of resources and reduce costs per student. Comparisons with peer districts indicate that the District could increase bus seat assignments to 96 students per bus, or 32 students per bus run with the assistance of its newly updated routing software. This would result in a reduction of approximately 21 buses, 13 aides, and 21 drivers, thereby saving approximately \$1.2 million annually.
- ECSD should establish a procurement process to encourage competitive pricing between transportation vendors to ensure that the District is receiving the best services at the lowest cost. The District should strengthen its procurement and contracting internal controls by soliciting transportation services on a periodic basis and developing additional policies at various levels of the procurement process.
- ECSD should work to lower special needs transportation costs by promoting parent/guardian contracts; soliciting competitive bids for private transportation services; and involving the Business Services Department in the decision making process as it relates to Individual Education Plans and the transportation of special needs students. By reducing the cost of transporting special needs students to the peer average level of \$1,858 per student, the District could save approximately \$156,000 annually.

Additional Recommendations

The remainder of this executive summary highlights additional recommendations from the audit report.

Financial Systems

- Elyria CSD should prepare and maintain formal documentation that illustrates a logical and reasonable basis for assumptions that will have a material impact upon projected forecast fund balances. The District should maintain supporting calculations for its foundation grant estimates that reconcile with figures within the five-year forecast. The District should also maintain an analysis of step schedules that incorporates considerations of the number of individuals within the step schedule to prepare an aggregate step adjustment assumption in its methodology. Formal supporting documentation will facilitate more timely updates as additional information becomes available and provides sufficient explanation to other parties.
- Elyria CSD should closely examine the spending patterns indicated in **Table 2-12** and should identify activities and functions that have an opportunity for cost reductions without impacting the quality of education. Elyria CSD should reallocate its resources toward those programs and priorities that have the greatest impact on improving the students' education and proficiency test results. Combined with a close examination of the performance of educational activities, the District could potentially improve its performance index score and meet additional ODE performance standards while reducing its operating expenditures.
- Elyria CSD should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program, which incorporates its Continuous Improvement Plan (CIP). The strategic plan should consider the District's current financial issues in the context of its operational goals. Furthermore, the District should tie the CIP to its operational budget and five-year financial forecast.

Human Resources

- No additional recommendations.

Facilities

- ECSD has adequate District-wide custodial staffing, but the workload distribution is inequitable among buildings. The District should reassign custodial staffing based on workload measures.

- ECSD should formalize custodial procedures to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of job tasks, and appropriate procedures. Additionally, the District should create job schedules for each employee to follow. The schedules should include a brief description of activities, the time allocated for the activities, and the number of square feet for each area.
- ECSD should establish a formal policy outlining energy efficient practices that District staff should follow to help minimize energy costs. The District could accomplish this by continuing its energy management programs through Honeywell and Energy Education, Inc. If the District was able to reduce total utility costs by 12.5 percent, it would save approximately \$216,000 annually.
- ECSD should establish an ongoing comprehensive facilities master plan using the July 2003 plan developed by the Quandel Group. The master plan should include a capacity analysis, enrollment projections and a prioritization of capital projects on a District-wide basis. The plan should include a preventive maintenance program that addresses all building maintenance functions including routine, cyclical and planned maintenance activities; and a 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.
- ECSD should continue to evaluate its educational needs against its capacity and operational expenses to determine the most effective use for its vacant facilities. The District should evaluate the possibility of not renewing its lease with Hilltop Academy now that Edison Elementary is available, as well as the feasibility of leasing a portion of Jefferson Elementary.

Transportation

- ECSD should revise its transportation contract during the next negotiation period to include reporting requirements, fuel procurement responsibilities, and performance monitoring provisions, as well as a termination clause for failure to perform. The contractor should be required to provide monthly compliance and performance reports. The contract should address the right of the District to perform monitoring and evaluation activities, such as audits, and require the contractor to cooperate with those activities.
- ECSD should establish formal policies and procedures for filling out T-1, T-2, and T-11 reports for submission to the Ohio Department of Education (ODE). This will help to ensure that reports are completed in an efficient manner and adequately reflect the actual costs of providing transportation services.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Elyria City School District should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (see **facilities** section). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

| | Estimated Annual Cost Savings | Estimated Annual Revenue Enhancements |
|---|-------------------------------------|--|
| <i>Financial Systems: Revised Assumptions¹</i> | | |
| R2.2 Revise unrestricted grants in aid receipts: utility reimbursement adjustment | \$164,000 | |
| R2.3 Revise restricted Grants-in-aid receipts: bus purchase adjustment | \$95,000 | |
| R2.4 Revise employees' retirement/insurance benefits: increase percent of retirement to salaries | (\$12,000) | |
| R2.5 Revise transfers out: capital set aside requirement adjustment | (\$276,000) | |
| R2.6 Revise purchased services: guaranteed savings from Honeywell agreement adjustment | \$415,000 | |
| R2.6 Revise debt services: HB 264 loan payment adjustment | (\$429,000) | |
| Total Impact of Revised Assumptions | (\$43,000) | |
| Total Recommendations Subject to Negotiation | | |
| R4.2 Reduce overtime expenditures | \$202,000 | |
| <i>Total Recommendations Subject to Negotiation</i> | \$202,000 | |
| Total Recommendations Not Subject to Negotiation | | |
| R3.1 Reduce an assistant principal position | \$106,000 | |
| R3.2 Reduce regular education teachers to average of the peer level and state minimum | \$7,033,000 | |
| R3.3 Reduce special education expenditures to the level of peers | \$2,496,000 | |
| R3.5 Increase CAFS reimbursements | | \$74,000 |
| R3.6 Discontinue pick up on the pick up benefit | \$510,000 | |
| R4.3 Implement energy management practices (e.g., adjust temperature settings) | \$216,000 | |
| R4.6 Average of the options to close District buildings | \$1,045,000 | |
| R5.3 Reduce the special needs cost per student to meet the peer average. | \$156,000 | |
| R5.4 Reduce at least 21 buses used to transport District students. | \$1,216,000 | |
| <i>Total Recommendations Not Subject to Negotiation</i> | \$12,778,000 | \$74,000 |
| Total Financial Implications (Excludes Revised Assumptions) | \$12,980,000 | \$74,000 |

Source: AOS Recommendations

Note: Savings related to staffing reductions are based on average salaries. Therefore, if the District reduces positions with lower years of service, the corresponding savings may be less than identified in the audit.

¹ Reflects annual average changes resulting from revised assumptions over the five-year forecasted period.

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

Financial Systems

Background

This section focuses on the financial systems within Elyria City School District (ECSD or the District). The objective is to analyze the current financial condition of ECSD and develop recommendations for improved efficiency and effectiveness. ECSD's five-year forecast was also analyzed to ensure that the projections reasonably represent future operational and financial conditions.

ECSD's Treasurer's Office consists of eight employees, including the treasurer/CFO, assistant treasurer, secretary to the treasurer, benefits administrator, senior payroll coordinator, one payroll associate and two accounting associates. The treasurer is primarily responsible for managing and tracking district revenues and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the District's five year forecast. Under the direction of the previous treasurer, the District was frequently recognized for excellence in financial reporting. The District has also recently received awards from the Government Finance Officers Association (GFOA).

Financial Condition

The financial forecast presented in **Table 2-1** represents the treasurer's projections of ECSD's present and future financial condition as of August 30, 2004. This five-year forecast was submitted to ODE on October 15, 2004. The projections predominantly reflect the General Fund and the Emergency Levy Fund. This forecast is accompanied by three years of comparative historical results, general assumptions and explanatory comments. Assumptions that have a significant impact on ECSD's financial status, such as property tax revenue, salaries and wages, and capital outlays, have been tested for reasonableness. The findings of this review are presented in **R2.1** through **R2.6**.

**Table 2-1: ECSD
Financial History and Forecast (in 000's)**

| | Actual FY 2001-02 | Actual FY 2002-03 | Actual FY 2003-04 | Forecast FY 2004-05 | Forecast FY 2005-06 | Forecast FY 2006-07 | Forecast FY 2007-08 | Forecast FY 2008-09 |
|---|----------------------|----------------------|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Real Estate Property Tax | 21,374 | 21,515 | 21,868 | 22,129 | 20,899 | 19,490 | 19,793 | 20,032 |
| Tangible Personal Property Tax | 9,246 | 9,383 | 8,314 | 8,050 | 7,575 | 7,035 | 6,919 | 6,805 |
| Unrestricted Grants-in-Aid | 23,510 | 25,409 | 25,879 | 26,263 | 27,477 | 28,353 | 29,137 | 30,137 |
| Restricted Grants-in-Aid | 3,223 | 2,672 | 1,877 | 1,893 | 1,893 | 1,893 | 1,893 | 1,893 |
| Property Tax Allocation | 2,540 | 2,734 | 2,735 | 2,797 | 2,660 | 2,505 | 2,578 | 2,637 |
| Other Revenues | 2,259 | 2,298 | 2,452 | 2,474 | 2,486 | 2,499 | 2,511 | 2,524 |
| Total Operating Revenues | 62,152 | 64,011 | 63,125 | 63,606 | 62,990 | 61,775 | 62,831 | 64,028 |
| Personal Services | 36,599 | 38,557 | 40,821 | 41,336 | 42,865 | 44,665 | 46,765 | 48,495 |
| Employee's Retirement & Insurance Benefits | 10,346 | 11,275 | 12,548 | 13,576 | 14,558 | 15,660 | 16,894 | 18,165 |
| Purchased Services | 8,823 | 9,675 | 10,975 | 11,622 | 12,304 | 13,097 | 13,920 | 14,778 |
| Supplies & Materials | 1,567 | 1,507 | 1,504 | 1,548 | 1,595 | 1,643 | 1,692 | 1,743 |
| Capital Outlay | 332 | 371 | 279 | 287 | 296 | 304 | 314 | 323 |
| Debt: Principal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt: Interest & Fiscal Charges | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Objects | 602 | 730 | 712 | 768 | 791 | 815 | 839 | 864 |
| Total Operating Expenditures | 58,269 | 62,115 | 66,839 | 69,137 | 72,409 | 76,184 | 80,424 | 84,368 |
| Proceeds from Sale of Notes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Emergency Loans & Advancements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 23 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | 183 | 856 | 272 | 300 | 300 | 300 | 300 | 300 |
| Advances In | 0 | 44 | 148 | 0 | 0 | 0 | 0 | 0 |
| Advances Out | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other Financing Sources/ (Uses) | 30 | (16) | 1 | 0 | 0 | 0 | 0 | 0 |
| Net Financing Sources/ (Uses) | (197) | (805) | (123) | (300) | (300) | (300) | (300) | (300) |
| Results of Operations (Loss) | 3,686 | 1,091 | (3,837) | (5,831) | (9,719) | (14,709) | (17,893) | (20,640) |
| Beginning Cash Balance | 7,388 | 11,074 | 12,165 | 8,328 | 2,497 | (7,222) | (21,931) | (39,825) |
| Ending Cash Balance | 11,074 | 12,165 | 8,328 | 2,497 | (7,222) | (21,931) | (39,824) | (60,465) |
| Estimated Encumbrances | 771 | 773 | 973 | 800 | 800 | 800 | 800 | 800 |
| Reservation of Fund Balances | 490 | 490 | 564 | 564 | 0 | 0 | 0 | 0 |
| Fund Balance for Certification of Appropriations | 9,813 | 10,902 | 6,791 | 1,133 | (8,022) | (22,731) | (40,624) | (61,265) |
| Revenue from Replacement/Renewal Levies | 0 | 0 | 0 | 0 | 2,012 | 4,375 | 4,375 | 4,375 |
| Cumulative Balance of Renewal/ Replacement Levies | 0 | 0 | 0 | 0 | 2,012 | 6,387 | 10,763 | 15,139 |
| Fund Balance for Certification of Salaries and Contracts | 9,813 | 10,902 | 6,791 | 1,133 | (6,010) | (16,344) | (29,861) | (46,126) |
| Revenue from New Levies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative Balance of New Levies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unreserved Fund Balance | 9,813 | 10,902 | 6,791 | 1,133 | (6,010) | (16,344) | (29,861) | (46,126) |

Source: ECSD five-year forecast

ECSD's financial forecast in **Table 2-1** presents projected revenues, expenditures and ending fund balances for the forecast funds for each of the fiscal years including June 30, 2005 through June 30, 2009, with historical (un-audited) information presented for the fiscal years ended June 30, 2002, 2003, and 2004. Before considering new, renewal, or replacement levies, the District's treasurer has forecasted an ending fund deficit in excess of \$60.5 million at the end of FY 2008-09, in addition to operating deficits in FY's 2003-04, 2004-05, 2006-07, 2007-08, and 2008-09. This deficit will be reduced with the renewal of a five-year, \$4.37 million emergency operating levy which was passed on November 2, 2004. However, even with the inclusion of the receipts of this emergency operating levy, the District still expects a \$46.1 million deficit at the end of FY 2008-09. The District also placed an additional \$6.84 million 5-year emergency operating levy on the November 2, 2004 ballot, but it was not approved by voters.

The assumptions disclosed herein are those developed by ECSD for its five-year forecast submitted on October 15, 2004. The assumptions are accompanied by AOS commentary that assesses the reasonableness of the District's methodology and assumptions.

Revenues

- The District uses a detailed and complex methodology to estimate future real estate tax collections. This methodology is generally consistent with AOS Technical Bulletin 98-015, which states that property tax estimates for future years may estimate revenue growth based on historical patterns including, but not limited to, reappraisal, updates and changes in valuation. The District's significant assumptions are as follows:
 - Throughout the forecast period, projections include the effects of new construction increasing property values and collections at a rate slightly greater than 1 percent annually. This growth rate is corroborated by historical new construction trends.
 - FY 2006-07 and FY 2007-08 receipts are projected to increase due to the county auditor reappraisal in calendar year 2006, resulting in additional increases in property values consistent with the last valuation cycle.
 - FY 2005-06 and FY 2006-07 receipts are projected to decrease due to the expiration of a \$4.37 million Emergency Operating Levy in calendar year 2006. These receipts are reflected below the cash balance line to illustrate ending forecast fund balances given either the approval or the rejection of the \$4.37 million emergency renewal levy.
- Tangible personal property tax receipts decreased 11.4 percent in FY 2003-04 from the prior year. The District's forecast assumptions state that this decrease is explained by the fact that manufacturing and retail facilities within the District have reduced inventory to reflect local and national economic conditions. This is consistent with the nature of underlying property values, such as business inventories, which can fluctuate significantly with economic conditions. In addition, numerous legislative changes in the taxable value of personal utility

property and business inventories have caused historical fluctuations. The District's projection methodology uses FY 2003-04 tangible personal property tax receipts as base for future projections. Going forward, the District reduces receipts attributable to business inventory property values by 2 percent annually, consistent with ORC § 5711.22(E). This assumes that business inventory property values will otherwise be consistent with FY 2003-04 property values. Those receipts attributed to public utility property values are adjusted from FY 2003-04 collections by a weighted average of the last two years' changes in public utility property valuation. As collections lag property valuation determinations, known property values are projected going forward, but valuation is assumed to be flat beyond this time period. The net impact is that the portion of tangible personal property tax collections attributed to public utility property tax collections is flat from FY 2006-07 through the end of the forecast period.

Additional adjustments to FY 2003-04 tangible personal property tax receipts going forward include a one-time loss of approximately \$85,000 in collections in FY 2004-05. According to the county auditor's office, this is due to a decrease in personal property tax receipts attributed to the general state of the economy. The District also assumes the expiration of a \$4.37 million Emergency Levy in calendar year 2006, which will impact tangible personal property tax receipts beginning in FY 2005-06. Of the \$4.37 million emergency operating levy receipts, approximately \$780,000 would be categorized as tangible personal property tax receipts. ECSD's projection methodology is consistent with AOS technical bulletin 98-015 which broadly states that property tax estimates should be based upon historical collection levels. The District's projections appear reasonable, especially given the unpredictable nature of this receipt category.

- Unrestricted grants-in-aid receipts increased 8.1 percent in FY 2002-03 and 1.9 percent in FY 2003-04. The large increase in FY 2002-03 can be primarily explained by the reclassification of parity aid funding from restricted grants to unrestricted grants. This reclassification also explains the large decrease in restricted grants-in-aid and the increase in unrestricted grants-in-aid in FY 2002-03. The unrestricted grants-in-aid receipt line is comprised of several grant programs that can broadly be classified as foundation grant programs and other grant programs. Although unrestricted grants-in-aid are predominantly encompassed by foundation grant programs, projections for both categories of aid were evaluated.

In FY 2004-05, the District used the most recent ODE SF-3 report to determine funding levels for various foundation grant programs. However, this analysis cannot comment upon the adequacy of the District's methodology in preparing foundation projections beyond FY 2004-05. During the course of this performance audit, it was discovered that supporting electronic documents used for foundation funding estimates for FY 2005-06 and beyond became corrupted and could not be reconciled to the District's projections. However, the ECSD treasurer attempted to recreate this supporting documentation, which closely mirrored

the District's five-year forecast, but could not be reconciled. This recreated document was assessed, and found to have excellent projection methodology. The recreated supporting documentation for foundation projections attempted to recreate ODE calculation methodology in major grant components. As it closely mirror's the District's five-year forecast, these foundation projections are reasonable; however, no opinion can be made to support or invalidate the District's projection methodology. ECSD's projection documentation practices are discussed further in **R2.1**. The following assumptions had a material impact upon the recreated supporting calculations for future foundation receipts:

- **Foundation formula aid** is calculated in a manner consistent with ODE formulas where the total average daily membership (ADM) is multiplied by a cost of doing business factor (ODE's method of adjusting for discrepancies in costs of living around the state) and a minimum foundation funding level per student. This figure represents ODE's estimate of the minimum funding required to operate the District. This figure is then reduced by a percentage to account for ODE's estimated minimum local funding share. This local share portion is calculated based upon total property valuation estimates within the District going forward at 23 mills.
- Average Daily Membership (ADM) is based upon ODE's projections of 7,714.85 for FY 2004-05 contained in the SF-3 report. Future years are reduced slightly to the nearest whole number of 7,714 and assumed to remain flat throughout the forecast period. In the past three years, there does not appear to be a consistent historical trend to support or refute the District's flat ADM assumption.
- Foundation funding levels, defined on a per ADM basis, are assumed to increase at 2.2 percent annually from the base of \$5,169 in FY 2004-05. This increase is consistent with ORC § 3317.012, which establishes the base cost per pupil used in the basic aid funding formula. It establishes this funding level at \$5,058 for FY 2004 and appreciates this amount by 2.2 percent to determine the base cost at \$5,169 for FY 2005. The District's assumption extends this appreciation rate throughout the forecast period.
- Total District property values are forecasted in a manner consistent with ODE methodology. The District uses a lagging property valuation figure, which is then adjusted so that inflationary increases from county auditor updates and reappraisals are evenly distributed over the three year period between these events. Future property valuation figures are consistent with the District's property tax assumptions. The District assumes that the next scheduled update will occur in calendar year 2006, with estimated inflationary increases of 4.1 percent over prior year valuation. This increase is consistent with the last reappraisal in calendar year 2003, which resulted in a 4.6 percent increase over the prior year's total valuation due to inflationary property value increases. Property valuation increases due to new construction are

estimated at approximately 0.8 percent annually, which is corroborated by historical new construction growth of 1.0 percent in calendar years 2001, 2002, and 2003.

- **Special education** grant funding is estimated using current special education ADM figures, continued phase-in at approximately 2 percent annually, and an increase in foundation funding per student of 2.2 percent annually.
- **Parity aid** grant funding is assumed to continue to “phase in” at 76 percent of total funding in FY 2004-05 until full funding in FY 2006-07. Thereafter, the District assumes a 2 percent annual appreciation of the revenue source. As this grant program is based upon relatively stable demographic attributes, this methodology appears reasonable given known changes in the grant phase-in period.

While the District’s foundation grant receipt projections appear reasonable, the District did not account for known state utility tax change reimbursements (see **R2.2**)

- Restricted grants-in-aid decreased significantly in both FY 2002-03 and in FY 2003-04, primarily due to the reclassification of parity aid receipts from restricted grants to unrestricted grants. Restricted grants-in-aid are projected to increase slightly in FY 2004-05 and remain flat thereafter. FY 2004-05 estimates are corroborated by ODE SF-3 reports and include receipts from the disadvantaged pupil impact aid (DPIA) and career technical and adult education grant programs. Maintaining these receipts at FY 2003-04 levels throughout the forecast period appears to be a reasonable assumption as the restricted grants-in-aid funding formulas are based upon demographic data that is unlikely to fluctuate considerably.
- Historically, property tax allocation receipts have maintained a generally consistent relationship with real estate property tax receipts. From FY 2002-03 through FY 2003-04, property tax allocation receipts have ranged from 12.7 percent to 12.5 percent of real estate property tax receipts. The District has projected future property tax allocation receipts relatively consistent with this range of ratios into the future. ECSD uses the last actual property tax allocation receipts as its base and adjusts this figure going forward for expected changes in real estate property taxes. The District assumes portions of property tax allocation receipts attributable to rollback reimbursement receipts at 10 percent of projected real estate property tax collections. The District’s methodology takes real estate collection estimates and removes portions attributed to agriculture property tax collections. Then, the District estimates the remainder of rollback reimbursements by taking last year’s collections and adding 2.5 percent of the expected change in residential property tax collections. Portions of property tax allocations attributable to homestead state reimbursements are projected at historical ratios of homestead collections to total residential collections. ORC § 319.302 and ORC § 323.152(B) established a property tax rollback for the citizens of Ohio. This rollback grants a 10 percent credit for all property tax owners in the state, which was

amended to increase the rollback for owner occupied properties to 12.5 percent. The state remits payments back to the taxing entity for these credits.

Auditor of State bulletin 98-015 states that, “property tax allocations may be calculated as a fixed percentage of property tax receipts. The fixed percentage may be calculated as an average of this percentage from the prior three years. The growth in this revenue parallels the anticipated growth (or decline) in property taxes. ECSD’s methodology is consistent with these standards and represents appropriate projection methodology.

- Historically, other revenues have been generally consistent with the largest increase in FY 2003-04, when other revenues increased 6.7 percent. This increase is primarily explained by increased open enrollment and special education tuition receipts. The District expects no additional volatility, and therefore applied a 0.5 percent increase throughout the forecast period. The District does project a slightly higher increase in open enrollment receipts in FY 2004-05 due to additional students entering through open enrollment. While there is a general trend toward additional students entering the District through open enrollment from FY 1999-00 through FY 2002-03, figures for FY 2004-05 support the District’s general estimates of more stable levels of open enrollment. Therefore, while the District should continue to monitor any changes in open enrollment, the analysis cannot sufficiently refute the District’s assumptions at this time.

Expenditures

- ECSD projects personal services expenses to increase between 1.3 and 3.7 percent annually for the forecast period. This assumption is based on cost of living adjustments (COLA) of 2.5 percent in FY 2004-05, 2.0 percent in FY 2005-06, 2.5 percent in FY 2006-07, 3.0 percent in FY 2007-08, and 2.0 percent in FY 2008-09. These COLA assumptions are generally consistent with current negotiated agreements. ECSD also assumes an aggregated step increase of 1.7 percent annually. However, the District maintains no formal justification for this aggregated step adjustment assumption. AOS testing determined a weighted average step adjustment of 1.5 percent. However, this figure does not incorporate longevity adjustments or take into consideration the placement of employees within step schedules. Therefore, this AOS figure does not conclusively dispute the District’s assumption. However, as discussed in **R2.1**, when possible all material assumptions should be based upon a formal and logical basis that is retained in some fashion for review. ECSD makes additional adjustments to FY 2004-05 salary estimates using FY 2003-04 as a base year. ECSD reduces the FY 2003-04 base year by \$400,000 because during contract negotiations, the administration granted certificated staff a one-time bonus rather than a more favorable COLA. This one-time bonus would not be an expense for FY 2004-05, nor would future salary increases use this as a basis to make further adjustments. Finally, FY 2004-05 figures are adjusted for ECSD’s estimate of employee attrition, resulting in estimated savings of

\$800,000 (see the **human resources** section). However, no staff reductions are forecasted for FY 2005-06 and beyond.

- Historical employer retirement and benefit costs have experienced significant increases, largely driven by increases in health insurance costs. ECSD uses a sound methodology that separates insurance benefit projections which are independent from salary costs from other benefit projections that are dependent upon salary costs. ECSD adjusts prior year benefit costs by adjusting those benefits dependent upon salary levels for changes in salaries. The District assumes a ratio of 15.5 percent of salaries to project retirement benefits, which includes Medicare payments as Elyria CSD codes Medicare payments within retirement contribution object codes. However, an AOS review of historical ratios of retirement benefits to salaries indicates a ratio of 16.3 percent would be more appropriate (see **R2.4**). Adjustments for increases in health care premiums are calculated by taking an estimated portion of the prior year's benefit costs attributed to insurance costs and increasing them 10.4 percent in FY 2004-05 and beyond. This increase is based on historical data and a benefits study completed by the Hoffman Group. This assumption is generally consistent with state-wide increases in insurance costs of 12.8 percent from 2002 to 2003 levels, which is a smaller percentage increase than the prior year. An additional \$300,000 adjustment is made for FY 2004-05 to account for additional funds to be deposited in the District's self-insurance reserve. Furthermore, projections for workers' compensation and other miscellaneous benefits are held flat based on historical data. While the District's non-insurance benefit cost ratio to total salaries should be adjusted to better reflect historical ratios, its methodology appears reasonable.
- Historically, purchased service costs have increased due to increased community school tuition costs and rising outsourced pupil transportation service costs (see **transportation section**). The number of students leaving ECSD to attend community schools was 80 in FY 2001-02, 268 in FY 2002-03, 352 in FY 2003-04, and 416 in FY 2004-05. While significant increases were experienced in each of the past four years, there has been a diminishing rate of increase. These increases are likely caused by new community schools opening within the District. The District projects a large increase in purchased services for FY 2004-05, primarily due to the District opening a separate early college program. This program reflects the transfer of funding to its ledgers as tuition costs. The District assumes 60 students will enroll in the program in FY 2004-05 and an additional 50 students will enroll in each year thereafter for an annual additional cost of \$300,000. The District also makes minor adjustments for FY 2004-05 from FY 2003-04 for the elimination of a contracted employee and lower copier lease costs. Finally, in addition to these adjustments to FY 2004-05 purchased service costs, the District assumes a 4 percent appreciation rate on all costs in each of the forecasted fiscal years. As the drivers of past increases appear to be stabilizing, a 4 percent appreciation rate appears reasonable. However, during the course of this performance audit, energy conservation programs were initiated that will result in guaranteed energy cost reductions. This analysis makes adjustments for these activities in **R2.6**.

- During the forecast period, Elyria CSD expects that supply and material expenses will increase at 3.0 percent annually as an inflationary adjustment, which appears reasonable considering that expenses remained constant from FY 2002-03 to FY 2003-04. The treasurer believes that FY 2003-04 is a good base year for projections because custodial and maintenance functions were brought back in-house in this year and will continue to be performed by Elyria CSD staff. Furthermore, the District's projections do not appear to be inconsistent with legislated minimum expenditure levels.
- In the past, capital outlay expenses have been primarily for the purchase of equipment. The decrease from FY 2002-03 to FY 2003-04 was due to a staffing change in the technology department, which delayed the purchase of computer equipment. During the forecast period, Elyria CSD expects capital outlay expenses to increase at 3.0 percent annually as an inflationary adjustment. Although FY 2003-04 expenditures were at an all time low, the treasurer believes the 3.0 percent inflationary rate will account for any increases the District may experience once it stops cost reduction activities. However, the District's capital outlay projections do not meet the set aside requirements specified in ORC § 3315.18. Although the Permanent Improvement Fund has been used to meet the majority of these requirements, without additional General Fund support, the PI Fund will not have sufficient funds in FY 2007-08 to meet set asides requirements. Refer to **R2.5** for additional information regarding capital set aside requirements.
- In FY 2001-02, FY 2002-03, and FY 2003-04, Elyria CSD did not have any General Fund debt obligations and the five-year forecast does not assume any new debt obligations. However, after the forecast was completed, the District entered into a \$5.7 million HB 264 project with Honeywell International, Inc. This analysis makes adjustments for the HB 264 loan payments in **R2.6**.
- Historically, other objects have been relatively consistent, with the largest increase of 22.8 percent in FY 2002-03. The increase is attributable to increases in county board of education contributions and self-insurance. During the forecast period, the District projects increases of 3.0 percent annually as an inflationary adjustment. In FY 2004-05, the District also included the cost of the performance audit. Elyria CSD's projections appear logical and reasonable, based on the historical trends in categories comprising the majority of expenditures. Furthermore, the FY 2003-04 expenditures were comparable to FY 2002-03 expenditures.
- The District experienced transfers from the General Fund during each of the past three fiscal years, with the largest transfer in FY 2002-03. Transfers have historically been made to the Permanent Improvement Fund, with the exception being FY 2002-03 when the Food Service Fund required a transfer due to the timing of expenditures and receipts. A review of previous financial audits showed no other transfers from the General Fund to the Food Service Fund. During the forecast period, Elyria CSD projects a \$300,000 transfer out of the General Fund.

According to the treasurer, this is not earmarked for any specific activity or object, but rather serves as a conservative methodology based on historical analysis, excluding FY 2002-03. Due to the need for additional funds for capital set aside requirements, additional transfers out may be necessary, refer to **R2.6**.

While the District is forecasting operating losses during the forecast period (see **Table 2-1**), it has effectively controlled discretionary expenditures. These expenditures are analyzed because the District has more control over these expenses and is not obligated to maintain any specific level of expenditures. These expenditures can usually be found within purchased services, supplies and materials, capital outlay, and miscellaneous object code designations. **Table 2-2** compares various discretionary expense categories to the peers as a percentage of total General Fund expenditures.

Table 2-2: FY 2002-03 General Fund Discretionary Expenditures

| | Elyria CSD | Garfield Heights CSD | Massillon CSD | Newark CSD | Peer Average |
|----------------------------------|--------------|----------------------|---------------|-------------|--------------|
| Prof. and Technical Service | 0.6% | 3.0% | 1.1% | 1.2% | 1.8% |
| Property Services | 1.3% | 2.3% | 3.1% | 1.7% | 2.4% |
| Mileage/Meeting Expense | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% |
| Communications | 0.4% | 0.3% | 0.5% | 0.6% | 0.5% |
| Contract, Craft or Trade Service | 0.7% | 0.1% | 0.0% | 0.0% | 0.0% |
| Pupil Transportation | 3.9% | 0.2% | 0.0% | 0.0% | 0.1% |
| Other Purchased Service | 1.0% | 0.0% | 0.0% | 0.1% | 0.0% |
| General Supplies | 1.4% | 1.2% | 1.9% | 1.3% | 1.5% |
| Textbooks/Reference Materials | 0.7% | 0.8% | 0.6% | 0.5% | 0.6% |
| Plant Maintenance and Repair | 0.3% | 0.5% | 0.6% | 0.6% | 0.6% |
| Fleet Maintenance and Repair | 0.1% | 0.3% | 0.6% | 0.6% | 0.5% |
| Land, Building & Improvements | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% |
| Equipment | 0.6% | 1.0% | 1.2% | 0.2% | 0.8% |
| Buses/Vehicles | 0.0% | 0.7% | 0.7% | 0.3% | 0.6% |
| Dues and Fees | 1.0% | 1.3% | 1.4% | 1.1% | 1.3% |
| Insurance | 0.1% | 0.3% | 0.3% | 0.0% | 0.2% |
| Miscellaneous | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 12.4% | 12.4% | 12.1% | 8.6% | 11.0% |

Source: 4502 reports exhibit II and statement P

As shown in **Table 2-2**, ECSD's discretionary spending as a percent of all General Fund expenses is 1.4 percentage points higher than the peer average. In FY 2002-03, ECSD was lower than or equal to the peer average in 15 of the 20 categories. District spending was higher than the peer average in the following categories: contract, craft or trade service; pupil transportation; other purchased services; textbooks/reference materials; and miscellaneous. These line items primarily refer to activities outsourced to outside contractors. Contract management is discussed in greater detail within the **transportation**. Additionally, applicable contracted services are assessed in the **facilities**.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several other areas within the financial systems section that did not warrant changes and did not yield any recommendations. These include the District's forecast methodology and assumptions in the following categories:

- Real estate tax;
- Tangible personal property tax;
- Property tax allocation;
- Other revenue;
- Personal services;
- Supply and materials; and
- Other expenditures.

Recommendations

Financial Forecast

R2.1 Elyria CSD should prepare and maintain formal documentation that illustrates a logical and reasonable basis for assumptions that will have a material impact upon projected forecast fund balances. A review of the five-year forecast assumptions and methodology revealed inadequate documentation for material assumptions used in estimating the following line items:

- **Unrestricted grants-in-aid;**
- **Personal services; and**
- **Purchased services.**

The District should maintain supporting calculations for its foundation grant estimates that reconcile with figures within the five-year forecast. The District should also maintain an analysis of step schedules that incorporates considerations of the number of individuals within the step schedule to prepare an aggregate step adjustment assumption in its methodology. Formal supporting documentation will facilitate more timely updates as additional information becomes available and provides sufficient explanation to other parties.

The District maintains a foundation supplemental document that recreates ODE methodology in calculating each of the material components of unrestricted foundation grants. However, this document does not reconcile with the five-year forecast, though it is not materially different. As this document uses sound methodology and assumptions, it is an adequate form of criteria to compare the District's projections against. As such, AOS concludes the District's projections are reasonable. However, because AOS can not determine how the District's actual projections were calculated, AOS cannot offer an opinion whether the estimates are based upon logical methodology.

Additionally, Elyria CSD appreciates the personal services line item for step increases at 1.7 percent, over and above negotiated cost of living increases, and significant one-time events. However, the District could not produce evidence to support this aggregated net step increase of 1.7 percent. AOS calculated an average weighted percent step increase of 1.5 percent for administrative, certificated, and classified employees based their respective salary schedules and the number of employees covered by each salary schedule. However, AOS's testing methodology did not include several factors which could impact step increases, including administrative and classified longevity, administrative increases for education, and actual placement of individuals within the

step schedules. As a result, AOS could neither conclusively corroborate nor refute the 1.7 percent appreciation rate used by the District.

Regarding purchased services, the District is not projecting any additional incoming or outgoing open enrollment and community school students during the forecast period. Historical percent increases show the number of incoming open enrollment students increased each year since FY 2000-01, except for FY 2004-05 which experienced a nominal decrease. Outgoing open enrollment has decreased since FY 2002-03, while community school enrollment has increased. However, the rate of community school enrollment increases has slowed since FY 2002-03. As a result, AOS could neither conclusively corroborate nor refute the assumption of no additional incoming or outgoing open enrollment and community school students. If the District prepared a formal review of enrollment trends, expectations, and other factors, it could provide a more conclusive assumption.

According to the American Institute of Certified Public Accountants (AICPA) *Guide for Prospective Financial Information* (2002), the disclosure of significant assumptions is essential to the reader's understanding of the financial forecast. The basis or rationale for the assumptions should preferably be disclosed to assist the user to understand the presentation and make an informed judgment about it.

R2.2 The District should revise its unrestricted grants-in-aid projections to adequately account for known additional unrestricted grant receipts that are not part of the foundation program, such as state reimbursements for lost utility property taxes.

According to the Elyria CSD's treasurer, the District expects \$327,252 in public utility tax reimbursements in FY 2004-05. However, this figure is not incorporated into the forecast assessed by the performance audit. The Ohio Department of Taxation specified that due to a change in the taxation of public utilities, local governmental entities began being reimbursed in February 2002 for lost tax revenue. This reimbursement is only required to last for five years, after which a determination will be made as to the continuation of these reimbursements. This analysis assumes future reimbursements at levels consistent with the most recent receipts (FY 2004-05), but ending with only one payment in FY 2006-07.

Table 2-3 compares the revised projections for unrestricted grants-in-aid to Elyria CSD's projections and illustrates the net effect upon the forecast fund balance.

Table 2-3: Net Effect of Revised Unrestricted Grants-in-Aid Projections

| | Projected FY 2004-05 | Projected FY 2005-06 | Projected FY 2006-07 | Projected FY 2007-08 | Projected FY 2008-09 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Elyria CSD Unrestricted Grants-in-Aid Projections | \$26,262,845 | \$27,477,079 | \$28,353,070 | \$29,137,236 | \$30,137,108 |
| AOS Revised Unrestricted Grants-in-Aid Projections | \$26,590,097 | \$27,804,331 | \$28,516,696 | \$29,137,236 | \$30,137,108 |
| Net Effect upon Forecast Fund Balance | \$327,252 | \$327,252 | \$163,626 | \$0 | \$0 |

Source: Elyria CSD five-year forecast

R2.3 The District should adjust the restricted grants-in-aid projections beginning in FY 2004-05 to account for bus purchase funds.

While this assessment has determined adequate estimates for components of restricted grants-in-aid such as DPIA and career/technical funding, Elyria CSD did not include bus purchase allowance grant funding in its restricted grants-in-aid projections during the forecast period. Historically, the District received bus purchase funds in each of the previous four fiscal years, ranging from a high of \$153,671 in FY 2001-02 to a low of \$25,309 in FY 2003-04. Bus purchase funding is driven by underlying demographic variables such as daily miles, pupils transported, percentage of rough roads, relative wealth, and equity aid. Therefore, it appears unlikely that the District will not receive this funding in the future.

Table 2-4 illustrates the District’s projections for restricted grants-in-aid and compares them to the revised AOS figures by adjusting for the bus purchase funds. FY 2003-04 bus purchase allowance funding levels reflect state budgetary constraints. Therefore, AOS used the FY 2002-03 actual receipts as a basis for projections to reflect improved economic conditions going forward.

Table 2-4: Net Effect of Revised Restricted Grants-in-Aid Projections

| | Projected FY 2004-05 | Projected FY 2005-06 | Projected FY 2006-07 | Projected FY 2007-08 | Projected FY 2008-09 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Elyria CSD Purchased Services Projections | \$1,892,616 | \$1,892,616 | \$1,892,616 | \$1,892,616 | \$1,892,616 |
| AOS Revised Purchased Services Projections | \$1,987,910 | \$1,987,910 | \$1,987,910 | \$1,987,910 | \$1,987,910 |
| Net Effect Upon Forecast Fund Balance | \$95,294 | \$95,294 | \$95,294 | \$95,294 | \$95,294 |

Source: Elyria CSD five-year forecast and FY 2004 revenue history report

R2.4 Elyria CSD should revise its forecasting methodology for portions of the Employees’ Retirement/Insurance Benefits line item attributed to employer retirement

contributions for FY 2004-05 through FY 2008-09. Retirement contributions should continue to be based upon expected salary levels and the ratio of contributions to salary costs. However, the projected ratio of salaries to retirement should reflect historical ratios. There appears to be little support for the District's assumed ratio of retirement contributions to salary costs. This analysis has determined that historical ratios support a ratio of retirement contributions to salary costs of 16.3 percent.

Elyria CSD's employee retirement projections are projected at 15.5 percent of salaries. However, in the past three fiscal years, employer retirement contributions averaged 16.3 percent of total salaries. According to an AOS financial forecasting manual, *Financial Forecasting Audit Plan/Technical Manual, Fiscal Emergency School Districts* dated 3/16/2001, fringe benefit costs should be projected based primarily upon historical expenses and knowledge of any upcoming initiatives which may limit or increase future expenditures. **Table 2-5** presents historical fringe benefit expenses categorized by object code and their average annual percent change.

Table 2-5: Historical Fringe Benefit Costs

| Description | FY 2001-02 | FY 2002-03 | FY 2003-04 | Average Annual % Change |
|---|---------------------|---------------------|---------------------|-------------------------------|
| Retirement Contributions | \$5,896,156 | \$6,229,288 | \$6,737,794 | (2.0%) |
| Health Insurance Benefit Costs | \$4,317,310 | \$4,868,138 | \$5,452,577 | 9.1% |
| Workers' Compensation Premiums | \$95,814 | \$142,718 | \$332,991 | 42.5% |
| Unemployment | \$18,257 | \$11,975 | \$11,427 | 14.1% |
| Other Employee Retirement & Insurance Benefits | \$15,672 | \$20,300 | \$13,690 | 347.4% |
| Total Fringe Benefit Costs | \$10,343,208 | \$11,272,418 | \$12,548,478 | 2.7% |
| Total Salary Expenses | \$36,598,879 | \$38,557,453 | \$40,821,278 | 4.7% |
| Retirement expenses as % of Salaries | 16.1% | 16.2% | 16.5% | 16.3% |
| All benefit costs excluding health insurance as % of Salaries | 16.5% | 16.6% | 17.4% | 16.8% |

Source: Elyria CSD 4502 report statement P, five-year forecast, and internal financial reports

From FY 2001-02 to FY 2003-04, retirement contribution expenses have maintained a fairly consistent relationship with total salary expenses ranging from 16.1 percent to 16.5 percent of salaries. Therefore, AOS revised projections use the combined ratio of retirement contributions to total salaries for FY 2000-01 through FY 2003-04 of 16.3 percent, to estimate future retirement contribution expenses.

Table 2-6 compares the revised projections for Employees' Retirement/Insurance Benefits to Elyria CSD's and illustrates the net effect upon the forecast fund balance.

Table 2-6: Net Effect of Revised Fringe Benefit Projections

| | Projected FY 2004-05 | Projected FY 2005-06 | Projected FY 2006-07 | Projected FY 2007-08 | Projected FY 2008-09 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Elyria CSD Fringe Benefit Projections | \$13,575,227 | \$14,557,779 | \$15,659,853 | \$16,893,858 | \$18,165,167 |
| AOS Revised Fringe Benefit Projections | \$13,579,343 | \$14,570,014 | \$15,674,256 | \$16,910,652 | \$18,179,009 |
| Net Effect upon Forecast Fund Balance | (\$4,116) | (\$12,235) | (\$14,403) | (\$16,794) | (\$13,842) |

Source: Elyria CSD five-year forecast

R2.5 The District should revise either its projections for capital outlay costs or for transfers out so that the District's figures reflect continued compliance with capital outlay set aside requirements established in ORC § 3315.18.

To ensure adequate funding for capital and maintenance needs, ORC § 3315.18 requires schools to annually set aside resources equal to 3.0 percent of the formula aide for the preceding fiscal year. Allowable expenditures to fulfill the set-aside requirements are defined in OAC 3301-92-02.

Elyria CSD has historically met its capital outlay set aside requirements from its permanent improvement fund. This fund was created with proceeds from the sale of several District buildings and is not supported by a permanent improvement levy. In FY 2003-04, the fund's only revenue was a transfer of approximately \$272,000 for interest earned by the District. The permanent improvement fund had an ending balance of approximately \$2.1 million in FY 2003-04, which is enough to meet the Elyria CSD's set aside requirement, as determined by ODE, for FY 2005.

The District's five-year forecast includes a \$300,000 annual transfer from the General Fund in each year of the forecasted period. Although the District's treasurer stated these funds are not dedicated to a specific project or fund, AOS includes them as transfers into the permanent improvement fund based on the General Fund's historical support of the Permanent Improvement fund.

Additionally, historical data indicates that the majority of the District's total General Fund capital outlay expenditures qualify under OAC 3301-92-02, and only approximately \$25,000 were non-qualifying costs in past years. As a result, this analysis assumes that the amount projected in the capital outlay line item for each year of the forecasted period, less \$25,000, is used to help meet Elyria CSD's capital improvement set aside requirements.

Table 2-7 compares the amounts required to be set aside by the District, based on ORC § 3315.18, to the permanent improvement fund balance and projected operating transfers out line item. **Table 2-6** also shows the net effect of revised operating transfers out to reflect compliance with capital improvement set asides.

Table 2-7: Resources vs. Set Aside Requirements

| | FY 2004-05 | FY 2005-06 | FY 2006-07 | FY 2007-08 | FY 2008-09 |
|--|-------------|-------------|-------------|-------------|---------------|
| Set-Aside per ORC § 3315.18¹ | \$1,143,992 | \$1,169,160 | \$1,194,881 | \$1,221,169 | \$1,248,035 |
| General Fund Qualifying Capital Outlay Expenditures | \$261,962 | \$270,571 | \$279,438 | \$288,571 | \$297,978 |
| Permanent Improvement Fund Balance | | | | | |
| Beginning Fund Balance | \$2,062,481 | \$1,480,451 | \$881,862 | \$266,418 | (\$366,179) |
| Transfers In | \$300,000 | \$300,000 | \$300,000 | \$300,000 | \$300,000 |
| Ending Fund Balance | \$1,480,451 | \$881,862 | \$266,418 | (\$366,179) | (\$1,016,236) |

Source: Elyria CSD five-year forecast and FY 2004 4502 Report, ODE

¹ Formula aid for FY 2004-05 is from ODE. For FY 2006, FY 2007, FY 2008, and FY 2009, formula aid is projected to grow at 2.2 percent per year, consistent with ODE suggestions.

Table 2-7 illustrates that the District’s General Fund capital outlay projections will be inadequate to meet future capital outlay set-aside requirements even using Permanent Improvement Fund resources supported by General Fund operating transfers. **Table 2-7** shows that the District needs to set aside additional funds in FY 2007-08 and FY 2008-09 to meet the capital and maintenance set-aside requirements. **Table 2-8** illustrates revised operating transfers out from the General Fund to the Permanent Improvement Fund to provide sufficient resources to meet capital outlay set-aside requirements.

Table 2-8: Net Effect of Revised Operating Transfers Out

| | | | | | |
|--|------------|------------|------------|--------------------|----------------------|
| Elyria CSD Operating Transfers Out Projections | \$300,000 | \$300,000 | \$300,000 | \$300,000 | \$300,000 |
| AOS Revised Operating Transfers Out Projections | \$0 | \$0 | \$0 | \$666,179 | \$1,316,236 |
| Net Effect upon Forecast Fund Balance | \$0 | \$0 | \$0 | (\$366,179) | (\$1,016,236) |

Assuming all transfers out will support the Permanent Improvement Fund, AOS revised transfers will ensure continued compliance with the set-aside requirements and present a more reliable and accurate forecast.

R2.6 Elyria CSD should revise its purchased services projections to include the annual energy and operational savings guaranteed by Honeywell International, Inc. (Honeywell) in a recently initiated HB 264 energy conservation project. The District should also revise its debt payment projections to account for principal and interest payments associated with the project.

Elyria CSD entered into a \$5.7 million agreement with Honeywell to complete a 15-year energy conservation project. In September 2004, the District entered into a 15-year, \$5.7 million loan at 4.09 percent interest to finance this initiative, with terms as allowed by HB 264. In 1985, the Ohio General Assembly passed HB 264 which gives school districts the opportunity to make improvements to their buildings and use the cost savings to pay for the improvements. According to the loan amortization schedule, the annual payment of \$536,641 is due in two equal installments on July 31 and January 31 of each fiscal year, beginning in FY 2005-06 and ending in FY 2019-20.

According to the agreement with Honeywell, the District is guaranteed energy and operational savings equal to or greater than \$562,000 per year for 15 years (\$8.4 million) or the sum of the retrofit and support costs for each year, whichever is less. However, the savings guarantee shall not exceed the total installation, maintenance, and financing costs incurred by the District. In the event that the total savings are less than the guaranteed amount, savings above the guaranteed amount from previous years will be applied. If the savings are still below the guaranteed amount, Honeywell will issue a check to the District for the amount of the savings shortfall.

As Elyria CSD has contractually enforceable guaranteed savings under the energy conservation project, the District should incorporate these savings into its utility cost estimates within the purchased service expenditure line item. **Table 2-9** illustrates the District’s projections for purchased services and revises them for energy savings as defined by debt servicing costs. AOS uses the total loan repayment amount to calculate the guaranteed savings amount as this is likely a conservative estimate given that other implementation costs on top of debt costs are likely to be included in the contractually guaranteed savings.

Table 2-9: Net Effect of Revised Purchased Services Projections

| | Projected FY 2004-05 | Projected FY 2005-06 | Projected FY 2006-07 | Projected FY 2007-08 | Projected FY 2008-09 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Elyria CSD Purchased Services Projections | \$11,622,064 | \$12,304,519 | \$13,096,700 | \$13,920,568 | \$14,777,391 |
| AOS Revised Purchased Services Projections | \$0 | \$11,785,766 | \$12,577,947 | \$13,401,815 | \$14,258,638 |
| Net Effect upon Forecast Fund Balance | \$0 | \$518,753 | \$518,753 | \$518,753 | \$518,753 |

Source: Elyria CSD five-year forecast, HB 264 loan amortization schedule, and Agreement with Honeywell

The District should also change its debt services projections for FY 2005-06 through FY 2008-09 to account for the debt service associated with the energy conservation project. **Table 2-10** illustrates Elyria CSD’s projections for debt service and compares them to the amortization schedule of the \$5.7 million 15 year, 4.09 percent note.

Table 2-10: Net Effect of Revised Debt Services Projections

| | Projected FY 2004-05 | Projected FY 2005-06 | Projected FY 2006-07 | Projected FY 2007-08 | Projected FY 2008-09 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Elyria CSD Debt Services Projections | | | | | |
| Principal – HB 264 Loans | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest and Finance Charges | \$0 | \$0 | \$0 | \$0 | \$0 |
| AOS Revised Debt Services Projections | | | | | |
| Principal – HB 264 Loans | N/A | \$222,189 | \$313,852 | \$326,820 | \$340,324 |
| Interest and Finance Charges | N/A | \$314,452 | \$222,789 | \$209,821 | \$196,317 |
| Net Effect upon Forecast Fund Balance | \$0 | (\$536,641) | (\$536,641) | (\$536,641) | (\$536,641) |

Source: Elyria CSD five-year forecast and HB 264 loan amortization schedule

Revenue and Expenditure Analysis

R2.7 Elyria CSD should closely examine the spending patterns indicated in Table 2-12 and should identify activities and functions that have an opportunity for cost reductions without impacting the quality of education. While the District has improved performance scores, it is not performing as well as the peer districts. Elyria CSD should reallocate its resources toward those programs and priorities that have the greatest impact on improving the students' education and proficiency test results. Combined with a close examination of the performance of educational activities, the District could potentially improve its performance index score and meet additional ODE performance standards while reducing its operating expenditures.

Elyria CSD's expenditures per pupil were more than or similar to the peer districts, but there does not appear to be a correlation with the quality of education or academic achievement of its students. Each school district is required to receive a performance accountability rating based on 18 performance standards in FY 2003-04. ODE also compiles proficiency testing information into performance index scores. This information encapsulates the students' level of achievement as opposed to simply tracking whether a standard was met.

Table 2-11 presents the number of performance standards met by Elyria CSD and the peers for the past four years. **Table 2-12** summarizes the District's performance index scores for FY 2000-01 to FY 2003-04 and compares these scores to the peer districts.

Table 2-11: ODE Performance Standards Comparison

| | Elyria CSD | Garfield Heights CSD | Massillon CSD | Newark CSD | Peer Average |
|---|------------|----------------------|---------------|------------|--------------|
| Number of 27 Performance Standards Met | | | | | |
| FY 2000-01 | 10 | 13 | 11 | 13 | 12 |
| Number of 22 Performance Standards Met | | | | | |
| FY 2001-02 | 7 | 9 | 11 | 11 | 10 |
| FY 2002-03 | 8 | 9 | 9 | 9 | 9 |
| Number of 18 Performance Standards Met | | | | | |
| FY 2003-04 | 6 | 12 | 8 | 8 | 9 |

Source: District report cards

Note: The Ohio Department of Education (ODE) ceased administering the 12th grade proficiency tests in FY 2001-02, which was the basis for five performance standards. This table presents the districts' performance against the relevant performance standards for each year.

Table 2-12: Comparison of Performance Index Scores

| | Elyria CSD | Garfield Heights CSD | Massillon CSD | Newark CSD | Peer Average |
|-------------------|------------|----------------------|---------------|------------|--------------|
| FY 2000-01 | 75.0 | 80.1 | 72.2 | 79.1 | 77.1 |
| FY 2001-02 | 75.5 | 79.1 | 75.3 | 85.5 | 80.0 |
| FY 2002-03 | 80.4 | 79.4 | 75.3 | 83.9 | 79.5 |
| FY 2003-04 | 84.2 | 90.9 | 79.6 | 87.9 | 86.1 |

Source: District report cards

Elyria CSD met fewer performance standards than the peer average in each fiscal year and had a lower performance index score in FY 2000-01, FY 2001-02, and FY 2003-04. However, the District's performance index scores have increased over the past four years.

As peer school districts are able to meet more ODE performance standards with similar or less funding per student, it appears that there is an opportunity for ECSD to reduce operating expenditures without negatively impacting the academic achievement of its students.

The allocation of resources between the various functions or activities of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, activities must be evaluated and prioritized. An analysis of the spending patterns between the various functions should indicate where the priorities of the school board and management are placed and illustrate where there are opportunities for expenditure reductions.

Table 2-13 illustrates the expenditures posted to the various Uniform School Accounting System (USAS) function codes for Elyria CSD and the peer school districts for FY 2002-03. Function codes are designed to report expenditures by nature or program. **Table 2-13** also shows the operational expenditures per pupil and percentage of total operational expenditures by function for all funds which are classified as governmental fund types.

Table 2-13: Governmental Funds Operational Expenditures by Function for FY 2002-03

| USAS Function Classification | Elyria CSD | | Garfield Heights CSD | | Massillon CSD | | Newark 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: | \$5,116 | 57.6% | \$4,475 | 50.3% | \$4,946 | 55.0% | \$4,679 | 59.2% | \$4,706 | 55.6% |
| Regular Instruction | \$3,589 | 40.4% | \$3,636 | 40.9% | \$3,337 | 37.1% | \$3,620 | 45.8% | \$3,541 | 41.8% |
| Special Instruction | \$1,104 | 12.4% | \$539 | 6.1% | \$998 | 11.1% | \$892 | 11.3% | \$835 | 9.9% |
| Vocational Education | \$34 | 0.4% | \$81 | 0.9% | \$510 | 5.7% | \$165 | 2.1% | \$245 | 2.9% |
| Adult/Continuing Education | \$8 | 0.1% | \$0 | 0.9% | \$10 | 0.1% | \$0 | 0.0% | \$3 | 0.0% |
| Other Instruction | \$381 | 4.3% | \$218 | 2.5% | \$91 | 1.0% | \$1 | 0.0% | \$82 | 1.0% |
| Support Service Expenditures: | \$3,393 | 38.2% | \$3,649 | 41.0% | \$3,618 | 40.2% | \$2,971 | 37.6% | \$3,331 | 39.3% |
| Pupil Support Services | \$601 | 6.8% | \$504 | 5.7% | \$519 | 5.8% | \$406 | 5.1% | \$463 | 5.5% |
| Instructional Support Services | \$604 | 6.8% | \$688 | 7.7% | \$371 | 4.1% | \$533 | 6.7% | \$524 | 6.2% |
| Board of Education | \$7 | 0.1% | \$11 | 0.1% | \$22 | 0.2% | \$37 | 0.5% | \$26 | 0.3% |
| Administration | \$621 | 7.0% | \$669 | 7.5% | \$747 | 8.3% | \$606 | 7.7% | \$663 | 7.8% |
| Fiscal Services | \$167 | 1.9% | \$238 | 2.7% | \$262 | 2.9% | \$154 | 1.9% | \$207 | 2.4% |
| Business Services | \$116 | 1.3% | \$234 | 2.6% | \$97 | 1.1% | \$82 | 1.0% | \$124 | 1.5% |
| Plant Operation & Maintenance | \$792 | 8.9% | \$994 | 11.2% | \$1,157 | 12.9% | \$688 | 8.7% | \$903 | 10.7% |
| Pupil Transportation | \$306 | 3.4% | \$243 | 2.7% | \$275 | 3.1% | \$324 | 4.1% | \$290 | 3.4% |
| Central Support Services | \$179 | 2.0% | \$68 | 0.8% | \$170 | 1.9% | \$141 | 1.8% | \$131 | 1.6% |
| Non-Instructional Services Expenditures | \$204 | 2.3% | \$545 | 6.1% | \$97 | 1.1% | \$117 | 1.5% | \$218 | 2.6% |
| Extracurricular Activities Expenditures | \$168 | 1.9% | \$229 | 2.6% | \$329 | 3.7% | \$130 | 1.6% | \$213 | 2.5% |
| Total Governmental Fund Operational Expenditures | \$8,880 | 100.0% | \$8,898 | 100.0% | \$8,990 | 100.0% | \$7,897 | 100.0% | \$8,469 | 100.0% |

Source: 4502 reports exhibit II, SF-3 reports

As indicated by **Table 2-13**, Elyria CSD allocates a similar percentage of its governmental fund expenditures to instruction when compared to the peer average. However, ECSD spends 4.9 percent more per student than the peer average, as explained by the following activities:

- Special instruction is defined as instructional activities designed primarily to deal with pupils' special needs. In FY 2002-03, Elyria CSD's expenditures per pupil were higher than the peer average. Of the \$6,125,115 expended from the General Fund for special instruction, personal services and retirement and benefits account for \$5,976,735, or 97.6 percent of expenditures (see the **human resources**

section). General Fund expenditures accounted for 69.6 percent of total special instruction expenditures.

- Adult/continuing education is defined as instructional activities designed to develop knowledge and skills to meet immediate and long-term educational objectives for pupils who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. FY 2002-03 expenditures per pupil were significantly higher than the peer average. However, the \$66,504 expended on adult/continuing education is from a special revenue fund and is not supported by the General Fund.
- Other instruction includes instruction not otherwise defined by the USAS manual. During FY 2002-03 expenditures per pupil were significantly higher than the peer average. Of the \$3,028,939 expended from the General Fund for other instruction, purchased services account for \$3,008,639, or 99.3 percent of expenditures (see the **human resources** section). General fund expenditures accounted for 100.0 percent of total other instruction expenditures.
- Pupil support services are those activities which are designed to assess and improve the well-being of pupils and to supplement the teaching process. FY 2002-03 expenditures per pupil were higher than the peer average. Of the \$3,621,161 expended from the General Fund for support services, personal services and retirement and benefits account for \$3,364,663, or 92.9 percent of expenditures (see the **human resources** section). General fund expenditures accounted for 75.8 percent of total pupil support services expenditures.
- Instructional support services are activities associated with assisting the instructional staff with the content and process of providing learning experiences for pupils. In FY 2002-03, expenditures per pupil were higher than the peer average. Of the \$2,699,355 expended from the General Fund for instructional support services, personal services and retirement and benefits account for \$2,608,263, or 96.6 percent of expenditures (see the **human resources** section). General Fund expenditures accounted for 55.5 percent of total instructional support services expenditures.
- Business services are those activities concerned with purchasing, receiving, transporting, exchanging, and maintaining goods and services for the school district. FY 2002-03 expenditures per pupil were higher than Massillon CSD and Newark CSD. Of the \$919,078 expended from the General Fund for business services, personal services and retirement and benefits account for \$441,679, or 48.1 percent of expenditures, and purchased services account for \$395,109, or 43.0 percent of expenditures (see the **human resources** and **facilities** sections).

General Fund expenditures accounted for 100.0 percent of total business services expenditures.

- Pupil transportation services include activities concerned with the conveyance of individuals to and from school, as provided by law. FY 2002-03 expenditures per pupil were slightly higher than the peer average. Of the \$2,371,241 expended from the General Fund for pupil transportation, purchased services account for \$2,366,014, or 99.8 percent of expenditures (see the **transportation** section). General Fund expenditures accounted for 97.5 percent of total pupil transportation expenditures.
- Central support services are those activities, other than general administration, which support each of the other instructional and supporting services programs, including planning, research, development, evaluation, information staff, statistical, and data processing services. In FY 2002-03, expenditures per pupil were higher than the peer average. Of the \$1,159,739 expended from the General Fund for central support services, personal services and retirement and benefits account for \$655,547, or 57.4 percent of expenditures, and purchased services account for \$277,258, or 23.9 percent of expenditures (see the **human resources** and **facilities** section). General Fund expenditures accounted for 14.7 percent of total central support services expenditures.
- Non-instructional services are those activities concerned with providing non-instructional services to students, staff, or the community. FY 2002-03 expenditures per pupil were higher than Massillon CSD and Newark CSD. Of the \$454,423 expended from the General Fund for non-instructional services, food service personal services and retirement and benefits accounts for \$231,810, or 51.0 percent of expenditures, and community services purchased services accounts for \$221,817, or 48.8 percent of expenditures. General Fund expenditures accounted for 11.5 percent of total non-instructional services expenditures.

Recommendations were made to reduce staffing and benefit costs, optimize facility usage, and enhance transportation operations in the **human resources**, **facilities**, and **transportation** sections of this report. These recommendations, if implemented, could potentially reduce expenditures and are supported by the information in **Table 2-13**.

Strategic Planning

R2.8 Elyria CSD should develop a comprehensive strategic plan using an established framework such as the United States Department of Commerce Baldrige National Quality Program, which incorporates its Continuous Improvement Plan (CIP). The

strategic plan should consider the District's current financial issues in the context of its operational goals. Furthermore, the District should tie the CIP to its operational budget and five-year financial forecast.

Elyria CSD does not have an updated and comprehensive strategic plan, but it has developed a CIP which is updated annually. The CIP details the tasks, timeline, responsibilities, costs, resources, task results, and annual results. The CIP's goals include the following:

- Ensure that each child reaches his/her full potential;
- Ensure a safe and orderly environment;
- Sustain a climate of high expectations for success;
- Enhance instructional leadership;
- Increase opportunities to learn and student time on task;
- Frequently monitor student progress; and
- Strengthen school and home relations.

Although the District annually updates its CIP, it is not used to develop the five-year financial forecast. By not identifying and forecasting potential funding sources of CIP tasks and goals, the District is limited in its ability to effectively tie its strategic plan to the operational budget and its five-year financial outlook.

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

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

- Budgetary, societal, ethical, regulatory, and other potential risks;
- Changes in the local, regional, or national economic environment; and
- Factors unique to the organization, including partners and suppliers needs, strengths, and weakness.

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

Financial Recovery Plan

R2.9 ECSD should analyze and use the financial recovery plan outlined in Table 2-14 to evaluate the effect of recommendations presented in this performance audit on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its future financial difficulties. In addition, ECSD should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.

ECSD's forecast, presented in **Table 2-1**, projects a cash and fund deficit at the end of FY 2005-06. The deficit is expected to reach \$46.1 million in FY 2008-09.

Table 2-14 presents a potential financial recovery plan for management to use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. Additionally, **Table 2-13** includes the revised projections outlined in **R2.2** through **R2.6** to present a more appropriate forecast of these items.

In November 2004, the voters approved a \$4.37 million emergency renewal levy. As these receipts are no longer subject to approval as at the time of the District's projections, these receipts were reflected in the real estate property tax receipts, tangible personal property tax receipts, and property tax allocation receipt projections. As shown in **Table 2-14**, the revenue generated from this levy coupled with the savings related to the performance audit recommendations would eliminate the projected deficits beginning in FY 2005-06. The District would achieve a positive ending fund balance of approximately \$13.6 million in FY 2008-09, by implementing all of the performance audit recommendations.

For ECSD to maintain an acceptable level of financial stability, it will need to continue to make difficult management decisions regarding potential means for increasing revenue and reducing expenditures. This performance audit provides a series of recommendations ECSD should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan.

Table 2-14: Proposed Financial Recovery Plan (in 000's)

| | Actual FY 01-02 | Actual FY 02-03 | Actual FY 03-04 | Forecast FY 04-05 | Forecast FY 05-06 | Forecast FY 06-07 | Forecast FY 07-08 | Forecast FY 08-09 |
|---|--------------------|--------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Real Estate Property Tax | 21,374 | 21,515 | 21,868 | 22,129 | 22,358 | 22,664 | 22,966 | 23,204 |
| Tangible Personal Property Tax | 9,246 | 9,383 | 8,314 | 8,050 | 7,935 | 7,816 | 7,701 | 7,587 |
| Unrestricted Grants-in-Aid | 23,510 | 25,409 | 25,879 | 26,590 | 27,804 | 28,517 | 29,137 | 30,137 |
| Restricted Grants-in-Aid | 3,223 | 2,672 | 1,877 | 1,988 | 1,988 | 1,988 | 1,988 | 1,988 |
| Property Tax Allocation | 2,540 | 2,734 | 2,735 | 2,797 | 2,853 | 2,926 | 2,999 | 3,058 |
| Other Revenues | 2,259 | 2,298 | 2,452 | 2,474 | 2,486 | 2,499 | 2,511 | 2,524 |
| Total Operating Revenues | 62,152 | 64,011 | 63,125 | 64,028 | 65,424 | 66,410 | 67,302 | 68,498 |
| Personal Services | 36,599 | 38,557 | 40,821 | 41,336 | 42,865 | 44,666 | 46,765 | 48,495 |
| Employee's Retirement & Insurance Benefits | 10,346 | 11,275 | 12,548 | 13,579 | 14,570 | 15,674 | 16,911 | 18,179 |
| Purchased Services | 8,823 | 9,675 | 10,975 | 11,622 | 11,786 | 12,578 | 13,402 | 14,259 |
| Supplies & Materials | 1,567 | 1,507 | 1,504 | 1,548 | 1,595 | 1,643 | 1,692 | 1,743 |
| Capital Outlay | 332 | 371 | 279 | 287 | 296 | 304 | 313 | 323 |
| Debt: Principal | 0 | 0 | 0 | 0 | 222 | 314 | 327 | 341 |
| Debt: Interest & Fiscal Charges | 0 | 0 | 0 | 0 | 314 | 223 | 210 | 196 |
| Other Objects | 602 | 730 | 712 | 768 | 791 | 814 | 839 | 864 |
| Total Operating Expenditures | 58,269 | 62,115 | 66,839 | 69,140 | 72,439 | 76,216 | 80,459 | 84,400 |
| Proceeds from Sale of Notes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Emergency Loans & Advancements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 23 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | 183 | 856 | 272 | 300 | 300 | 300 | 666 | 1,316 |
| Advances In | 0 | 44 | 148 | 0 | 0 | 0 | 0 | 0 |
| Advances Out | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other Financing Sources/ (Uses) | 30 | (16) | 1 | 0 | 0 | 0 | 0 | 0 |
| Net Financing Sources/ (Uses) | (197) | (805) | (123) | (300) | (300) | (300) | (666) | (1,316) |
| Results of Operations (Loss) | 3,686 | 1,091 | (3,837) | (5,412) | (7,316) | (10,106) | (13,823) | (17,218) |
| Beginning Cash Balance | 7,388 | 11,074 | 12,165 | 8,328 | 2,916 | (4,400) | (14,506) | (28,329) |
| Ending Cash Balance | 11,074 | 12,165 | 8,328 | 2,916 | (4,400) | (14,506) | (28,329) | (45,547) |
| Estimated Encumbrances | 771 | 773 | 973 | 800 | 800 | 800 | 800 | 800 |
| Reservation of Fund Balances | 490 | 490 | 564 | 564 | 0 | 0 | 0 | 0 |
| Fund Balance for Certification of Appropriations, Salaries and Contracts¹ | 9,813 | 10,902 | 6,791 | 1,552 | (5,199) | (15,306) | (29,129) | (46,347) |
| Cumulative Net Effect of AOS Recommendations (Excluding potential building closures) | 0 | 0 | 0 | 1,230 | 13,970 | 27,243 | 41,112 | 55,534 |
| Fund Balance with Effects of AOS Recommendations | 9,813 | 10,902 | 6,791 | 2,782 | 8,771 | 11,937 | 11,983 | 9,187 |
| Cumulative Net Effect of all AOS Recommendations | 0 | 0 | 0 | 1,230 | 15,015 | 29,364 | 44,342 | 59,906 |
| Fund Balance with Effects of AOS Recommendations | 9,813 | 10,902 | 6,791 | 2,782 | 9,816 | 14,058 | 15,213 | 13,559 |

Source: ECSD five-year forecast adjusted for AOS revised projections and recommendations.

Table 2-14a details those performance audit recommendations that are included in the financial recovery plan presented in **Table 2-14**. The recommendations are separated by those that require contract renegotiation and those that do not require negotiation.

Table 2-14a: Financial Impact of Performance Audit Recommendations

| Recommendations | FY 2004-05 | FY 2005-06 | FY 2006-07 | FY 2007-08 | FY 2008-09 |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| Increases/ (Decreases) Resulting from AOS Revised Assumptions: | | | | | |
| R2.2 Unrestricted grants in aid receipts: utility reimbursement adjustment | \$327,252 | \$327,252 | \$163,626 | \$0 | \$0 |
| R2.3 Restricted Grants-in-aid receipts: Bus Purchase adjustment | \$95,294 | \$95,294 | \$95,294 | \$95,294 | \$95,294 |
| R2.4 Employees' retirement/insurance benefits: increase percent of retirement to salaries | (\$4,116) | (\$12,235) | (\$14,403) | (\$16,794) | (\$13,842) |
| R2.5 Transfers out: capital set aside requirement adjustment | \$0 | \$0 | \$0 | (\$366,179) | (\$1,016,236) |
| R2.6 Purchased services: guaranteed savings from Honeywell agreement adjustment | \$0 | \$518,753 | \$518,753 | \$518,753 | \$518,753 |
| R2.6 Debt services: HB 264 loan payment Adjustment | \$0 | (\$536,641) | (\$536,641) | (\$536,641) | (\$536,641) |
| AOS Revised Forecast Assumptions Impact | \$418,430 | \$392,423 | \$226,629 | (\$305,567) | (\$952,672) |
| Recommendations Subject to Negotiation: | | | | | |
| R4.2 Reduce custodial and maintenance overtime usage to peer average | \$0 | \$202,000 | \$208,060 | \$214,302 | \$220,731 |
| Total Recommendations Subject to Negotiation | \$0 | \$202,000 | \$208,060 | \$214,302 | \$220,731 |
| Recommendations Not Subject to Negotiation: | | | | | |
| R3.1 Reduce 1.0 FTE assistant principal | \$0 | \$115,824 | \$121,544 | \$128,125 | \$133,992 |
| R3.2 Reduce 111.0 FTE regular education teachers | \$0 | \$7,703,854 | \$8,084,303 | \$8,522,003 | \$8,912,244 |
| R3.3 Reduce special education expenditures to peer average | \$0 | \$2,495,664 | \$2,570,534 | \$2,647,650 | \$2,727,079 |
| R3.5 Increase in CAFS reimbursements | \$73,730 | \$75,942 | \$78,220 | \$80,567 | \$82,984 |
| R3.6 Reduce the number of employees receiving the pick-up on pick-up | \$255,140 | \$510,279 | \$525,587 | \$541,355 | \$557,596 |
| R4.3 Implement energy management practices | \$216,000 | \$222,480 | \$229,154 | \$236,029 | \$243,110 |
| R4.6 Average of school closing savings options | \$0 | \$1,045,000 | \$1,076,350 | \$1,108,641 | \$1,141,900 |
| R5.3 Reduce cost of special needs transportation to the peer average | \$78,000 | \$160,680 | \$165,500 | \$170,465 | \$175,579 |
| R5.5 Reduce bus fleet by 21 buses | \$608,000 | \$1,252,480 | \$1,290,054 | \$1,328,756 | \$1,368,619 |
| Total Recommendations Not Subject to Negotiation | \$1,230,870 | \$13,582,203 | \$14,141,246 | \$14,763,591 | \$15,343,103 |
| Total Recommendations Included in Forecast | \$1,230,870 | \$13,784,203 | \$14,349,306 | \$14,977,893 | \$15,563,834 |

Source: Financial Implications for performance audit recommendations

Note 1: Recommendations are appreciated according to the corresponding assumption made by the District in its five-year forecast or as revised by AOS, which may differ from section savings.

Note 2: Savings related to staffing reductions are based on average salaries. Therefore, if the District reduces positions with lower years of service, the corresponding savings may be less than identified in **Table 2-14a**.

Human Resources

Background

This section of the report focuses on the human resources (HR) operations of the Elyria City School District (ECSD or the District). Peer school districts, information and best practices data from the Ohio Department of Education (ODE) and State Employment Relations Board (SERB) will be used for comparisons throughout the human resource section.

Organizational Function

ECSD has a separate department that is dedicated to performing human resources functions. The department consists of five positions including the HR director, two administrative assistants, and two secretaries. Departmental functions are broken down into the categories of recruitment, which includes posting vacancies, screening applicants through background and reference checks, conducting interviews, and hiring; tracking employee certifications; labor relations; professional development; performance reviews. Other responsibilities include:

- Family Medical Leave Act compliance;
- Sick leave bank management;
- Labor management committees;
- Contract negotiations;
- Job descriptions; and
- Discipline assistance and handling of grievances as needed.

The HR director tracks employment figures, such as new hires, terminations, perfect attendance, and certificated substitute usage, as indicators for managing ECSD employees. In addition, he provides the Treasurer's Office with a financial impact report each year based on the number of new hires, resignations and transfers within the District.

Staffing

Table 3-1 illustrates the actual staffing levels at ECSD and the peer districts during FY 2003-04, as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based on interviews with appropriate district personnel to ensure comparability and consistency in reporting. All positions are shown as full-time equivalents (FTEs), and calculations are based on an eight-hour day, 260 days per year, with the exception of certificated staff.

Table 3-1: FTE Staffing Levels for FY 2003-04

| Category | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer Average |
|---|--------------|-------------------|---------------|--------------|--------------|
| Administrators: Subtotal | 51.0 | 18.9 | 35.5 | 35.0 | 29.9 |
| Assistant Superintendent | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Superintendent | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Treasurer | 1.0 | 0.9 | 1.0 | 1.0 | 1.0 |
| Assistant Principals | 9.0 | 3.0 | 4.0 | 5.0 | 4.0 |
| Principals | 18.0 | 6.0 | 10.0 | 16.0 | 10.7 |
| Other Administrators ¹ | 21.0 | 7.0 | 18.5 | 11.0 | 12.2 |
| Professional Education: Subtotal | 589.7 | 220.0 | 320.6 | 491.7 | 344.2 |
| Counseling | 22.0 | 7.0 | 8.0 | 8.5 | 7.8 |
| Librarian / Media | 9.0 | 5.0 | 2.0 | 5.0 | 4.0 |
| Remedial Specialist | 19.7 | 1.0 | 2.9 | 48.8 | 17.6 |
| Regular Teaching | 413.0 | 154.0 | 188.0 | 284.0 | 208.7 |
| Special Education Teaching | 98.0 | 12.0 | 42.0 | 63.5 | 39.2 |
| Vocational Education Teaching | 2.0 | 3.0 | 29.0 | 15.0 | 15.7 |
| Tutor / Small Group Instructor | 11.5 | 5.0 | 24.0 | 1.0 | 10.0 |
| Educational Service Personnel | | | | | |
| Teacher | 12.0 | 14.0 | 17.0 | 52.9 | 28.0 |
| Supplemental Service Teacher | 2.5 | 10.0 | 3.7 | 1.0 | 4.9 |
| Permanent Substitute | 0.0 | 2.0 | 1.0 | 1.0 | 1.3 |
| Other Professional Education ² | 0.0 | 7.0 | 3.0 | 11.0 | 7.0 |
| Professional – Other³ | 36.9 | 11.8 | 14.6 | 25.6 | 17.3 |
| Technical⁴ | 11.8 | 8.2 | 6.4 | 21.0 | 11.9 |
| Office / Clerical: Subtotal | 92.3 | 48.1 | 63.6 | 61.5 | 57.7 |
| Clerical | 46.0 | 20.1 | 28.3 | 37.2 | 28.5 |
| Teaching Aide | 34.3 | 20.7 | 32.9 | 12.6 | 22.1 |
| Other Office / Clerical | 12.0 | 7.3 | 2.4 | 11.7 | 7.1 |
| Crafts / Trades⁵ | 16.0 | 8.0 | 8.0 | 11.2 | 9.1 |
| Transportation⁵ | 2.3 | 8.7 | 12.0 | 23.4 | 14.7 |
| Service Worker/Laborer⁶ | 91.4 | 41.1 | 51.0 | 73.3 | 55.1 |
| Monitoring/attendant | 25.4 | 8.5 | 15.6 | 21.3 | 15.1 |
| Total FTEs | 916.8 | 373.5 | 527.3 | 764.0 | 555.1 |

Source: ODE FY 2003-04 EMIS Staff Demographics Reports

¹ Other administrator: administrative assistant, supervising, managing and directing positions

² Professional education other: curriculum specialist, audio/visual staff, teacher/mentor

³ Professional other: psychologists, speech therapists, occupational therapists, physical therapists

⁴ Technical: computer operator, practical nursing, computer programming, library technician, printer, library aide and other technical positions

⁵ Crafts/Trades FTEs will be assessed in the **facilities** section of this audit and transportation FTEs will be assessed in the **transportation** section of this audit

⁶ Service worker/laborer: attendance officer, custodial, guard, food service, stores handling, groundskeeping, other service workers

The staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 average daily membership (ADM) at ECSD and the peer districts for FY 2003-04.

Table 3-2: FTE Staffing Levels for FY 2003-04 Per 1000 ADM¹

| Category | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer Average |
|---|--------------|-------------------|---------------|--------------|--------------|
| ADM | 7,866 | 3,729 | 4,481 | 6,615 | 4,942 |
| Administrators: Subtotal | 6.4 | 5.0 | 7.8 | 5.5 | 6.1 |
| Assistant Superintendent | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 |
| Superintendent | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 |
| Treasurer | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Assistant Principals | 1.1 | 0.8 | 0.9 | 0.8 | 0.8 |
| Principals | 2.3 | 1.6 | 2.2 | 2.4 | 2.1 |
| Other Administrators | 2.7 | 1.9 | 4.1 | 1.6 | 2.5 |
| Professional Education: Subtotal | 75.0 | 59.0 | 71.5 | 74.6 | 68.4 |
| Counseling | 2.8 | 1.9 | 1.8 | 1.3 | 1.7 |
| Librarian / Media | 1.1 | 1.3 | 0.4 | 0.8 | 0.8 |
| Remedial Specialist | 2.5 | 0.3 | 0.6 | 7.4 | 2.8 |
| Regular Teaching | 52.5 | 41.3 | 42.0 | 42.9 | 42.1 |
| Special Education Teaching | 12.5 | 3.2 | 9.4 | 9.6 | 7.4 |
| Vocational Education | 0.3 | 0.8 | 6.5 | 2.3 | 3.2 |
| Tutor / Small Group Instructor | 1.5 | 1.3 | 5.4 | 0.2 | 2.3 |
| Educational Service Personnel | 1.5 | 3.8 | 3.8 | 8.0 | 5.2 |
| Supplemental Service Teacher | 0.3 | 2.7 | 0.8 | 0.2 | 1.2 |
| Permanent Substitute | N/A | 0.5 | 0.2 | 0.2 | 0.3 |
| Other Professional Education | N/A | 1.9 | 0.7 | 1.7 | 1.4 |
| Professional – Other | 4.6 | 3.2 | 3.2 | 4.0 | 3.5 |
| Technical | 1.5 | 2.2 | 1.4 | 3.1 | 2.2 |
| Office / Clerical: Subtotal | 11.7 | 12.9 | 14.1 | 9.3 | 12.1 |
| Clerical | 5.8 | 5.4 | 6.3 | 5.6 | 5.8 |
| Teaching Aide | 4.4 | 5.6 | 7.3 | 1.9 | 4.9 |
| Other Office / Clerical | 1.5 | 2.0 | 0.5 | 1.8 | 1.4 |
| Crafts / Trades | 2.0 | 2.2 | 1.6 | 1.7 | 1.8 |
| Transportation | 0.3 | 2.3 | 2.7 | 3.5 | 2.8 |
| Service Worker/Laborer | 11.6 | 11.0 | 11.4 | 11.1 | 11.2 |
| Monitoring/attendant | 3.2 | 2.2 | 3.5 | 3.2 | 3.0 |
| Total FTEs | 116.3 | 100.0 | 117.2 | 116.0 | 111.1 |

Source: ODE FY 2003-04 EMIS Staff Demographics and School Enrollment reports

Note: N/A indicates this position is not coded within EMIS at this district.

¹ Figures are rounded and may differ slightly from summation totals.

As illustrated in **Table 3-2**, ECSD had a higher FTE per 1,000 ADM staffing level when compared to the peers in the following classifications:

- **Administrators:** Principals and assistant principals are 0.5 FTEs per 1,000 students higher than the peer average. See **R3.1** for further discussion.
- **Professional Education:** Overall, professional education positions are 8.8 percent higher than the peer average. The District is higher in all professional education areas except remedial specialist, vocational education, tutor/small group instructor, educational service personnel, and supplemental service positions. Regular education teachers are 10.4 FTEs per 1,000 ADM higher (see **R3.2**), and special education teachers are 5.1 FTEs per 1,000 ADM higher (see **R3.3**) than the peer average. Counselor positions are also 64.7 percent higher than the peer average (see **R3.4**). Furthermore, librarian/media FTEs per 1,000 ADM are 38 percent higher than the peer average. However, ECSD technical FTEs per 1,000 ADM, which include positions performing library-type activities, are 32 percent lower than the peer average. Lastly, potential building closures (see **facilities**) could potentially result in library position reductions.
- **Professional Other Positions:** ECSD is 1.1 FTEs per 1,000 ADM higher than the peer average for professional other positions. Professional other positions include psychologists, physical therapists, speech and language therapists, and adapted physical education therapists. See **R3.3** and **R3.4** for further discussion.
- **Crafts and Trades, Service Worker/Laborer, Custodial:** ECSD is 0.6 FTEs per 1,000 students higher than the peer average in these areas. See the **facilities** section for further discussion.

Collective Bargaining Agreements

Certificated personnel are governed by a negotiated agreement between the Elyria City School District Board of Education (the Board) and the Elyria Education Association. Classified employees are organized under a separate labor agreement between the Board and the Elyria School Support Staff/OEA/NEA. Since contractual and employment issues directly affect the operating budget, contractual issues were assessed to determine if any provisions created significant costs to the District when compared to peer agreements.

Table 3-3 and **Table 3-4** illustrate key contractual issues in the certificated and classified employees' negotiated agreements. Both negotiated agreements are comparable to the peer agreements in key provisions, and no recommendations are warranted. However, see contractual implications on custodial overtime in the **facilities** section of this audit.

Table 3-3: Certificated Negotiated Agreement Comparison

| | Elyria LSD | Garfield Hts. CSD | Massillon CSD | Newark CSD |
|--|--|--|--|--|
| Length of work day | 7 hours, 35 minutes | 7 hours, 10 minutes | 7 hours, 15 minutes elementary 7 hours, 30 minutes Middle-high school | 7 hours, 30 minutes |
| Maximum class size | K-12: 25 | K-12: 25 | K-12: 25 | K-12: 25 |
| Number of Contract Days | 185 days | 185 days | 184 days | 186 days |
| Instructional Days | 180 days | 180 days | 178 days | 180 days |
| In-Service Days | 5 days | 5 days | 6 days | 6 days |
| Maximum number of sick days accrued | 250 days | 240 days | 303 days | 280 days plus sick leave bank of 400 hours |
| Maximum number of sick days paid out at retirement | 53 days | 70 days | 74 days | 70 days |
| Sick leave incentive | \$300 – 0 days used \$150- 1 day used \$100- 2 days used | No incentives | \$300- 0 days used \$150- 1 to 3 days used \$100-4 to 6 days used | Sick leave can be cashed in on the following schedule: 2 sick leave days = 1 personal leave day 3 personal leave days = 1 day of pay in cash |
| Number of personal days | 3 days | 3 days | 3 days | 3 days |
| Number of leave days for association business | Not specified | Not specified | 5 days | 20 days |
| Sabbatical leave | Up to 1 year after 5 years service | Up to 2 consecutive semesters after 7 years service 2 year commitment after return or salary reimbursed to district | Up to 1 year with a 1 year extension upon request ¹ | Up to 1 year after 5 years of service |
| Pick-up of employee's STRS contribution by district | None Noted | None Noted | None Noted | None Noted |
| Cost of living increases each year of the contract | FY 2004: 3.8% FY2005: 2.5% | FY2002: 4.0% FY2003: 4.0% FY2004: 4.0% | FY 2003: 4.0% FY2004: 4.0% FY2005: 4.0% | FY 2002: N/A FY 2003: 4.5% FY2004: 4.0% |

Source: Certificated negotiated agreements currently in effect

¹ Massillon's professional leave was compared to peers in lieu of sabbatical leave

Table 3-4: Classified Negotiated Agreement Comparison

| | Elyria LSD | Garfield Hts. CSD | Massillon CSD | Newark CSD |
|--|---|--|---|--|
| Minimum call-in hours paid to employees for emergencies | 2 hours | 1 hour 2 hours if between 11 p.m. and 6 a.m. | 2 hours | 2 hours |
| Paid vacation accumulation schedule | Year 1-7: 10 days Year 8-12: 15 days Year 13-15: 19 days Year 16-20: 20 days 21+ : 1/2 day each year up to 25 days | 6 mo. to 1 year: 5 days 1-2 years: 10 days 2-3 years: 11 days 3-21 years: one day each year up to a maximum of 30 days in year 21 | After 1-6 years:10 days 7-12 years:15 days 13-18 years: 20 days 19 years:21 days 20 years: 22 days 21 years:23 days 22 years: 24 days 23 years: 25 days 24 years or more: 26 days | 1-5 years:10 days 6-10 years: 15 days 11-15 years: 17 days 16-20 years: 20 days 21 years plus: 22 days plus one day for each year of service to a maximum of 25 days |
| Sick and personal leave incentive | 0 days used: \$300 1 day used: \$150 2 days used: \$100 | None Noted | \$100 paid on first day of new fiscal year | 1 day for each year of perfect attendance, payable at retirement up to maximum 10 days |
| Maximum number of sick days accrued | 250 days | 260 days | 246 days | No maximum Sick leave bank available |
| Maximum number of sick days paid out at retirement | 25% of accrued days up to 215, not to exceed 53 days; plus an additional \$10 per day for each accrued day over 215 not to exceed 35 days | 50% of unused sick days up to 75 days | 25% of total accumulated and unused sick leave at time retirement | Maximum of 70 days; 25% of value of accumulated and unused sick leave up to a maximum of 60 days Additional 10 days based on sick leave incentive |
| Number of personal days | 3 days | 3days | 3 days | 3 days |
| Notice required | In advance | 48 hours written notice | 5 days | 3 days |
| Number of holidays for 12-month employees | 11 days | 10 days | 13 days | 9 days |
| Number of holidays for less than 12-month employees | 10 days | 216-229 day employee: 9 days less than 215 day employee: 8 days | 11 days | 8 days |
| Number of leave days for association business | None noted | None Noted | None noted | 250 hours maximum |
| Pick-up of employee's SERS contribution by district | None noted | None Noted | None noted | None Noted |
| Cost of living increases each year of the contract | Applied to base salary step 1,A Effective: July 1, 2002: 4.0% July 1, 2003: 3.8% July 1, 2004 2.5% | Effective: July 1, 2001: 4.0% July 1, 2002: 4.0% July 1, 2003: 4.0% | Effective: July 1, 2002: 4.0 % July 1, 2003: 4.0% July 1, 2004:4.0% July 1, 2005: 4.0% July 1, 2006: 4.0% | Effective: July 1, 2001: 3.5% July 1, 2002: 3.5% |

Source: Classified negotiated agreements currently in effect

Noteworthy Accomplishments

- **Healthcare Insurance Premiums:** The District's health care premium costs are lower than peer premium costs. Additionally, the SERB school district regional and State premium averages for both single and family coverage were higher than ECSD's. The District is a self-funded insurance provider, which sets its own premium rates and currently does not require monthly employee contributions. ECSD's insurance committee meets quarterly to manage claims, and review fund levels. The District compares claims monthly and has increased its stop loss insurance so that it can be covered in the event of an unusual number of catastrophic claims. The health plan benefits offered to employees by ECSD are comparable to peers with slightly more generous employee deductibles and out of pocket maximums, buffered by slightly lower maternity and inpatient hospital care benefits.

The SERB 2003 *Report on Cost of Health Insurance in Ohio's Public Sector* states that 70 percent of public employees contribute to their family healthcare costs, while 61 percent contribute to their single healthcare costs. ECSD has succeeded in maintaining premium costs that are lower than peer averages even when adjusted for the employee contributions. If financial conditions necessitate, or healthcare costs rise above the peer and industry averages, the insurance committee may need to consider employee contributions as a way to lower premium costs.

- **Excess Cost Billing:** ECSD billing and collection of the excess costs for out-of-district special education students is sufficiently detailed and tracked to ensure optimal reimbursement for these students.

Assessments Not Yielding Recommendations

The following assessments were conducted, but did not warrant any changes or yield any recommendations:

- **High School Principal Staffing:** The high school principals per building and per 1,000 students were comparable to the peers and did not result in a recommendation.
- **Other Administrator Positions:** Overall, the other administrator positions are comparable to the peer average. However, ECSD's other administrator staffing per 1,000 ADM is higher than Garfield Heights CSD and Newark CSD. This category includes technology FTEs for computer support that peers code elsewhere in EMIS. The Technology Department recently was reduced from three employees to two through attrition, and will continue at this level. ECSD has five program supervision positions funded by sources other than the General Fund. By excluding the other administrator positions funded by sources other than the General Fund at ECSD and the peers while still including the technology FTEs, ECSD administrator staffing per 1,000 ADM is comparable to the peers.
- **Vocational Education Teachers:** ECSD utilizes the vocational education programs offered by the Lorain County Joint Vocational School for most programs. The cost of the programs offered by ECSD is well below the peer average, and staff utilization is consistent with District teacher student ratios. ECSD has two vocational education teachers who are scheduled for six classes each semester with an average of 22.6 students per class.
- **Tutor/Small Group Instructors and Remedial Specialists:** The use of tutors, small group instructors, at ECSD is funded primarily through the Federal Title 1 program. The number of additional instructors increases or decreases based on the amount of Title 1 funds received. While ECSD employs more remedial specialists per 1,000 ADM than Garfield Heights CSD and Massillon CSD, the District has fewer tutor and small group instructor FTEs per 1,000 ADM than the peer average. When combining tutor/small group instructors and remedial specialists, the District's FTEs per 1,000 ADM is lower than Massillon CSD and Newark CSD. Additionally, tutor/small group instructors do not impact the General Fund. Remedial specialists are primarily funded by the General Fund.
- **Education Service Professional Teachers:** Educational service personnel FTEs per 1,000 ADM is 70 percent lower than the peer average, but meet OAC minimum requirements. These positions include art, music, and physical education FTEs.
- **Technical Positions:** Overall, ECSD is 31.8 percent lower than the peer average for technical positions per 1,000 ADM.

- **Clerical Staffing:** Clerical staffing positions for ECSD are lower than the peer average for all comparisons used in this analysis such as clerical FTEs per administrator, per total employees, and per 1,000 ADM.
- **Supplemental Teaching Positions:** ECSD is 21.1 percent below the peer average for expenditures per pupil for extracurricular activities.
- **Centralized HR:** The centralized HR function in ECSD does not increase the number of administrator or clerical FTEs when compared to the peers. Additionally, the department supplies the administration with performance data reports to assist in staffing decisions and tracking of personnel for reassignment and budgeting.
- **Sick Leave Usage:** The District's sick leave usage is higher than the peer and State public employee averages, but ECSD has reduced the average number of sick leave days per employee over the past two years. The District has included reducing sick leave as a priority within its continuous improvement plan, and has strengthened contractual language to increase enforcement. The HR Department closely monitors sick leave use and regularly provides reports to the administration that include perfect attendance and certificated substitute usage. Additionally, employees who exhibit a pattern of abuse are routinely disciplined. Classified employee leave usage is consistently higher than certificated employees. The District is encouraged to continue monitoring and reporting sick leave use, and enforcing sick leave abuse sanctions.
- **Secondary Instructional Time Utilization:** The District maximizes the use of staff within the bounds of the certificated contract. The ECSD High School schedule consists of eight periods, in which all but a few teachers instruct for at least five periods. Teachers assigned to instruct for five periods are also assigned duty periods. All teachers receive one lunch and one planning period per day. Furthermore, the number of instructional periods and minutes are comparable to the peer average.

Recommendations

Staffing

R3.1 ECSD should consider sharing administrators between junior high schools and reducing one assistant principal position. If the District chooses to close a junior high school (see facilities section), it could also reduce one principal and one additional assistant principal position.

ECSD has a higher ratio of students per elementary and junior high school administrator position. Elementary assistant principals provide supplementary supervision to schools with students working to meet academic and economic challenges. **Table 3-5** presents the elementary principal and assistant principal staffing for ECSD and the peer districts.

Table 3-5: Elementary School Administrators

| | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer average |
|---|------------|-------------------|---------------|------------|--------------|
| Elementary Buildings | 12 | 3 | 7 | 12 | 7 |
| Elementary Enrollment | 4,549 | 1,700 | 2,067 | 4,090 | 2,619 |
| Elementary Principal FTE | 12.0 | 4.0 | 6.0 | 12.0 | 7.3 |
| Elementary Assistant Principals | 2.0 | N/A | N/A | N/A | N/A |
| Principals/Assistant Principals per Building | 1.2 | 1.3 | 0.9 | 1.0 | 1.0 |
| Principals/Assistant Principals per 1,000 Enrollment | 3.1 | 2.4 | 2.9 | 2.9 | 2.8 |

Source: ODE 2003-04 EMIS staffing and enrollment reports

Note: N/A indicates this position is not coded within EMIS at this district.

Table 3-5 shows ECSD elementary principals per building and per 1,000 students is slightly higher due to an emphasis on improving achievement of Franklin, Roosevelt, and Oakwood Elementary schools. The District has determined that Franklin and Oakwood Schools have particularly high poverty and high needs that require the additional supervision to meet the goals for continuous improvement.

Table 3-6 presents the junior high school principal and assistant principal positions for ECSD and the peer districts.

Table 3-6: Junior High School Administrators

| | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer average |
|---|---------------|----------------------|------------------|---------------|-----------------|
| Junior High School Buildings | 3 | 1 | 2 | 3 | 2 |
| Junior High School Enrollment | 1,319 | 929 | 1,097 | 990 | 1,005 |
| Junior High Principals | 3.0 | 1.0 | 3.0 | 3.0 | 2.3 |
| Junior High Assistant Principals | 3.0 | 1.0 | 1.0 | N/A | 1.0 |
| Principals/Assistant Principals per Building | 2.0 | 2.0 | 2.0 | 1.0 | 1.7 |
| Principals/Assistant Principals per 1,000 Enrollment | 4.5 | 2.2 | 3.6 | 3.0 | 3.3 |

Source: ODE 2003-04 EMIS staffing and enrollment reports

Note: N/A indicates this position is not coded within EMIS at this district.

Table 3-6 shows ECSD principals at the junior high school level are comparable per building with two out of three peers. However, the principal/assistant principal per 1,000 enrollment is 27 percent higher than the peer average. Assigning assistant principals to each junior high school in ECSD has created higher administrative staffing than the peers.

According to OAC 3301-35-05, no principal shall be assigned to more than two schools. By reducing an assistant principal position and sharing an assistant principal between two junior high schools, the District could reduce the assistant principals per 1,000 junior high students to 1.5 FTEs, which is 0.5 FTE higher than the peer average. As presented in the **facilities** section, closing a junior high school could reduce one principal and one assistant principal. This would result in a principal/assistant principal ratio of 3.0 FTEs per 1,000 students, which is more comparable to the peer average.

Financial Implication: The reduction of an assistant principal could result in a savings of approximately \$106,000 in salary and benefits. See the **facilities** section for the financial implications associated with the closing of a junior high school.

R3.2 ECSD should continue to focus on improving academic achievement while balancing desired class sizes with financial constraints. In the event of a deficit position, the District could increase class sizes, which could be achieved by reducing the number of regular education teachers. A reduction in force of 66 regular education teachers would make the District comparable to the next highest peer staffing ratio. If ECSD was faced with a more dire deficit position and went to State maximum class sizes of 25 to 1, the District could reduce up to 156 regular education FTEs. However, achieving an average class size of 25 to 1 may be difficult based on the maximum number of instructional periods stipulated in the certificated

collective bargaining agreement, and inconsistencies in enrollment by grade and the corresponding impact on individual class sizes.

As shown in **Table 3-2**, ECSD has 19.8 percent more regular education teachers per 1,000 ADM than the peers. **Table 3-7** also shows that the District has lower student to teacher ratios than those of the peer districts and neighboring Lorain CSD.

Table 3-7: FY 2002-03 Students per Regular Education Teacher

| | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Lorain CSD | Peer Average ¹ |
|---|------------|-------------------|---------------|------------|------------|---------------------------|
| Regular Student Population | 6,268 | 3,219 | 3,384 | 5,461 | 7,662 | 4,021 |
| Number of Classroom Teachers | 407 | 149 | 184 | 275 | 412 | 203 |
| Students per classroom teacher | 15.4 | 21.6 | 18.4 | 19.9 | 18.6 | 20.0 |
| 2003-04 ODE Performance Index Score | 84.2 | 90.9 | 79.6 | 87.9 | 77.8 | 86.1 |
| 2002-03 ODE Expenditures per Student | \$8,771 | \$8,177 | \$8,348 | \$7,922 | \$9,035 | \$8,149 |

Source: ODE 2002-2003 District ILRC reports

¹Peer average does not include Lorain CSD

As illustrated in **Table 3-7**, ECSD’s student to teacher ratio is lower than each peer. Additionally, its expenditures per student are higher than the peer average, while its performance index score is lower than the peer average. ECSD has chosen to decrease class sizes in an effort to increase the academic success of its students. As a result of the District’s continuous improvement strategies, from 2002 to 2004, ECSD’s ODE performance index score increased from 76.0 to 84.2 out of 120 possible points. This is the second year the District has been in the continuous improvement category after being in either academic watch or emergency from 1998 to 2002. The District has made conscious decisions to limit class size and focus on student achievement with strategies such as curriculum mapping and identifying students at academic risk.

Like its peers, ECSD has an economically disadvantaged/high risk student profile. According to the director of academic services K-6, Federal Title 1 funding is used to reduce class sizes in qualifying school buildings. Currently, 10 out of 12 ECSD elementary buildings qualify for Title 1 funding. The District also uses this funding for teacher salaries, where applicable, and presently 10 regular education teachers are funded by sources other than the General Fund. Furthermore, the District’s philosophy is to keep as many children in the regular classroom with the support they need to be successful. Intervention assistance teams (IAT) are used to develop strategies for students identified as having learning difficulties. The team strives to keep the children in the regular

classroom with additional services. Testing and placement in special education is the last resort if other strategies do not meet the student's needs.

However, as shown in **Table 3-7**, Garfield Heights CSD and Newark CSD have higher ODE performance index scores while spending less per student, and having higher student to teacher ratios. Therefore, ECSD has an opportunity to reduce operating expenditures by reducing the number of regular teachers without negatively impacting the academic achievement of its students.

According to ODE school operating standards, as defined in Ohio Administrative Code section 3301-35-05, the district ratio of teachers to students shall be at least one classroom teacher FTE for each 25 students in the regular student population. Based on this standard, ECSD could meet the State classroom teacher minimum requirements with approximately 250 regular teachers. Therefore, if ECSD increased its class sizes to State minimum standards, the District could reduce approximately 156 regular education teaching positions. However, if ECSD increased its pupil-teacher ratio to that of its next closest peer, Massillon CSD, the District could reduce approximately 66 regular education teaching positions.

ECSD's certificated agreement provides for a reduction in force made necessary as determined by the Board through decreases in student enrollments, curriculum changes, and shortage of funds. The language in the contract gives the Board flexibility beyond ORC§3319.17(B)(1-4), which only allows for reductions due to a return of regular duty teachers; decreased enrollment; and termination or non renewal of inter-district contracts. Reductions in the labor force require proper notification and justification. These provisions allow ECSD to respond to changes in its financial situation and manage its workforce accordingly. However, ECSD's certificated agreement specifies the maximum number of class periods a teacher can be assigned, which impacts the overall staffing level. Nevertheless, the District should develop formal policies regarding class sizes that focus on academic improvement while balancing financial obligations. See additional discussion on developing formal policies in the **facilities** section of this report.

Financial Implication: A reduction of 66 regular teachers with an average salary and benefits cost of \$63,362 would result in approximately \$4,182,000 in savings. ECSD could reduce 156 regular education teachers and still comply with State minimum standards. These more drastic reductions would result in salary and benefit savings of approximately \$9,884,000. Assuming that ECSD would consider a middle ground strategy to meet education goals, and not go to State minimums, the average savings based on this recommendation would be approximately \$7,033,000.

R3.3 ECSD should implement performance measures to determine the efficiency and effectiveness of providing special education, especially to out-of-district students. Since the District's special education expenditures per student are much higher than the peers, it should seek to reduce direct cost expenditures, as well as related costs of serving out-of-district students. Examples of specific strategies that could help minimize special education expenditures include: ensuring psychologist and counselor staffing levels are not excessive by tracking and monitoring workload data and outcomes (see R3.4), and addressing its high special needs transportation costs per student (see the transportation section).

Although ECSD has more special education students in relation to total ADM than the peer average, it also spends more per special education student than the peers. **Table 3-8** compares the total special education revenue and total special education expenditures for FY 2002-03.

Table 3-8: Special Education Revenue/Expenditure Comparison FY2002-03

| | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer Average |
|--|-------------------|--------------------------|----------------------|-------------------|---------------------|
| Special Education ADM | 981 | 362 | 696 | 693 | 584 |
| Special Education ADM as % of Total ADM | 12.5% | 9.7% | 15.5% | 10.5% | 11.8% |
| Total Special Education Revenue | \$8,326,779 | \$3,108,341 | \$4,833,442 | \$5,822,499 | \$4,588,094 |
| Total Special Education Expenditures | \$13,058,021 | \$4,386,742 | \$6,436,148 | \$8,040,557 | \$6,287,816 |
| Percentage of Expenditures Greater than Revenue | 56.8% | 41.1% | 33.2% | 38.1% | 37.5% |
| Expenditures per Special Education ADM | \$13,311 | \$12,118 | \$9,247 | \$11,602 | \$10,767 |

Source: ODE's listing of schools non-compliant with ORC 3317.022(C)(5)

As shown in **Table 3-8**, ECSD's special education expenditures are 56.8 percent higher than revenues, whereas the peer average expenditures are 37.5 percent greater than revenues. Additionally, ECSD's expenditures per special education ADM were 23.6 percent greater than the peer average, or \$2,544 more per student. Total expenditures for special education include categories for direct costs, support services, and the special education portion of regular instruction expenses. Within these categories, ECSD's direct costs per pupil have the greatest impact on expenditures and are 52.0 percent higher than the peer average. Direct costs are comprised of psychological services, speech pathology, audiology services, disability support services, special education aides, special education attendants, administration, supervision, support services, special instruction for the handicapped, and transportation. The District's special needs transportation costs per student are considerably higher than the peers (see the **transportation** section), which contributes to the overall higher special needs expenditures per special education ADM.

Table 3-9 compares other detailed direct costs according to Uniform School Accounting System (USAS) codes for FY 2003-04.

Table 3-9: Special Education Direct Costs

| USAS Code | | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer Average |
|-------------------|--|--------------|-------------------|---------------|--------------|--------------|
| 214X | Psychological Services | \$537,398 | \$217,038 | \$224,480 | \$277,786 | \$239,768 |
| 215X | Speech Pathology and Audiology Services | \$608,276 | \$298,396 | \$185,204 | \$384,844 | \$289,481 |
| 218X | Support Services for Students with Disabilities | \$497,930 | \$48,049 | N/A | N/A | \$48,049 |
| 2215 | SE Aides | \$518,420 | \$432,885 | \$35,199 | N/A | \$234,042 |
| 2216 | SE Attendants | \$105,319 | \$17,280 | N/A | N/A | \$17,280 |
| | ADM-SE | 981 | 362 | 696 | 693 | 584 |
| Per ADM-SE | | | | | | |
| 214X | Psychological Services per ADM-SE | \$548 | \$600 | \$323 | \$401 | \$411 |
| 215X | Speech Pathology and Audiology Services | \$620 | \$824 | \$266 | \$555 | \$496 |
| 218X | Support Services for Students with Disabilities | \$508 | \$133 | N/A | N/A | \$82 |
| 2215 | SE Aides | \$528 | \$1,196 | \$51 | N/A | \$624 |
| 2216 | SE Attendants | \$107 | \$48 | N/A | N/A | \$30 |

Source: ODE's listing of schools non-compliant with ORC 3317.022(C)(5)

Note: N/A indicates that the entry does not report direct costs for this category

As shown in **Table 3-9**, ECSD expenditures for psychological services (see **R3.4**), speech pathology services, and support services for students with disabilities are much higher than the peer averages. State standards dictate how many students may be assigned to specific special education classes. The District tries to assign a place in each building for low to moderate special education needs, and some of the buildings have a place for moderate to high special education needs. By accounting for the District's proposed reductions of four special education teaching positions for FY 2004-05, ECSD will maintain 92 special education teachers. This is only one teacher more than required by State standards based on its special education student population. Overall, the District tries to provide support and services in the classroom and adds programs as needed based on the students' individual education plans (IEP). Although attendant expenditures per student are much higher than Garfield Heights CSD, attendants are assigned per the student's IEP for behavioral or medical reasons. Nevertheless, ECSD should further evaluate the financial impact of its current special education policies in an effort to make expenditures per special education student more comparable to the peer averages.

Out-of-district students also increase the level of expenditures for special education related services and place an additional onus on support services. In FY 2003-04, ECSD contracted to educate 84 out-of-district special education students, and **Table 3-10** shows the related services required to support these students.

Table 3-10: ECSD Related Services for Out-of-District Students

| Provider | Occupational Therapy | Physical Therapy | Speech Therapy | Adapted Physical Education | Work Study |
|---|----------------------|------------------|----------------|----------------------------|------------|
| FY 2002-03 out-of-district special education students | 43 | 29 | 37 | 34 | 15 |
| ODE school age maximums per provider | 50 | 50 | 50 | 100 | 75 |
| Average salary plus 30.8 percent benefit cost | \$53,462 | \$59,098 | \$63,256 | \$69,654 | N/A |
| Out-of-district use of one FTE per related service | 86% | 58% | 74% | 34% | 20% |

Source: ECSD related service table

The information in **Table 3-10** shows the additional case load by related service for ECSD. For each service, ECSD must commit the additional resources to accommodate out-of-district students. According to the special education director, occupational therapists are working above maximum case loads at times and this is causing a strain on the related service providers. However, it is unclear how many related service FTEs could be reduced if ECSD no longer accepted out-of-district students, since the District must comply with State minimum standards and meet ECSD student needs.

Financial Implication: If ECSD reduced its expenditures per special education student to the peer average, it could realize approximately \$2.5 million in savings. Part of those savings could be attributed to the related costs of providing services to out-of-district students. As shown in **Table 3-10**, workloads from out-of-district students on related service providers ranged from 20 percent to 86 percent. The percentage of the average salaries and benefits paid to service providers correlates with service costs for out-of-district students as follows: Occupational Therapy - \$45,977; Physical Therapy - \$34,277; Speech Therapy - \$46,809; and Adapted Physical Education - \$23,682. The cost for the four related services is \$150,745 in direct costs for providing services to the out-of-district students.

R3.4 ECSD should develop reporting statistics for the intervention assistance teams (IAT), especially the workload of counselors and psychologists. ECSD is currently operating with approximately three more psychologists than required by State minimums, and District counseling positions per 1,000 ADM are 70 percent above the peer average.

ECSD currently employs 10 full-time psychologists and 22 certified guidance counselors. Because of initiatives in the District to support children in the regular classroom and improve test scores, the psychologists and counselors are active on the IAT to develop intervention programs. The assistant superintendent states that the District must spend a lot of time identifying barriers to learning for many of the students. The teams are usually made up of a principal, a counselor, a psychologist, and two classroom teachers, and the goal of the IAT is to find solutions prior to testing and placing a student in special education classes. These solutions can include referrals to social workers, outside service agencies, counselors, and others as needed.

Psychologists' and counselors' roles, and their subsequent workloads, have increased due to their involvement on IATs. However, workload data and outcomes of the intervention teams are not kept or monitored, except in the case of services that are reimbursed by Medicaid (see **R3.5**). While the District's ODE performance index score increased from 76.0 to 84.2 out of 120 possible points from 2002 to 2004, its score for FY 2003-04 was lower than the peer average.

According to OAC 3301-51-01(s) and OAC 3301-51-09(G)(3)(g), a school psychologist should carry a case load of no more than 125 students in a population of no more than 2,500 students. Additionally, the services provided by the psychologist must include, but are not limited to:

- Consulting with others to plan and develop school programs and interventions;
- Conducting and monitoring interventions;
- Conducting interviews and performing observations;
- Administering psychological tests and other assessment procedures;
- Interpreting assessment results;
- Obtaining, integrating, and interpreting logical disorders that effect learning and/or behavior;
- Participating in the provision of a program of mental health services; and
- Counseling for children and/or parents.

Based on ECSD's ADM, it must have a minimum of four psychologists to meet the 1 to 2,500 minimum State standard for psychologists. The average caseload for an ECSD psychologist is 54 based on reporting for eight of the ten psychologists on staff, which is below the standard of 125 maximum students per psychologist. The total caseload for the eight reporting psychologists is 432 which would indicate a need of 4 psychologists to meet State minimum requirements. The District funds 3.2 psychologist FTEs using non-General Fund sources. By operating at State minimums and using non-General Fund positions, ECSD would need seven psychologists to meet the needs of the District.

Furthermore, if the District reduced the number of counselors by eight, it would be comparable to the peer average of 1.7 FTEs per 1,000 ADM. ECSD's emphasis on using IATs to enhance a child's ability to stay in regular classrooms may require additional time for the psychologists and counselors, but without proper tracking and reporting this could not be verified.

Financial Implication: A reduction of three psychologists represents savings of approximately \$169,000 in salary and benefits, and a reduction of eight counselor positions represents savings of approximately \$559,000. Therefore, the total savings would be approximately \$728,000 annually in salaries and benefits that could be part of the \$2.5 million in expenditure reductions noted in **R3.3**.

R3.5 ECSD should take steps to maximize its Medicaid Community Alternative Funding System (CAFS) reimbursements. Eligible CAFS expenses that are not reimbursed are expensed to the General Fund.

CAFS provides reimbursement through the Federal Medicaid Program to county MR/DD boards, schools and private organizations for medical and support services provided to individuals receiving, or who are eligible for, Medicaid. The reimbursement is based on the Federal Funding Participation (FFP) rate for each year. In FY 2003-04, the rate was 58.83 percent with a local match requirement of 40.87 percent. In FY 2003-04, ECSD billed for six of the 12 categories available, totaling approximately \$900,000, and received over \$167,000 in CAFS reimbursements. However, during the course of the audit, the District received additional reimbursements for FY 2003-04. CAFS providers are reimbursed for direct care services that include nursing, physical therapy, psychology, transportation and counseling. **Table 3-11** shows the CAFS claims paid to ECSD and peers for FY 2003-04.

Table 3-11: ECSD and Peer CAFS Claims Paid FY2003-04

| | ECSD | Massillon CSD | Newark CSD | Peer Average |
|--|------------------|------------------|------------------|------------------|
| Speech Audiology (HCS) | \$55,441 | \$49,352 | \$100,591 | \$74,972 |
| Psychology (HCY) | \$54,716 | \$41,899 | \$ 81,165 | \$61,532 |
| Occupational Therapy (HCO) | \$30,049 | N/A | \$ 13,169 | \$13,169 |
| Physical Therapy (HCP) | \$16,024 | N/A | \$ 8,623 | \$8,623 |
| Transportation (HCT) | \$ 3,599 | N/A | N/A | N/A |
| Service Coordination (HSV) | \$ 7,599 | N/A | \$ 4,806 | \$4,806 |
| Total Claims Paid | \$167,428 | \$91,251 | \$208,354 | \$149,801 |
| Number of Services out of 12 possible | 6 | 2 | 6 | 4 |
| Percent of ADM in poverty status | 26.0% | 16.1% | 31.1% | 24.0% |
| Estimated no. of students in poverty status | 2,153 | 715 | 2,164 | 1,440 |
| CAFS received per poverty status student | \$77.78 | \$127.54 | \$96.48 | \$112.01 |

Source: Ohio Department of Mental Retardation and the Developmentally Disabled

Note: N/A indicates that the entity does not report direct costs for this category

As shown in **Table 3-11**, ECSD bills for more services and has 50 percent more students in poverty, but receives 30.5 percent less in claims paid per poverty status student than the peer average. The two services with the highest number of claims paid are psychology and speech. ECSD's billing rate per unit for psychology is \$109.14 compared to Newark's bill rate of \$105.34. In addition, ECSD bills \$49.14 for speech per unit and Newark bills \$42.23 per unit. Although ECSD has higher billing rates than Newark, it appears that it may be billing for fewer service units or could be experiencing a higher number of denied claims. **Table 3-12** compares the FY 2004 CAFS claims statistics for ECSD by reimbursement category.

Table 3-12: ECSD FY2003-04 CAFS Statistics

| | HCS | HCY | HCO | HCP | HCT | HSV |
|---------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Units Claimed | 7,263 | 1,997 | 4,444 | 2,530 | 3,067 | 2,230 |
| Claims Billed | \$356,904 | \$217,953 | \$141,186 | \$103,629 | \$44,134 | \$35,680 |
| Claims Paid | \$55,441 | \$54,716 | \$30,049 | \$16,024 | \$ 3,599 | \$ 7,599 |
| Reimbursement Percentage | 15.5% | 25.1% | 21.3% | 15.5% | 8.2% | 21.3% |

Source: ECSD FY2004 CAFS reports and ODMRDD claims paid reports for FY2003-04

As shown in **Table 3-12**, ECSD receives from 15.5 percent to 25.1 percent reimbursement for services provided under CAFS funding guidelines. The General Fund must fund the 40 percent match for any services required after receiving the FFP rate of reimbursement. There are many issues that can impact the CAFS reimbursement. Some school districts outsource filing for CAFS funding to ensure that maximum reimbursements are received. A district must weigh whether the additional reimbursements will outweigh the costs of outsourcing. During the course of this audit, the District has contacted a consultant to prepare the FY 2004-05 cost reports. The consultant has identified four areas of eligibility for which the District is not billing.

Additionally, the consultant will look at current processes and provide training as necessary to ensure reimbursements are maximized.

Financial implication: By increasing reimbursements to the peer average per poverty status student, ECSD could realize an additional \$74,000 in claims paid.

R3.6 ECSD should revisit and reduce the number of employees receiving the pick up on the pick up benefit.

Several of ECSD’s positions have higher average salaries than the peer averages due to the District’s benefit of pick up on pick up for the employees’ portion of the retirement contribution. This benefit pays the employees’ portion of the contribution, and increases the District’s contribution by an additional 12.4 percent. **Table 3-13** compares ECSD’s average salaries to the peer averages.

Table 3-13: Average Salaries for ECSD and Peers

| | Elyria CSD | | Garfield Hts. CSD | | Massillon CSD | | Newark CSD | | Peer Average | |
|------------------------|--------------|-----------------|-------------------|-----------------|---------------|-----------------|--------------|-----------------|--------------|-----------------|
| | # FTEs | Avg. Salary | # FTEs | Avg. Salary | # FTEs | Avg. Salary | # FTEs | Avg. Salary | # FTEs | Avg. Salary |
| Administrators | 46.0 | \$84,444 | 17.0 | \$81,967 | 23.7 | \$66,638 | 25.0 | \$79,580 | 21.9 | \$75,528 |
| Prof. Education | 589.7 | \$48,627 | 214.0 | \$51,046 | 320.6 | \$43,667 | 479.7 | \$46,686 | 338.1 | \$46,652 |
| Prof. Other | 36.9 | \$46,534 | 6.6 | \$63,676 | 4.6 | \$40,439 | 7.4 | \$47,543 | 6.2 | \$51,517 |
| Technical | 18.9 | \$18,976 | 6.0 | \$20,204 | 8.0 | \$14,897 | 12.3 | \$15,954 | 8.8 | \$16,601 |
| Office/Clerical | 117.2 | \$23,549 | 143.3 | \$22,652 | 89.8 | \$16,028 | 63.1 | \$23,518 | 98.7 | \$20,829 |
| Crafts/Trades | 16.0 | \$35,302 | 3.0 | \$41,094 | 2.0 | \$35,415 | 8.0 | \$28,714 | 6.5 | \$32,602 |
| Custodians | 55.0 | \$26,980 | 8.0 | \$42,710 | 27.8 | \$31,684 | 48.7 | \$25,122 | 28.2 | \$28,944 |
| Food Service | 81.4 | \$11,009 | 22.0 | \$17,053 | 26.0 | \$14,985 | 31.2 | \$13,609 | 26.4 | \$15,017 |
| Totals | 961.2 | \$41,972 | 419.9 | \$40,357 | 502.4 | \$37,146 | 675.4 | \$41,894 | 532.6 | \$39,997 |

Source: 2003-04 EMIS reports for ECSD and District and Pick up on the Pick up lists from each district.

Specific job areas in **Table 3-13** where the ECSD average salaries were higher than the peer average include:

- Administration salaries are 11.8 percent above the peer average;
- Professional Education salaries are 4.2 percent above the peer average;
- Technical salaries are 14.3 percent higher than the peer average;
- Office/Clerical salaries are 13.1 percent above the peer average; and
- Crafts/Trades salaries are 8.3 percent above the peer average (see **facilities** section).

ECSD's technical salaries are higher than the peer average due in part to the inclusion of a library technician position unique to ECSD. ECSD's professional education salaries are slightly higher than the peer average. However, when ECSD's classroom teacher salaries for FY 2002-03 were compared to the peer average, State average for all districts, and the averages for districts in Lorain County, its starting salaries for both bachelor and master degrees were similar to the State average, but lower than the peer and Lorain County averages. Therefore, the higher actual salaries are attributed to ECSD having more experienced teachers than the peer districts.

Overall, ECSD salaries are similar to the peers except for select cases in the administrator and clerical/office classifications. According to a former treasurer, the District identified hiring issues related to attracting and retaining qualified people in the mid to late 1990's. A proposal was made to the Board to implement a retirement pick up on pick up benefit for attracting skilled and qualified administrative employees. The Board granted a phased in approach to the pick up on the pick up for all administrators not covered under bargaining unit agreements, and over time, clerical staff were also granted this benefit.

Current economic conditions have changed the reason for which this benefit was originally implemented. Furthermore, this benefit represents a 12.4 percent increase in benefit costs to the District based on an employee's salary, and as shown in **Table 3-12**, this percentage is close to the percentage by which ECSD salaries for administrator and clerical salaries exceed the peer average.

Financial Implications: In FY 2003-04, the District's additional benefit expense for the pick up on the pick up on pick up benefit was approximately \$510,000, resulting in a 12.4 percent increase in benefit cost for 47 employees.

Financial Implications Summary

The following table summarizes the estimated cost savings and revenue enhancements for this section. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications Not Subject to Negotiations

| Recommendations | Estimated Annual Cost Savings | Revenue Enhancements |
|--|----------------------------------|-------------------------|
| R3.1 Reduction of an assistant principal position | \$106,000 | |
| R3.2 Reduction of regular education teachers to average of the peer level and state minimum | \$7,033,000 | |
| R3.3 Reduce special education expenditures to the level of peers | \$2,496,000 | |
| R3.5 Increase of CAFS reimbursements | | \$74,000 |
| R3.6 Discontinue pick up on the pick up benefit | \$510,000 | |
| Total | \$ 10,145,000 | \$74,000 |

Facilities

Background

The facilities section focuses on custodial and maintenance operations in the Elyria City School District (ECSD or the District). This analysis evaluates the District's operations using best practice and operational standards from American School & University (AS&U) and peer school districts.

Organization Structure and Function

ECSD consists of 18 schools: 13 elementary schools, 3 junior high schools, and 1 high school. The District has one special education preschool, a "Kindergarten Village" that offers full-day kindergarten, and 11 elementary schools with grades K-6. The junior high schools contain grades 7-8, while the high school houses grades 9-12, and there is one alternative junior high school with grades 6 - 8. The Kindergarten Village and the District's administrative offices are both housed in the Elyria West building. The custodial and maintenance departments are responsible for the operation and upkeep of the facilities.

The goal of the custodial staff is to provide the students with a safe, attractive, and clean place in which to learn and play. Cleaning and utility (custodial) staff typically receive their duties from the head custodian. The custodial staff is responsible for opening, closing, and cleaning the buildings, and consists of 51.0 full-time equivalent (FTE) employees. During days when school is in session, and it is not possible to enter classrooms for cleaning, the utility staff maintains common areas, performs minor maintenance, and completes other duties as assigned. Cleaners, who are responsible for cleaning classrooms, report to the head custodian.

The number of custodians assigned to individual school buildings ranges from 2.0 to 17.0 FTEs, with 3.0 FTE assigned to the Administration/Kindergarten Village building. The majority of elementary schools have two custodial employees. The junior high schools and Franklin Elementary, which used to be a junior high school, Roosevelt Elementary School and Ely Elementary School all have two custodial employees and one cleaner each. The high school has 17.0 custodial FTEs that include 9 cleaners and 8 utility employees. Three of the high school utility employees function as 'firemen,' and are responsible for the heating, ventilation and air conditioning (HVAC) of the building, which includes high pressure boilers.

The maintenance staff reports to the 1.0 FTE maintenance supervisor, who orders all maintenance and custodial supplies. The maintenance staff, which consists of 19.0 FTEs, includes 6.0 FTE skilled maintenance employees who work within specific trade classifications.

There are seven general maintenance workers that perform preventative and routine maintenance and repairs of the District's facilities. ECSD also has 5.0 FTE grounds workers that maintain athletic and school property, and remove snow from school sidewalks and parking lots.

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintenance and custodial operations for ECSD's facilities.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2003-04

| Classification | Total Number of Positions | Number of Full-time Equivalents |
|--|---------------------------|---------------------------------|
| Director of Business Services | 1 | 1.0 |
| Administrative Assistant | 1 | 1.0 |
| Supervisors | 2 | 2.0 |
| Clerical ¹ | 7 | 6.5 |
| Accounts Payable and Inventory Control | 1 | 1.0 |
| Total Administration | 12 | 11.5 |
| Head Custodian | 18 | 18.0 |
| Utility | 18 | 18.0 |
| Cleaner | 17 | 15.0 |
| Fireman | 3 | 3.0 |
| Total Custodial | 56 | 54.0 |
| Maintenance Supervisor | 1 | 1.6 |
| Skill Maintenance | 6 | 5.4 |
| General Maintenance | 7 | 7.0 |
| Grounds Workers | 5 | 5.0 |
| Total Maintenance | 19 | 19.0 |
| Total | 87 | 84.5 |

Source: ECSD

¹ Includes 2 receptionists and 2 print/ duplication positions

Key Statistics

Key statistics related to the maintenance and operation (M&O) of ECSD are presented in **Table 4-2**. In addition, results from the 33rd Annual American School & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2004, are included in **Table 4-2** 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 number for each category on a national level and by district enrollment.

According to the 33rd Annual AS&U study, school districts are continuing to hover around historic lows on the percentage of spending for maintenance and operations. "While indoor environmental quality and cleanliness of schools have received more attention, adequate funding to provide effective M&O services remains elusive." The low allocation of resources to M&O is

a “stark reminder of how difficult it continues to be to upkeep and operate America’s aging education infrastructure on a shoestring budget.”

Table 4-2: Key Statistics and Indicators

| | |
|---|------------------------------|
| Number of School Buildings | 18 |
| - Elementary Schools | 13 |
| - Junior High Schools | 4 |
| - High Schools | 1 |
| Total Square Feet Maintained | 1,156,562¹ |
| - Elementary Schools | 662,525 |
| - Junior High Schools | 246,830 |
| - High Schools | 247,207 |
| Square Feet Per FTE Custodial Staff Member (51.0)² | 22,678 |
| - Elementary School (27.0) | 24,538 |
| - Junior High Schools (10.0) | 24,683 |
| - High School (14.0) | 17,658 |
| AS&U 33rd Annual Cost Survey >3,500 Students Median | 21,520 |
| AS&U 33rd Annual Cost Survey National Median | 23,787 |
| Peer District Average | 19,884 |
| Square Feet Per FTE Maintenance Staff Member (14.0) | 91,304³ |
| AS&U 33rd Annual Cost Survey >3,500 Students Median | 80,887 |
| AS&U 33rd Annual Cost Survey National Median | 90,757 |
| Peer District Average | 134,838 |
| Acres Per FTE Grounds Staff Member (5.0) | 52 |
| AS&U 33rd Annual Cost Survey >3,500 Students Median | 102 |
| AS&U 33rd Annual Cost Survey National Median | 47 |
| Peer District Average | 38 |
| FY 2003-04 Maintenance and Operations Expenditures Per Square Foot⁴ | \$5.44 |
| - Custodial and Maintenance | \$3.05 |
| - Utilities | \$1.49 |
| - Purchased Services, Supplies/Materials & Capital Outlay | \$0.90 |
| AS&U 33rd Annual Cost Survey (1,000 - 3,499) Students Median | \$4.09 |
| AS&U 33rd Annual Cost Survey National Median | \$3.84 |
| Peer District Average | \$7.55 |

Source: ECSD and peer districts; AS&U 33rd Annual Maintenance and Operations Study

¹ This figure excludes closed buildings, Ely Stadium and the Pioneer Soccer Field.

² Excludes Hilltop Alternative School and the 3.0 Fireman FTEs

³ Includes the maintenance of 121,694 square feet of the three closed buildings (Hamilton, Edison and Jefferson)

⁴ Total all funds expenditures per square foot

As illustrated in **Table 4-2**, ECSD’s square footage per custodial FTE is lower than the AS&U national median, but higher than the AS&U average for like-sized districts and the peer average. Although the District’s maintenance square footage per FTE is lower than the peer average, it is higher than the AS&U national median and median for similar-sized school districts. Additionally, ECSD’s grounds employees maintain more acres per FTE than the peer average and AS&U national mean. Furthermore, ECSD’s total expenditures per square foot are significantly higher than the AS&U national median for similar-sized district, but much lower than the peer average.

Financial Data

Table 4-3 illustrates the total expenditures used to maintain and operate ECSD’s facilities for FY 2001-02, FY 2003-03, and FY 2003-04.

Table 4-3: Facility Operations Expenditures

| Functions | FY 2001-02 Total | FY 2002-03 Total | FY 2002 to FY 2003 Percent Change | FY 2003-04 Total | FY 2003 to FY 2004 Percent Change |
|--------------------|--------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
| Salaries | \$2,441,024 | \$2,582,679 | 5.8% | \$2,772,347 | 7.3% |
| Benefits | \$874,501 | \$944,400 | 8.0% | \$1,004,564 | 6.4% |
| Purchased Services | \$660,307 | \$702,375 | 6.4% | \$239,120 | (66.0%) |
| Utilities | \$2,049,675 | \$1,725,707 | (15.8%) | \$1,822,283 | 5.6% |
| Supplies/Materials | \$160,032 | \$248,391 | 55.2% | \$322,850 | 30.0% |
| Capital Outlay | \$161,944 | \$88,800 | (45.2%) | \$237,908 | 167.9% |
| Total | \$6,347,483 | \$6,292,352 | (0.9%) | \$6,399,072 | 1.7% |

Source: ECSD Expense Budget Work Sheets

Explanations for the significant variances in **Table 4-3** are as follows:

- *A 66.0 percent decrease in purchased services from FY 2002-03 to FY 2003-04:* The District ceased contracting for maintenance and custodial services in FY 2003-04.
- *An 15.8 percent decrease in utilities from FY 2001-02 to FY 2002-03:* The Lorain Cooperative, of which ECSD is a member, changed the billing cycles from pre-usage estimates to actual recorded use. While the rates increased, mild weather decreased utility usage.
- *A 55.2 percent increase in supplies and materials from FY 2001-02 to FY 2002-03 and a 30.0 percent increase from FY 2002-03 to FY 2003-04:* Maintenance and custodial services were contracted out during FY 2002-03, and the District was billed for all supplies and materials used as part of the management contract. In FY 2003-04, ECSD no longer contracted out these services, and needed to purchase materials and supplies for the District.
- *An 45.2 percent decrease in capital outlay from FY 2001-02 to FY 2002-03 and a 167.9 percent increase from FY 2002-03 to FY 2003-04:* ECSD installed a fiber optic system in FY 2001-02, and the District installed all new stadium lighting and sound system in FY 2003-04.

Revenue from the General Fund and other funds are used to support the maintenance and operations of ECSD facilities. As shown in **Table 4-3**, FY 2003-04 expenditures for building

operations and expenses, including staff salaries and benefits, purchased services, utilities, supplies and materials, and capital outlay totaled approximately \$6.4 million. **Table 4-4** compares ECSD’s FY 2002-03 General Fund maintenance and operations expenditures per square foot to the peers and AS&U.

Table 4-4: General Fund Expenditures per Square Foot

| Expenditures | FY 2003 ECSD | FY 2003 Garfield Hts. CSD | FY 2003 Massillon CSD | FY 2003 Newark CSD | Peer Average | AS&U National Median | AS&U Median >3,500 students |
|-----------------------|---------------|---------------------------|-----------------------|--------------------|---------------|----------------------|-----------------------------|
| Salaries and Benefits | \$2.99 | \$4.20 | \$2.45 | \$3.08 | \$3.24 | \$1.84 | \$2.21 |
| Purchased Services | \$0.61 | \$0.56 | \$1.09 | \$0.51 | \$0.72 | \$0.18 | \$0.17 |
| Utilities | \$1.49 | \$1.18 | \$1.72 | \$1.32 | \$1.41 | \$1.16 | \$1.18 |
| Supplies/Materials | \$0.21 | \$0.29 | \$0.21 | \$0.39 | \$0.30 | \$0.32 | \$0.30 |
| Capital Outlay | \$0.07 | \$0.07 | \$0.40 | \$0.01 | \$0.16 | N/A | N/A |
| Other | \$0.00 | \$0.01 | \$0.12 | \$0.01 | \$0.05 | \$0.34 | \$0.38 |
| Total | \$5.37 | \$6.32 | \$5.99 | \$5.31 | \$5.88 | \$3.84 | \$4.24 |

Source: ECSD and peer district Treasurers’ Offices

As shown in **Table 4-4**, ECSD’s total General Fund expenditure per square foot is lower than the peer average, but higher than the AS&U medians. However, the District and peers use other funding sources, such as the Emergency Levy Fund and Permanent Improvement Fund, for facility operations. **Table 4-5** compares ECSD’s FY 2002-03 all funds maintenance and operations expenditures per square foot to the peers and AS&U.

Table 4-5: All Funds Expenditures per Square Foot

| Expenditures | FY 2003 ECSD | FY 2003 Garfield Hts. CSD | FY 2003 Massillon CSD | FY 2003 Newark CSD | Peer Average | AS&U National Median | AS&U Median >3,500 students |
|-----------------------|---------------|---------------------------|-----------------------|--------------------|---------------|----------------------|-----------------------------|
| Salaries and Benefits | \$3.05 | \$4.20 | \$2.48 | \$3.08 | \$3.25 | \$1.84 | \$2.21 |
| Purchased Services | \$0.61 | \$0.87 | \$1.12 | \$0.61 | \$0.87 | \$0.18 | \$0.17 |
| Utilities | \$1.49 | \$1.18 | \$1.72 | \$1.34 | \$1.41 | \$1.16 | \$1.18 |
| Supplies/Materials | \$0.21 | \$0.29 | \$0.21 | \$0.39 | \$0.30 | \$0.32 | \$0.30 |
| Capital Outlay | \$0.08 | \$0.67 | \$2.22 | \$2.10 | \$1.66 | N/A | N/A |
| Other | \$0.00 | \$0.01 | \$0.12 | \$0.04 | \$0.06 | \$0.34 | \$0.38 |
| Total | \$5.44 | \$7.23 | \$7.87 | \$7.56 | \$7.55 | \$3.84 | \$4.24 |

Source: ECSD and peer district Treasurers’ Offices

As illustrated in **Table 4-5**, ECSD’s ratios are lower than each of the peers’ ratios, with the exception of utilities (see **R4.3**), purchased services being equal to Newark CSD, and supplies and materials being equal to Massillon CSD. However, they are greater than AS&U national medians, with the exception of supplies and materials, and other expenditures.

Assessments Not Yielding Recommendations

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

- *Maintenance Staffing:* ECSD's maintenance staffing is comparable to AS&U standards. The peer districts contract for maintenance and repairs, which ECSD completes primarily in-house. As a result, the District's maintenance staffing per square foot is 32 percent lower than the peer average. However, maintenance staffing could be impacted if the District closes additional buildings (**R4.7**) and conducts feasibility studies for the most efficient use of its three vacant buildings (**R4.8**). Therefore, as the District implements these changes, it should determine the corresponding effect on maintenance staffing levels and adjust them accordingly.
- *Grounds Staffing:* Although ECSD's grounds workers maintain fewer acres per FTE than the AS&U standard for similar sized districts, the District's grounds employees maintain more square feet per FTE than the peer average and AS&U national median. Therefore, ECSD's grounds staffing levels appear adequate.
- *Custodial and Maintenance Salaries:* ECSD has lower average base salaries than the peer districts and the AS&U averages.
- *Permanent Improvement Levy:* ECSD does not have a permanent improvement levy, but uses funds remaining from the sale of property in 1996 for permanent improvements and support of maintenance and plant operations. Expenditures from the permanent improvement fund in FY 2003-04 were for constructing or improving its facilities and related equipment.
- *Purchased Services Expenditures:* ECSD's purchased service expenditures per square foot are 30 percent less than the peer average (**Table 4-5**). The District has policies and a Finance and Purchasing Manual to guide requestors through the purchasing process, and the documents comply with State purchasing regulations for school districts and public entities. As shown in the **transportation section**, the District should continue to closely review and monitor all of its contracts to ensure they meet policy and purchasing best practices.
- *Supplies and Materials Expenditures:* As shown in **Table 4-5**, ECSD's expenditures for supplies and materials are 30 percent less than the peer average and the AS&U benchmarks.

Recommendations

Custodial Staffing and Operations

R4.1 Elyria City School District has adequate District-wide custodial staffing, but the workload distribution is inequitable among buildings. The District should reassign 2.5 custodial FTEs from Elyria High School to other buildings where custodians are currently maintaining high square footage per FTE, such as the Administration / Kindergarten Village and Westwood Junior High School.

ECSD does not have a formal procedure or formula to determine custodial staffing needs (see **R4.3**). **Table 4-6** illustrates the average square footage maintained by each FTE custodial employee in FY 2003-04 for ECSD, the peer districts, as well as the AS&U national median and median for similar-sized districts.

Table 4-6: FY 2003-04 Square Footage per FTE Custodial Employee

| | Square Footage |
|------------------------------|----------------|
| ECSD | 22,678 |
| Peer Districts | |
| - Garfield Hts. CSD | 21,128 |
| - Massillon CSD | 26,425 |
| - Newark CSD | 15,626 |
| Peer District Average | 21,060 |
| Difference | 1,618 |
| AS&U | |
| - National Median | 23,787 |
| - Median > 3,500 Students | 21,520 |
| Difference | |
| - National Median | (1,109) |
| - Median > 3,500 Students | 1,158 |

Source: Custodial staffing rosters and building inventories

As shown in **Table 4-6**, ECSD's custodial staff maintains an amount of square footage per FTE comparable to the peer districts and the median for similar-sized districts. Therefore, the District has adequate custodial staffing. However, the distribution of custodial staffing is uneven, especially between the high school and the junior high schools. **Table 4-7** further compares ECSD's school buildings and the respective custodial and cleaning staff.

Table 4-7: Comparison of ECSD Custodial Staff by Building

| Location | FTEs | Square Footage | Square Footage per Custodian | Custodians Needed at the AS&U Standard > 3,500 students | Amount over / (under) |
|---------------------------------------|------|----------------|------------------------------|---|-----------------------|
| Administration / Kindergarten Village | 3.0 | 111,369 | 37,123 | 5.2 | (2.2) |
| Cascade Elementary | 2.0 | 35,472 | 17,736 | 1.6 | 0.4 |
| Crestwood Elementary | 2.0 | 45,018 | 22,509 | 2.1 | (0.1) |
| Eastgate Elementary | 2.0 | 38,957 | 19,479 | 1.8 | 0.2 |
| Ely Elementary | 2.5 | 66,174 | 26,470 | 3.1 | (0.6) |
| Erie Elementary | 2.0 | 36,183 | 18,092 | 1.7 | 0.3 |
| Franklin Elementary | 2.7 | 74,275 | 27,509 | 3.5 | (0.8) |
| McKinley Elementary | 2.0 | 40,273 | 20,137 | 1.9 | 0.1 |
| Oakwood Elementary | 2.0 | 35,556 | 17,778 | 1.7 | 0.3 |
| Prospect Elementary | 2.0 | 39,401 | 19,701 | 1.8 | 0.2 |
| Roosevelt Elementary | 2.7 | 61,861 | 22,911 | 2.9 | 0.2 |
| Spring Valley Preschool | 2.0 | 28,785 | 14,393 | 1.3 | 0.7 |
| Windsor Elementary | 2.0 | 49,201 | 24,601 | 2.3 | (0.3) |
| Eastern Heights Junior High School | 2.7 | 74,820 | 27,711 | 3.5 | (0.8) |
| Northwood Junior High School | 2.7 | 76,076 | 28,176 | 3.5 | (0.8) |
| Westwood Junior High School | 2.7 | 93,226 | 34,528 | 4.3 | (1.6) |
| Elyria High School ¹ | 14.0 | 247,207 | 17,658 | 11.5 | 2.5 |

Source: ECSD

¹ Does not include 3.0 fireman FTEs

As indicated in **Table 4-7**, the distribution of custodial staffing is uneven from building to building. Elyria High School's custodial staff maintains fewer square feet than the custodians at other buildings, with the exception of Spring Valley Preschool. However, custodial staff in the Administrative / Kindergarten Village building and junior high schools maintain considerably more square footage. Based on the AS&U standard of

21,520 square feet per custodian, the District could potentially move up to 2.5 FTEs from Elyria High School and place them in other buildings, like the Administration / Kindergarten Village, to more evenly distribute staffing levels. The shifting of custodial staffing could also include shared responsibilities between two or more buildings.

R4.2 ECSD should rewrite overtime contractual language during future negotiations to reduce overtime expenditures for the District. This could occur by adjusting language in the following areas:

- **Instead of having specific language indicating that overtime be paid to staff to cover absences, the District could indicate that coverage would be offered to staff first and then to substitutes.**
- **Instead of specifying who should be present at extracurricular events, the contract language should explain a method of rotation to be used like what is done at Newark CSD.**
- **Instead of specifying that staff may be paid one hour to address the grounds during winter months, language could be used to indicate that schedules will be adjusted to meet the District's needs during these months. It should state that overtime will be provided as needed.**

The maintenance supervisor should also closely monitor sick leave and other usage to ensure that abuse is not occurring (see human resources section). In addition, staff schedules should be adjusted when ever possible to provide coverage during extracurricular events instead of paying overtime for all events. During the winter months, schedules should also be staggered to ensure that staff can shovel snow and melt ice before school starts, instead of paying one hour of overtime. By renegotiating contractual language, reducing leave usage, and staggering schedules, the District can reduce its overtime salary expenditures.

The District's overtime expenditures as a percentage of total custodial and maintenance expenditures for were higher than the peers for the past three years. **Table 4-8** presents the overtime expenditures for FY 2001-02 through FY 2003-04 for ECSD and the peers.

Table 4-8: Facilities Overtime Expenditures for FY 2002-2004

| | Elyria CSD | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer Average |
|--|--------------|-------------------|---------------|-------------|--------------------|
| FY 2001-02 Actual Expended | | | | | |
| Total Salaries | \$2,438,840 | \$1,571,942 | \$1,250,119 | \$1,803,659 | \$1,541,907 |
| Total Overtime | \$349,815 | \$126,133 | \$97,949 | \$87,785 | \$103,956 |
| Overtime as a percent of Salaries | 14.3% | 8.0% | 7.8% | 4.9% | 6.7% |
| FY 2002-03 Actual Expended | | | | | |
| Total Salaries | \$2,582,679 | \$1,611,400 | \$1,463,648 | \$1,902,586 | \$1,659,211 |
| Total Overtime | \$409,586 | \$136,668 | \$108,770 | \$93,588 | \$113,009 |
| Overtime as a percent of Salaries | 15.9% | 8.0% | 7.4% | 4.9% | 6.8% |
| FY 2003-04 Actual Expended | | | | | |
| Total Salaries | \$2,772,347 | \$1,275,265 | \$1,398,970 | \$1,779,322 | \$1,484,519 |
| Total Overtime | \$377,032 | \$94,883 | \$125,571 | \$83,195 | \$101,216 |
| Overtime as a percent of Salaries | 13.6% | 7.0% | 9.0% | 4.7% | 6.8% |
| Three-Year Average | | | | | |
| Total Salaries | \$2,597,955 | \$1,486,202 | \$1,370,912 | \$1,828,522 | \$1,561,879 |
| Total Overtime | \$378,811 | \$119,228 | \$110,763 | \$88,189 | \$106,060 |
| Overtime as a percent of Salaries | 14.6% | 8.0% | 8.1% | 4.8% | 6.8% |

Source: Elyria CSD and peer Budwork

Table 4-8 indicates that ECSD's overtime usage as a percentage of overall salary expenditures was significantly higher than the peer average for all fiscal years. While overtime expenditures are higher than the peers, the District has instituted controls over the use of overtime by requiring that all overtime be pre-approved. Overtime expenditures are used in the follow four instances by the District:

- 1) To provide coverage when leave is used.
- 2) To cover District extracurricular activities, and outside organizational special events held after hours. When the schools rent out facilities or when an after school event is held by ECSD, custodial and maintenance staff time maybe required for setup, clean up, and heating the building. The District is not compensated for all special events by outside agencies. Currently, custodial and maintenance personnel are paid overtime for working during these events.
- 3) To complete building checks. The District only conducts building checks on an as needed basis, which is typically during bad weather. According to the classified contractual agreement, staff will be paid two hour call out pay for these types of functions.

- 4) To address winter weather impacts or summer mowing. During heavy snow seasons, staff may be asked to report to work several hours early to shovel snow, or lay salt for the start of the school day. In summer months, more custodians will be called in to mow grass.

High overtime expenditures may be a result of these and several other issues. Contractual language allows for several instances of overtime usage. Specifically, Articles 28 and 29 of the Elyria School Support/OEA/NEA labor contract allows for the following:

- When employees are absent, a minimum of four hours overtime may be paid to staff for the purpose of cleaning the absent employee's work area at discretion of the building operations supervisor.
- The head custodian or utility person shall be present for major school related events.
- A custodian may come in one hour early to clear snow around the building during the winter months with the supervisor's approval.

Peer labor contracts do not have such specific language for instances of absences and coverage for winter seasons. Furthermore, no peer contract agreement specifies who should be present at extracurricular events. Instead, the language in two of the peer contracts explains that a rotation system should be used. For example, Newark CSD uses a voluntary overtime list, which is kept by the supervisor. This list functions as a rotating seniority list, which is used when instances requiring overtime occur. This rotating system allows the supervisor to choose from a larger pool of staff instead of the most senior in the department, which can reduce the overtime impact on the department.

Second, as indicated in **human resources** section, the District's sick leave usage is higher than the peers. For the Custodial and Maintenance Department, high sick leave usage can impact overtime usage, as contractual language allows for four hours of overtime to be paid to staff to complete an absent employee's work.

Lastly, Elyria does not use a staggered scheduling system to provide coverage during extracurricular activities, or during the winter and summer seasons. However, Massillon and Newark CSDs attempt to adjust scheduling to accommodate for extracurricular activities when ever possible in order reduce overtime expenditures. For instance, Massillon CSD staggers staff schedules to cover small crowd events. Staggering custodial shifts should also allow the District to have building coverage and provide custodians with ample time to complete assigned tasks. By reducing overtime, the District can reduce its overall salary expenditures.

Financial Implication: If these measures are instituted and overtime usage was reduced to the peer average, the District could reduce overtime expenditures by \$117,000, based on the average salary expenditures for FY 2001-02 through FY 2003-04.

R4.3 ECSD should formalize custodial procedures to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of job tasks, and appropriate procedures. Additionally, the District should create job schedules for each employee to follow. The schedules should include a brief description of activities, the time allocated for the activities, and the number of square feet for each area.

Head custodians typically assign tasks to the utility staff and cleaners in their respective buildings. However, ECSD does not have a manual which addresses policies and cleaning procedures. The Association of School Business Officials International publishes the *Custodial Methods and Procedures Manual* (2000), which was designed as a guideline for developing policies and procedures for custodial personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. Additionally, the manual addresses the method for establishing workloads, which includes calculating the time to perform each task based on adopted, applicable time standards and determining total staff hours to complete all tasks. This may prove to be a beneficial resource for the District in developing job schedules and standardizing custodial procedures, especially in times of financial strain and staffing reductions.

Utilities

R4.4 ECSD should establish a formal policy outlining energy efficient practices that District staff should follow to help minimize energy costs. The District could accomplish this by continuing with its energy management programs through Honeywell and Energy Education, Inc. to begin reducing utility costs. Furthermore, the District should begin implementing the following efficiency measures:

- **Increasing cooling temperatures to 78 degrees and decreasing heating temperatures to 68 degrees;**
- **Limiting manual overrides to emergencies situations; and**
- **Encouraging District staff to take part in determining a comfortable learning environment for the buildings based on best practices and energy saving techniques.**

ECSD's utility expenditures per square foot are 5.7 percent higher than the peer average (**Table 4-5**). When excluding Massillon CSD, the District's utility expenditures per square foot are 18.3 percent higher than the peer average. Over the last three years, \$6.4 million was expended on utilities throughout the District. In addition to the need to address drafty and energy inefficient buildings, the District currently maintains cooling temperatures between 74 and 76 and heating temperatures between 68 and 72 degrees. Furthermore, the director of operations indicated that teachers and staff can manually adjust each room's temperature as desired, except at Erie Elementary, Westwood Junior High, and the Kindergarten Village / Administration building. These are the only buildings in the district that are controlled by an automated HVAC system. The *School District Energy Manual*, published by the Association of School Business Officials in 1998, recommends that temperature settings be centrally controlled, and allow a variance of only one to two degrees for manual adjustments. Because ECSD has inefficient energy management practices, utility costs exceed the peer average and made up 28.0 percent of the facilities expenditures in FY 2003-04.

As result, ECSD recently contacted Honeywell to address energy conservation issues such as new windows, improved roofs, and updated HVAC systems. Furthermore, at the July 7, 2004 ECSD Board of Education meeting, the Board approved a contract with Energy Education, Inc. for a program that trains District employees about energy conservation. The plan does not require additional funds as the fees are paid from the utility budget from guaranteed savings. If the savings are not sufficient to cover the fees, Energy Education, Inc. reimburses the District for the difference. Estimated savings for ECSD are \$2.3 million in the next seven years, and the estimated net savings for the first year should be \$141,000.

The *School District Energy Manual* recommends the following energy saving techniques:

- Adjusting thermostat settings to 78 degrees for cooling and 65 to 68 degrees for heating (70 to 72 degrees for heating kindergarten and special education rooms) as a conservation guideline.
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate.
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat.

- Encouraging staff, faculty and students to use blinds as a means of controlling temperature. Closing blinds on the south and west sides of buildings keeps them cooler in the summer, and opening blinds helps warm the buildings in the winter on sunny days.
- Developing policies that indicate water should not be kept running in the restrooms.

By implementing these practices, districts may realize considerable savings in utility expenditures. For instance, Rebuild America's Energy Smart Schools program from the U.S. Department of Energy reports that most schools could save 25 percent of high energy costs by implementing energy improvements.

ECSD has been proactive in addressing its utility issues, and should continue to work with Honeywell and Energy Education, Inc. to develop effective energy policies and an energy management plan. *Energy Efficient Education, Cutting Utility Costs in Schools*, published by the Texas School Performance Review and the State Energy Conversation Office (September 2001) lists methods for developing an effective energy management program include the following:

- Establishing an energy policy and conservation plan that has commitment from the top and includes acknowledgement of rising utility costs and the necessity for energy cost controls;
- Establishing realistic and attainable goals and timelines;
- Requiring application to the entire district with commitment from staff and students;
- Authorizing an energy manager reporting directly to the superintendent or board;
- Requiring a board approved energy management plan; and
- Budgeting allotments for energy management directly linked to expected savings.

Financial Implication: ECSD's utility costs for FY 2002-03 totaled approximately \$1.7 million. Since energy management activity is currently underway, the District could potentially reduce total utility costs by 12.5 percent, thereby saving approximately \$216,000 annually. This would reduce the utility cost per square foot from \$1.49 to \$1.31, which is similar to Newark CSD but still higher than Garfield Heights CSD.

Facilities Planning

R4.5 ECSD should establish an ongoing comprehensive facilities master plan using the July 2003 plan developed by the Quandel Group. The master plan should include a capacity analysis, enrollment projections and a prioritization of capital projects on a District-wide basis. The plan should include a preventive maintenance program (R4.6) that addresses all building maintenance functions including routine, cycled and planned maintenance activities; and a capital improvement plan (R4.5) that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available.

ECSD had a master plan developed in July 2003 by the Quandel Group for the District and the Ohio School Facilities Commission. The plan includes a building inventory, enrollment at the time of the plan, school types, square footage, enrollment projections, and possible grade configurations. The plan also suggests buildings to be demolished or renovated, and the associated costs for new buildings and renovations.

The District also has a policy for facilities development which includes prioritizing capital funds and employing architects to design facilities that consider long-term maintenance costs, energy consumption, insurance costs, and educational utility and flexibility. There is also a District policy for facilities planning that establishes the Board's concern with short- and long-range planning. ECSD has not yet developed a preventative maintenance (PM) program or a capital improvement plan (CIP). However, ECSD convened a committee in the summer of 2004 to address educational needs and how the use of the facilities will correspond to the District's established educational philosophy.

Although the District continues to gather a great deal of information vital for a comprehensive facilities master plan, the efforts do not include the following elements that are represented in the Newark CSD plan or the *Planning Guide for Maintaining School Facilities* developed by the School Facilities Maintenance Task Force in February 2003:

- Description of the community such as population characteristics, community growth patterns, housing trends and economic growth;
- Assessment of the educational adequacy of the current school buildings;
- Analysis of the capacity for each school building;
- Identification of needs such as improving cleanliness and safety, correcting deficiencies, addressing deferred projects, increasing efficiency, and decreasing utility bills;

- Establishment of priorities and targets;
- Collection and evidence of the use of supporting data for informed decision-making;
- Evidence of sharing the plan to garner support from management and key stakeholders;
- Allocation of funds to pay for planned activities;
- Training of staff to implement planned activities;
- Implementation of the plan;
- Evidence of systematic evaluation of the plan;
- Refinement efforts based on evaluation findings; and
- Review and revision of the plan periodically, such as every three years.

ECSD is in a good position to develop an ongoing comprehensive facilities master plan using the plan developed by the Quandel Group. However, a comprehensive master facilities plan should include a preventive maintenance program, capital improvement plan with a detailed building inventory, and a capacity analysis which encompasses enrollment projections for the District. Because of the detail in the plan from the Quandel Group, ECSD should easily be capable of gathering and developing the remaining items to compile an ongoing comprehensive facilities master plan.

R4.6 ECSD should establish a preventive maintenance (PM) program that addresses all routine, cyclical, and planned building maintenance functions. With the development of a PM program, the District should also develop a five-year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available. The capital improvement plan should include a capital project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration. The PM program and the CIP should be used to develop the master facilities plan (R4.4).

ECSD does not have a formal preventive maintenance program. Work order requests determine the maintenance tasks to complete. Once prioritized by the maintenance supervisor, work order requests are either assigned to the maintenance staff or contracted to an outside vendor if the District does not have the equipment or skills to perform the work.

The Planning Guide for Maintaining School Facilities, published by The School Facilities Maintenance Task Force (2003) warns that continual emergency repairs will

cost more in the long term than a PM program. A PM plan will help prevent sudden and unexpected equipment failures, and inhibit the accumulation of damage and repair tasks.

Although the District has a facilities plan (**R4.5**), it does not contain all of the essential elements of a comprehensive CIP. A CIP should include a list of identified and prioritized capital needs accompanied by cost estimates and timelines for completion. The CIP should span a five-year period and be updated annually. According to the Government Finance Officers Association (GFOA), a capital improvement plan is an essential element for managing a long-term debt program. Before undertaking a long-term debt program, governments must have a clear understanding of the types of projects they intend to finance and when the projects will be implemented. Developing a CIP is an essential first step in this process.

The Chicago Public Schools (CPS) CIP includes the following:

- An inventory and audit of existing facilities;
- Prioritized capital needs that include stabilizing existing structures that were not planned to be replaced; and
- Results of investigations into alternative funding sources.

The development of the Chicago Public School's CIP included an open and straightforward public decision-making process. Public communication of CIP plans included stakeholders in decisions about the availability of funds, project timelines, and costs. This process helped ensure that critical priorities were funded while building the public-private coalitions necessary to ensure the commitment of State and Federal capital funding. CPS holds annual public hearings on the CIP.

In order to ensure that the CIP is as fair and efficient as possible, CPS publicizes and discusses the following:

- Building assessments for each school facility;
- Demographic predictions for enrollment growth;
- Planned improvements and their costs;
- Estimated costs for each type of project;
- Projects that were eliminated or delayed; and
- District funding to support planned capital expenditures.

The implementation of a PM program and the development of a five-year capital improvement plan will help the District anticipate needed facility and equipment repairs and replacements. By planning ahead, project financing sources can be identified and secured before they are needed, helping to eliminate the significant affect of unforeseen capital costs on the District's finances.

Capacity and Utilization

R4.7 ECSD should develop formal policies that identify its educational philosophy, desired class sizes, and desired programs to address the educational needs of its students. By doing so, it would be better able to address its facility needs and particularly, the amount of space required to accomplish ideas identified in the new policies. In the event that the District is faced with a declining financial position, increasing class sizes and closing facilities may be the most accessible remedy for ECSD. However, it may not be the most logical given the efforts made to improve the District’s educational quality. Therefore, the policies will help balance the educational needs of ECSD with the potential financial constraints.

If it is decided to increase class sizes to a ratio of 23 to 1, the District could consider the following options with the understanding that they could change current educational efforts:

- **Closing an elementary school and a junior high school. This would involve moving all kindergarteners to the Kindergarten Village for half day programs.**
- **Closing an elementary school and Kindergarten Village. This would involve moving the sixth graders to the junior high schools and moving all kindergartners to their neighborhood schools.**
- **Closing Kindergarten Village and converting an elementary school into a junior high school. This would involve moving the kindergarteners to their neighborhood schools and the sixth graders to the junior high schools.**
- **Restructuring the elementary schools according to grade levels. This would involve having three schools with kindergarten and first graders, three schools with second and third graders, three schools with fourth and fifth graders, and three junior high schools with sixth through eight grade students. This would allow for the closing of three buildings increasing the overall utilization rate from 73.0 percent to 86.5 percent.**

If the District chooses to maintain lower student teacher ratios, it should consider the following options with the possibility of closing one or two of its buildings, due to declining enrollment:

- **Restructure grades to combine kindergarten through eighth grade in one building which would require a total of 312 classrooms: 288 for regular education students with 20 per class (includes full-day kindergarten) and 24 special education classrooms with six students per room.**
- **Restructure grades to combine kindergarten through fourth grade in the same buildings and fifth through eighth grades in another set of buildings. This would require a maximum of 319 classrooms. The number of special education classes needed could not be separated for this scenario because the current number of special education classes was counted per elementary school which includes grades kindergarten through sixth. This also reflects full-day kindergarten and student teacher ratios of 20 to 1.**
- **The District could rely on support from the community and construct facilities based on the desired educational structure, determined and formalized through newly developed policies that reflect adequate community input. With this option, the District could efficiently accomplish any of these options as well as other reconfigurations that would suit its needs.**

The District should carefully review each option with its stakeholders, determine the educational and financial impact on the District, and decide which would most benefit the District.

The overall building utilization rate for the District is 73.0 percent, based on regular class sizes of 25 and special education classes of 10. Building capacity was calculated using a standard methodology often employed by educational planners. The capacity for the elementary school buildings is calculated by multiplying the number of regular, full-day kindergarten and pre-school classrooms by 25 students, the number of half day kindergarten and pre-school rooms by 50 students, and the number of special education classrooms by 10 students. The three products are then added together to arrive at the total capacity for the building. Classrooms used for gym, music, art, library, learning disability resources and computer labs are set aside and excluded from the number of rooms used in the calculation. The capacities in the middle and high schools are calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor to account for capacity dedicated to non-regular/special classroom purposes (e.g., special education, art, music, computer labs, etc.). The common multiplier is 25 students per classroom in this situation. However, because the number of students is multiplied by 85 percent, the capacity calculations ultimately assume approximately 21 students per classroom in the middle and high schools prior to the designation of space for special purposes.

The overall building utilization rate at ECSD is 95 percent when using the District's current education goals of having regular class sizes of 20 and special education classes of 6. However, as the number of students is multiplied by 85 percent to account for capacity dedicated to non-regular classroom purposes, the capacity calculations in effect assume 17 students per classroom in the middle and high schools prior to the designation of space for special purposes. ECSD has made a conscious decision to reduce class sizes and implement certain educational philosophies such as full-day kindergarten, knowing that may not maximize the utilization rates for its facilities. Therefore, instead of an average class size of 25 students, the District averages between 18 and 20 students per class for regular classrooms and 6 students per class for special education classrooms. This decision has not been formalized in policy, but it is an understood practice throughout the District.

The ODE performance index score (out of 120 possible points) for ECSD has increased from 76.0 in FY 2001-02 to 84.2 in FY 2003-04. Although the difference between the number of students in a class is small, the ramifications it has on the utilization rate is significant. The schools with the lowest utilization rates are the three junior high schools, Franklin, Roosevelt, Eastgate Elementary Schools, and Kindergarten Village. Because the District is currently re-evaluating its facility needs in regards to its educational programs, the scenarios presented provide insight on potential options for facility utilization.

In July 2004, ECSD revised its 10-year enrollment projections. The enrollment projections were based on the Cohort Survival method that uses current enrollment figures and county birth rates. The District is anticipating an average decline of 0.5 percent per year over the next 10 years. However, according to the enrollment history from the District, enrollment has declined an average of 1.2 percent per year over the past six years. Although the averages differ, they both predict a decline in enrollment and suggest that the District will need less space to educate its students.

Financial Implication: The savings resulting from the closing of schools include administrator and support salaries for principal, clerical, and custodial positions. Savings also include supplies, purchase services, materials, and utilities. The estimated savings from the first three options include:

- Closing an elementary school and a junior high school: \$1.27 million
- Closing an elementary school and Kindergarten Village: \$1.28 million
- Closing Kindergarten Village and converting an elementary school into a junior high school: \$585,000

Vacant and Leased Buildings

R4.8 ECSD should continue to evaluate its educational needs against its capacity and operational expenses to determine the most effective use for its vacant facilities. The District should evaluate the possibility of not renewing its lease with Hilltop Academy now that Edison Elementary is available, and the feasibility of leasing a portion of Jefferson Elementary.

ECSD owns three buildings that are not currently used by the District for educating school age students. Hamilton Elementary is in its fifth year of a 25-year lease to the Lorain County Community Action Agency (LCCAA), and under this agreement LCCAA pays \$1.00 each year for the lease, and is responsible for cleaning and utility costs. The District uses Jefferson Elementary as a workhouse for maintenance workers, and during FY 2003-04 ECSD incurred approximately \$48,000 in utility and upkeep costs for this building. Edison Elementary was closed at the end of the FY 2003-04 school year, and is currently vacant. The District incurs approximately \$26,500 in costs for utilities and upkeep.

ECSD is also leasing Hilltop Academy from the city of Elyria for three years for \$1.00 each year, and the District is in the second year of the lease. It may be feasible for the District to use Edison Elementary to house students currently enrolled at Hilltop and reduce the expenditures associated with both facilities. Additionally, while the District may be able to lease a portion of Jefferson Elementary to offset utility and upkeep costs, it may need to renovate the building to attract potential entities to use the facility. Therefore, ECSD should conduct feasibility studies of its vacant and leased buildings to assess the costs and benefits in determining the most efficient use for the District.

Financial Implications Summary

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

Summary of Financial Implications for Facilities

| Recommendations | Estimated Annual Cost Savings |
|---|-------------------------------|
| R4.2 Reduce overtime expenditures | \$117,000 |
| R4.3 Implement energy management practices (e.g., adjust temperature settings) | \$216,000 |
| R4.6 Average of the options to close District buildings | \$1,045,000 |
| Total | \$1,378,000 |

Transportation

Background

Elyria City School District (ECSD or the District) has contracted with First Student Inc. (FS or the Contractor) since 1995 to provide student transportation services. Prior to this date, transportation was not a contracted function. FS was chosen in 1995, from two potential vendors, to provide transportation to the District. FS, previously known as Ryder Services Inc., was selected as the preferred contractor based on the lowest and best bid with consideration given to how the proposal affected the bus drivers employed by the District at that time.

Although the director of business services is involved in the coordination of transportation services, no ECSD employee is wholly dedicated to the transportation function. Routes and runs are determined by FS and are subject to District approval. FS provides facilities for the maintenance and storage of buses, and purchases fuel for FS-owned buses.

FS provides State minimum transportation service levels by transporting only elementary and junior high students residing more than two miles from their school. FS also transports vocational and special education students, and provides transportation for students in grades K-12 if walking hazards or dangerous traffic conditions exist. The Contractor provided transportation to 3,317 students in fiscal year (FY) 2002-03 using company-owned yellow buses. FS also provided transportation to non-public students attending 12 different schools. **Table 5-1** identifies the riders transported by ECSD and the peer districts that will be used for comparison purposes in this performance audit.

Table 5-1: FY 2002-03 Total Regular and Special Needs Riders

| | ECSD | Garfield CSD | Massillon CSD | Newark CSD | Peer Average |
|-----------------------------------|--------------|--------------|---------------|--------------|--------------|
| Public | 2,500 | 1,245 | 2,502 | 3,400 | 2,382 |
| Non-Public | 290 | 27 | 261 | 467 | 252 |
| Community School | 53 | N/A | 10 | N/A | 10 |
| Total Regular Needs Riders | 2,843 | 1,272 | 2,773 | 3,867 | 2,637 |
| Total Special Needs Riders | 294 | 96 | 22 | 117 | 78 |
| Total Riders | 3,137 | 1,368 | 2,795 | 3,984 | 2,716 |
| Payment-in-Lieu Riders | 209 | 118 | 13 | N/A | 66 |

Source: FY 2002-03 T-1 and T-11 forms

Organization Structure and Function

ECSD's director of business services oversees the District's transportation services and has oversight responsibilities for the transportation contract. **Table 5-2** compares ECSD's and the Contractor's staffing to peer districts who transport their own students.

Table 5-2: Comparison FY 2003-04 Transportation Staffing Levels

| Staffing | ECSD | | Garfield CSD | | Massillon CSD | | Newark CSD | | Peer Average |
|--|--------------|------------------|--------------|-------------|---------------|-------------|--------------|-------------|--------------|
| | No. | FTE | No. | FTE | No. | FTE | No. | FTE | FTE |
| Supervisor/Assistant | 3.0 | 0.1 ¹ | 1.0 | 0.5 | 1.0 | 0.9 | 1.0 | 1.0 | 0.8 |
| Bus Driver | 59.0 | 40.4 | 20.0 | 11.5 | 20.0 | 14.4 | 20.0 | 17.4 | 14.4 |
| Administrative Asst/Clerical/Dispatcher | 11.5 | 0.2 ² | 1.0 | 0.5 | 3.0 | 1.8 | 2.0 | 1.5 | 1.3 |
| Aides/Monitor | 34.0 | 21.5 | 1.0 | 0.5 | 2.0 | 1.7 | 8.0 | 5.0 | 2.4 |
| Total | 107.5 | 62.2 | 23.0 | 13.0 | 26.0 | 18.8 | 31.0 | 24.9 | 19.0 |
| Total Number of Students Transported | 3,137 | | 1,368 | | 2,795 | | 3,984 | | 2,716 |
| Students Transported per Bus Driver FTE | 75 | | 119 | | 200 | | 229 | | 189 |
| Students Transported per Total FTE | 49 | | 105 | | 153 | | 160 | | 143 |
| Square Miles in District | 28 | | 6 | | 20 | | 49 | | 25 |
| Square Miles per Total FTE | 0.5 | | 0.5 | | 1.1 | | 2.0 | | 1.3 |
| Number of Active Buses | 53 | | 14 | | 22 | | 41 | | 26 |

Source: District Transportation Departments

¹ Number only represents the percentage of time District's administrative personnel spends on transportation oversight. Does not include the Contractor's supervisory staff.

² Number only represents the percentage of time District clerical personnel spends on transportation related function. Does not include the Contractor's clerical staff.

Table 5-2 shows that ECSD has four times more FTE bus drivers and aides when compared to the peer average. As a result, it maintains the lowest number of students per bus driver FTE. ECSD is most similar in student population and square miles to Massillon CSD. Therefore, when comparing transportation services only to Massillon CSD, ECSD's transportation Contractor still maintains almost three times more bus drivers and 13 times more bus aides. The higher staffing levels can be attributed to ECSD's absence of contract oversight (**R5.2**) that has led to a greater number of buses and poor route optimization (**R5.4**), as well as the monitoring and support of special needs students (**R5.3**).

Operational Statistics

During FY 2002-03, ECSD's transportation Contractor operated a total of 53 buses. Of the 53 buses, 42 buses were considered to be active and 11 buses were designated as spares. Overall, FS transported 3,137 students on 42 active buses traveling approximately 688,000 miles during FY 2002-03. The total cost of the transportation program at ECSD was \$2.1 million, of which 53 percent was reimbursed by the State. During FY 2003-04, the Contractor operated a total of 61 buses, including 53 active buses and 8 spare buses.

In FY 2002-03, ECSD served 2,834 regular needs students. The total cost of the regular needs transportation program was \$1.4 million, of which \$849,000 (60 percent) was reimbursed by the State. In FY 2002-03, FS transported 294 special needs students at a cost of \$703,000, and ECSD received \$277,000 (39 percent) as reimbursement from the State.

Table 5-3 provides basic operating statistics and ratios for ECSD and the peer districts.

Table 5-3: FY 2002-03 Basic Operating Statistics

| | ECSD FY 2002-03 | ECSD FY 2003-04 | Garfield Hts. CSD | Massillon CSD | Newark CSD | Peer Average |
|---|--------------------|--------------------|----------------------|------------------|--------------------|--------------------|
| Students Transported | | | | | | |
| Regular Needs | 2,843 | 2,799 | 1,272 | 2,773 | 3,867 | 2,637 |
| Special Needs | 294 | 225 | 96 | 22 | 117 | 78 |
| Total Students Transported | 3,137 | 3,024 | 1,368 | 2,795 | 3,984 | 2,715 |
| Miles Traveled | | | | | | |
| Regular Students | 477,540 | 687,960 | 111,240 | 173,160 | 473,040 | 252,480 |
| Miles per Bus | 11,370 | 12,980 | 5,562 | 7,871 | 11,001 | 8,145 |
| Square Miles in District | 28 | 28 | 6 | 20 | 49 | 25 |
| Expenditures | | | | | | |
| Total Regular Needs | \$1,425,139 | \$1,841,584 | \$494,985 | \$800,607 | \$1,460,961 | \$918,851 |
| Total Special Needs | \$702,757 | \$846,646 | \$131,949 | \$33,998 | \$310,668 | \$158,872 |
| Total Expenditures | \$2,127,896 | \$2,688,230 | \$626,934 | \$834,605 | \$1,771,629 | \$1,077,723 |
| State Reimbursements | | | | | | |
| Regular Needs | \$848,804 | \$982,672 | \$350,626 | \$574,141 | \$904,722 | \$609,830 |
| Special Needs | \$276,842 | \$294,562 | \$106,840 | \$28,904 | \$123,528 | \$86,424 |
| Total State Reimbursements | \$1,125,646 | \$1,277,234 | \$457,466 | \$603,045 | \$1,028,250 | \$696,254 |
| Percentage Reimbursement | 53% | 48% | 58% | 72% | 73% | 64% |
| Operational Ratios | | | | | | |
| <i>Regular Students</i> | | | | | | |
| Cost per Mile | \$2.98 | \$2.68 | \$4.45 | \$4.62 | \$3.09 | \$4.05 |
| Cost per Bus | \$33,932 | \$34,747 | \$24,749 | \$36,391 | \$33,976 | \$37,705 |
| Cost per Student | \$501 | \$658 | \$389 | \$289 | \$378 | \$352 |
| Students per Active Bus | 75 ¹ | 57 ¹ | 68 ¹ | 126 | 93 ¹ | 96 |
| <i>Special Needs</i> | | | | | | |
| Cost per Student | \$2,390 | \$3,763 | \$1,374 | \$1,545 | \$2,655 | \$1,858 |
| Bus Types | | | | | | |
| Active Regular Buses | 31 | 42 | 14 | 22 | 36 | 24 |
| Active Special Needs Buses ² | 11 | 11 | 6 | 0 ³ | 7 | 6.5 |
| Spare | 11 | 8 | 4 | 9 | 5 | 6 |
| Total Buses | 53 | 61 | 24 | 31 | 48 | 34 |

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

¹ Includes special needs students because they are transported on regular buses.

² The number of active special needs buses does not represent buses used solely to transport special needs students. Rather, this is a calculation based on the percentage of buses that transport special needs students.

³ Massillon CSD's special needs transportation is privatized.

As shown in **Table 5-3**, ECSD's Contractor maintains a greater number of buses when compared to the peers, but transports fewer students per bus. A comparison of the District's transportation operations with peer Districts reveals the following:

- The students per active bus ratio was 22 percent lower than the peer average in FY 2002-03, and the Contractor's number of students transported per active bus decreased by 24 percent in FY 2003-04 because of an absence of contract management controls and inefficient bus routing (see **R5.2** and **R5.4**).
- The cost per regular needs student was 42 percent higher than the peer average in FY 2002-03 and increased by 31 percent in FY 2003-04. This can be attributed to a failure to seek lower fuel costs and allowing greater routing inefficiencies. As a result, ECSD transports fewer students per bus, bus driver, and bus aide (see **R5.2** and **R5.4**).
- The cost per special needs student in FY 2002-03 was 29 percent higher than the peer average, and increased by 57 percent in FY 2003-04 because of the absence of parent/guardian contracts and the lack of involvement of District personnel knowledgeable about transportation in the Individualized Education Program (IEP) process (see **R5.3**).
- The total ODE transportation reimbursements, as a percentage of overall expenditures, were 11 percent less than the peer average in FY 2002-03. This can be attributed to ECSD not claiming all transportation expenditures allowable by Ohio Administrative Code § 3301.83.01 (G) on the Ohio Department of Education's T-2 and T-11 reports (see **R5.5**).

Assessments Not Yielding Recommendations

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

- **Bus Replacement Plan:** According to the transportation contract "the contractor is responsible for replacing any vehicle that reaches ten years of age with a new vehicle at that time, at no additional cost to the School District." Therefore, FS has a bus replacement schedule as part of its contract with the District.
- **Transportation Policy:** ECSD is at State minimum transportation standards in accordance with Ohio Revised Code (ORC) § 3327.01.

Recommendations

Transportation Contract Procurement

R5.1 ECSD should establish a procurement process to encourage competitive pricing between transportation vendors to ensure that the District is receiving the best services at the lowest cost. The District should strengthen its procurement and contracting internal controls by soliciting transportation services on a periodic basis and developing additional policies at various levels of the procurement process that include, but are not limited to, the following:

- **Development and review of specifications;**
- **Development and evaluation of Requests for Proposals (RFP) and Requests for Qualifications (RFQ);**
- **Bidding processes;**
- **Steps for evaluating proposals and board approval process; and**
- **Responsibility for performance monitoring.**

The District should include the following specific elements in the selection process, which may be encompassed within bids, RFP's and/or RFQ's:

- **Establish procedures for screening proposals;**
- **Establish qualifications as the basis for selection; (e.g. number of years experience, licensed and certified)**
- **Specify criteria by which qualifications will be judged; (e.g. references, licensed, bonded and insured);**
- **Require that a comprehensive, agreed-upon scope of services be the basis for vendor compensation and contract; and**
- **Identify departmental responsibility for administering the process.**

Establishing a methodology for selecting a vendor will provide a clearer understanding of the level of responsibilities to ensure proper accountability and to reduce any appearance of improprieties. Furthermore, ECSD should identify staff responsibilities for implementing internal controls for contract oversight, including auditing functions and periodic vendor performance reviews. ECSD should also provide periodic training for all supervisors on the District's purchasing policies and procedures.

The District does not have formal contract procurement and management policies and procedures that outline the development of specifications, the development of bids, RFP's or RFQ's, a formal bidding process, and the awarding of contracts. Without these policies

and procedures, the District last renewed the \$2.1 million transportation contract on September 17, 2003 with First Student, Inc. without a competitive bidding process. According to ECSD's finance and purchasing manual, "the Board declares its intention to purchase competitively without prejudice and to seek maximum educational value for every dollar expended." However, the purchasing manual only addresses bidding requirements as they relate to ORC § 3313.46 for contracts related to the construction or demolition of buildings, and for any improvements or repairs that exceed \$25,000. In addition, the policy manual states that "If feasible, all purchases over \$1,000 but under \$25,000 will be based on price quotations submitted by at least three vendors."

ECSD initially outsourced its transportation services in March 1995 under an agreement with Ryder Student Transportation Services Inc., which changed its name to First Student in 2000. ECSD Board of Education minutes indicate that only two transportation vendors were solicited in 1995 based on verbal suggestions from ECSD staff. FS produced a proposal based on verbal discussions of the District's transportation needs, not through any formal bid, RFP or RFQ processes. Although the District awarded the contract to FS, it is uncertain how the District chose between the two transportation companies since no formal bid, RFP or RFQ was issued. The District has used the same transportation company for the last ten years and has renewed the contract twice without seeking bids, RFP's or competitive pricing. During the course of the audit, AOS requested information on why the current contractor has been retained for the last 10 years, but no documentation was provided. By not having comprehensive procurement processes in place, the District cannot be accountable for its decision to retain this vendor.

Although there are no State regulations for formally bidding on transportation services, it is considered a sound business practice. According to the Voinovich Center for Leadership and Public Affairs, drafting a contract occurs after developing specifications, issuing RFPs, bidding, and tabulating bids. The contract will detail the performance requirements in a written and mutually agreed upon understanding of each party's responsibilities. Each component is essential and must be developed with care and professional legal assistance.

According to the Voinovich Center for Leadership and Public Affairs, the ten principles of successful contracting include the following:

- Encourage competition;
- Prohibit employees from having any financial or other interest in the contract;
- Prohibit ex-employees from representing other parties before the agency for at least two years after employment;
- Conduct bid openings and awards in an open, public meeting;

- Determine that if a bid is awarded on any basis other than the lowest competitive written proposal, the rationale for the decision will be publicized. Any formal bid analysis should be made public;
- Set standards and do not use specifications created by anyone bidding for the contract;
- Determine that if the bid is to be negotiated or based on an RFP, a formal explanation of why the agency's interests are best served by the manner proposed will be provided;
- Rely on legal counsel throughout the bidding process;
- Limit contacts with contractors to the negotiation period once the bidding process begins; and
- Publicize bid awards widely and vigorously and keep a record of the search for contractors and the bid award.

ORC) § 3313.46 requires school districts and other public agencies to objectively evaluate contractors in a public bid process. The most important technique for preventing contracting problems is to promote competition between service providers. Competition encourages potential vendors to lower their bids through concern that a competitor will bid lower. Furthermore, in a competitive process, unsuccessful contractors are quick to raise legal objections, thus discouraging inappropriate deals and other forms of collusion between contractors and public officials. Frequent competitive re-bidding of contracts ensures that ineffective contractors who may have developed personal relationships with public officials are replaced by new firms if they fail to provide quality services.

Transportation Contract Management

R5.2 ECSD should revise its transportation contract during the next negotiation period to include reporting requirements, fuel procurement responsibilities, and performance monitoring provisions, as well as a termination clause for failure to perform. The contractor should be required to provide monthly compliance and performance reports. The contract should address the right of the District to perform monitoring and evaluation activities, such as audits, and require the contractor to cooperate with those activities.

To guide its monitoring activities, ECSD should develop and implement transportation policies and procedures that specify responsibility for the management and oversight of every aspect of the transportation contract to include the following:

- **Review and approval (including signature) of all contractor invoices and reports, including supporting documentation;**

- **Research of fuel costs;**
- **Review and approval of required contract documentation, such as insurance, licenses, and bonding;**
- **Review and analysis of all required monthly performance reports to identify performance variances and inefficiencies;**
- **Maintain communications with Contractor; and**
- **Use the vendor's performance history for future decision making.**

ECSD should renegotiate with the transportation Contractor to include language within the current contract making the District directly responsible for fuel purchasing. This will allow the District to take advantage of the \$0.4 per gallon State motor fuel tax reimbursement instead of the Contractor purchasing fuel directly and billing the District.

Furthermore, the District should consider realigning contractual compensation to match the District's transportation goals and objectives while still acknowledging the Contractor's profit motives. A better alignment of compensation to transportation operation objectives will help resolve inefficient student bus load ratios discussed in R5.4.

ECSD does not adequately monitor the transportation services of FS, partially caused by a contract that does not include provisions relating to performance reviews or internal audits, and the absence of procurement processes (see **R5.1**). Although ECSD reviews the invoices it receives from the FS, the District does not have provisions within its current contract to audit the Contractor's records. The Contractor stated that it was unsure of the exact amount of costs, such as bus lease, facility rent, and utility expenses, which are charged to the District. The Contractor also does not provide any supporting documentation to the District detailing how these costs are derived. In addition, the District does not ask for documentation from the FS to support billed amounts. As a result, the District is not effectively reviewing invoices from the Contractor for accuracy, thus leaving it vulnerable to potential fraud and abuse. Including performance reviews in the contract will hold the Contractor accountable for adequately reporting work that has been completed.

According to contract best practices established by the Iowa Department of Education, school districts should include contractual language that establish the right to audit all activities of a contractor, including fiscal and maintenance records. This practice has been implemented by Ohio school districts, such as Pickerington LSD, and addresses records auditing within transportation contracts.

Along with the right to audit contractor documents and operations, a district should include performance reporting requirements for the contractor to aid in management

decisions and operations monitoring. Although ECSD includes a “general understanding of work required” within its contract, it does not address performance reviews.

In contrast, Pickerington LSD includes performance reviews as part of its contract management process, and specifically identifies “Performance Reviews” in the contract with its transportation vendor. Performance reviews are scheduled annually, and include a review of program operations and exploration of cost reduction measures that may be shared between the contractor and the district.

ECSD has been less involved in the oversight of its FS transportation contract and has relied on the Contractor to maintain its own controls, which has led to inefficient routing, non-competitive fuel purchases, and inconsistent bus insurance coverage. Inefficient routing is illustrated by the fact that the Contractor transported 22 percent fewer students per active bus in FY 2002-03 when compared to the peer average, and it transported 24 percent fewer students per bus in FY 2003-04 than in FY 2002-03 (see **Table 5-3**). The Contractor is primarily compensated on a per bus basis resulting in a conflict between the profit motive of the Contractor and the efficiency motive of the District. However, as ECSD has the final authority over bus routes, as outlined in the current contract, poor routing appears to be the result of the District not adequately monitoring the Contractor’s performance (**R5.4**).

To further illustrate the need to monitor the terms of the contract with FS, the current contract states that the District may designate other fuel vendors offering more favorable prices. Despite this provision, ECSD has not documented research of other vendors to obtain more favorable fuel pricing. A review of the Contractor’s invoices revealed that ECSD paid an average of \$1.58 per gallon in FY 2002-03, which is 13 percent more per gallon than the Ohio Department of Administrative Service’s General Services Administrative fuel program’s purchasing price for the same time period. According to the FS contract, the District must pay for fuel when it exceeds \$1.16 per gallon. By not exploring lower fuel prices as allowed by the current FS contract terms, the District is incurring unnecessary costs.

Furthermore, Ohio House Bill 95 (effective July 1, 2004) allows for school districts to seek fuel tax refunds of \$0.04 per gallon that is not resold and is used only for school purposes. Currently, the fuel purchased by the transportation Contractor does not qualify for the refund. ECSD can reduce its fuel costs by taking advantage of this tax refund, and should work with the vendor to renegotiate the current contract to allow the District to be responsible for direct payment of fuel instead of the Contractor.

Finally, the Contractor operated the District’s transportation service without providing proof of insurance from April 2, 2003 to March 31, 2004, contrary to the contract’s requirements. The Contractor is also not maintaining coverage at levels specified within

the contract, which requires automobile liability, bodily injury and property damage coverage of \$25 million per occurrence. Rather, the Contractor is only maintaining coverage of \$5 million per incident, which further supports the need for increased contract monitoring of the District's transportation contractor. The monitoring of current contract terms will strengthen FS's accountability to ECSD, reduce liability, and ensure both parties are adhering to the agreed upon terms.

Special Needs Transportation

R5.3 ECSD should explore the following options to lower special needs transportation costs:

- **Promoting parent/guardian contracts with the District;**
- **Soliciting competitive bids for private transportation services; and**
- **Involving the Business Services Department in the decision making process, as it relates to the Individual Education Plans (IEP) and the transportation of special needs students.**

ECSD representatives involved in the IEP conferences should be aware of the costs and constraints associated with providing transportation to students with special needs. The director of business services should work with the director of student services to develop practical policies and procedures for special needs transportation. Such policies and procedures should ensure that before a commitment for special needs transportation is made through the IEP process, transportation options and cost estimates are discussed with the director of business services.

As indicated in **Table 5-3**, ECSD's cost per special needs student was 29 percent higher than the peer average in FY 2002-03 and increased by 57 percent in FY 2003-04. The increased cost could be attributed to the absence of parent/guardian contracts, lack of internal controls (**R5.2**), and not involving the Districts' Business Services Department in the IEP process. ECSD does not establish parent/guardian contracts with special needs students' parents to provide transportation. While parents cannot be required to provide transportation, ECSD can promote the use of these contracts to decrease the total number of special needs students that are transported by the District's transportation Contractor.

The director of business services, who provides oversight for the District's transportation services, is not involved in any IEP conferences. As a result, the department of business services lacks control over processes or costs that affect special needs transportation. According to Ohio Administrative Code (OAC) § 3301-51-07 and OAC § 3301-51-10, entitled "Schools Serving Children with Disabilities, Individualized Education Program (IEP)," participants in the IEP process should include district representatives that are

aware of the resources of the educational entity. Therefore, school district transportation personnel should be consulted in the preparation of IEPs when transportation is required to ensure safe transportation and welfare of the child.

Also, the Contractor stated that they often transport one special needs student per regular bus, as opposed to a special needs van or smaller vehicle. In FY 2002-03, Massillon's special needs cost per student was 35 percent lower than ECSD. Massillon transports 18 percent of its special needs students in wheelchair lift vans, while the rest are integrated into the regular needs transportation. Massillon CSD attributes its lower special needs costs to the integration of special needs students onto regular needs buses and the use of vans. By doing so, Massillon avoids transporting individual special needs children on a bus, which is more expensive to operate.

Financial Implication: By reducing the cost of transporting special needs students to the peer average level of \$1,858 per student, the District could see an annual cost savings of \$532 per special needs student, or a total of \$156,000. This does not take into consideration a reduction in ODE transportation reimbursements for special needs students.

Route Optimization

R5.4 ECSD should direct its transportation Contractor to optimize routes and increase bus utilization to ensure efficient use of resources and reduce costs per student. Comparisons with peer districts indicate that the District could increase bus seat assignments to 96 students per bus, or 32 students per bus run with the assistance of its newly updated routing software. This would result in a reduction of approximately 21 buses, 13 aides, and 21 drivers.

Finally, the District should review the basis of Contractor compensation, which results in a dichotomy between the Contractor's profit motivation and the District's efficiency requirements. Compensating the Contractor on a per bus basis does not provide incentive for efficiency, and therefore, requires more active contractual management on the part of the District. For instance, compensation on a per student basis using State average or comparable districts' transportation costs could better align the District's and the Contractor's needs.

ECSD has not sufficiently monitored the financial interests of the District by establishing effective internal controls, and checks and balances over the Contractor. The District should be reviewing its actual transportation needs on an annual basis, especially when it is being charged at a daily rate, per bus. In FY 2002-03, the number of students per active bus was 22 percent lower than the peer average, as shown in **Table 5-3**.

Additionally, the District's number of students per active bus decreased by 24 percent in FY 2003-04. ECSD's transportation Contractor operates a three-tiered bell schedule, with most buses running two routes. While the peers also operate a three-tiered bell schedule, they transport more students per active bus and run than ECSD. As a result, ECSD's transportation Contractor is running partially empty buses and transportation costs per student are 48 percent greater than the peer average.

Routing tiers exist for each route at ECSD, and represent the average number of runs and the series of pick-up points to a school. The number of routing tiers is affected by the proximity of students to schools, the layout of the run, staggered school bell schedules and the length of the bus ride.

According to the National Highway Traffic Safety Administration (NHTSA), federal regulation does not specify the number of persons that can sit on a school bus seat. However, school bus manufacturers determine the maximum seating capacity of a school bus, which has been defined as three smaller elementary school age persons or two adult high school age persons per a 39 inch seat. Based on this guideline and 24 seats per bus, FS could transport a maximum of 72 elementary students per bus and 48 junior high school students per bus.

As shown in **Table 5-3**, the peer average number of students per bus is 96 students or 32 students per bus run. If ECSD established larger bus loads to match the peer average, the District could reduce 21 buses and still be well below the NHTSA safety regulations. Furthermore, the District is not appropriately managing the Contractors' performance by allowing the buses to be operated significantly below capacity.

Inefficient bus routes contribute to running buses below capacity, resulting in an increased number of buses. The District and the Contractor have not used their resources to collaborate on updating and maintaining efficient bus routes. According to the director of business services and FS, for the past 10 years FS has been using the same routes with minimal changes. The District has an Edulog routing system, which FS acquired after the company took over transportation from the District in 1995. According to FS, when they acquired Edulog 10 years ago, it was a DOS based system and has rarely been used. In 2003, the Contractor upgraded the Edulog system to a Windows NT based system, and only last year started using the Edulog system to its full capacity.

The issues described above are exacerbated by contractual compensation terms that do not balance the Contractor's profit motivation with the District's efficiency needs. The Contractor is primarily compensated on a per bus per day basis, which rewards inefficient routing that requires additional buses.

In every free market transaction, both the buyer (ECSD) and the seller (FS) should benefit. Therefore, it is incumbent upon the seller to offer terms to the District that are more favorable than if ECSD were to operate its own transportation operation. Using peer benchmarks as a proxy for ECSD costs, the Contractor should be expected to provide services at a cost equal to or lower than peer districts.

The District should consider compensation based on outcome measures such as paying on a cost per student basis. This would provide the Contractor an efficiency incentive to obtain its profit. The District could use State average transportation costs per student or agreed upon districts with comparable characteristics such as; number of students transported, comparable transportation policies, square miles of the districts, population density, etc., as a basis for compensation.

Financial Implication: ECSD's transportation contract indicates that the Contractor uses 72 passenger buses, at a daily cost of \$274.14 per bus for FY 2004-05 (178 days min). With the reduction of at least 21 buses, the District could save \$5,800 per day, for a total annual savings of approximately \$1.044 million, based on the FY 2004-05 fee schedule. This cost includes bus driver's salaries and benefits, as well as fuel and maintenance costs. However, the daily per bus cost does not include bus aid salaries, which are an additional cost.

According to the transportation contract fee schedule, bus aides average 900 hours per year at \$14.70 per hour, for a total salary of \$13,230 per year. As 64 percent of buses have an aide, 13 aides could be reduced by eliminating 21 buses. A reduction of 13 aides would result annual cost savings of \$172,000. Therefore, by reducing 21 buses used to transport ECSD students, the District could save approximately \$1.2 million per year.

R5.5 ECSD should establish formal policies and procedures for filling out T-1, T-2, and T-11 reports for submission to the Ohio Department of Education (ODE). This will help to ensure that reports are completed in an efficient manner and adequately reflect the actual costs of providing transportation services.

ECSD is not accurately reporting all transportation expenditures to ODE for proper reimbursement. As shown in **Table 5-3**, the District received ODE reimbursements equivalent to 53 percent of total transportation expenditures (regular and special needs) in FY 2002-03, compared to 64 percent received by the peer districts.

The District has placed responsibility for filling-out ODE's T-1, T-2, and T-11 reports with the transportation Contractor, while providing limited oversight. In an interview with the Contractor and the District's director of business services, the Contractor could not specify how costs for bus leases, utilities, or building rental, that are billed to the District, were determined. In addition, information concerning the percentage of time

(salaries and benefits) the District staff spends on transportation-related functions is not included in the T-2 or T-11 reports to ODE. For instance, there are 15 ECSD employees, whose total salaries add up to almost \$600,000, that spend time on transportation-related functions. Based on the percentage of time each District employee spends on transportation-related functions, ECSD could include \$14,800 more in salaries and benefits on the T-2 or T-11 report for additional ODE reimbursement.

Furthermore, the difference between the amount the Contractor invoiced ECSD in FY 2002-03, and the amount that is shown on the T-2 and T-11 reports, is \$450,104. The invoiced amount is greater; however, a portion of this difference can be attributed to the cost incurred for field trips (\$126,000). This information is not to be included on the T-2 report. The balance of these expenditures, \$324,000, was not included in the T-2 or T-11 reports, but was part of the District's total transportation expenditures. Therefore, ECSD is not receiving all of the State transportation funding to which it is entitled.

ODE has developed a new process for reporting transportation costs on the T-2 and T-11 reports, which started in August 2004. The new reporting process will prompt school districts to enter the percentage of total transportation costs allocated for both regular and special education purposes. This will better enable the school districts to capture all costs associated with transporting students. ECSD should work with the Contractor, using the new ODE transportation reporting process, when completing the T-reports to ensure all eligible costs are captured.

Financial Implications Summary

The following table summarizes the estimated annual cost savings identified in recommendations presented in this section of the report.

Summary of Financial Implications for Transportation

| Recommendation | | Estimated Cost Savings |
|----------------|---|------------------------|
| R5.3 | Reduce the special needs cost per student to meet the peer average. | \$156,000 |
| R5.4 | Reduce at least 21 buses used to transport District students. | \$1,216,000 |
| Total | | \$1,372,000 |

Elyria City Schools Response to Performance Audit Recommendations

The Performance Audit included a variety of recommendations. The Board of Education is committed to analyzing those recommendations and implementing those that are feasible. Specifically it should be noted that:

1. The District has analyzed and evaluated its expenditures for 2004-05 and 2005-06 and expects to balance its budget for 2005-06 without additional revenue;
2. The District has revised its forecast to account for bus purchase funds and state reimbursements for lost utility property taxes. The changes increase projected revenue by \$422,000 in FY 2004-05 and \$259,000 in FY 2005-06;
3. The District plans on reducing staff for the 2005-06 school year and the Board of Education will be considering a class size policy which will help in maintaining staffing ratios at a closer to the peer average level. It should be noted that contractual agreements and the Board's commitment to improving student performance, combined with the distribution of students make it impossible to staff and maintain programs at a fixed 25 to 1 student teacher ratio;
4. The District is committed to determining the precise reasons why Special Education costs exceed the averages of the comparison group and taking action to reduce costs if the reasons for the additional costs are caused by management inefficiencies and not student needs as required by IEP's;
5. The District will explore the possibility of contracting for the collection of Community Alternative Funds System (CAFS) reimbursement;
6. The District is committed through the Board of Education's Strategic Planning Committee to developing a Comprehensive Master Plan for facilities and will explore not only facility cost savings but better utilization of building for the delivery of educational services;
7. The District is committed to thoroughly reviewing bus routes and bus utilization to bring its per pupil costs in line with peer districts. As a first step several bus routes will be revised for the second semester of FY 2004-05 resulting in three fewer buses, and
8. The District is committed to exploring with its employee associations contractual changes which will help reduce costs.