



Mary Taylor, CPA
Auditor of State

LITTLE MIAMI LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

NOVEMBER 17, 2009



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To the Residents and Board of Education of the Little Miami Local School District:

Pursuant to Amended Substitute House Bill 119, a performance audit was initiated in the Little Miami Local School District (LMLSD) beginning in January 2009. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the District's financial difficulties and in improving its financial situation.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of LMLSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, 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 discussion of the financial condition of the District; 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 LMLSD, and its contents discussed with the appropriate elected officials and District administrators. The District has been encouraged to use the results of the performance audit as a resource in further 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 "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2009

Executive Summary

Project History

As authorized under House Bill (HB) 119, the Auditor of State (AOS) conducted a performance audit of the Little Miami Local School District (LMLSD or the District). The performance audit began in January 2009. Prior to the commencement of the audit, LMLSD submitted its October 2008 forecast to the Ohio Department of Education (ODE) which showed a year-end cash balance of \$3.4 million in FY 2008-09 diminishing to a \$35.7 million cash deficit by the end of the forecast period. After the failure of a 9.95 mill three year operating levy on the May ballot, the Treasurer prepared the FY 2008-09 May five-year forecast, which was approved by the Board at its May 19, 2009 meeting. The audit included a review of any programs or areas of operation in which the AOS believed greater operational efficiency, effectiveness, and accountability may be achieved.

Based on AOS research and discussions with LMLSD officials, the following areas were assessed in the performance audit:

- Finance and Strategic Management;
- Human Resources;
- Facilities; and
- Transportation.

Audit work concluded in June 2009. The goal of the performance audit process was to assist LMLSD administrators and the Board of Education (Board) to identify cost savings opportunities and improve management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

LMLSD is located in Warren County. In FY 2008-09, the District provided educational services to an average daily membership (ADM) of 4,043¹ students, kindergarten through twelfth grade. In FY 2007-08, the District's per pupil governmental revenues were \$7,488 and its expenditures per pupil were \$9,545.

¹ The source for this formula average daily membership is the Final Version #3 enrollment data contained in the Ohio Department of Education (ODE) SF-3 report.

In FY 2008-09, the District employed approximately 359.4 full-time equivalent (FTE) staff consisting of 17 FTE administrators, 16.2 office clerical staff, 187.4 FTE educational personnel, 92.6 FTE operations staff, and 46.2 FTE other staff. The regular education student-to-teacher ratio in FY 2008-09 was approximately 24.6:1, close to state minimum requirements. LMLSD also adopted a high deductible/health savings account benefits plan in 2007, which has helped to control its total cost of compensation. In FY 2007-08, the District met 26 out of 30 academic performance indicators established by ODE and was categorized as an effective district.

LMLSD currently has eight buildings including five in use as schools, two small administrative buildings, and a transportation garage. The buildings used for school programs during FY 2008-09 are Morrow Elementary, Harlan-Butlerville Elementary, Hamilton-Maineville Elementary, Little Miami High School, and a single building housing Salem Elementary, Little Miami Intermediate School, and Little Miami Junior High School. The District provided transportation services to 4,301 riders using 50 active buses in FY 2008-09.

At the time of this audit, LMLSD projected its FY 2008-09 expenditures would exceed revenues by approximately \$1.3 million, resulting in a cash balance of approximately \$1.8 million. The District implemented several expenditure reductions in an attempt to eliminate the projected deficit for the outer four years of the forecast. These reductions included significant personnel changes, effective for FY 2009-10.

Overall, LMLSD is a high functioning District operating with solid management practices. Administrators have exhibited prudent fiscal and operational decision-making in managing its projected General Fund deficit. Prior to, and during, this performance audit, the Board of Education and District administrators were proactive in making difficult decisions to deeply reduce overall expenditures and lessen future operating deficits. The May forecast does show the effect of new revenue from a 7.95 mill incremental property tax levy that the Board had placed on the November 2009 ballot. The revenue from this levy would have been sufficient to ensure a positive fund balance through the forecast period and an ending fund balance of approximately \$685,000 in FY 2012-13. However, the levy was defeated and, as a result, LMLSD may have to make substantial additional reductions to continue its operations.

Subsequent Events

During the course of the performance audit, the 9.95 mill operating levy on the May 2009 election ballot failed. Based on this outcome, the District approved additional staff reductions (see **human resources**) and adjustments in building configurations (see **facilities**) in order to avoid an operating deficit. The District estimated that these adjustments would save approximately \$3.26 million.

After the failure of the levy, the Treasurer prepared the FY 2008-09 May five-year forecast, which was approved by the Board at its May 19, 2009 meeting. This forecast reflects the failure

of the operating levy as well as the District's reductions made in response to the levy failure. The May forecast does show the effect of new revenue from a 7.95 mill incremental property tax levy which the Board voted to place on the November 2009 ballot. If it passes, this levy will generate sufficient revenue for the District to operate with a positive fund balance through the forecast period and an ending fund balance of approximately \$685,000 in FY 2012-13.

During the course of this audit, House Bill 1 (HB 1) was enacted into Ohio law on July 17, 2009. This Bill contains substantial changes to the school funding formula and educational requirements for Ohio school districts. It contains several staffing requirements and lower student-to-teacher ratios in grades K-3. These requirements may increase LMLSD's costs and should be considered in the District's staffing and financial recovery plan. District administrators noted that implementation of the all-day kindergarten requirement would increase transportation costs and require the addition of 10-12 teachers.

According to LMLSD's August 2009 number one foundation settlement report from ODE, the District will receive \$303,979 in American Recovery and Reinvestment Act (ARRA) "stimulus" funds. It should be noted that the ARRA funding will be eliminated in two years (FY 2012-13), and the status of future State unrestricted funding is unknown. Therefore, the District should be cautious in its use of these funds and seek additional opportunities to increase revenues and reduce operating expenditures.

Objectives, Scope and Methodology

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall objective of this performance audit is to assist the District in identifying strategies to improve its financial condition. The following presents the major assessments conducted in this performance audit:

- Expenditures, forecasting, budgeting, purchasing, and strategic planning were reviewed in **finance and strategic management**.
- District-wide staffing levels, collective bargaining agreements, salary levels, benefit costs and special education expenditures were assessed in **human resources**.

- Custodial and maintenance staffing, facility-related expenditures, building capacity, policies and procedures, preventative maintenance, energy management, and the work order system were examined in **facilities**.
- Transportation staffing and expenditures, reporting, and policies and procedures were reviewed in the **transportation section**.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations in the performance audit comprise options that LMLSD can consider in the continuing effort to stabilize its financial condition.

The performance audit of LMLSD was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives. Transportation data² gathered for the audit was found to have several errors and adjustments were made to the data to mitigate these errors. The adjusted data was used in the transportation analysis. In addition, it was found that some employees were erroneously recorded in the Education Management Information System (EMIS). Staffing data used for the analysis was adjusted to ensure the accuracy of the staffing comparison.

To complete this report, the auditors gathered a significant amount of data pertaining to the District, conducted interviews with numerous individuals, and reviewed and assessed available information from various sources. District data was deemed reliable unless otherwise noted in the report sections. LMLSD's reported ADM figures or student headcounts used in the financial systems and human resource sections were subjected to trend analysis, which suggested these data were reasonable and no further testing was conducted. In the staffing and salary comparisons presented in **human resources**, District and peer data was aggregated on a functional basis to provide more relevant comparisons. Peer school district data and other information used for comparison purposes were not tested for reliability, although the information was reviewed for reasonableness and applicability.

The performance audit process involved significant information sharing with LMLSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to share proposed recommendations to improve or enhance operations. Throughout the audit process, input from LMLSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the

² Transportation data used in the audit was taken from the T-1 and T-2 forms submitted by LMLSD to ODE.

District provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the District's comments. In addition to the report, Auditors also communicated less significant issues separately to District administration.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with District personnel, and assessed requested information from LMLSD and other school districts. AOS developed a composite of ten school districts that was used to provide benchmark comparisons for the areas assessed. The selected districts were Avon LSD (Lorain County), Highland LSD (Medina County), Lake LSD (Stark County), Lebanon LSD (Warren County), Loveland CSD (Hamilton County), Northeastern LSD (Clark County), Springboro CCSD (Warren County), Teays Valley LSD (Pickaway County), Tri-Valley LSD (Muskingum County), and Wilmington CSD (Clinton County).³ Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They included ODE, the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the National Center for Education Statistics (NCES), the United States Government Accountability Office (GAO), and other related best practices. Information used as criteria (benchmarks or leading practices) was not tested for reliability although the information was reviewed for reasonableness.

The Auditor of State and staff express their appreciation to the Little Miami Local School District for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

This section of the executive summary highlights specific LMLSD accomplishments identified throughout the course of the audit.

- LMLSD provides information on how school funding from the local level is determined on its web site. The web site defines a mill as one-tenth of a cent in tax for \$1.00 of assessed valuation. Furthermore, market value and assessed valuation are discussed as well as the effect of the rollback and homestead discounts on property tax. The web site provides a tax calculator that clearly illustrates the amount of additional property tax an individual will pay if a levy is passed. The inputs for property value and levy millage can be changed by the user to calculate a specific cost to the owner of the home. Providing detailed information on its website provides LMLSD's community members with easy access to understanding local revenue and the effect a new levy will have. In addition, LMLSD provides scenarios on its website informing the community and parents the potential changes depending on levy failure.

³ These districts were selected because they are districts that are high performing and low cost with very high enrollment growth and similar demographics.

- LMLSD's *Bridge to Excellence* provides building principals and department managers with defined goals and strategies to help improve the educational services provided at the District. Timelines and evidence of effectiveness are clearly defined within the plan as a way to effectively measure performance. Progress is discussed during regularly at administrative meetings and helps the District envision a concrete milestone for achievement.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide LMLSD with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report.

In the area of finance and strategic management, LMLSD should:

- Ensure it develops and maintains comprehensive procedures to govern its operations. Complete and up-to-date procedures ensure that District administration, employees, and other stakeholders have a clear understanding of the processes in each of its operational areas. Furthermore, procedures serve as a readily available resource for the District's accepted and approved approach to day-to-day operations.
- Develop and encourage the use of surveys as a method to collect student, staff, parent, and community feedback. This feedback should be incorporated in District-wide strategic planning efforts and assist in aligning goals with the stakeholder expectations.
- Implement the performance audit recommendations contained in this and other report sections. Implementing the performance audit recommendations would help offset projected deficits and assist in maintaining a positive year-end fund balance through FY 2012-13. Enhancing general operating revenue and/or identifying additional savings beyond those included in this performance audit would allow the District to improve its overall financial condition in the future and assist in addressing changing circumstances.

In the area of human resources, LMLSD should:

- Establish and include in its staffing plan, formal benchmarks for administrative, certificated, and classified personnel levels. Establishing benchmarks will assist the District in better planning for the future as staffing levels will be more easily ascertained from District operating conditions.
- Consider discontinuing the pick up on the pick-up, and pick up retirement benefits offered to its administrative staff. Covering the required employee retirement contribution for 33 exempt staff⁴ is costly to the District and this benefit is a form of compensation the Board is not required by law to provide. Eliminating this benefit will reduce expenditures and may allow the District to avoid reductions in other areas such as personnel, that may directly affect the education of students.
- Attempt to renegotiate provisions within its employee bargaining agreements that exceed State minimum requirements and recommended practices. These provisions limit its ability to control costs and successfully plan for future financial needs. Successful renegotiations to limit or remove these contract provisions would increase LMLSD's ability to reduce costs and improve operational efficiency.
- Evaluate the cost of bringing specialized services in-house for its special education programs or sharing services with another district versus continuing to use the ESC. In addition, the District should review its ESC contract, determine the cost/benefit of contracting services through the ESC, and continue to evaluate its special education program for FY 2008-09 to ensure that it is in-line with District goals.

In the area of facilities, LMLSD should:

- Establish a formal preventive maintenance (PM) plan that incorporates existing PM activities and is linked to the District's work-order system. The PM plan should be based on informal activities already in place, ensuring that all necessary repairs, equipment replacement, and routine maintenance are completed as recommended by the manufacturer.
- Develop plans to address its future need for additional classroom space. Increased enrollment is expected to exceed FY 2009-10 configurations within the next few years which will lead to overcrowded classrooms. By implementing plans to address its capacity issues, the District will be able to evaluate alternatives and select the most appropriate option for its stakeholders.

⁴ Sixteen senior level administrators and 17 exempt staff (see **R3.2** in the **human resources** section).

- Implement formal performance evaluation and staffing standards linked to quantifiable benchmarks that measure the overall efficiency and effectiveness of maintenance and operations activities. By developing formal performance measures, the District can consistently evaluate and track the performance of the Department.
- Develop and implement written procedures for maintenance and custodial operations. Handbooks for maintenance and custodians should include specific instructions on the performance of routine and non-routine tasks and directions on any equipment to be used in completing the tasks. In creating procedure manuals, the District could use current job descriptions and assignment lists for custodians. This will help LMLSD effectively communicate management expectations as to the quality of work and performance. Once developed, the handbook can be used as a training tool and should be updated when procedures change.
- Consider eliminating 1.0 FTE custodial position in order to bring M&O Department staffing closer to the productivity benchmark of 29,500 per FTE and reduce its salary and benefit costs.
- Implement its computerized maintenance management system (CMMS) to help improve management of its facility maintenance program. In addition, the implementation of the system should be accompanied by written procedures that specify how to prioritize and schedule emergency, health and safety, preventative maintenance, and unscheduled requests. A clear written standard will ensure District staff is aware of how requests are prioritized and that all emergency issues are responded to appropriately.
- Develop and implement an energy conservation program. The program should include training for staff, teachers, and students to inform and promote energy conservation. The District should conduct a review of District facilities to determine possible sources of energy cost savings and should incorporate into its program plans for reducing overall energy consumption.
- Periodically survey facility users to gather information on facility needs and maintenance and custodial performance. By collecting this type of information and sharing the results with staff, the District can improve communications, identify areas for improvement, and assess the performance of the Maintenance Department.

In the area of transportation, LMLSD should:

- Reduce its fleet by two regular needs buses, bringing its public ridership closer to the optimal level as recommended by the National Association of State Directors of Pupil Transportation Services (NASDPTS). To achieve this ridership level, LMLSD should conduct frequent ridership counts and recalibrate routes to achieve maximum ridership

levels. The District should also design routes that are more efficient by employing options such as increasing route times for routes that fall below average route times and capacity parameters. Lastly, use cluster stops and adjust bell schedules to minimize the timing of its longer bus routes and reduce bus turnarounds that are time consuming and potential safety risks.

- Create a formal transportation policy specifically outlining the District's transportation parameters. This policy should be reviewed and updated annually to ensure that the transportation services provided reflect the Board's intent. In addition, transportation policies should identify who has authority to grant exceptions and describe the general process for determining if an exception should be granted. To ensure that all policies are easily accessible for employees and the community, the District should clearly display its Board-approved policy on the transportation page of its web site.
- Develop a policy and procedure manual describing the methodology to be used to compile information to complete ODE T reports. LMLSD should ensure the Treasurer and Superintendent are properly trained to sufficiently review the T report data submitted to the Ohio Department of Education's Transportation Department. The Treasurer and Superintendent should view the online training videos that show the process of review that should be performed to ensure accuracy. Lastly, the Treasurer and Superintendent should maintain documentation of the review in a file as suggested by ODE.
- Create and maintain a bus replacement plan to ensure it is properly planning and budgeting for the purchase of new buses. The bus replacement plan should include the age and mileage of every bus in the fleet, and the estimates of these amounts at the projected replacement date for each bus. The plan should be managed by the Transportation Supervisor and the Treasurer's Office. In addition, the replacement plan should be evaluated and updated annually and it should include maintenance and repair costs for each bus. Developing a replacement plan containing this information will help the District more effectively plan for the replacement of buses at the most advantageous point in the vehicle lifecycle.
- Develop a preventive maintenance plan that coincides with a bus replacement plan to properly manage its bus fleet. The District can ensure its fleet is operating efficiently and lower the risk of repairs and replacement costs that may not be anticipated in its budget.

In conjunction with developing a preventive maintenance plan, the District should purchase a software system that will efficiently track and maintain inventory parts and supplies. The software should also include preventive maintain features that will encompass all aspects of fleet maintenance.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Performance Audit First-Year Savings Implications

	Estimated Annual Savings
Recommendations	
R3.2 Discontinue Pick-up on Pick-up for Exempt Staff	\$233,000
R4.5 Eliminate 1.0 FTE Custodial position	\$45,300
R4.7 Implement Energy Savings Program	\$35,200
R5.1 Eliminate two active buses	\$92,000
R5.5 Purchase preventive maintenance software	(\$6,000)
<i>Total Cost Savings from Performance Audit Recommendations</i>	<i>\$399,500</i>

Source: Performance audit recommendations

**FINANCE & STRATEGIC
MANAGEMENT**

Finance and Strategic Management

Background

This section of the performance audit focuses on the financial systems and strategic management functions within the Little Miami Local School District (LMLSD or the District). The purpose of this section is to analyze LMLSD's current and future financial condition and examine financial and strategic management practices in order to develop recommendations for improvements and identify opportunities to increase efficiency. LMLSD's financial management policies, procedures, and operations were compared to recommended practices, industry standards, State requirements, and a 10 district¹ peer average for the purpose of developing recommendations to improve efficiency and business practices. Recommended practices and industry standards were drawn from various sources including the American Institute of Certified Public Accountants (AICPA), the Government Finance Officers Association (GFOA), the National Institute of Governmental Purchasing (NIGP), the Ohio Revised Code (ORC), and the Ohio Department of Education (ODE).

Treasurer's Office Operations

The Treasurer is the District's chief financial officer and is responsible for the preparation of the annual budget, five-year forecast, financial records, and the handling of cash and deposits. There are four full time positions in the LMLSD Treasurer's Office: the Treasurer, the Assistant to the Treasurer, an accounts payable position², and a payroll position. In addition, a secretary³ in the Central Office is primarily dedicated to supporting Treasurer's Office functions. The District has experienced turnover with treasurers in the past, employing four treasurers in the past six years. LMLSD's current Treasurer is serving his second year with the. The Assistant to the Treasurer reports directly to the Treasurer and is responsible for a variety of functions and tasks including cash receipts, grant management, management of the Health Savings Account (HSA) expenditures, bank reconciliations (except payroll), and payment and enrollment of employee medical insurance. The accounts payable employee is responsible for transferring requisitions into purchase orders, auditing invoices, and processing payments. The payroll employee is primarily responsible for entering and submitting District payroll.

¹ See the **executive summary** for a description of the 10 peer district average used as a benchmark throughout this performance audit.

² This position was eliminated because of the District's financial condition.

³ This position was eliminated in FY 2009-10 due to the financial conditions at LMLSD.

Financial Condition

In response to the failure of the November 2008 income tax levy, LMLSD made reductions to various personnel positions and work hours, and made changes in student transportation procedures and service levels. These adjustments are discussed in **human resources** and **transportation**. In addition, the Board approved a resolution to place a 9.95 mill three year operating levy on the May 2009 ballot.

Between November 2008 and May 2009, the District put together scenarios to address its financial circumstances including additional personnel reductions and building re-configurations. The scenarios explained what actions the District would take if the May operating levy passed or failed. The scenarios were discussed at Board meetings and posted on the District's website to communicate the potential changes to parents and other stakeholders.

During the course of the performance audit, the 9.95 mill operating levy on the May 2009 election ballot failed. Based on this outcome, the District approved additional reductions of staff (see **human resources**) and adjustments in building configurations (see **facilities**) in order to avoid an operating deficit. The District estimated that these adjustments would save LMLSD approximately \$3.26 million.

After the failure of the levy, the Treasurer prepared the FY 2008-09 May five-year forecast, which was approved by the Board at its May 19, 2009 meeting. This forecast reflects the failure of the operating levy as well as the District's reductions made in response to the levy failure. Based on the updated forecast, the District is projected to have a negative fund balance of approximately \$337,600 in FY 2009-10. This deficit increases throughout the forecasted period to approximately \$27.5 million in FY 2012-13, assuming no new revenue throughout the forecasted period. The May forecast does show the effect of new revenue from a 7.95 mill incremental property tax levy which the Board voted to place on the November 2009 ballot. If it passes, this levy will generate sufficient revenue for the District to operate with a positive fund balance through the forecast period and an ending fund balance of approximately \$685,000 in FY 2012-13.

Table 2-1 presents LMLSD's historical and projected revenues and expenditures, as approved by the Board on May 19, 2009 and submitted to ODE. The updated May 2009 forecast was also used in the proposed financial recovery plan to account for the District's levy outcome and the approved operating reductions made during the course of the performance audit. The financial recovery plan also illustrates additional savings from the implementation of performance audit recommendations (see **Table 2-5**).⁴

⁴ The passing of the District's May 2006 Bond Issue provided revenue to the Permanent Improvement (PI) Fund to address the increasing enrollment and capacity issues. These funds are not included in the five-year forecast but the operations are examined in **facilities**.

Table 2-1: LMLSD May 2009 Five-Year Forecast

	Actual			Forecasted				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Revenues:								
General Property (Real Estate)	\$13,213	\$13,462	\$13,593	\$14,384	\$14,669	\$14,810	\$14,956	\$15,352
Tangible Personal Property Tax	\$761	\$664	\$420	\$232	\$217	\$205	\$204	\$204
Unrestricted Grants-in-Aid	\$8,352	\$8,210	\$8,373	\$10,438	\$10,438	\$10,217	\$10,216	\$10,387
Restricted Grants-in-Aid	\$31	\$112	\$97	\$86	\$86	\$86	\$86	\$86
Property Tax Allocation	\$1,715	\$1,985	\$2,091	\$2,223	\$2,354	\$2,263	\$2,283	\$2,305
All Other Operating Revenue	\$358	\$2,374	\$3,017	\$1,449	\$694	\$179	\$179	\$179
Total Revenue	\$24,430	\$26,807	\$27,590	\$28,811	\$28,457	\$27,759	\$27,924	\$28,514
Proceeds from Sale of Notes	\$1,500	\$2,500	\$4,840	\$0	\$2,500	\$2,500	\$2,500	\$2,500
Advances-In	\$59	\$89	\$78	\$150	\$400	\$400	\$400	\$400
All Other Financial Sources	\$101	\$24	\$15	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$1,659	\$2,613	\$4,933	\$150	\$2,900	\$2,900	\$2,900	\$2,900
Total Revenues and Other Financing Sources	\$26,089	\$29,420	\$32,523	\$28,961	\$31,357	\$30,659	\$30,824	\$31,414
Expenditures:								
Personnel Services Adjusted	\$15,451	\$16,008	\$17,420	\$18,409	\$17,786	\$18,647	\$20,815	\$21,318
Employees' Benefits	\$5,026	\$6,050	\$6,687	\$6,783	\$7,204	\$8,381	\$9,627	\$10,643
Purchased Services	\$2,902	\$2,988	\$3,454	\$3,510	\$4,013	\$7,988	\$4,408	\$4,621
Supplies and Materials	\$800	\$890	\$1,039	\$1,017	\$935	\$982	\$1,031	\$1,083
Capital Outlay	\$8	\$6	\$6	\$4	\$4	\$4	\$4	\$4
Principal, Notes and Other Objects	\$2,040	\$3,099	\$1,494	\$496	\$3,073	\$3,083	\$3,093	\$3,104
Total Expenditures	\$26,226	\$29,041	\$30,100	\$30,219	\$33,015	\$39,085	\$38,978	\$40,772
Operational Transfers - Out	\$82	\$98	\$114	\$0	\$0	\$0	\$0	\$0
Advances - Out	\$94	\$80	\$146	\$114	\$400	\$400	\$400	\$400
All Other Financing Uses	\$0	\$0	\$40	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$175	\$178	\$300	\$114	\$400	\$400	\$400	\$400
Total Expenditure and Other Financing Uses	\$26,402	\$29,220	\$30,400	\$30,333	\$33,415	\$39,485	\$39,378	\$41,172
Results of Operations (Net)	(\$313)	\$201	\$2,123	(\$1,372)	(\$2,058)	(\$8,826)	(\$8,554)	(\$9,758)
Beginning Cash Balance	\$1,181	\$869	\$1,069	\$3,192	\$1,821	(\$238)	(\$9,063)	(\$17,617)
Ending Cash Balance	\$869	\$1,069	\$3,192	\$1,821	(\$238)	(\$9,063)	(\$17,617)	(\$27,376)
Outstanding Encumbrances	\$0	\$0	\$100	\$100	\$100	\$100	\$100	\$100
Fund Balance June 30 for Certification of Appropriations	\$869	\$1,069	\$3,092	\$1,721	(\$338)	(\$9,163)	(\$17,717)	(\$27,476)
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	\$869	\$1,069	\$3,092	\$1,721	(\$338)	(\$9,163)	(\$17,717)	(\$27,476)
Property Tax - New	\$0	\$0	\$0	\$0	\$4,251	\$7,970	\$7,970	\$7,970
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$4,251	\$12,221	\$20,191	\$28,161
Unreserved Fund Balance June 30	\$869	\$1,069	\$3,092	\$1,721	\$3,913	\$3,058	\$2,473	\$685

Source: LMLSD 2009 May Forecast

For the purpose of this performance audit, LMLSD's October 2008 forecast and the methodology used to prepare it was analyzed for reasonableness. Subsequently, the May forecast and assumptions were reviewed for compliance with State requirements, as well as for reasonableness. Auditors determined the assumptions were reasonable and no recommendations

related to the forecast were made. By its nature, forecasting requires estimates of future events. As a result, differences between projected and actual revenues and expenditures are common, as circumstances and conditions frequently do not occur as expected.

Financial Operations

Using school district EMIS data and information from the Uniform School Accounting System (USAS), ODE reports school district revenue per pupil by revenue source. Because districts often account for funds that are unrelated to the instruction of school-age students (i.e., special trust funds or adult education), not all money received by a school district is included in the revenue per-pupil calculation. **Table 2-2** provides a comparison between LMLSD and the peer average FY 2007-08 revenue per pupil from local, State, and federal sources as reported by ODE.

Table 2-2: LMLSD and Peer FY 2007-08 Revenue Per Pupil

Revenue	LMLSD	Peer Average	\$ Difference	% Difference
Local Revenue	\$4,504	\$4,293	\$211	4.9%
State Revenue	\$2,652	\$3,565	(\$913)	(25.6%)
Federal Revenue	\$332	\$366	(\$34)	(9.2%)
Total	\$7,488	\$8,224	(\$736)	(8.9%)

Source: ODE FY 2007-08 Revenue Data

Note: Totals and differences may vary due to rounding.

As illustrated in **Table 2-2**, LMLSD receives 8.9 percent less revenue per student than the peer district average. The area with significant variances is the State revenue per student where the District received \$913 less per student than the peer average.

ORC § 319.301 prevents school levies from being reduced below 2 percent of taxable value, or 20 mills. Known as the "20 mill floor," this provision protects school districts from stagnating revenues while costs rise over time. In FY 2007-08, the District's effective millage dropped to the 20 mill floor. Once at the 20 mill floor, LMLSD began receiving a charge-off supplement referred to as "Gap Aid." The intent of this aid is to fill the gap that exists between local revenue raised by a district and the amount of financial support assumed raised in the foundation formula.⁵ While LMLSD did begin receiving this aid in FY 2007-08, it will not recognize the net effect of the change until FY 2008-09. This should bring the District's revenue per student more in line with the peer average. However, the revenue per pupil shown in **Table 2-2** for LMLSD (\$7,488) is 21.2 percent less than the EFM expenditures per pupil shown in **Table 2-3** (\$9,455).

⁵ If a district's local revenue falls below the sum of the district's charge-off plus its assumed local share of special education and vocational education weighted aid and transportation aid, the State makes up the shortfall in charge-off supplement aid.

ODE uses the Expenditure Flow Model (EFM) to report per-pupil spending for Ohio's schools. The EFM uses district year-end financial records to organize expenditure data into meaningful and comparable categories and report expenses related to the education of students.⁶ Because school districts often handle funds unrelated to the instruction of students, not all expenditures accounted for by a school district are included in the model. District-level expenses for each expenditure type are reported on a per-pupil basis. **Table 2-3** provides a comparison between LMLSD and the peer average expenditures.

Table 2-3: FY 2007-08 EFM Expenditures per Pupil by ODE Category

Expenditure	LMLSD	Peer Average	\$ Difference	% Difference
Administrative Expenditures	\$967	\$938	\$30	3.1%
Building Operations Expenditures	\$2,715	\$1,687	\$1,028	60.9%
Staff Support Expenditures	\$100	\$207	(\$107)	(51.6%)
Pupil Support Expenditures	\$908	\$810	\$98	12.0%
Instructional Expenditures	\$4,855	\$4,594	\$261	5.7%
Total	\$9,545	\$8,236	\$1,309	15.9%

Source: ODE FY 2007-08 Expenditure Flow Model Data

Note: Totals and differences may vary due to rounding.

As illustrated in **Table 2-3**, LMLSD exceeded the peer average expenditures per student by 15.9 percent in FY 2007-08 and it exceeded the peer average in each individual category except staff support. Specific categories were examined to identify specific reasons for the higher expenditures.

- Administrative Expenditures:** LMLSD's administrative expenditures per student were 3.1 percent above the peer average in FY 2007-08. This category of expenses represents the functions of the building principal's office and central office costs. The greatest variance within this expenditure category was the Office of the Principal Services where LMLSD spent \$507.50 per student, exceeding the peer average of \$401.72. These expenditures include functions performed by the principal, assistant principals, and other assistants in the principal's office. For an analysis of administrative staffing per 1,000 students and average salaries compared to surrounding districts see **human resources**.
- Building Operations Expenditures:** The District dedicated \$2,715 per student to building operations, significantly exceeding the peer average of \$1,687. Of the five categories, this represents the largest variance in expenditures when compared to the peer average. The two areas within this category containing the majority of these expenditures were the operations and maintenance of plant services and pupil transportation. When examined in detail the following were identified as significant variances:

⁶ The EFM totals include expenditures from funds such as food service and permanent improvement, in addition to the general fund.

- LMLSD dedicated 42.3 percent of its total building operations expenditures on activities concerned with keeping the physical plant clean and ready for daily use including operating the heating, lighting, and ventilating systems and repairing and replacing facilities and equipment. The District spent \$699.59 more per student than the peer average in FY 2007-08. Some of these operational expenditures are paid from building and permanent improvement funds. See **facilities** for additional expenditure analyses.
- Expenditures for pupil transportation services in FY 2007-08 were 10.1 percent of total building operations expenditures and exceeded the peer average by \$223.83 per student. LMLSD's full time transportation supervisor and clerical secretary salaries are included. In addition, the vehicle operations services, which include bus driver salaries, were \$55.22 above the peer average per student. Staffing levels and pay scales for the Transportation Department were examined in detail in **transportation**.
- LMLSD dedicated 11.2 percent of building operations expenditures to maintaining transportation vehicles and spent \$190.07 more per student than the peer average in this area. These expenditures include repairing vehicles, replacing parts, cleaning, painting, greasing, and inspecting vehicles for safety. Purchasing practices and maintenance expenditures for transportation vehicles were examined in **transportation**.
- **Pupil Support Expenditures:** LMLSD spent \$98 more per student than the peer average in FY 2007-08. The largest portion (27.5 percent) is instructional staff classroom support, which includes activities designed to support the teaching process. Personnel involved in this function are usually categorized as teaching aides. LMLSD spent \$249.75 per student compared to the \$118.52 of the peer average. See **human resources** for additional staffing and salary analyses.
- **Instructional Expenditures:** As illustrated in **Table 2-3**, instructional expenditures make up more than half of total expenditures for both LMLSD and the peer average. LMLSD spent \$261 more per student than the peer average in this category, which includes teachers and materials used in the classroom setting. Specifically, regular instruction expenditures make up the majority of this line where LMLSD spent \$77.69 more per student than the peer average (see **human resources**). Another area where LMLSD exceeded the peer average within the instructional expenditure category was central support services. Specifically, the District spent \$267.20 more per student with the majority of these expenditures dedicated to salaries for technology personnel and technology equipment and supplies.

In addition to examining expenditures by the ODE categories, further comparisons were made using EFM data in order to identify areas where LMLSD exceeded the peer average in FY 2007-08. **Table 2-4** illustrates a comparison by USAS function level.⁷ This depiction was developed to illustrate areas of variances in expenditures and to provide additional information to LMLSD administrators.

Table 2-4: FY 2007-08 EFM Expenditures per Pupil by Function Level

Function Level	LMLSD	Peer Average	Difference	
	\$ Per Student	\$ Per Student	\$ Difference	% Difference
1100 - Regular Instruction	\$3,744	\$3,665	\$79	2.2%
1200 - Special Instruction	\$826	\$785	\$41	5.3%
1300 - Vocational Education	\$0	\$94	(\$94)	(99.8%)
1900 - Other Instruction	\$0	\$37	(\$37)	(100.0%)
2100 - Support Services - Pupils	\$374	\$390	(\$16)	(4.0%)
2200 - Support Services - Instructional Staff	\$423	\$445	(\$22)	(4.8%)
2300 - Support Services - Board of Education	\$11	\$47	(\$35)	(75.6%)
2400 - Support Services - Administration	\$697	\$646	\$51	7.9%
2500 - Fiscal Services	\$187	\$198	(\$12)	(5.8%)
2600 - Support Services - Business	\$57	\$34	\$23	66.4%
2700 - Operation & Maintenance of Plant Service	\$1,417	\$792	\$625	78.9%
2800 - Support Services - Pupil Transportation	\$920	\$584	\$336	57.4%
2900 - Support Services - Central	\$345	\$68	\$277	407.8%
3100 - Food Service Operations	\$347	\$292	\$56	19.1%
4100 - Academic Oriented Activities	\$28	\$36	(\$7)	(20.6%)
4300 - Occupation Oriented Activities	\$2	\$0	\$2	N/A
4500 - Sport Oriented Activities	\$96	\$108	(\$12)	(11.4%)
4600 - School and Public Service Co-curricular	\$70	\$16	\$55	350.9%
Total	\$9,546	\$8,236	\$1,310	15.9%

Source: ODE FY 2007-08 Expenditure Flow Model Data and Inclusion Reports

Note 1: Totals and differences may vary due to rounding.

Note 2: Although LMLSD's expenditures per student exceeded the peer average in function levels 2600, 4300, and 4600, these expenditures did not comprise at least 1.0 percent of total expenditures and therefore these areas were not examined further.

As illustrated in **Table 2-4**, 10 of LMLSD's function level expenditures per student exceeded the peer average in FY 2007-08. Within the 10 categories, those that made up at least 1.0 percent of total expenditures were examined at the USAS object level⁸ in an effort to identify the causes of higher than average expenditures.

⁷ USAS functions are broad areas of programs, sub-programs and activities into which expenditures are classified.

⁸ Objects further identify expenditures and define the goods and services for which the school district pays.

- **Regular and Special Instruction:** As shown in **Table 2-4**, LMLSD’s regular and special instruction expenditures per student exceeded the peer average by 2.2 and 5.3 percent, respectively, in FY 2007-08. The object level representing employee benefits provided the most significant variance at \$60.10 and \$34.68 more per student, respectively. Employee benefits primarily consist of costs for employee health insurance and retirement. (See **human resources**.) In addition, LMLSD spent more on purchased services for regular and special instructions, \$48.72 and \$53.55 more per student respectively. These costs are specifically for instructional services performed by individuals not on the District’s payroll and include contracted instructional services. Services and programs area also examined in **human resources**.
- **Support Services – Administration:** The District’s costs for administrative support services exceed the peer average by \$51.14 in FY 2007-08. As examined in **Table 2-3**, the overall administrative service costs are largely driven by the Office of the Principal Services. The significant variance is caused by the cost of employee benefits. LMLSD picks up the employee share of the retirement contribution for all administrators. For a detailed analysis of pick-up see **human resources**.
- **Operation & Maintenance of Plant Service:** This function represents the largest variance from the peer average. LMLSD spent \$624.94 more per student than the peers. The majority of these expenditures were for purchased services—the District spent \$964.31 per student, significantly exceeding the peer average of \$351.66. Specifically, the District dedicated \$2.6 million to repairs and maintenance services. The majority of these expenditures are paid from the District’s Building Fund, which must be used for capital improvements.⁹ For an analysis of building and capital improvements see **facilities**.
- **Support Services – Pupil Transportation:** LMLSD’s FY 2007-08 transportation expenditures exceeded the peer average by \$335.64 per student, or 57.4 percent. Salaries and wages, and employee benefits exceeded the peer average by \$140.02 and \$134.71, respectively. Bus driver staffing levels, pay scales, and employee benefit levels are examined in **transportation**. In addition, expenditures for supplies and materials within the Transportation Department were above the peer average, particularly fuel costs. LMLSD’s fuel contract and purchasing practices were further examined in **transportation**. Lastly, LMLSD spent \$61.14 more per student on capital outlay for transportation. The majority of the expenditures were for the purchase of new buses, which was paid from the District’s Permanent Improvement Fund.

⁹ A building fund is used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

- **Support Services – Central:** As shown in **Table 2-4**, LMLSD’s central office support services were significantly above the peer average in FY 2007-08. The District spent \$345.11 compared to the peer average of \$67.97. The largest variance was in capital outlay. LMLSD spent \$167.14 per student compared to the peer average of \$6.52. These expenditures were paid from the Permanent Improvement and Building funds and used to purchase technology services and equipment. In addition, salaries and wages, and employee benefits exceeded the peer average per student by \$72.64 and \$27.27, respectively. Salaries and benefits are examined in detail in **human resources**.
- **Food Service Operations:** LMLSD’s food service expenditures per student exceeded the peer average 19.1 percent. However, food service is an enterprise fund and is operated similar to a private business enterprise, where user charges are intended to cover operating expenses. While LMLSD’s food service expenditures per student are above the peer average, the District’s Food Service Fund is self-supporting and does not require General Fund subsidies.

Finance and Strategic Management Audit Objectives

The following is a list of the questions used to guide the evaluation of financial systems functions at LMLSD:

- What circumstances led to the District's current financial status?
- Does the District have comprehensive policies and corresponding procedures that meet best practice criteria?
- Does the District's financial data appear to be valid and reliable?
- Are revenues and expenditures properly controlled, reported and similar to comparable peer districts?
- Is the District's financial planning process sufficient and appropriate when compared to recommended practices?
- How do the recommendations in the performance audit and forecast adjustments impact the financial condition of the District?
- How does the District ensure financial services are delivered effectively to the users and what steps has the District implemented to improve its financial condition?
- Does the District have an effective system of communicating its financial data and obtaining feedback?
- Has the District developed and distributed a strategic plan, which links educational and operational plans and meets best practice standards?
- Does the District effectively manage payroll operations?

LMLSD financial information appears valid and reliable. In addition, the District communicates financial information to the public through its website, including prior audits and current financial forecasts.

Recommendations

Procedures

R2.1 LMLSD should ensure it develops and maintains comprehensive procedures to govern its operations. Complete and up-to-date procedures ensure that District administration, employees, and other stakeholders have a clear understanding of the processes in each of its operational areas. Furthermore, procedures serve as a readily available resource for the District's accepted and approved approach to day-to-day operations.

The Treasurer's Office is guided by fiscal policies adopted by the Board. However, the District does not have formal written procedures for its financial activities. The Treasurer indicated that the District is working on policies. However, effort has been redirected towards addressing the current financial conditions. AOS has identified procedures that are considered leading practices or industry standards. The District should develop, approve, and implement:

- **A financial forecasting procedure:** A procedure on financial forecasting should outline preparation timetables, forecast assumptions and methodology, as well as the process used to update existing forecasts. In addition, the forecasting policy should outline all participants in the forecasting process and include an outline for how and when those participants should review the forecast for accuracy. *Guide for Prospective Financial Information* (AICPA, 2006) suggests financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare the financial forecast, monitor attained results relative to the forecast, and prepare revisions to, or otherwise update, the forecast.
- **A budgeting procedure:** A formal budgeting procedure should be developed to ensure the budget supports the goals and objectives identified in the strategic plan. *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1998) notes that governments should develop budgets that are consistent with approaches to achieve goals, and that they should include performance measures. Some of these performance measures should document progress toward achieving previously developed goals and objectives, as defined by the government-wide strategic plan. Furthermore, GFOA recommends that governments provide opportunities for stakeholder input into the budget. This helps ensure that stakeholder priorities are identified and considered, which enhances support for the approved budget.

- **Purchasing procedures:** While LMLSD has Board policies related to purchasing and a general purchasing procedure is available to employees on its intranet, creating a formal purchasing manual would help promote consistency in all purchasing applications and provide better control over funds dedicated to supplies and materials. According to *Introduction to Public Procurement* (NIGP, 2009), detailed, written procedure manuals are intended not just to provide guidance but also to set out the forms, process requirements, and steps for each procurement action. A procedure manual is best structured in exactly the same sequence as the procurement cycle, detailing each step in the process and showing the forms to be used, the information required, and the standard length of time necessary to complete any step in the process. This facilitates operational planning and provides benchmarks for monitoring the process. A purchasing manual would ensure District personnel follow proper procedures for determining the optimal vendor, maximizing services from purchasing consortiums, and continually re-evaluating vendors and consortiums to ensure purchasing practices are in line with District goals.
- **Payroll procedures:** Formal written payroll procedures can help ensure consistent practices by describing in detail the process or steps taken in order to accomplish a task. Classified employees at LMLSD track time through written timesheets. These timesheets are which submitted to and approved by appropriate supervisors and then sent to Treasurer's Office for processing. Bus drivers are one group of employees who are compensated based on the hours tracked on these timesheets. This system was identified as a control weakness and explanation for higher than average driver salaries (see also **transportation**). A formal procedure defining the methods to be taken to collect, submit, and approve time may help improve control over this process.

LMLSD's Board and administration should work together to develop formal procedures for those areas identified during the course of the performance audit. Well documented and maintained procedures enhance both accountability and consistency among staff and management. Formally documenting procedures can provide the opportunity for LMLSD to enhance its operations and help the District plan for improvement in services and operations.

R2.2 The District should develop and encourage the use of surveys as a method to collect student, staff, parent, and community feedback. This feedback should be incorporated in District-wide strategic planning efforts and could assist LMLSD in aligning its goals with the stakeholder expectations.

LMLSD's Three Year Strategic Plan was developed in October 2007 and includes the District's mission statement, goals, and core beliefs. The Strategic Plan contains focused goals and objectives for each of the District's school buildings and departments.¹⁰ However, goals such as creating new positions and adding academic courses have become unattainable because of the District's financial condition.

The District's Strategic Plan states that the mission of the Communication Department is to increase the public's awareness, understanding, and acceptance of LMLSD's initiatives by implementing effective public information programs, formulating responsive communications strategies, and fostering collaborative relationships with community stakeholders. Additionally, the Strategic Plan includes goals and objectives for the Communications Department that cover a variety of areas including press releases and newsletters, use of technology and websites, communicating District construction projects, planning and holding dedications for new buildings, and increasing community involvement and other local publications.

In addition to the Three Year Strategic Plan, administrators including the Treasurer, Superintendent, Director of Curriculum, and building principals, worked together to develop the *Bridge to Excellence*, a plan with administrative goals, strategies, timelines, and performance measures for each division and building for FY 2008-09. LMLSD's administrative team developed SMART¹¹ goals to help meet the overall strategic mission of the District. These goals are detailed and include strategies, action steps, responsible parties, timelines, and evidence of effectiveness.

Also, the District's Business Advisory Council (BAC) meets monthly and is comprised of various staff, Board members, and community members. The BAC has sub-committees for a variety of areas including an expense committee and a communication committee. The BAC periodically provides District administrators with recommendations it feels will help to improve efficiently.

Building principals indicated that communication and parent involvement is active through the Parent Teacher Organizations (PTO). Individual school web pages have links to PTO information including meetings, fundraisers, and contact information. At the end

¹⁰ Including the Curriculum Department, Special Education Department, Athletic Department, Facilities and Maintenance Department, EMIS Department, Communication Department, Food Service Department, Technology Department, and Transportation Department.

¹¹ SMART is an acronym that describes a goal as specific, measurable, attainable, realistic, and time bound.

of FY 2007-08, LMLSD conducted a parent survey to obtain feedback on a variety of issues. This feedback was used in some planning efforts in FY 2008-09. However, the District does not regularly use surveys as a method to obtain feedback.

Public Participation in Planning, Budgeting, and Performance Management (Government Finance Officers Association (GFOA), 2009) suggests good public participation practices can help governments be more accountable and responsive, and can also improve the public's perception of governmental performance. GFOA recommends that governments incorporate public participation efforts in planning, budgeting, and performance management results processes. Information may be solicited for general purposes, such as strategic planning, or may solicit targeted information as input for specific projects, plans, or initiatives. Common methods for soliciting input include the following:

- Surveys, either in person or via mail, phone, or Internet;
- Focus groups;
- Interviews;
- Comment cards;
- Public meetings, such as public hearings, "Town Hall" meetings, and community vision sessions; and
- Interactive priority setting tools.

The District demonstrates consistent efforts to communicate with stakeholders through its use of its website, publications, and established committees. LMLSD has discussed the option of contracting a third party to perform a District wide survey of community members, which was completed in July 2009.

LMLSD could examine other options to obtain feedback and evaluate stakeholder opinions to ensure services are provided at the most appropriate level. It should explore other methods to complete surveys and obtain useful feedback for little to no cost, such as on-line survey programs or using volunteers to assist in the compilation of results. Online survey tools to allow teachers, departments, and administrators to design surveys specific to their feedback needs. In times of financial strain, feedback would help the District in its effort to prioritize services.

R2.3 LMLSD should implement the performance audit recommendations contained in this and other report sections. Implementing the performance audit recommendations would help offset projected deficits and assist in maintaining a positive year-end fund balance through FY 2012-13. Enhancing general operating revenue and/or identifying additional savings beyond those included in this performance audit would allow the District to improve its overall financial condition in the future and assist in addressing changing circumstances.

In order to address the projected deficit, LMLSD must make reductions in its expenditures, generally through staff reduction and program operation reductions. **Table 2-5** demonstrates the effect of the performance audit recommendations on the FY 2008-09 May five-year financial forecast and ending fund balances, assuming that all recommendations contained in this audit are implemented and the District is successful in the passage of its planned November 2009 levy.

If LMLSD is not successful in its levy attempt, the District must substantially decrease expenditures in order to address the projected deficit. Full implementation of performance audit recommendations alone will not result in a positive fund balance in FY 2012-13. A failure of the November 2009 levy would require the District to significantly cut personnel and operating expenditures by approximately \$8 million. The magnitude of these reductions would require the District to consider reducing all operational areas, including academic programming, to State minimum standards.

Table 2-5: Financial Recovery Plan (in 000s)

Line	Actual			Forecasted				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues:								
General Property (Real Estate)	\$13,213	\$13,462	\$13,593	\$14,384	\$14,669	\$14,810	\$14,956	\$15,352
Tangible Personal Property Tax	\$761	\$664	\$420	\$232	\$217	\$205	\$204	\$204
Unrestricted Grants-in-Aid	\$8,352	\$8,210	\$8,373	\$10,438	\$10,438	\$10,217	\$10,216	\$10,387
Restricted Grants-in-Aid	\$31	\$112	\$97	\$86	\$86	\$86	\$86	\$86
Property Tax Allocation	\$1,715	\$1,985	\$2,091	\$2,223	\$2,354	\$2,263	\$2,283	\$2,305
All Other Operating Revenue	\$358	\$2,374	\$3,017	\$1,449	\$694	\$179	\$179	\$179
Total Revenue	\$24,430	\$26,807	\$27,590	\$28,811	\$28,457	\$27,759	\$27,924	\$28,514
Proceeds from Sale of Notes	\$1,500	\$2,500	\$4,840	\$0	\$2,500	\$2,500	\$2,500	\$2,500
Advances-In	\$59	\$89	\$78	\$150	\$400	\$400	\$400	\$400
All Other Financial Sources	\$101	\$24	\$15	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$1,659	\$2,613	\$4,933	\$150	\$2,900	\$2,900	\$2,900	\$2,900
Total Revenues and Other Financing Sources	\$26,089	\$29,420	\$32,523	\$28,961	\$31,357	\$30,659	\$30,824	\$31,414
Expenditures:								
Personnel Services Adjusted	\$15,451	\$16,008	\$17,420	\$18,409	\$17,786	\$18,647	\$20,815	\$21,318
Employees' Benefits	\$5,026	\$6,050	\$6,687	\$6,783	\$7,204	\$8,381	\$9,627	\$10,643
Purchased Services	\$2,902	\$2,988	\$3,454	\$3,510	\$4,013	\$7,988	\$4,408	\$4,621
Supplies and Materials	\$800	\$890	\$1,039	\$1,017	\$935	\$982	\$1,031	\$1,083
Capital Outlay	\$8	\$6	\$6	\$4	\$4	\$4	\$4	\$4
Principal, Notes and Other Objects	\$2,040	\$3,099	\$1,494	\$496	\$3,073	\$3,083	\$3,093	\$3,104
Total Expenditures	\$26,226	\$29,041	\$30,100	\$30,219	\$33,015	\$39,085	\$38,978	\$40,772
Operational Transfers - Out	\$82	\$98	\$114	\$0	\$0	\$0	\$0	\$0
Advances - Out	\$94	\$80	\$146	\$114	\$400	\$400	\$400	\$400
All Other Financing Uses	\$0	\$0	\$40	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$175	\$178	\$300	\$114	\$400	\$400	\$400	\$400
Total Expenditure and Other Financing Uses	\$26,402	\$29,220	\$30,400	\$30,333	\$33,415	\$39,485	\$39,378	\$41,172
<i>Performance Audit Recommendations</i>	NA	NA	NA	NA	\$400	\$429	\$454	\$481
Results of Operations (Net)	(\$313)	\$201	\$2,123	(\$1,372)	(\$1,659)	(\$8,397)	(\$8,100)	(\$9,278)
Beginning Cash Balance	\$1,181	\$869	\$1,069	\$3,192	\$1,821	\$162	(\$8,235)	(\$16,335)
Ending Cash Balance	\$869	\$1,069	\$3,192	\$1,821	\$162	(\$8,235)	(\$16,335)	(\$25,613)
Outstanding Encumbrances	\$0	\$0	\$100	\$100	\$100	\$100	\$100	\$100
Ending Fund Balance	\$869	\$1,069	\$3,092	\$1,721	\$62	(\$8,335)	(\$16,435)	(\$25,713)
Property Tax - New	\$0	\$0	\$0	\$0	\$4,251	\$7,970	\$7,970	\$7,970
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$4,251	\$12,221	\$20,191	\$28,161
Fund Balance June 30 for Certification of Contracts, Salary Schedule, Other Obligations	\$869	\$1,069	\$3,092	\$1,721	\$4,313	\$3,886	\$3,755	\$2,448

Source: LMLSD May 2008-09 Forecast and AOS Performance Audit Recommendations

Table 2-6 summarizes the performance audit recommendations reflected in the revised five-year forecast. With the implementation of these recommendations, it is projected that LMLSD could maintain a positive fund balance through FY 2012-13.

Table 2-6: Summary of Performance Audit Recommendations

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Recommendations				
R3.2 Discontinue pick-up on pick-up for exempt staff	\$233,000	\$246,980	\$261,800	\$277,508
R4.5 Elimiate 1.0 FTE custodial position	\$45,300	\$48,018	\$50,899	\$53,953
R4.7 Implement energy savings program	\$35,200	\$36,960	\$38,808	\$40,748
R5.1 Eliminate two active buses	\$92,000	\$97,520	\$103,370	\$109,572
R5.5 Purchase preventive maintenance software	(\$6,000)	(\$900)	(\$900)	(\$900)
Total Cost Savings from Performance Audit Recommendations	\$399,500	\$438,578	\$453,977	\$480,881

Source: AOS Performance Audit Recommendations

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Human Resources

Background

This section of the performance audit focuses on the human resource functions of Little Miami School District (LMLSD or the District). Operations were compared to recommended practices, industry standards, and the average of 10 peer districts¹ for developing recommendations to improve efficiency and business practices. Recommendations also identify potential cost savings for the District, which may help in its efforts to address projected deficits. Leading practices and industry standards were drawn from various sources including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Society for Human Resource Management (SHRM), the Ohio Education Association (OEA), the Kaiser Family Foundation (Kaiser), the State Employment Relations Board (SERB), and the School Employees Health Care Board (SEHCB).

Organizational Structure and Function

The Superintendent is the chief administrative officer of the District and oversees human resource functions. Human resource responsibilities are allocated among District administrators. The Treasurer's Office manages the financial resources of the District, and is responsible for payroll and benefits management. The Director of Curriculum oversees the certificated hiring process and the Director of Administration Services is responsible for classified hiring.

Staffing

Table 3-1 illustrates staffing levels at LMLSD and the FY 2008-09 average of the peer districts as reported to the Ohio Department of Education (ODE) through the Education Management Information System (EMIS). According to the FY 2008 EMIS Reporting Manual instructions for reporting staff data (ODE, 2008), 1.00 full-time equivalent (FTE) is equal to the number of hours in a regular working day for that position, as defined by the district. The FTEs in **Table 3-1** have been presented on a per 1,000 student basis because staffing levels will be partially dependent on the number of students served.² Presenting staffing data in this manner also eliminates variances attributable to the size of the peers.

¹ See the **executive summary** for a description of the 10 peer district average used as a benchmark throughout this performance audit.

² Reflects students receiving educational services from LMLSD and excludes the percent of time students are receiving educational services outside of the District. This student count is used throughout the HR section of the performance audit unless otherwise noted.

Table 3-1: Staffing Comparison (FTEs per 1,000 Students)

	LMLSD	Peer Average	Difference
Students	3,905	3,795	(110)
	FTEs Per 1,000 Students	FTEs Per 1,000 Students	Difference Per 1,000 Students
Administrators	4.4	5.0	(0.6)
Office/Clerical	4.2	7.4	(3.2)
Classroom Teachers ¹	37.5	44.0	(6.5)
Special Education Teachers	6.3	8.5	(2.2)
Educational Service Personnel ²	3.5	7.0	(3.5)
Other Certificated Staff ³	0.7	3.8	(3.1)
Teacher Aides	2.0	7.8	(5.8)
Other Technical/Professional Staff ⁴	1.0	1.6	(0.6)
Other Student Services ⁵	8.8	1.9	6.9
Operations ⁶	23.7	22.6	1.1
Total Staffing	92.1	109.5	(17.4)

Source: LMLSD and peer FY 2008-09 staffing data as reported to ODE.

¹ Includes regular and vocational teachers and permanent substitutes.

² Includes ESP teachers, counselors, librarians, registered nurses, social work, and visiting teachers.

³ Includes curriculum specialists, remedial specialists, tutor/small group instructors, and other professionals.

⁴ Includes library staff, computer support staff, and other professional staff

⁵ Includes other students services such as psychologists, speech and language therapists, practical nurses, and attendants.

⁶ Includes operational staff such as maintenance personnel, bus drivers, food service staff, and monitors.

As illustrated in **Table 3-1**, LMLSD’s FY 2008-09 total FTEs per 1,000 students of 92.1 is significantly lower than the peer average of 109.5 FTEs. Staffing is higher on a per 1,000 student basis in following categories:

- Other Student Services:** the District’s 30.7 attendant FTEs are the primary reason this category exceeded the peer average. LMLSD staffs 8.0 attendants per 1,000 students versus the peer average of 0.4 per 1,000 students. When applied to LMLSD’s enrollment, this represents additional staffing of approximately 30 FTEs. According to the District, these employees are special education aides required under individualized education programs.
- Operations:** within this category, LMLSD staffing was higher in food service personnel (5.8 FTE per 1,000 students compared to 4.8 for the peer average). Food service personnel are paid out of the Food Service Fund, which is self supporting. As a result, area was not analyzed, although LMLSD should be aware of the higher-than-average staffing. The District was also significantly higher in bus driver staffing (11.5 FTE per

1,000 compared to 9.89 for the peers). Transportation staffing levels are assessed in **transportation**. For this category, LSMSD eliminated one dispatcher position and a crossing guard position in FY 2008-09.

In addition to peer average comparisons on a per 1,000 student basis, staffing levels were compared to State minimums, recommended practices, and national standards in the areas where additional criteria were available. **Table 3-2** illustrates these comparisons.

Table 3-2: LMLSD Staffing Comparison

Certificated Personnel FTEs	LMLSD	State Minimum	Difference
Principals/Assistant Principals ¹	8.0	6.0	2.0
Regular Teachers ²	145.5	143.2	2.3
Educational Service Personnel (ESP) ³	13.7	17.9	(4.2)
Classified Personnel FTEs			
Classified Personnel FTEs	LMLSD	Recommended Practice ⁴	Difference
Maintenance Workers	2.7	6.2	(3.5)
Groundskeeper	0.0 ⁵	3.4	(3.4)
Custodians	21.0	15.0	6.0

Source: LMLSD FY 2008-09 staffing levels, State minimum ratios, and recommended practices

¹ OAC § 3301-35-05 requires school districts to provide every school with the services of a principal. Schools with 15 or more FTE teachers require a full time principal. OAC does not require districts to provide the services of assistant principals.

² OAC § 3301-35-05 requires school districts to maintain district-wide students-to-teacher ratios of at least 1.0 classroom teacher FTE for every 25 students in the regular student population.

³ OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 ESP FTEs for every 1,000 students in the regular student population. These ESP must be assigned to at least five of the eight following areas: counselor, library media specialist, school nurse, visiting teacher, social worker, elementary art, music, and/or physical education.

⁴ American School and University’s *Maintenance and Operations Cost Study* recommended maintenance FTEs per square foot and groundskeeper FTEs per acre, National Center for Education Statistics custodian FTEs per square foot, and the American Association of School Administrators’ riders per bus.

⁵ Groundskeeping staff were eliminated and groundskeeping tasks will be performed by maintenance staff.

Although LMLSD staffing per 1,000 students is less than the peer average (17.4 FTEs fewer), **Table 3-2** shows that LMLSD is at or below State minimums in two key areas. Although it is not a common practice for Ohio school districts to operate at State minimum standards for certificated personnel, the comparison illustrates that the District has minimized its expenditures in personnel in certain areas and will have little opportunity to make reductions in direct instructional personnel should cost cutting measures be necessary. A detailed analysis of maintenance workers, groundskeepers, and custodians was conducted in **facilities** and captures the specific industry benchmarks and workload measures unique to these functional areas.

As shown in **finance and strategic management**, the District has projected a year end General Fund deficit of approximately \$25 million for FY 2012-13. Should the projections contained in LMLSD's May 2009 forecast prove accurate, the District will have to make significant reductions in all operational areas to attain a positive General Fund balance in FY 2012-13.

Compensation

LMLSD's total FY 2008-09 General Fund wages per student were comparable to the peer average. The District's FY 2008-09 compensation levels by staffing category were also analyzed on a per student basis to determine if large variances existed in any of the categories. **Table 3-3** illustrates LMLSD and the peer average salaries on a per student basis by staffing category.

Table 3-3: LMLSD and Peer FY 2008-09 Average Salaries

	LMLSD ¹	Peer District Average	Percent Difference
Administrators	\$78,013	\$78,481	(0.6%)
Office/Clerical	\$31,530	\$32,027	(1.6%)
Classroom Teachers ¹	\$52,835	\$53,409	(1.1%)
Special Education Teachers	\$51,058	\$52,664	(3.0%)
Education Service Personnel ²	\$64,415	\$57,841	11.4%
Other Certificated Staff ³	\$62,516	\$58,136	7.5%
Teacher Aides	\$19,137	\$18,993	0.8%
Other Technical/Professional Staff ⁴	\$27,778	\$30,759	(9.7%)
Other Student Services ⁵	\$21,154	\$42,388	(50.1%)
Operations ⁶	\$22,902	\$23,997	(4.6%)
Total	\$42,701	\$44,620	(4.3%)

Source: LMLSD and peer FY 2008-09 staff data as reported to ODE.

¹ Includes regular and vocational teachers and permanent substitutes.

² Includes ESP teachers, counselors, librarians, registered nurses, social work, and visiting teachers.

³ Includes curriculum specialists, remedial specialists, tutor/small group instructors, and other professionals.

⁴ Includes library staff, computer support staff, and other professional staff.

⁵ Includes other students services such as psychologists, speech and language therapists, practical nurses, and attendants.

⁶ Includes operational staff such as maintenance personnel, bus drivers, food service staff, and monitors.

As shown in **Table 3-3** LMLSD's FY 2008-09 average salary for the selected staff categories was 4.3 percent lower than the surrounding district average. LMLSD had materially higher salaries in only two categories—education service personnel and other certificated staff. These higher salaries were caused by the following:

- **ESP:** Average ESP salaries were higher than the surrounding district average primarily due to the librarian/media specialist category and the counseling category. LMLSD's

librarian position had a salary that exceeded the surrounding district average by 28.5 percent. This salary was higher due to the high experience level of the librarian. The other position driving higher ESP salaries was the counseling classification. LMLSD counselors received salaries that were 11.5 percent higher than the surrounding district average.

- **Other certificated staff:** Higher salaries in this classification were driven primarily by the curriculum specialist position. This position had a salary that was 43.2 percent higher than the surrounding district average. The higher salary drawn by this position is due to a significant level of experience by the curriculum specialist (38 years).

Employee Benefits

LMLSD offers medical, prescription, dental, and vision coverage to its employees. Certificated employees are covered by the Ohio High Deductible Health Plan (HDHP).

Table 3-4: LMLSD Medical Insurance Premiums - Certificated

	Single	Single % Share	Family	Family % Share
Medical and Prescription Drug (Anthem)				
Employee Contribution	\$0.00	0%	\$0.00	0%
Board Contribution	\$271.04	100%	\$669.20	100%
Total Premium Cost	\$271.04		\$669.20	
Vision Insurance (VSP)				
Employee Contribution	\$3.30	40%	\$7.08	40%
Board Contribution	\$4.94	60%	\$10.63	60%
Total Premium Cost	\$8.26		\$17.71	
Dental Insurance (Superior Dental)				
Employee Contribution	\$3.33	5%	\$3.33	5%
Board Contribution	\$63.11	95%	\$63.11	95%
Total Premium Cost	\$66.44		\$66.44	

Source: LMLSD Treasurer

Part time employees are also eligible for insurance coverage but at a higher employee contribution. Certificated employees working fewer than 30 hours per week contribute to the premium based on the percentage of hours worked.

LMLSD’s classified employee insurance premiums are shown in Table 3-5.

Table 3-5: LMLSD Medical Insurance Premiums - Classified

	Single	Single % Share ¹	Family	Family % Share ¹
Medical and Prescription Drug (Anthem)				
Total Premium Cost	\$518.38	0%	\$1,435.43	0%
Vision Insurance (VSP)				
Employee Contribution	\$8.13	50%	\$8.13	50%
Board Contribution	\$8.12	50%	\$8.12	50%
Total Premium Cost	\$16.25		\$16.25	
Dental Insurance (Superior Dental)				
Employee Contribution	\$3.38	5%	\$3.38	5%
Board Contribution	\$64.31	95%	\$64.31	95%
Total Premium Cost	\$67.69		\$67.69	

Source: LMLSD Treasurer

¹ Prior to adopting an HDHP in 2009, classified employees contributed three percentage levels (5%, 7.5%, or 10%) depending on hire date.

LMLSD’s total premiums were compared to benchmarks from the Ohio Education Association (OEA), the Kaiser Family Foundation (Kaiser), and the State Employment Relations Board (SERB). **Table 3-6** illustrates these comparisons.

Table 3-6: LMLSD and Benchmark Medical Insurance Premiums

	LMLSD	OEA	LMLSD % Difference to OEA	Kaiser PPO	LMLSD % Difference to Kaiser	SERB PPO	LMLSD % Difference to SERB
Certificated Employee Premiums							
Single	\$271.04	\$438.34	(38.2%)	\$420.00	(35.5%)	\$449.05	(39.6%)
Family	\$669.20	\$1,108.80	(39.6%)	\$1,131.90	(40.9%)	\$1,167.95	(42.7%)
Classified Employee Premiums							
Single	\$518.38	\$438.34	18.3%	\$420.00	23.4%	\$449.05	15.4%
Family	\$1,435.43	\$1,108.80	29.5%	\$1,131.90	26.8%	\$1,167.95	22.9%

Source: LMLSD FY 2008-09 premiums and Kaiser, SERB, and OEA estimated FY 2008-09 premiums.

As illustrated in **Table 3-6** LMLSD’s total certificated employee premiums are significantly below the averages reported to the OEA and SERB. This is the result of the type of plan selected by LMLSD.

However, LMLSD certificated employees do not contribute towards the health insurance premium and classified employees contribute depending on their date of hire. The following are average contribution percents of employees from four industry benchmarks.

- **Employee Contributions for State of Ohio Employees:** 15.7 percent for single and 15.6 percent for family medical coverage;

- **Contributions by School District (per ADM):** 10.4 percent for single and 12.6 percent family for schools with ADM of 2,500 – 9,999;
- **Contributions experienced by School Districts (per region):** 11.6 percent for single and 13.1 percent for family in the Dayton region; and
- **Public Sector Contributions (by covered employees):** 11.8 percent for single and 12.7 percent for family for schools with 500-999 employees.

Though LMLSD is still significantly below for the certificated employee premiums, employee cost sharing for health insurance premiums represents an area of potential cost savings.

LMLSD’s classified employee premiums, shown in **Table 3-6**, were significantly above the three benchmarks. On March 1, 2009, LMLSD implemented an Anthem Health Savings Account plan (HSA) and significantly reduced the premium cost for health insurance for classified staff. **Table 3-7** shows the new premiums compared to OEA, Kaiser, and SERB benchmarks.

Table 3-7 LMLSD and Benchmark Medical Insurance Premiums (After March 1, 2009)

	LMLSD	OEA	LMLSD % Difference to OEA	Kaiser PPO	LMLSD % Difference to Kaiser	SERB PPO	LMLSD % Difference to SERB
Certificated Employee Premiums							
Single	\$271.04	\$438.34	(38.2%)	\$420.00	(35.5%)	\$449.05	(39.6%)
Family	\$669.20	\$1,108.80	(39.6%)	\$1,131.90	(40.9%)	\$1,167.95	(42.7%)
Classified Employee Premiums							
Single	\$315.48	\$438.34	(28.0%)	\$420.00	(24.9%)	\$449.05	(29.7%)
Family	\$748.97	\$1,108.80	(32.5%)	\$1,131.90	(33.8%)	\$1,167.95	(35.9%)

Source: LMLSD FY 2008-09 updated premiums and Kaiser, SERB, and OEA estimated FY 2008-09 premiums.

LMLSD’s classified premiums dropped significantly below the benchmarks, and are now comparable to the certificated premiums. Because of the low premium costs, no recommendations were made to increase the employee share of premium payments. However, if LMLSD finds it is unable to close its budget gap, administrators should be aware that increasing the employee share to 15 percent would save about \$335,000 annually.

Negotiated Agreements

LMLSD certificated and classified employees are covered under respective bargaining units, each with its own negotiated agreement. Certificated employees are covered under a contract between the Little Miami Teachers Association and the Board. Classified employees are covered under a contract between the OAPSE Local 516 and the Board. The certificated agreement is

effective through June 30, 2009 and the classified agreement is effective through June 30, 2011. As part of the performance audit, certain contractual issues were assessed and compared to the ORC, OAC, recommend practices, and common provisions in Ohio school district bargaining agreements (see **R3.3**).

Human Resource Management and Board Operations

The District demonstrates successful internal communication efforts through regularly scheduled meetings. LMLSD's administrative team (CORE Team) meets to discuss District wide issues and includes the Superintendent, Treasurer, Director of Administrative Services, the Director of Curriculum and Instruction, and the Community Relations Coordinator. In addition to the central office administrators, a District principal participates in these meetings and is primarily responsible for District HR functions including tracking professional development. The Instructional Leadership Team and Professional Leadership Teams also meet regularly and include central office administrators and employees such as principals and department managers. Building-level communication is maintained through staff meetings and periodic updates. Principals have developed individualized methods of communicating with staff, which include weekly bulletins, email updates, calendars of events, and use of the individual school websites.

Work climate and job satisfaction are often communicated at the building level through the Building Liaison Committees. Principals indicated that surveys have been used in the past to gauge expectation and satisfaction but it was not a regular practice to survey employees (see **R2.2 in finance and strategic management** for a detailed analysis on obtaining feedback).

Human Resources Audit Objectives

The following is a list of the questions used to evaluate the HR functions at LMLSD:

- Is the District's current allocation of personnel efficient and effective?
- Is the District's compensation package in line with other high performing peer and contiguous districts?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Are the District's negotiated agreements in line with best practices and industry benchmarks?
- Does the District effectively address human resource management and has it created a working environment that enhances its workforce?
- Does the Board operate in an effective manner?

LMLSD's human resource management practices were determined to be effective recruitment, evaluations, and communication. Building principals were positive about the work environment at the District despite the financial constraints. As noted in the *background* staffing levels, compensation, and benefits also reflected efficient practices.

Recommendations

- R3.1 LMLSD should establish and include in its staffing plan, formal benchmarks for administrative, certificated, and classified personnel levels. Establishing benchmarks will assist the District in better planning for the future as staffing levels will be more easily ascertained from District operating conditions.**

LMLSD conducts periodic enrollment forecasts to determine District growth rates. Because of enrollment projections that indicate rapid growth in student population, LMLSD maintains a formal staffing plan. The staffing plan details expected growth, the projected financial condition of the District and changes in staffing levels predicated on this data. The staffing plan does not detail any staffing benchmarks or contain any information on how LMLSD establishes its staffing levels.

Strategic Staffing Plans (Society for Human Resource Management (SHRM), June 2002) notes that high performing organizations use plans and a system to monitor and control the cost of engaging human capital. Strategic staffing plans form an infrastructure to support effective decision-making in an organization. Leading practice organizations that use strategic staffing plans include Tulsa Public Schools (TPS) in Tulsa, Oklahoma; Lakota Local School District in Butler County, Ohio; and Cincinnati City School District in Hamilton County, Ohio. In general, these staffing plans incorporate state and federal regulations, workload measures, and industry benchmarks, as well as staffing levels determined by district administrators. The plans outline the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff using recommended practices and national workload measures. These plans use an assortment of variables and formulas to guide the individuals responsible for making staffing decisions.

In FY 2007-08, LMLSD attributed a majority of its General Fund expenditures to employee salaries and benefits. Because the majority of expenditures are allocated to personal services, the District should be continually aware of any operating or program changes that could affect staffing levels. For example, the District's ESP is currently at 3.5 FTEs per 1,000 students, significantly under the 5.0 FTE State minimum.

Expanding its current plan to include staffing benchmarks such as student-to-staff ratios and workload measures, will enhance the District's planning process. A formal staffing plan, followed by annual reviews and updates, will help ensure that the LMLSD allocates personnel in an appropriate and cost effective manner.

R3.2 Based on its current financial condition, LMLSD should consider discontinuing the pick-up on the pick-up, and pick-up retirement benefits offered to its administrative staff. Covering the required employee retirement contribution for 33 exempt staff is costly to the District and this benefit is a form of compensation the Board is not required by law to provide. Eliminating this benefit will reduce expenditures and may allow the District to avoid reductions in other areas such as personnel, that may directly affect the education of students.

While LMLSD's classified and certificated employees make required employee retirement contributions through salary reduction to the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS), 33 exempt positions receive a fringe benefit where the Board contributes in place of the employee. Sixteen³ senior level administrators receive a benefit referred to as pick-up on the pick-up where the Board covers the employees' required 10 percent contribution and pays an additional 10 percent on the 10 percent. Districts also provide a benefit referred to as pick-up where the District covers the required 10 percent contribution but does not pay an additional 10 percent. LMLSD provides this benefit to 14 employees including the Treasurer and Food Service Director. The District also provides a reduced pick-up percentage ranging from 3.7 to 6.7 percent to three other employees.

Paying the employee share of retirement contributions allows some districts to control administrative salary costs and attract administrative personnel by offering these fringe benefits in lieu of a higher salary. However, offering this benefit to employees can be costly. The District should consider discontinuing the benefit for its administrative staff in order to reduce costs and avoid reductions in other areas.

Financial Implication: Eliminating retirement pick-up for exempt staff would generate cost savings of approximately \$233,000 per year in the District's General Fund, based on FY 2008-09 wages.

³ Superintendent, Director of Administrative Services, Director of Curriculum/Instruction, Director of Instructional Technology, Athletics Director, Supervisor Maintenance, Supervisor Transportation, EMIS Coordinator, Assistant Treasurer, Executive Secretary, Instructional Technology Director, and five principals

Negotiated Agreements

R3.3 LMLSD should attempt to renegotiate provisions within its employee bargaining agreements that exceed State minimum requirements and recommended practices. These provisions limit its ability to control costs and successfully plan for future financial needs. Successful renegotiations to limit or remove these contract provisions would increase LMLSD’s ability to reduce costs and improve operational efficiency.

As a component of the performance audit, certain provisions within LMLSD’s certificated and classified bargaining agreements were compared to State minimum standards, recommended practices and typical provisions in Ohio school district bargaining agreements. The following areas exceeded benchmark provisions:

- **Maximum sick leave accrual:** LMLSD’s certificated and classified agreements allow employees to accrue a maximum of 220 days of sick leave. This provision significantly exceeds the State minimum requirement of 120 days and represents the potential for increased financial liability when sick leave is paid out to retiring employees.
- **Maximum sick leave payout:** LMLSD’s certificated and classified agreements provide employees severance payments equal to 25 percent of accumulated but unused sick leave accrued. For certificated employees, 10 days of accumulated sick leave can be converted to severance pay before the 220-day maximum is considered. These payout levels of 66 and 55 days for certificated and classified employees, respectively, are higher than the State minimum of 30 sick days and provide a potential for higher than required severance payout for the District.
- **Paid holidays:** LMLSD’s classified agreement provides 12-month employees with 9 paid holidays which is in excess of the 7 paid holidays required by the State. Providing classified employees with additional holidays can reduce overall productivity as it decreases the overall number of days devoted to District operations.
- **Vacation:** LMLSD’s classified agreement allows 12-month employees to accrue vacation at a rate higher than the State minimum requirement. Classified employees with 1 year or more are entitled to 2 weeks vacation, 9 years or more are entitled to 3 weeks vacation, 18 years or more are entitled to 4 weeks vacation, and 25 years or more are entitled to 5 weeks of vacation. State minimum requirements are as follows: employees with 1 to 9 years are entitled to 2 weeks vacation, 10 or more years are entitled to 3 weeks vacation, and 20 years or more

are entitled to 4 weeks vacation. Paid vacation in excess of State minimum requirements represents a potential for decreased operational efficiency.

LMLSD's adjustment of certain provisions can be difficult because they are specified in the District's negotiated agreements. As a result, changes need to be agreed upon by the bargaining units. However, if successful, certain adjustments would help reduce projected deficits and/or increase operational efficiency.

R3.4 LMLSD should evaluate the cost of bringing specialized services in-house for its special education programs or sharing services with another district versus continuing to use the Warren County ESC. In addition, the District should review its ESC contract, determine the cost/benefit of contracting services through the ESC, and continue to evaluate its special education program for FY 2009-10 to ensure that it is inline with District goals.

The District contracts for occupational therapists (OTs), physical therapists (PTs), and school psychologists through the ESC. In addition, the ESC provides four of the six preschool teachers and the Gifted Coordinator. The District manages services provided for more severe forms of autism, rather than using ESC resources because of the cost benefit to the District. However, LMLSD has always used PTs contracted through the ESC and has not conducted a cost/benefit analysis to determine if in-house services would provide cost savings or improved service efficiency.

The District uses an inclusion model for special education. LMLSD handles multi-handicapped needs by having one elementary classroom (inclusive), a classroom for grades 5-8 and one classroom at the high school. Some of the classes are geared toward positioning (such as motor skills), while others are more academically focused, where students are in general education classes as much as possible. The District uses a process that identifies special needs students and assigns a special education case manager to each student.

The District uses a Response to Intervention (RTI) program prior to a student being placed on an Individual Education Plan (IEP). The RTI brings the student's teacher, parent, and a psychologist together to determine whether the student needs an IEP.

The District's strategic plan, "The Bridge to Excellence," details goals, strategies, and action steps specific to its special education program. Special education goals in the plan include:

- To meet the target of 75 percent of students with special needs passing state assessments in reading and math at the elementary level, and 70 percent at the high school level;

- To improve student behavior by increasing discipline referrals in each building – baseline information to be provided by building administrators through use of SWIS⁴ data; and
- To facilitate the learning of special education teachers and parents of students with special needs.

The plan also includes building specific goals for special education.

Practical Ideas for Cutting Costs and Ways to Generate Alternative Revenue Sources (Adsit, 2005) recognizes that the quality of student education depends on the effectiveness of teaching and learning. Reductions in funds could undermine the quality of instruction unless districts take the time to critically examine the issues at stake and establish priorities for decision making. The key is to find the best ways available to improve the effectiveness of curriculum and instruction for the least amount of dollars. Individualized instruction is essential to special needs students and districts need to develop approaches for handling reductions in funds and staff while continuing to meet the needs of the special population.

State statute and regulations and federal law drive many special education costs. However, opportunities exist to reduce these costs. The Joint Annual Conference of the Illinois Association of School Boards, Illinois Association of School Administrators, and Illinois Association of School Business Officials, in their *Special Report of the 2003 Joint Annual Conference* (2004) discuss methods of controlling special education costs. Examples of methods districts could increase efficiency and reduce special education costs involved:

- Monitoring student progress frequently;
- Using interventions in the regular education classroom for at-risk students;
- Increasing non-special education options such as peer mentoring, counseling, and teaching of study skills;
- Providing the least restrictive environment;
- Increasing curricular flexibility;
- Hiring flexible teachers;
- Complying with state and federal regulations;
- Looking for prevention interventions; and
- Providing high quality early education programs.

⁴ The **School-Wide Information System (SWIS)** is a web-based information system designed to help school personnel to use office referral data to design school-wide and individual student interventions.

In light of the current funding environment for education in the State of Ohio, LMLSD should consider the costs and benefits of bringing special education services in house, as well as reviewing current special education programs to prepare for potential changes to State requirements and funding models. The information from these assessments will enable the District to make the appropriate decisions regarding its special education program in a cost effective and timely manner.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

Summary of Financial Implications for Human Resources

Recommendations	Annual Cost Savings
R3.2 Discontinue pick-up on the pick-up for exempt staff.	\$233,000
Total Financial Implication	\$233,000

Source: AOS Recommendations

Facilities

Background

This section focuses on the maintenance and operations (M&O) of facilities in the Little Miami Local School District (LMLSD or the District), including assessments of staffing levels, planning efforts, expenditures, policies, and operating procedures. The District's operations were evaluated against leading practices, peer districts,¹ and operational standards derived from the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), the International Sanitary Supply Association (ISSA), the United States Department of Energy (DOE), the Government Finance Officers Association (GFOA), and other school districts.

LMLSD operates and maintains eight buildings, including five school buildings, two administrative buildings, and a transportation garage. The school buildings in operation in FY 2008-09 were Morrow Elementary, Harlan-Butlerville Elementary, Hamilton-Maineville Elementary, Little Miami High School, and a building housing Salem Elementary, Little Miami Intermediate School, and Little Miami Junior High School. In addition, the District leased space in the basement of Grace Church where it operated a Kindergarten Annex containing preschool and kindergarten programs. However, LMLSD ceased leasing Kindergarten space in FY 2009-10.

During the audit, the District was in the midst of a construction project that began in 2006. The project included the addition of a wing to the High School and construction of two buildings; a Junior High School and an Intermediate School. Because of the new construction and the failure of a May 2009 levy, the District proposed to proceed with plans to open the two new buildings and close two of the older buildings—Morrow and Harlan-Butlerville elementary schools. The District also owned several modular buildings that it used at Hamilton-Maineville Elementary, Morrow Elementary, and the high school. The modular buildings were used for various purposes including classrooms, storage, in-school suspensions, and offices. During the course of this performance audit, the District disposed of all but four of its modular buildings, and repurposed the remaining ones for office space and other general purpose use.

Enrollment & Capacity

LMLSD is a high growth district and its enrollment has increased substantially over the past decade. Because of the rapid growth of its student population, accommodating its enrollment is an important issue for LMLSD. The growing student population not only affects facilities and

¹ See the executive summary for a list of the peer districts.

space constraints, but also impacts direct service provision (see **human resources**). **Table 4-1** presents LMLSD's ten-year enrollment history for FY 1998-99 through 2008-09.

Table 4-1: LMLSD Ten-Year Enrollment History

Year	Total K-12 Students	Student Difference from Prior Year	% Student Difference from Prior Year
1999-00	2,626	97 ¹	3.8%
2000-01	2,707	81	3.1%
2001-02	2,825	118	4.4%
2002-03	3,028	203	7.2%
2003-04	3,198	170	5.6%
2004-05	3,421	223	7.0%
2005-06	3,598	177	5.2%
2006-07	3,761	163	4.5%
2007-08	3,940	179	4.8%
2008-09	4,252	312	7.9%

Source: ODE historical enrollment

¹ FY 1998-99 enrollment was 2,529.

As shown in **Table 4-1**, LMLSD's enrollment has shown a steady increase between FY 1999-2000 through FY 2008-09. The highest change from the previous year was in FY 2008-09 with a 7.9 percent increase, or 312 students. The average increase from FY 1999-00 to FY 2008-09 was 6.8 percent. Based on trends in housing starts and migration into the District, LMLSD's enrollment is projected to increase at a relatively constant rate over the next several years. **Table 4-2** presents District enrollment projections for the next five years.

Table 4-2: LMLSD Five-Year Enrollment Projection

Year	Total K-12 Students	Student Difference from Prior Year	% Student Difference from Prior Year
2009-10	4,497	245	5.8%
2010-11	4,827	330	7.3%
2011-12	5,181	355	7.3%
2012-13	5,535	354	6.3%
2013-14	5,939	404	3.9%

Source: AOS modified cohort survival methodology.

Note: This methodology projects enrollment by computing the estimated size of each grade for the next immediate year from the size of the present year's next lower grade.

Table 4-2 indicates that the District's enrollment will continue to increase, gaining an average of 337 students per school year. As a result, LMLSD will need to prepare for the addition of over 1,500 students in the next five years. The District has developed its own enrollment projection, which uses a consistent increase of 250 students in each of the next 5 years.

LMLSD capacity and utilization rates are illustrated in **Table 4-3**. AOS uses a standard methodology for calculating school building capacity derived from DeJong and Associates, that

is often employed by educational planners.² Report users should be aware that utilization rates are considered to be at an optimal level when building occupancy is about 85 percent of design capacity.

Table 4-3: Capacity and Utilization Rate FY 2008-09

Building	Functional Capacity	Enrollment	Building Utilization Rate
Harlan-Butler Elementary (K-4)	284	219	77.1%
Morrow Elementary (K-4)	609	585	96.1%
Hamilton-Maineville Elementary (K-4)	668	625	93.6%
Salem Elementary (K-4) ¹	634	439	69.2%
Intermediate / Junior High School (5-7) ²	879	955	108.7%
High School (8-12) ³	1,559	1,435	92.0%
Total	4,633	4,258	91.9%

Source: District floor plans, building tours, and interviews; October 2008 enrollment count (adjusted enrollment to reflect configuration of buildings).

Note 1: Includes classroom capacity of modular units.

Note 2: Salem Elementary, and the Intermediate/Junior High school are housed in a single building. When all available classroom space is considered, the overall utilization rate for the building is 92.1 percent.

¹ Includes kindergarten classes at basement annex leased at Grace Church.

² Enrollment has been adjusted to match the configurations of building as 8th grade students attend classes in the high school building.

³ High school enrollment is reduced by 30 students who attend the vocational school.

As noted in **Table 4-3**, the District has an overall utilization rate of 91.9 percent in FY 2008-09, which is higher than the 85 percent utilization rate considered optimal. LMLSD predicted this high space utilization and is completing construction projects on a new junior high school and a new intermediate school which will be opened for the 2009-10 school year. The new buildings will help address the space needs of the growing enrollment within the District. **Table 4-4** reflects the capacity and utilization rates of the new buildings including a projected enrollment estimate for FY 2009-10.

² The capacity for elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students, the number of kindergarten and preschool rooms by 25 students for all day programs (by 50 for half-day programs), and the number of special education classrooms by 10 students. The capacities for each (elementary, kindergarten/preschool, and special education) are then totaled to arrive at the capacity for the building. Classrooms used for gym, music, art, library, and computer labs are set-asides and excluded from the number of rooms used in the calculation. The capacity for middle schools and high schools is calculated by multiplying the number of regular classrooms by 25 students and special education classrooms by 10 students, and then multiplying the rest by an 85 percent utilization factor. The 85 percent utilization rate benchmark is used to determine if the buildings are over or under utilized. The utilization rate is then calculated by dividing enrollment by the building capacity.

Table 4-4: Projected Capacity and Utilization Rate FY 2009-10

Building	Functional Capacity	Enrollment	Building Utilization Rate
Harlan-Butlerville Elementary	<i>closed</i>		
Morrow Elementary	<i>closed</i>		
Hamilton-Maineville Elementary (K-3)	668	552	82.6%
Salem Elementary (K-3) ¹	1,343	1,112	82.8%
<i>new</i> Intermediate School (4-5) ²	909	721	79.3%
<i>new</i> Junior High School (6-7)	914	669	73.2%
High School (8-12) ³	1559	1443	92.6%
Total	5,393	4,497	83.4%

Source: District floor plans, building tours, and interviews; AOS enrollment projections for FY 2009-10.

Note: Includes classroom capacity of modular units.

¹ Annex is to no longer be leased and all kindergarteners will attend Salem.

² Adjusted enrollment to match configurations of building; 8th grade students will continue to attend high school.

³ High school enrollment is reduced by 30 students attending vocational.

The table above shows that the District would be at 83.4 percent capacity after the closure of its two older buildings and the opening of its new facilities. The additional space in the new facilities will provide a temporary relief in LMLSD's capacity concerns and help it accommodate some further increases in enrollment.

Staffing

The LMLSD Maintenance Department is managed by the Maintenance Supervisor, who reports directly to the Director of Administrative Services under the Superintendent. Two maintenance technicians and a Facilities Planner report to the Maintenance Supervisor. The District also has 21 full-time custodians. While the custodians report to building principals, the Director of Administrative Services is responsible for planning related to staffing of buildings and conducts inspections. The Maintenance Supervisor and Facilities Planner are responsible for directing and overseeing much of the personnel and administrative issues such as leave and timesheets for custodians. While principals provide some oversight and direction to custodians in the buildings, the District appears to lack clarification of these relationships.

Table 4-5 presents the staffing of the LMLSD Maintenance Department, including custodial services.

Table 4-5: Maintenance and Custodial Staffing

Position	Staff Count	Full Time Equivalent (FTE)
Maintenance Supervisor	1	0.3
Maintenance Technician ¹	2	2.7
Facilities Planner ²	1	1.0
Custodian	21	21.0
Total	25	25.0

Source: LMLSD EMIS data

¹ Maintenance technician includes 0.7 FTE for technical work performed by Maintenance Supervisor.

² The Planner position will be eliminated in August 2009.

As shown in **Table 4-5**, LMLSD has one Maintenance Supervisor spending approximately 30 percent of time (or 0.3 FTE) on administrative duties such as payroll and purchase orders and the remaining time on responding to technical issues. In addition, the District has two maintenance technicians. In FY 2008-09, the District eliminated the full-time groundskeeping position and these duties were assumed by the maintenance technicians. Although a full-time administrative position of Facilities Planner existed during the course of this audit, the District intends to eliminate this position in August 2009. The planner position coordinated billing for facility usage, handled personnel issues for custodians and maintenance technicians, and managed scheduling and other office duties. According to District administrators, these functions will be assumed by the Maintenance Supervisor and will likely reduce the percentage of time the Supervisor responds to technical issues.

Key Statistics

Key statistics used to assess staffing levels based on FY 2008-09 data are presented in **Table 4-6**.

Table 4-6: Maintenance and Custodial Staffing Levels FY 2008-09

Key Statistics	
Number of Buildings ¹	8
Square Feet Maintained & Cleaned ²	442,479
Workload Comparison	
Maintenance Standard - AS&U Cost Survey National Median ³ (Sq. Ft. per FTE)	95,000
LMLSD Maintenance Staff Square Footage Maintained	163,881
Custodial Standard - NCES Planning Guide ⁴ (Sq. Ft. per FTE)	29,500
LMLSD Custodial Square Footage Cleaned	21,070
• Little Miami High School	34,286
• Little Miami Junior High	14,885
• Little Miami Intermediate	25,511
• Harlan Butlerville Elementary	16,430
• Hamilton Maineville Elementary	11,588
• Morrow Elementary	16,372
• Auxiliary Buildings	4,622

Source: LMLSD, NCES, and AS&U Magazine.

Note 1: Salem Elementary is not included as it is located with the Junior High and Intermediate schools and shares custodians.

Note 2: Totals may vary due to rounding.

¹Includes 5 school buildings, 2 administrative buildings, and a transportation garage.

² Square feet maintained includes all major buildings and auxiliary facilities maintained by the District. Custodians routinely clean boiler rooms and were therefore identified as responsible for the entire square footage of the building.

³ The AS&U study is based on a national survey which is released in April each year.

⁴ According to the NCES, 28,000 to 31,000 square feet per FTE custodian represents a Level 3 cleanliness standard and is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose health issues.

Table 4-6 shows that LMLSD has staffing efficiency variances in comparison to national benchmarks. The District has maintenance staff working at a level exceeding the national median. This level is the result of several staffing reductions. In contrast, the District operates with an overall custodial productivity level of 21,100 square feet per FTE, 28.6 percent less than the benchmark of 29,500 square feet in FY 2008-09.

Because of the construction project, the District will experience changes in its maintenance and operations activities. In some respects, these changes will be significant. **Table 4-7** reflects the projected workload if staffing levels remain unchanged in FY 2009-10.

Table 4-7: Projected Maintenance and Custodial Staffing Levels FY 2009-10

Key Statistics	
Number of Buildings ¹	8
Square Feet Maintained & Cleaned ²	587,326
Workload Comparison	
Maintenance Standard - AS&U Cost Survey National Median ³ (Sq. Ft. per FTE)	95,000
LMLSD Maintenance Staff Square Footage Maintained	217,528
Custodial Standard - NCEs Planning Guide ⁴ (Sq. Ft. per FTE)	29,500
LMLSD Custodial Square Footage Cleaned	27,968

Source: LMLSD, NCEs, and AS&U Magazine.

Note: Totals may vary due to rounding.

¹Includes 5 school buildings, 2 administrative buildings, and a transportation garage.

² Square feet maintained includes all major buildings and auxiliary facilities maintained by the District. Custodians routinely clean boiler rooms and were therefore identified as responsible for the entire square footage of the building.

³ The AS&U study is based on a national survey which is released in April each year.

⁴ According to the NCEs, 28,000 to 31,000 square feet per FTE custodian represents a Level 3 cleanliness standard and is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose any health issues.

Although the change in configuration will improve the workload efficiency of the custodial functions, LMLSD could potentially increase the efficiency further through changes in its staffing levels and its operational procedures. (See also **R4.5**.)

Financial Data

Table 4-8 summarizes District expenditures used to maintain and operate its facilities for FY 2005-06 through FY 2007-08.

Table 4-8: Historical Expenditures for Facilities

Cost Category	FY 2005-06	FY 2006-07	Percent Change	FY 2007-08	Percent Change
Salaries and Wages	\$997,526	\$1,079,186	8.2%	\$1,022,781	(5.2%)
Benefits	\$356,654	\$394,550	10.6%	\$429,850	8.9%
Purchased Services ¹	\$1,023,375	\$1,063,636	3.9%	\$1,141,921	7.4%
Supplies and Materials	\$140,007	\$179,499	28.2%	\$169,437	(5.6%)
Capital Outlay	\$6,409	\$16,601	159.0%	\$42,590	156.5%
Other	\$26,809	\$26,571	(0.9%)	\$26,982	1.5%
Total	\$2,550,781	\$2,760,043	8.2%	\$3,085,589	11.8%

Source: LMLSD year-end BUDSUM financial records for Fund 001 and 003.

Note 1: Totals may not sum due to rounding.

Note 2: The *Other* category is for sewer assessments which represent a fixed cost and remain stable from year to year.

¹Purchased services also included \$252,029 for energy conservation investments for HB 264 projects which are not shown in this table.

As shown in **Table 4-8**, total facility expenditures increased by 8.2 percent in FY 2006-07 and by 11.8 percent in FY 2007-08. Explanations for significant variances include the following:

- **Salaries and Wages:** Salaries increased by 8.2 percent in FY 2006-07 from the previous year and decreased by 5.2 percent in FY 2007-08. Although the District has been reducing staff, it had an increase in sick leave usage, substitute salaries, and overtime usage in FY 2006-07 that contributed to additional expenditures. In FY 2007-08, the District did not use summer workers which reduced its costs.
- **Benefits:** Changes in this category are consistent with salary changes. This category is discussed separately in **human resources**. The majority of this increase is due to a 26.9 percent increase in health insurance premiums over the three year period.
- **Purchased Services:** This category increased 3.9 percent in FY 2006-07 from the previous year and 7.4 percent in FY 2007-08. The majority of this increase is due to the construction and renovation of three buildings during the past three years. Specifically, the cost is for repair services which is paid from the District's Permanent Improvement Fund (Fund 003).
- **Supplies and Materials:** Expenditures increased by a significant 28.2 percent in FY 2006-07 and decreased by 5.6 percent in FY 2007-08. Custodial supplies are relatively stable between FY 2005-06 and FY 2006-07, and the increase is in miscellaneous purchases which were described as maintenance supplies. The decrease in FY 2007-08 is almost exclusively due to a reduction in purchases of custodial supplies.

- Capital Outlay:** Expenditures in this category have increased and are influenced by the new construction projects. In FY 2007-08, purchases included \$21,500 for cafeteria shelving, \$8,800 for mowers, and \$4,500 for vacuums. However, capital outlay amounts to only 1.3 percent of total facilities expenditures in FY 2007-08.

Table 4-9 compares LMLSD’s expenditures per square foot to the American School and University (AS&U) national median and the peers. Expenditure categories that exceed the AS&U national median may indicate operational inefficiencies and may represent opportunities for cost reductions.

Table 4-9: Expenditures per Square Foot, FY 2007-08

Cost Area	LMLSD Expenditure	Per Square Foot						
		LMLSD Per Square Foot	AS&U National Median	Dollar Difference vs. AS&U - Over (Under)	Percent Difference vs. AS&U	Peer Average	Dollar Difference vs. Peers	Percent Difference vs. Peers
Salaries & Benefits	\$1,452,631	\$3.28	\$2.05	\$1.23	60.1%	\$2.68	\$0.60	22.4%
Purchased Services ¹	\$247,477	\$0.56	\$0.61	(\$0.05)	(8.3%)	\$0.63	(\$0.07)	(11.1%)
Energy ²	\$706,397	\$1.60	\$1.25	\$0.35	27.7%	\$1.70	(\$0.10)	(5.9%)
Utilities ³	\$215,029	\$0.49	\$0.27	\$0.22	80.0%	\$0.10	\$0.39	390.0%
Equipment & Supplies ⁴	\$212,026	\$0.48	\$0.38	\$0.10	26.1%	\$0.34	\$0.14	41.2%
Total General Fund	\$2,833,560	\$6.40	\$4.56	\$1.84	40.4%	\$5.56	\$0.84	15.1%

Source: District BUDSUM financial reports for Fiscal Year 2007-08, AS&U 37th Annual Cost Study 2008 (The AS&U study is based on a national survey which is released in April of each year.)

Note: Totals may not sum due to rounding.

¹ For comparison to AS&U, energy and utilities (including trash and telephone) were excluded from District's object code for purchased services (400). Includes comparison to AS&U's "outside contract labor" and "other" categories. District investment in energy conservation repairs under HB 264 was excluded from comparison.

² Energy represents District's object codes for electricity (451), gas (453), oil (455), or other (459) fuel costs.

³ Utilities represent District's object codes for water and sewer (452), telephone (440), and trash disposal (422) costs and includes comparison to AS&U's "utilities" and "trash collection/ disposal" categories.

⁴ Equipment and supplies represent the District's object codes for supplies and materials (500) and capital outlay (600-700).

As shown in **Table 4-9**, LMLSD’s overall spending per square foot is 40.4 percent higher than the AS&U national median. While the District is higher in energy costs than the national median, this is likely due to variations in regional costs as the District was lower than peers in energy expenditures per square foot. (See **R4.7** for a detailed analysis of energy management.) A comparison of District expenditures to peer district averages in other cost areas shows that

LMLSD's expenditures per square foot are higher than the peers in salaries, benefits, and supplies and materials.

Supplies and materials expenditures in the M&O Department are divided into custodial (janitorial) supplies and maintenance materials. The District uses a centralized system for purchasing and distributing custodial supplies. While there are not strong controls over this requisition process, custodial supply expenditures have decreased in each year over the past three years. In contrast, the expenditures in the area of maintenance materials increased consistently during the same period. Though LMLSD has established internal controls for purchases of high dollar maintenance equipment, the District does not have a system in place for tracking smaller purchases related to maintenance activities.

Audit Objectives for the Facilities Section

The following is a list of the audit objectives used to evaluate the District's custodial, maintenance, and groundskeeping operations:

- What are the District's costs for facility maintenance and operations and how does it compare to benchmarks?
- What is the M&O Department's organizational structure and staffing levels and how does it compare to best practices?
- Does the M&O Department have operational procedures, standards, and measures that meet leading practices?
- Are District energy management practices comparable to leading practices?
- Would enrollment trends suggest the District change how it plans to use its buildings?
- Does the District meet leading practices for planning and maintaining its facilities?
- Does the District have an effective and equitable system for managing maintenance needs?

The District has trained staff on mandated issues and provided additional training on cleaning processes and new equipment, which helps increase the efficiency of the M&O staff and is a recommended practice. In addition, LMLSD follows leading practices for security and safety planning.

Recommendations

Facilities Planning

- R4.1 LMLSD should establish a formal preventive maintenance (PM) plan that incorporates existing PM activities and is linked to the District's work-order system. The PM plan should be based on informal activities already in place, ensuring that all necessary repairs, equipment replacement, and routine maintenance are completed as recommended by the manufacturer.**

LMLSD uses building audits (periodic inspections of buildings) to identify preventative maintenance (PM) issues. Identified issues are prioritized and tracked by the Director of Administrative Services. In addition, maintenance technicians conduct routine PM activities such as changing filters and greasing motor bearings. Routine PM usually occurs once a month but the tasks are not formally documented and are conducted based on the knowledge and experience of maintenance staff. Since the District will be opening two new buildings during FY 2009-10 and its maintenance staff does not have experience with more modern HVAC equipment, it has considered contracting for PM services for HVAC equipment.

Building audits create a system for identifying PM activities on an annual basis, which reduces the risk of large, unexpected facility maintenance issues. By reviewing the condition of its buildings, LMLSD can estimate the cost of future building needs and gain an understanding of the life cycle of major equipment and facilities.

Planning Guide for Maintaining School Facilities (NCES, 2003) recommends that all districts have formal PM programs focused on regularly scheduled equipment maintenance to prevent sudden unexpected equipment failure. NCES notes that many school districts practice "breakdown maintenance," whereby maintenance problems are fixed as they occur. This method often defers major repairs and allows damage to compound over time. A well-designed facility management system generally encompasses four categories of maintenance: including emergency (or response), routine, preventative, and predictive. Maintenance tasks should be scheduled through the work order system and are typically based on manufacturer recommended service intervals. *Best Practices: Maximizing Maintenance* (FacilitiesNet, 2003) suggests that a leading practice is for 30 percent of work orders to be based on PM activities.

Though routine buildings audits provide LMLSD with an advantage in identifying facility needs, not formalizing routine work limits the documentation of resources spent on routine tasks. Furthermore, it limits the District's ability to ensure that the staff is following policies recommended by the manufacturers or required by warranties. By

documenting time and materials used for all PM types of activities, the District can incorporate this information into planning purposes and ensure that all required work is being completed. A computerized maintenance management system (CMMS) would provide preventive maintenance scheduling; maintenance cost and repair time tracking to District administration to assist with strategic management decisions (see **R4.6**).

R4.2 LMLSD should develop plans to address its future need for additional classroom space. Increased enrollment is expected to exceed FY 2009-10 configurations within the next few years, which will lead to overcrowded classrooms. By implementing plans to address its capacity issues, the District will be able to evaluate alternatives and select the most appropriate option for its stakeholders.

Although **Table 4-4** illustrates a brief respite in high building utilization in FY 2009-10, rapid growth in enrollment will cause LMLSD to exceed optimal capacity in FY 2010-11. An analysis of the five year enrollment projections and their impact on utilization is presented in **Table 4-10**.

Table 4-10: Projected Utilization Rates FY 2009-10 to FY 2013-14

Fiscal Year	Functional Capacity	Enrollment	Building Utilization Rate
FY 2009-10	5393	4,497	83.4%
FY 2010-11	5393	4,827	89.5%
FY 2011-12	5393	5,181	96.1%
FY 2012-13	5393	5,535	102.6%
FY 2013-14	5393	5,939	110.1%
<i>Proposed - Reopen Harlan Butlerville Elementary in FY 2010-11</i>			
FY 2010-11	5677	4827	85.0%
FY 2011-12	5677	5181	91.3%
FY 2012-13	5677	5535	97.5%
FY 2013-14	5677	5939	104.6%
<i>Proposed - Reopen Morrow Elementary in FY 2010-11</i>			
FY 2010-11	6002	4827	80.4%
FY 2011-12	6002	5181	86.3%
FY 2012-13	6002	5535	92.2%
FY 2013-14	6002	5939	99.0%
<i>Proposed - Reopen Harlan-Butlerville in FY 2010-11 and Morrow Elementary in FY 2011-12</i>			
FY 2010-11	5677	4827	85.0%
FY 2011-12	6286	5181	82.4%
FY 2012-13	6286	5535	88.1%
FY 2013-14	6286	5939	94.5%

Source: District floor plans, building tours, and interviews; AOS enrollment projections

As noted in **Table 4-10**, LMLSD will exceed optimal utilization as early as FY 2010-11 if it chooses to maintain its planned FY 2009-10 configurations without changes. **Table 4-10** also includes the option of reopening each of the old buildings. Harlan-Butlerville

Elementary only has a functional capacity of 284 and thus reopening this building would only delay capacity issues for about a year. Alternatively, reopening Morrow Elementary in FY 2010-11, a building with a capacity of 609, would delay severe capacity issues for at least one year and provide some measure of relieve through the five-year period. However, even if it reopens both closed buildings, the District would exceed an 85 percent utilization rate during the five-year period. Furthermore, the projections in **Table 4-10** are presented on a District-wide basis and do not show building-by-building fluctuations which could cause severe capacity issues at an earlier point in time.

According to *Educational Facility Master Planning* (SchoolFacilities.com, 2005), properly portraying building utilization and capacity is an important tool by which a district can convey to its community its efficient use of its buildings. Yet, understanding utilization and capacity and translating it clearly to the public can be a difficult task. *Defining Capacity* (DeJong and Associates, 1999) notes that exceeding 85 percent of utilization makes scheduling difficult because of the limited availability of classroom space.

Exceeding optimal utilization of a building can affect the educational program by making scheduling more difficult and increasing class sizes. In addition, all staff will have difficulty in properly maintaining the facility. This can lead to accelerated wear-and-tear of the building.

As enrollment is projected to continue increasing at a rate similar to historical averages, the District will need to consider options to address capacity issues. Possible alternatives include constructing another new building, lease additional space or modularity, aggressively reconfiguring building space to maximize the classroom usage, or reopening one or both of the buildings planned for closure.

An option that is gaining support is building renovation and reuse. In the article, “Well-Constructed Buildings Can Last Indefinitely With Systematic Renovations,”³ the Council of Educational Facility Planners International makes the following points:

- Keeping schools in older neighborhoods is inherently better for the environment because it takes advantage of existing infrastructure and public transportation;
- Compact building design preserves land;
- Rehabilitating older buildings reduces the need to manufacture new steel and other building materials; and
- Historic school buildings can usually be renovated to state-of-the-art educational standards at less cost than new construction.

³ Article published in the document, “Renovate or Replace: The case for restoring and reusing older school buildings” from the Pennsylvania Department of Education and the Pennsylvania School Board Association

Systematic renovations of current buildings should be an important component of the facility master plan included in the District's strategic plan.

R4.3 LMLSD should implement formal performance evaluation and staffing standards linked to quantifiable benchmarks that measure the overall efficiency and effectiveness of maintenance and operations activities. By developing formal performance measures, the District can consistently evaluate and track the performance of the Department.

LMLSD considers performance standards such as job expectations and square footage in staffing decisions and during contract negotiations. Due to the District's projected deficit and subsequent staff reductions, LMLSD has repeatedly adjusted many of these target measures to reflect District needs. The Director of Administrative Services has sent memoranda to staff to indicate changes in expectations. In addition, the Director conducts various building assessments and inspections that reflect on the quality of work of the respective employee responsible for those areas. Although the District informally uses these assessments, it has not established a formal set of recognized performance standards. Furthermore, though the District references staffing square footage estimates, these are based on an analysis provided by a private custodial company. The District has not verified the estimates. Furthermore, the District has not created the more formal and rigorous quantifiable levels of performance measures as demonstrated through leading practices.

Best Practices in Public Budgeting (Government Finance Officers Association, 2000) recommends that organizations develop and utilize performance measures for functions, programs, and/or activities. Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable terms. Measures should be reported in periodic reviews of functions and programs and should be integral to resource allocation decisions.

Planning Guide for Maintaining School Facilities (NCES, 2003) recommends that management must:

- Establish goals;
- Create an evaluation instrument (e.g., a checklist);
- Be as detailed and specific as possible;
- Define the performance scale (e.g., 0 = poor to 5 = excellent);
- Be flexible (i.e., acknowledge extraordinary circumstances when they arise);
- Convey expectations to affected staff people; and
- Review the performance standards on a regular basis (e.g., annually).

According to *A Game Plan for Productivity: Tactics for Holding Down Labor Costs and Helping the Bottom Line* (FacilitiesNet, 1999) a school district can experience savings as maintenance and operations managers measure the productivity of the custodial function and increase the productivity of the people that perform these activities. Facilities managers who apply recommended practices can increase the productivity of their custodial operations by 10 to 25 percent and decrease the overall labor budget. Productivity measures should include the following:

- Square feet cleaned per hour or per shift;
- Costs per square foot to clean a facility;
- The quality of service;
- Definitions for productivity and performance; and
- Customer input.

Without a formal set of performance standards for measuring the Maintenance Department, the District limits its ability to evaluate staff and organizational performance objectively. Evaluating the operation through objective criteria can establish a baseline performance measure that can then be used for comparing whether changes affect operational performance. Implementation of performance standards and measures, coupled with formal job expectations (see **R4.4**), could raise the level of service provided by the M&O Department or maintain the service level while reducing costs. By establishing documented statistics, the District would be able to provide consistent feedback on the efficiency and effectiveness of maintenance and custodial operations

Staffing and Operations

R4.4 LMLSD should develop and implement written procedures for maintenance and custodial operations. Handbooks for maintenance and custodians should include specific instructions on the performance of routine and non-routine tasks and directions on any equipment to be used in completing the tasks. In creating procedure manuals, the District could use current job descriptions and assignment lists for custodians. This will help LMLSD effectively communicate management expectations as to the quality of work and performance. Once developed, the handbook can be used as a training tool and should be updated when procedures change.

LMLSD uses job descriptions and written memoranda as a basis for guiding staff responsibilities and functions, but the District does not compile the information into comprehensive handbooks for either maintenance or custodial staff. Custodial job descriptions provide information on job responsibilities, identified by building and shift. Descriptions include an inspection form listing specific duties and an evaluation checklist.

Because of recent staff reductions, the District has increased communications with staff in order to explain related changes in responsibilities and job expectations. The Director of Administrative Services sends memoranda to M&O Department staff describing cleaning areas, responsibilities, and specific shift assignments in an effort to increase productivity. Like the job descriptions, custodial responsibilities are the focus of the memos.

While the job descriptions and memoranda provide guidance, these types of lists do not include specific procedures for performing custodial or maintenance tasks or guidance on the use of equipment as recommended by leading practices. With experienced maintenance staff, the District has not traditionally created written manuals and has instead conveyed maintenance procedures through informal methods.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), every maintenance and operations department should have a policies and procedures manual that governs day-to-day operations. The manual should be readily accessible (perhaps via Intranet or Internet) and written at a level consistent with the reading ability of department members. NCES suggests that at a minimum, the manual should include:

- Mission statement;
- Personnel policies;
- Purchasing regulations;
- Accountability measures;
- Asbestos procedures;
- Repair standards;
- Vehicle use guidelines;
- Security standards; and
- Work order procedures.

The Association of School Business Officials International has also developed a *Custodial Methods and Procedures Manual* (ASBO, 2000) which serves as a guideline for the development of standard operating procedures. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, cleaning procedures, and work methods for various job tasks.

The International Sanitary Supply Association (ISSA) has developed a handbook designed to help train and guide custodians. The handbook details the correct cleaning methods as well as the proper use of custodial equipment and offers guidelines and tips on the following:

- Floor finish application;

- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

The custodial and maintenance procedures manuals used by Lancaster City School District and Oregon City School District are considered industry standards. Both manuals provide details on areas of responsibility, including equipment use and general expectations. In addition, Oregon City School District has developed extensive scheduling, workload, and staffing expectations based on ISSA guidelines. Furthermore, at the time auditors examined the districts, Mansfield City School District and Oregon City School District custodians cleaned 32,000 and 39,000 square feet per custodian respectively with no negative impact on building conditions. These districts were able to enhance efficiency and achieve a high workload through the standardization of procedures, formal feedback, and additional training.

Developing and incorporating policy and procedures manuals and standards for all M&O Department staff will help ensure more efficient and effective cleaning. An M&O handbook will help effectively communicate management expectations as to the quality of work and performance standards. Written policies and procedures would also help ensure that issues are managed in a consistent manner. LMLSD could implement this recommendation at little additional cost to the District.

R4.5 LMLSD should consider eliminating 1.0 FTE in custodial position in order to bring M&O Department staffing closer to the productivity benchmark of 29,500 per FTE and reduce its salary and benefit costs.

Based on **Table 4-7**, the District operates with an overall custodial productivity level of about 27,968 square feet per FTE, 5 percent less than the benchmark of 29,500 square feet per FTE. Because of the lower workload, LMLSD is projected to spend more in salaries and benefits than is necessary to clean the District's square footage. In order to increase productivity to a level more in line with national standards, the District should consider reducing custodial staffing by 1.0 FTE.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) states that a range between 28,000 and 31,000 square feet per custodial FTE allows school districts to maintain a level 3 of cleanliness. According to NCES, a Level 3 cleanliness is the norm for most school facilities, is acceptable to most stakeholders, and does not pose any health issues.

Without consistent performance standards, LMLSD has developed its staffing levels based on informal assessments of facility needs. Aligning staffing with suggested national targets will assist the District in maintaining more efficient staffing levels. Further, the cost savings will allow the District to reallocate funding to educational programming or to alleviating future General Fund deficits.

Financial Implication: If the District chooses to eliminate the FTE position, it would save approximately \$45,300 in salaries and benefits in FY 2009-10.

R4.6 LMLSD should implement its computerized maintenance management system (CMMS) to help improve management of its facility maintenance program. In addition, the implementation of the system should be accompanied by written procedures that specify how to prioritize and schedule emergency, health and safety, preventative maintenance, and unscheduled requests. A clear written standard will ensure District staff is aware of how requests are prioritized and that all emergency issues are responded to appropriately.

A CMMS automatically schedules and tracks preventive maintenance activities (see R4.1), prioritizes multiple work requests, and helps anticipate needed facility maintenance, equipment repairs and replacements. A CMMS also tracks and monitors the amount of supplies and materials used on a project, the cost of labor (including staffing levels and overtime use), and the productivity and performance of assigned personnel. By tracking maintenance activities, CMMS users can review productivity statistics and job completion information.

LMLSD conveys work order requests through email and phone calls. The Facilities Planner creates paper-based work orders by printing and compiling requests. The Maintenance Supervisor pulls the list at the beginning of the workday and divides up the tasks among the technicians. The Maintenance Supervisor uses an informal system of prioritizing work orders by using his experience and knowledge to respond to emergencies. Using this common sense approach to prioritization, the District responds first to all safety issues such as electrical, heating, and plumbing problems. Next, requests are prioritized that would interfere with education if not addressed immediately. Finally, “want” and “concern” requests are handled.

Once the maintenance technician completes the task, he returns to the Department with a signed work order. If maintenance supplies were purchased, documentation of the purchase is sent to the Treasurer. Work order statistics are not compiled, although the Supervisor reports that work orders are typically completed with a 24-hour turnaround. The Supervisor and the Director of Administrative Services informally reviews work orders for patterns and has identified faulty equipment and equipment nearing the end of its life-cycle based on repeated repair requests. Maintenance employees are expected to identify safety issues based on experience and District policies.

The District subscribed to a computerized work order system three years ago. SchoolDude comprises an online facility scheduling application called FSDirect to coordinate planning, insurance, and, where applicable, billing for events across the District. It also includes MaintenanceDirect, an application that streamlines the work order process from request to completion. The District has not implemented the CMMS system because of concerns with reduced staff and training costs. Implementation of the CMMS is part of the District's Strategic Plan, which it placed on hold due to the financial situation. During the audit, several administrators voiced support for the implementation of the CMMS and identified its benefits to the District.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends the development and implementation of a work order system. Work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. At a minimum, a proper work order system should account for the date the request was received, the date the request was approved, a job tracking number, and the job status. NCES states that a good policy is that each building appoints a single person to coordinate internal oversight over that site's work requests.

NCES also recommends that a good work order system should allow the maintenance department to establish job priority status including identifying whether the task is routine, preventative, or emergency in nature. After assigning the status, the work order should be updated in the record so that the person who initiated it can view the status.

The District could use its subscription CMMS to track jobs and reduce administrative steps in the process. This is important to implement since the District is eliminating the current position of Facilities Planner. In addition, a written system for prioritizing work order requests would ensure that District staff is aware of emergency issues and that there is an equitable system for responding to issues. LMLSD could incorporate prioritization procedures into its maintenance manual (see **R4.4**) and implement its CMMS for little additional cost.

Financial Implication: While a CMMS costs approximately \$1,000 for an annual subscription, the District has already subscribed to a service and therefore should incur no additional cost beyond its annual subscription. The vendor also offers free web conference training to support its software.

Energy Management

R4.7 LMLSD should develop and implement an energy conservation program. The program should include training for staff, teachers, and students to inform and promote energy conservation. The District should conduct a review of District facilities to determine possible sources of energy cost savings and should incorporate into its program plans for reducing overall energy consumption.

LMLSD does not have a Board policy on energy conservation but it has implemented energy conservation measures including retrofitting less efficient lighting equipment, installing centrally controlled temperature controls, and incorporating energy efficiency into the design of newer buildings. In addition, the District enforced restrictions on personal electronic appliances. The District surveyed staff about the number of personal electronic appliances and then requested removal of most of these. LMLSD does not have a formal energy conservation training program but has provided information to staff when certain conservation measures have been undertaken. It also has been considering additional measures to increase the level of conservation.

As noted in **Table 4-9**, LMLSD expends 27.7 percent more than the AS&U national median average for energy and utilities per square foot for FY 2007-08. To provide a regional comparison, which takes into account local costs and weather conditions, **Table 4-11** presents a breakdown of the District's FY 2007-08 expenditures by category compared to the peer district averages.

Table 4-11: Peer District Energy & Utilities Expenditures FY 2007-08

Cost Area	LMLSD Expenditures	Per Square Foot			
		Little Miami Expenditures Per Square Foot	Peer Average	Dollar Difference vs. Peers	Percent Difference vs. Peers
Electricity	\$486,646	\$1.10	\$1.15	(\$0.05)	(4.4%)
Water & sewage	\$65,813	\$0.15	\$0.10	\$0.04	43.0%
Gas	\$182,527	\$0.41	\$0.57	(\$0.15)	(27.2%)
Oil ¹	\$37,224	\$0.08	\$0.00	\$0.08	n/a
Energy & Utilities	\$772,210	\$1.75	\$1.80	(\$0.06)	(3.1%)

Source: Financial 4502 report

Note: Totals may not sum due to rounding. Peer districts average an additional \$0.02 in the other category.

¹Comparison in oil expenditures is not appropriate because most districts have phased out use of this type of energy.

Although LMLSD's costs exceed the national average, the District spends 26.3 percent less than peer districts. Specifically, the District was lower in overall costs and, in particular, lower in both electricity and natural gas expenditures. In contrast, the District significantly exceeded the peer districts in water and sewer expenditures, though it tracks expenditures and monitors costs. The assessment in **Table 4-11** indicates that LMLSD is achieving reduced energy expenditures through its conservation measures when compared to its peers.

According to *School Operations and Maintenance: Best Practices for Controlling Energy Costs* (U.S. Department of Energy, 2004), a successful maintenance and operations program will typically achieve savings of between \$0.06 and \$0.30 per square foot in annual utility costs, depending on the program type, aggressiveness of changes, the state of current maintenance and operations practices, and the conditions of plants. First year costs may be somewhat higher if the District purchases software or program equipment or contracts for initial consulting assistance. Costs will be less if substantial assistance is provided by utilities or other parties.

Effective energy management practices have been identified in several Ohio school districts, including Lakota Local School District in Butler County and Mansfield City School District in Richland County. Mansfield City School District implemented an aggressive energy conservation program. It developed energy conservation policies, which were distributed to all employees. All employees were required to participate in the program. Administrators and support personnel (particularly custodians) were invested in the process and enlisted to help ensure its success. The policy not only contained recommended practices outlined in NCES and U.S. Department of Energy publications, but included several other leading practices as well. Some of the stipulations of the policy that exceed recommended practices included the following:

- Controlling temperatures within the range of 74-78 degrees during summer and 68-72 during winter;
- Turning off the lights when areas are unoccupied areas including the gym, auditorium, and cafeteria;
- Turning off exterior lights during the day;
- Eliminating personal electric devices (space heaters, microwaves, hot plates, personal refrigerators, etc) from all buildings;
- Turning off all computers, monitors, printers, etc when not in use; and
- Closing blinds and doors to conserve heat.

The steps outlined in the policy serve to save energy dollars while eliminate energy waste in the district's buildings. The policy also educates students and staff to contribute to energy efficiency in the District.

By developing a formal energy conservation policy and providing training to students and staff, the District would be better able to control all utility costs. This could result in additional cost savings for LMLSD which could be used to reduce its projected deficit.

Financial Implication: By implementing an energy conservation training program, LMLSD should be able to realize additional savings. An aggressive energy conservation policy should allow the District to achieve a savings of approximately \$35,000 per year based on the conservative rate of \$0.06 per square foot.

R4.8 The District should periodically survey facility users to gather information on facility needs and maintenance and custodial performance. By collecting this type of information and sharing the results with staff, the District can improve communications, identify areas for improvement, and assess the performance of the Maintenance Department.

LMLSD does not conduct regular facility user surveys to garner input on facility needs or maintenance and custodial performance. Communications from staff about building conditions are obtained through other means such as the Building Advisory Council and work order requests. This information assists the District in identifying areas for improvement and assessing progress. Although the District uses feedback, the use of surveys would provide an additional means of reviewing and measuring performance.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), school districts should develop and integrate user feedback/ customer satisfaction surveys as an evaluation tool for gathering information on user perceptions of the maintenance program. NCES includes sample questions for surveys of custodial and general maintenance service.

Conducting regular facility user surveys would provide a benchmark on user satisfaction that could be tracked from year to year. The District should consider collecting this type of information so that it can assess the status of its facilities and M&O Department operations and develop strategies to address deficient areas. Furthermore, sharing survey results and changes will improve communication with staff and will help the District address facility-user needs.

Financial Implications Summary

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

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings
R4.5 Eliminate 1.0 FTE custodial position	\$45,300
R4.7 Implement an energy conservation training program	\$35,000
Total	\$80,300

Source: AOS recommendations

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Transportation

Background

The transportation section focuses on Little Miami Local School District's (LMLSD or the District) transportation operations. Operations were evaluated against leading practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), the Ohio Revised Code (ORC), the Ohio Association of School Business Officials (OASBO), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

ORC § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their own students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance.

In response to its deteriorating financial condition, LMLSD reduced its transportation service levels in February 2009. At this time, the District discontinued providing high school transportation service. Prior to this, LMLSD provided transportation to all students, regardless of distance from their school building.

Organizational Structure and Responsibilities

The Transportation Supervisor reports to the Director of Administrative Services, and oversees the Transportation Department and its staff. In August 2008, LMLSD reported a staff consisting of 55 bus drivers, 4 bus aides, 3 mechanics, a router, and a secretary in addition to the Transportation Supervisor.

LMLSD uses Versa Trans routing software to plan its bus routes. In FY 2008-09, LMLSD transferred a computer technician into the router position to manage the routing software. As a result, District officials indicated that routes are now more efficient. Routing parameters are input into the routing software using route time and bus capacity. The Transportation Supervisor prefers that routes are designed to be no longer than 45 minutes.

¹ See the **executive summary** for a list of the peer districts.

School districts in Ohio are required to submit transportation forms (T-forms), which report ridership and cost data to ODE. Submission of this data to ODE is a coordinated effort between the Transportation Supervisor, Router, and Treasurer. Cost data for the T-2 report is derived from the Uniform School Accounting System (USAS). The Treasurer using the ODE SAFE account system reviews T-Form data submitted by the District. LMLSD transportation data contained in these reports was deemed to be reliable.

Operational Statistics

Table 5-1 displays LMLSD's historical transportation operating statistics from FY 2006-07 to FY 2008-09.

Table 5-1: LMLSD Key Operating Statistics

	FY 2006-07	FY 2007-08	Percent Change	FY 2008-09	Percent Change
Enrollment	3,800	3,978	4.7%	4,313	8.4%
Ridership					
Total Yellow Bus Riders	2,850	3,021	6.0%	3,101	2.6%
Buses					
Active Buses	45	52	15.6%	50	(3.8%)
Total Routine Miles	756,000	831,600	3.2 %	861,300	3.6%
Operational Ratios					
Routine Miles per Active Bus	16,800	15,992	(4.8%)	17,226	7.7%
Yellow Bus Riders per Active Bus	63.3	58.1	(8.2%)	62.0	6.7%

Source: LMLSD T-1 and Education Management Information System (EMIS) reports

Table 5-1 shows that the District initially addressed enrollment increases by adding buses to its fleet. In FY 2007-08, LMLSD experienced a 4.7 percent increase in enrollment and added 7 buses to accommodate these additional riders. In FY 2008-09, enrollment increased an additional 8.4 percent. For this year, the District reduced its routes, eliminating two active buses. As a result, routine miles traveled per bus and riders per active bus increased.

Table 5-2 shows key operating statistics for LMLSD in comparison to the peer average.

Table 5-2: FY 2008-09 Key Statistics Comparison

	LMLSD	Peer Average	Percentage Difference
Square Miles	100.0	92.0	8.7%
ODE Enrollment	4,313	4,047	6.6%
Total Students Transported (All Types)	3,220	2,907	10.8%
Yellow Bus Riders (Type I)			
Total Yellow Bus Riders	3,186	2,868	11.1%
Buses and Miles			
Active Buses	50	40	25.3%
Spare Buses	11.0	8.4	31.0%
Annual Routine Miles	823,500	578,664	42.3%
Operating Ratios			
Riders per Square Mile	31.9	76.1	(58.1%)
Yellow Bus Riders per Active Bus	63.7	74.8	(14.8%)
Routine Miles per Active Bus	16,470	15,449	6.6%

Source: LMLSD and peer district T-1 reports and EMIS data as reported to ODE

The ability of a district to utilize the capacity of its buses is a primary measure of the efficiency of a district's transportation function. Districts that have the ability to achieve an optimal number of students per bus usually incur lower overall costs to transport students. **Table 5-2** shows that in FY 2008-09, LMLSD transported approximately 64 riders per bus on a two-tier system (approximately 32 riders per-bus, per-tier). LMLSD transported:

- More students (10.8 percent)
- On more buses (25 percent), but
- Fewer riders per bus (15 percent).

When assessing the efficiency of LMLSD's transportation function, it should also be noted that LMLSD's riders per square mile was significantly less than the peer average (58.1 percent fewer riders per square mile) requiring buses to travel approximately 42 percent more miles.

Expenditure Ratios

Table 5-3 displays LMLSD's historical transportation expenditures as reported in the District's T-2 Reports, grouped into major line items.

Table 5-3: LMLSD Transportation Expenditures

	FY 2006-07	FY 2007-08	Percent Change	FY 2008-09	Percent Change	3 Year Change
Salaries	\$1,266,396	\$1,440,797	13.8%	\$1,432,062	(0.6%)	13.1%
Benefits	\$747,605	\$950,943	27.2%	\$835,886	(12.1%)	11.8%
Maintenance & Repairs	\$213,665	\$263,823	23.5%	\$362,103	37.3%	69.5%
Fuel	\$329,165	\$429,751	30.6%	\$255,032	(40.7%)	(22.5%)
Bus Insurance	\$37,938	\$40,060	5.6%	\$30,114	(24.8%)	(20.6%)
All Other Costs	\$22,188	\$31,968	44.1%	\$29,550	(7.6%)	33.2%
Total Type I Expenditures	\$2,616,957	\$3,157,342	20.6%	\$2,944,747	(6.7%)	12.5%
Total Type III Expenditures	\$2,408	\$3,010	25.0%	\$0	NA	NA
Total Type IV Expenditures	\$0	\$3,936	100.0%	\$3,526	(10.4%)	NA
Total Expenditures All Types	\$2,619,365	\$3,164,288	20.8%	\$2,948,273	(6.8%)	12.6%

Source: LMLSD T-2 Reports

As shown in **Table 5-3**, the District's total Type I expenditures have increased approximately 12.6 percent since FY 2006-07. In each category displayed, expenditure levels increased no less than 27 percent from FY 2006-07 to FY 2007-08. However, significant decreases in benefits, fuel, bus insurance, and other expenses supported the 6.8 percent decrease in FY 2008-09 from the previous year. Significant annual and three year increases were a result of the following:

- **Salaries and benefits** - Increased significantly reflecting the additional bus drivers for buses placed in service to address the increased enrollment between FY 2005-06 and FY 2007-08. Increased staffing levels resulted in an increase in salaries and benefits. A 34 percent increase in health insurance expenditures was the primary cause of the significant increase in benefits costs in FY 2007-08. However, the District did reduce salaries and benefits in FY 2008-09. Health insurance is discussed in **human resources**.
- **Maintenance and repairs** - The rise in costs of maintenance and repairs is also attributed to the increase in buses and routine miles. Included in the maintenance costs are mechanics salaries and purchased goods. LMLSD does not have specific purchasing policies that require the Transportation Department to purchase through consortiums or employ best practice purchasing strategies (see **finance and strategic management**).
- **Fuel** - The District's fuel costs have risen by 30.6 percent from FY 2006-07 to FY 2007-08. This is indicative of the exponential rise in the costs of diesel over the past three years. The District's diesel fueling system is provided by a local company, which owns the above ground tanks and equipment. LMLSD has sought other alternatives and commissioned a proposal to build a fueling system that would be District-owned; however, at this time the District has determined it is cost prohibitive to change its current fueling methods. However, the District cut fuel costs by 40.7 percent from FY 2007-08 to FY 2008-09.

- **Other costs** - The costs have risen by 33.2 percent over the past three years. All other costs include physical examinations, certifications and licensing, training, utilities, and other miscellaneous items. These costs have risen in conjunction with increases in the number of employees.

Table 5-4 shows a comparison of overall transportation costs per rider, per bus, and per routine mile for LMLSD and the peers using the most recent year-end data (FY 2007-08).

Table 5-4: FY 2007-08 Cost Comparison

	LMLSD	Peer Average	Percentage Above(Below)
Per Yellow Bus Rider	\$1,045.13	\$741.29	41.0%
Per Active Bus	\$60,718.12	\$53,282.86	14.0%
Per Routine Mile	\$3.80	\$3.71	2.3%
Transportation Expenditures as a % of Total Governmental Expenditures	4.4%	5.2%	N/A

Source: LMLSD and peer district T reports

As shown in **Table 5-4**, LMLSD's cost per rider and per active bus were both significantly higher than the peer average. Higher costs per bus and per rider reflect the District's low ridership levels. In its *37th Annual Maintenance and Operations Cost Study (2008)*, American School & University (AS&U) found that the average school district allocated 4.9 percent of total expenditures to transportation. Overall, LMLSD uses less of its total expenditures for transportation services when compared to peer and national averages, yet appears to have opportunities to improve efficiency in operational areas based on the cost ratios displayed.

ODE has established an efficiency ratio for each district within the State based on riders per bus in relation to population density. These ratios are compiled in its Pupil Transportation Efficiency Targets report. For FY 2008-09, ODE determined that LMLSD's transportation efficiency ratio of 1.0 matched the State-wide target benchmark of 1.0. LMLSD should monitor the ODE measure as the State's target ratio changes on an annual basis.

Transportation Audit Objectives

The following questions were used to evaluate the transportation operation in LMLSD:

- How does the District’s transportation policy and procedures compare with best practices and impact operations?
- How can the District improve the accuracy and reliability of its transportation data?
- How does the District’s “yellow bus” (Type I) transportation service compare with peer districts and/or industry standards?
- How can the District improve its operating efficiency?
- How can the District improve the cost effectiveness of transportation operations through improved human resource management?
- Is the District effectively and efficiently maintaining and managing its fleet?

The District has decreased human resource costs through re-routing to reduce regular and substitute salary expenditures. In addition, benefit costs have decreased because of changes to health insurance coverage.

Recommendations

R5.1 LMLSD should reduce its fleet by two regular needs buses, bringing its public ridership closer to an optimal utilization level. To achieve this ridership level, LMLSD should conduct frequent ridership counts and recalibrate routes to achieve maximum ridership levels. The District should also design routes that are more efficient by employing options such as increasing route times for routes that fall below average route times and capacity parameters. Lastly, it should use cluster stops and adjust its bell schedules to minimize the timing of its longer bus routes, as well as reduce bus turnarounds that are time consuming and potential safety risks.

If LMLSD is unable to identify additional savings or implement portions of the recommendations contained in this audit, it would reduce up to nine regular needs buses and achieve a cost savings of approximately \$414,000. This assumes full utilization and would require longer ride times and regular rerouting.

LMLSD uses a two tiered system to provide pupil transportation services. The average route time is approximately 40 minutes, although one route exceeds 100 minutes. The District's bell times are staggered at 1.3 hours between the tiers. While LMLSD uses routing software to help design routes, auditors observed that both rural and suburban routes were primarily door-to-door student pick-up and delivery. Also, many stops required difficult bus turnarounds. Overall, LMLSD did not appear to be capitalizing on proven methods to improve routing efficiency and reduce transportation costs.

The District modified its bus services midyear during February 2009 and re-routed its buses to discontinue high school transportation services. Auditors performed a capacity analysis using the new routes and assigned rider head counts.

Actual or "in-use" capacity for a given size of bus under all conditions has not been established by the school transportation industry and this figure is, in some instances, less than "manufacturer rated maximum capacity" (e.g. middle and high school students). However, the National Highway Transportation Safety Administration (NHTSA) and NASDPTS have provided information that can be used to develop capacity guidelines.

- The NHTSA and NASDPTS indicate that a bus can generally accommodate three smaller riders on a standard 39-inch seat based on hip dimensions of fifth percentile adult female test dummy as specified in Federal Motor Vehicle Safety Standard (FMVSS).^[1] The "in use capacity" is generally understood to accommodate three smaller sized (elementary school) children based on the FMVSS but only two children of middle or high school age based on the large

^[1] A 5th percentile adult female dummy is approximately 4-feet 11-inches tall and weighs 102 pounds.

size of the students. Seating may be further limited by specialized equipment or safety seats.

- These organizations recommend states or school districts establish parameters for bus capacity as part of formal policies.
- The National Conference on School Transportation and NHTSA note that the limiting factor in seating capacity is whether there is sufficient room for a seated child to be completely within the seating compartment and fully shielded by the seat in front of them. Federal crash protection requirements state that the interior of large buses must provide occupant protection without the need for seat belts. However, this requires occupants to be fully inside the seating envelope to obtain the full crash-protection benefits of the bus construction.

The North Carolina Department of Public Instruction (NCDPI) has implemented NASDPTS recommendations for states to establish “in use capacity” for school buses. The NCDPI notes that the maximum capacity for grades 9-12 is calculated as the number of seats times two (i.e. two students per seat). The maximum capacity for grades 6-8 is calculated as the number of seats times 2.5, where half of the seats would have two students and half would have three students. The maximum capacity for grades Kindergarten through 5 is calculated as the number of seats times 3 (i.e. three students per seat). Finally, NCDPI cautions districts that they must provide seating within the seating compartment for all students assigned to the bus, whether or not the assigned load reaches the maximum capacity.

For the capacity analysis, auditors apply a benchmark “in use” bus capacity for a 72-passenger bus using 3 elementary students per seat and 2 students per seat for middle and high school students. This capacity is then prorated at 80 percent to accommodate potential ridership fluctuations that occur throughout the year. **Table 5-5** shows the comparison of LMLSD bus utilization to the benchmark “in use” capacity after February 2009 based on all regular bus riders.

Table 5-5: LMLSD Capacity Analysis FY 2008-09

	FY 2008-09
Total Number of Active Regular Buses	37.0
Potential "In Use" Capacity	3,744.0
Potential "In Use" Capacity per Bus	101.2
<hr/>	
District's Number of Regular Type 1 Riders (All Riders)	2,867.0
District Average per Bus (All Riders)	77.5
Number of Buses to Achieve Benchmark "In Use" Capacity	28.3
Number of Buses Over (Under) Benchmark	8.7
<hr/>	
Number of Buses to Achieve 80% Benchmark "In Use" Capacity	35.4
Number of Buses Over (Under) 80% Benchmark	1.6

Source: LMLSD Route Spreadsheet

According to **Table 5-5**, the District operates below benchmark capacity based on average ridership presented in its new route sheets and head counts for FY 2008-09. Based on benchmark "in use" capacity and removing non-public riders and routes from the calculation, the number of buses that can be eliminated is up to nine. Applying an 80 percent factor to accommodate fluctuations in ridership limits the number of buses that could be reduced to two.

Once target "in use" capacity was calculated, auditors compared the actual and potential utilization rates to the ODE target efficiency ratio for the District. ODE calculates optimal ridership for each district in Ohio, but it adjusts its "in use" capacity benchmarks to account for geographic size and configuration (square miles) and population density. It compares its calculations to information reported on the T-1 forms and establishes an "efficiency rating" for each district. The State average ridership ratio is 1.0. **Table 5-5**, shows the calculated targeted efficiency determined by ODE for SLSD in FY 2008-09.

Table 5-6: LMLSD's FY 2008-09 ODE Target Efficiency Ratio

Bus Count	Square Miles	Total Riders > 1 Mile	Riders Per Bus	Density: Riders/Square Mile	Adjusted Target Ridership	Actual Riders/Bus	Ridership Ratio
45	100	3,044	67.6	30.4	67.6	67.6	1.0

Source: ODE FY 2008-09 Targeted Efficiency.

Table 5-6, shows LMLSD's ODE targeted ridership is 67.6 riders per bus. Based on current ridership, ODE calculates LMLSD's efficiency ratio as 1.0 in comparison to similar districts. While this assessment indicates that the District is operating in an efficient manner based on ODE criteria, greater efficiency and additional cost savings could be attained through improved routing practices.

If the District can design its routes to reach 80 percent capacity, the District could potentially reduce two buses. The District may have to extend route times and recalibrate routes on a regular basis to make adjustments for ridership in order to meet recommended capacity. The average route time based on the February 2009 routes is 39 minutes and 53 seconds. This represents an opportunity for the District to increase bus route times that fall under the average in order to reduce the number of buses needed. The District could work with its community in order to design more efficient routes that do not require excessive or time consuming turnarounds and extent bus stops from door to door service to at least the 0.5 mile limitation. By doing so, the District can reduce its costs for providing pupil transportation. As the District implements transportation service changes, it should also consider applicable safety concerns related to service in rural areas.

Financial Implication: LMLSD could save approximately \$92,000 per year by reducing two active buses. This includes savings from reduced salaries, benefits, and overhead costs such as bus insurance.

R5.2 The Board should create a formal transportation policy specifically outlining the District's transportation parameters. This policy should be reviewed and updated annually to ensure that the transportation services provided reflect the Board's intent. In addition, transportation policies should identify who has authority to grant exceptions and describe the general process for determining if an exception should be granted. To ensure that all policies are easily accessible to employees and the community, the District should clearly display its Board-approved policy on the transportation page of its web site.

The Board created a section in the Board Policy Manual that addresses transportation services. The policy stipulates that the District shall provide transportation for those students whose distance from their school makes this service necessary within the limitations established by State law. Prior to February 2009, LMLSD's practice was to transport all students, regardless of distance. Subsequently, the District is not transporting high school students or students living within two miles of their assigned building.

According to *Key Legal Issues for Schools* (Association of School Business Officials (ASBO), 2006), the general operating procedures for school boards should include annual reviews of all policies to determine whether modifications should be made on the basis of implementation and experiences. ASBO recommends that school boards consider developing policy review committees to identify issues and situations that should be considered during annual policy reviews.

Cincinnati City School District posts information on its website to inform its community of the service levels that are provided to its students. The District explains changes made for the school year and description of service levels that are to be provided.

By enhancing its policies and clearly outlining service levels and the method of granting exceptions, LMLSD would formalize existing practices and enable the Transportation Supervisor to plan transportation services more effectively. In addition, the District would avoid any questions or conflicts that may arise due to the ambiguity of its transportation policy.

R5.3 LMLSD should develop a policy and procedure manual describing the methodology to be used to compile information to complete ODE T-reports. The District should ensure the Treasurer and Superintendent are properly trained and sufficiently review the T-report data submitted to the Ohio Department of Education’s Pupil Transportation. The Treasurer and Superintendent should use the online training videos provided by ODE and should maintain documentation of the review in a file, as suggested by ODE.

The District does not have a formal procedure for completing the T-reports required by ODE. LMLSD has had turnover in the transportation supervisor position due to the retirement of the prior employee, who had been responsible for compiling the T-2 reports. There is no policy or procedure documentation used to complete the T-2 reports. Additionally, the Treasurer does not maintain documentation that shows a review of the T- reports.

The Treasurer’s Office works with the Transportation Department to gather USAS data for transportation expenditures used in the T-2 reports. The budget reports are used in conjunction with other documentation, such as trip sheets that show non-routine miles. The methodology used by LMLSD for the identification of special needs and regular busing costs is unclear since the prior supervisor compiled the reports and the documentation of the process was not sufficient. The documentation did not clearly show the compilation of all expenditures that were reported or the methodology used to determine the costs for salaries and how staff was allocated between the regular and special needs services.

The Treasurer indicated that ODE’s audit report function in the SAFE account, used to submit transportation reports to ODE, was used to identify variances from previous submissions. The Treasurer resolved the variances with the transportation department. However, the review process is not documented, as suggested by ODE.

The Ohio Department of Education has established rules for T-1 and T-2 reporting processing. Additionally, the department has developed instructions to compile the reports. According to the T-2 instructions, supporting documentations should be maintained for five years.

According to the ODE training module for the review of T-1 and T-2 reports, the Superintendent and Treasurer are required to perform a thorough review the T reports before electronically signing the reports for ODE approval. The Treasurer and Superintendent should compare all report functions such as bus information, student counts, daily miles, and expenditures to supporting documentation. Additionally, the Treasurer and Superintendent should use the audit reports that indicate changes and flags discrepancies to identify areas of concern. The Treasurer and Superintendent should print off the audit report and maintain supporting documentation that explains reasons for discrepancies.

By following the ODE-recommended practices, LMLSD can ensure that it adequately documents its process for compiling T-reports. In addition, a thorough review will help ensure that the reports submitted are accurate. If future reimbursement formulas use T-report data to determine reimbursement amounts, LMLSD will be able to ensure it receives appropriate reimbursements based on accurate T-reporting.

R5.4 LMLSD should create and maintain a bus replacement plan to ensure it is properly planning and budgeting for the purchase of new buses. The bus replacement plan should include the age and mileage of every bus in the fleet, and the estimates of these amounts at the projected replacement date for each bus. The plan should be managed by the Transportation Supervisor and the Treasurer's Office. In addition, the replacement plan should be evaluated and updated annually and it should include maintenance and repair costs for each bus. Developing a replacement plan containing this information will help the District more effectively plan for the replacement of buses at the most advantageous point in the vehicle lifecycle.

LMLSD does not have a bus replacement plan. Since 2005, the District has purchased 17 new buses to keep pace with expanding enrollment. The prior transportation supervisor determined the number of buses to be purchased using projected enrollment growth. The average age of LMLSD buses is approximately 5 years. As these busses age, replacement considerations will become an issue, particularly considering that a large block of the fleet was purchased in a relatively short period of time. Historically, purchases for buses have been made through the Permanent Improvement Fund.

According to NASDPTS, the timely replacement of school buses must be a planned process. Establishing school bus replacement policies is an important activity, since it directly impacts the timeliness of introducing the latest safety, efficiency and emissions improvements into the fleet. The elimination of school buses that do not meet the latest standards or requirements must be planned for within a realistic number of years.

NASDPTS also notes that there appear to be at least two scenarios that should have an impact on decisions concerning school bus replacement. First, whenever there is a

significant improvement in the federal standards for the safety, fuel efficiency or exhaust emission requirements of school buses, it appears reasonable to establish a policy with respect to timely replacement of the older buses with newer school buses. Second, whenever the operating and maintenance expenses on a school bus, or group of school buses, reaches a certain level, it appears that the better economic decision would be to purchase a new bus rather than continue to maintain the older school bus.

A formal bus replacement plan will help the District plan for future replacement in an orderly manner and avoid purchasing a large number of buses within a short time. A formal plan will also help it maintain the efficiency and reliability of the bus fleet. Creating a bus replacement plan and linking it to the District's capital plan will enable LMLSD to properly anticipate large expenditures in future years when buses may need to be replaced.

R5.5 LMLSD should develop a preventive maintenance plan to properly manage its bus fleet and protect its capital investment. In conjunction with developing a preventive maintenance plan, the District should purchase a software system that will efficiently track and maintain inventory parts and supplies. The software should also include preventive maintain features that will encompass all aspects of fleet maintenance. LMLSD should link the information gathered as part of the regular PM of its fleet to its bus replacement plan.

The District does not have a written preventive maintenance plan that ensures proper vehicle maintenance. The mechanics track maintenance manually and there is no system in place that electronically tracks data to centralize the work order and preventive maintenance processes. The prior Transportation Supervisor determined that it would be too costly for the District to spend the time to transfer manual data, perform inventory counts, and enter data into the system.

The American Public Works Association's Public Works Management Manual (APWA) (Fourth Edition), states effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs will result in a dependable fleet and extended equipment life with lower operation, maintenance, and repair costs. Planning and scheduling maintenance activities requires providing the right maintenance at the right time at the lowest overall cost. The preventive program (PM) should include the following steps.

- Schedules are developed for all equipment;
- Routine evaluations of the pm program are performed to ensure timely and effective administration;

- Procedures are developed to respond to emergency repairs or breakdowns;
- Maintenance and repair activities are prioritized and scheduled for maximum shop efficiency; and,
- Maintenance program is evaluated to ensure the program is performed and administered in an effective manner.

The APWA also suggests that equipment inventories are needed for fleets, tools, portable and stationary equipment, fuels, parts. Inventories are useful in tracking the size and disbursement of the fleet, the type of parts and supplies on hand and rate of use. A properly developed inventory can be used to reduce equipment downtime. An inventory program establishes a cost threshold for inventory purposes. The program should track the equipment, whether owned or leased, and includes information on where and how the equipment is being used.

A preventive maintenance software system generally includes several features that would assist the District in maintaining and tracking data associated with its fleet. The features include the following:

- **Preventive maintenance scheduling:** avoids costly repairs and vehicle downtime by ensuring that vehicles receive regular preventive maintenance and inspections;
- **Flexible preventive maintenance intervals:** specifies, in number of days miles, hours, or gallons of fuel the intervals used to track preventive maintenance;
- **Automatic preventive maintenance notification:** notifies instantly if a vehicle for which a work order is being created has upcoming or overdue required maintenance;
- **Automatic preventive maintenance date update:** automatically advances preventive maintenance dates upon completion of a work order, eliminating manual tracking;
- **Component warrantee tracking:** notifies when warranties are due to expire, and ensures that replacements and fixes are made before they do;
- **Automated inventory maintenance:** reduces inventory levels automatically when parts are assigned to a work order, eliminating the need for manual inventory update;
- **Fuel and part inventory tracking:** tracks inventory on hand and reports what inventory is needed to be replaced to use inventory budget wisely;
- **Work order templates:** creates templates for the services that require duplicate entry, saving time and money;
- **Free-form work order notes:** allows notes and detail on work orders to ensure that the work to be performed is clearly understood, reducing the time it takes to complete an order;

- **Complete work order notes:** tracks work orders from entry to completions and closeout to reduce paperwork and streamline the process; and,
- **Centralized data management:** accesses data on virtually every aspect of the garage to alleviate burdensome administrative tasks.

The District risks costly repairs if preventive maintenance is not properly performed for each vehicle. In addition, the District does not have an adequate inventory system in place to track its parts and supplies. LMLSD could recognize significant savings on purchasing parts and supplies through purchasing consortiums and using an automated PM system would help it better manage its transportation inventory. Finally, it could ensure its fleet is maintained in top working order and that costly premature replacements are avoided.

Financial Implication: If the District were to automate its preventive maintenance and inventory system, the potential cost could be \$5,120 to implement a software system and approximately \$900 annually for system maintenance.

Financial Implications Summary

The following table represents a summary of estimated one-time and annual costs, and annual cost savings identified in this section of the report.

Summary of Financial Implications for Human Resources

Recommendations	One-time Implementation Costs	Annual Costs	Annual Cost Savings
R5.1 Eliminate 2 active buses			\$92,000
R5.5 Purchase preventive maintenance software	\$5,120	\$900	
Total Financial Implication	\$5,120	\$900	\$92,000

Source: AOS Recommendations

District Response

The letter that follows is Little Miami Local School District's (LMLSD) official response to the performance audit. Periodic status meetings and discussions were held throughout the engagement to inform LMLSD of key issues affecting selected areas and share proposed findings and conclusion to improve or enhance program and business-side operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and reporting the results. LMLSD provided verbal and written comments in the response to various assessments, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District comments.

The District's response does not note any disagreements or unresolved factual matters. As a result, no additional report revisions were necessary.



October 26, 2009

Mary Taylor, Ohio Auditor of State
One Government Center Room 1420
Toledo, OH 43604

Dear Ms. Taylor,

The Little Miami Local School District Board of Education and Administrative team appreciate the performance audit that was recently completed by your office. We seek to continually evaluate and improve upon the way the district operates in all areas, including ways to reduce costs while still providing an excellent educational experience for the kids in this community.

It was very beneficial to see Little Miami Schools through the lens of the Ohio Auditor of State's office. Your staff was helpful as they worked with each department at the school to determine how the districts' services and programs compared to other peer districts as well as state minimums.

We have already utilized the report in various ways as we strive to work through these challenging financial times for Little Miami Schools. The report was reaffirming to the district in that the budget cuts we have already made have brought us to, or very near, state minimums in several key areas, including transportation. Since we know that no district in the state of Ohio operates completely at the state minimum in every area, the district is very proud of the fact that we have been able to achieve an academic rating of Excellent, according to the Ohio Department of Education, with limited resources. However, we know that maintaining this Excellent rating over time is not likely if the district is forced to continue operating at state minimums.

As we look at the potential of additional budget cuts and cost saving measures, we appreciated that the feedback and recommendations were specifically tailored toward a district the size of Little Miami Schools. These recommendations accounted for the fact items such as a certain amount of educational support staff, a curriculum coordinator, and a director of administrative services, are positions of need in a district like ours.

Little Miami Schools also realizes that this financial crisis cannot be fixed without the passage of an operating levy with new revenue for the district. This fact can also be seen in the Finance and Strategic Management section of the audit report. The district has an operating levy on the November 3, 2009 ballot, and its passage is crucial to the school's ability to continue operating in a financially solvent manner.

Little Miami Local Schools

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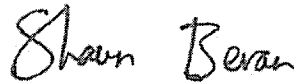
Ms. Mary Taylor
October 26, 2009
Page 2

Thank you for the time and effort spent by your staff to work with and assist the Little Miami Local School District.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Bennett" with a stylized flourish at the end.

Daniel Bennett
Superintendent

A handwritten signature in black ink, appearing to read "Shaun Bevan" in a cursive style.

Shaun Bevan
Treasurer



**Auditor of State
Mary Taylor, CPA**

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