



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Alexander Local School District,

In consultation with the Ohio Department of Education, the Auditor of State's Ohio Performance Team (OPT) conducted a performance audit of the District to provide an independent assessment of operations and management. Functional areas selected for review were identified with input from District administrators and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
April 9, 2018

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Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of Alexander Local School District (ALSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve ALS D's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Management, Human Resources, Facilities, Transportation, and Food Service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight 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 United States Government Accountability Office develops and promulgates Government Auditing Standards that establish a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as Generally Accepted Government Auditing Standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards required that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer districts;
- Industry standards;
- Leading practices;

- Statutes; and
- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with relatively lower per pupil spending and higher academic performance. A “Local Peers” set was selected for a comparison of compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

Table 1: Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Chippewa Local School District (Wayne County) • Fairland Local School District (Lawrence County) • St. Clairsville-Richland City School District (Belmont County) • Tuscarawas Valley School District (Tuscarawas County) • Wheelersburg Local School District (Scioto County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Athens City School District (Athens County) • Federal Hocking Local School District (Hocking County) • Meigs County School District (Meigs County) • Vinton County Local School District (Vinton County) • Nelsonville-York Local School District (Hocking County)
Transportation Peers
<ul style="list-style-type: none"> • Adena Local School District (Ross County) • Clinton Local School District (Clinton County) • Greeneview Local School District (Greene County) • Miami East Local School District (Miami County) • North Fork Local School District (Licking County) • Oak Hill Union Local School District (Jackson County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the Government Financial Officers Association (GFOA), the National Center for Education Statistics (NCES), and the State Employee Relations Board (SERB). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and

written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Alexander Local School District for their cooperation and assistance throughout this audit.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Table 2: Summary of Recommendations

Recommendations		Annual Savings
R.1	Engage in long-term strategic, capital, and financial planning	N/A
R.2	Reduce health insurance costs by renegotiating costly plan design elements	N/A
R.3	Renegotiate costly or inefficient collective bargaining agreement provisions	N/A
R.4	Renegotiate to freeze salaries over the forecast period ¹	\$197,400
R.5	Eliminate 2.5 FTE general education teacher positions	\$147,800
R.6	Eliminate 1.0 FTE career technical teaching positions	\$93,700
R.7	Eliminate 2.5 FTE professional positions	\$95,900
R.8	Eliminate 0.5 FTE technology position	\$34,100
R.9	Consider bringing subsidy of extracurricular activities in line with the primary peers	\$11,700
R.10	Purchase and use routing software ²	(\$4,700)
R.11	Develop a bus replacement plan	N/A
R.12	Right-size the active bus fleet	\$175,500
R.13	Reduce 27.5 daily labor hours from the food service operation	\$101,300
R.14	Make additional reductions to address the remaining deficit	\$579,800
One Time Revenue from R.12		\$10,500
Cost Savings Adjustment ³		(\$11,000)
Total Cost Savings from Performance Audit Recommendations		\$1,432,000

¹ This financial implication will not be realized until collective bargaining agreement (CBA) negotiations can occur in FY 2018-19. Therefore, this amount is not included in the cumulative balance of performance audit recommendations until FY 2019-20 (see **Table 3**).

² The cost associated with implementation of this recommendation includes both a one-time cost of \$6,500 for software purchase in year one and annual, ongoing maintenance fee of \$4,000 beginning in year two.

³ Implementation of **R.5**, **R.6**, **R.7**, and **R.8** would reduce savings achievable from **R.4**.

Table 3 shows the District's ending fund balances as projected in the October 2016 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Original Ending Fund Balance	\$2,304,122	\$924,980	(\$851,134)	(\$2,960,712)	(\$5,324,667)
Cumulative Balance of Performance Audit Recommendations ¹	N/A	\$1,220,500	\$2,457,000	\$3,822,800	\$5,324,800
Revised Ending Fund Balance	\$2,304,122	\$2,145,480	\$1,605,866	\$862,088	\$133

Source: ALSD, ODE, and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2017-18 through FY 2020-21 only.

¹ The Cumulative Balance of Performance Audit Recommendations is adjusted each year taking into consideration one-time costs, one-time revenues, ongoing maintenance costs, and delayed savings due to CBA negotiations.

The implementation of AOS recommendations will enable the District to maintain a positive fund balance through FY 2020-21.

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability, the District could face the unintended consequence of reductions in future federal aid and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of planned changes on program expenditures and/or census/enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.¹ Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster; and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

It is important to note that the provision of special education services may have a significant impact on the ALSD's overall operating cost and staffing levels. However, the appropriateness of the District's special education cost and staffing were not evaluated as a part of this performance audit. Where applicable, special education staffing information is included for informational purposes only. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

¹ IDEA Part B does not have a MOE waiver option.

Background

In October 2016, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances throughout the forecast period. This forecast served as the primary impetus of the performance audit. On November 22, 2016, the Auditor of State (AOS), in consultation with the Ohio Department of Education (ODE) determined that it was appropriate to conduct a performance audit of ALSD. **Table 4** shows the District's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in the District's October 2016 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions.

Table 4: ALSD Financial Condition Overview (October 2016)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$16,298,200	\$16,349,853	\$16,441,215	\$16,533,719	\$16,738,234
Total Expenditure	\$17,224,575	\$17,728,995	\$18,217,330	\$18,643,297	\$19,102,188
Results of Operations	(\$926,375)	(\$1,379,142)	(\$1,776,115)	(\$2,109,578)	(\$2,363,954)
Beginning Cash Balance	\$3,270,497	\$2,344,122	\$964,980	(\$811,134)	(\$2,920,712)
Ending Cash Balance	\$2,344,122	\$964,980	(\$811,135)	(\$2,920,712)	(\$5,284,666)
Outstanding Encumbrances	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Ending Fund Balance	\$2,304,122	\$924,980	(\$851,135)	(\$2,960,712)	(\$5,324,666)

Source: ALSD and ODE

As shown in **Table 4**, the District's October 2016 five-year forecast projects a deficit of \$851,135 in FY 2018-19. This deficit condition is a direct result of expenditures continuing to outpace revenues and deplete cash balances over the forecast period. Left unaddressed, these conditions are projected to result in a cumulative deficit of approximately \$5.3 million by FY 2020-21.

Revenue is not directly controlled by school districts, but instead by federal and State laws, and support from local residents. According to the District's five-year forecast assumptions and narrative, ALSD has received little or no increase in State revenue since FY 2008-09. In addition, the District has been operating at the 20-mil floor² without new operating funds from local taxes since 1991.

ODE uses the Local Tax Effort Index to compare means-adjusted taxpayer support between school districts in Ohio. This index reflects the extent of effort the residents of a school district make in supporting public elementary and secondary education in relation to their ability to pay. A local tax effort of 1.0 represents the State-wide average of all school districts.

² State tax reduction factors may not force a school district's effective tax rate below 20 mills.

Table 5 shows the District's local tax effort in comparison to the local peers and local peer average. This is important for demonstrating the relative degree to which ALSA's operations are supported by local revenue versus other local peer districts in the surrounding area.

Table 5: Local Tax Effort Comparison for FY 2015-16

	Local Tax Effort Index
Alexander LSD	0.6907
Local Peers	
Athens City School District (Athens County)	1.4598
Federal Hocking Local School District (Hocking County)	0.8359
Meigs County School District (Meigs County)	0.6641
Vinton County Local School District (Vinton County)	0.8381
Nelsonville-York Local School District (Hocking County)	0.7860
Local Peer Average	0.9170
Difference	(0.2263)
% Difference	(32.8%)

Source: ODE

As shown in **Table 5**, the ALSA's local tax effort of 0.69 was nearly 0.23, or 32.8 percent, lower than the local peer average. In addition, ALSA's local tax effort index was lower than each local peer with the exception of Meigs County Local School District which had a local tax effort index of 0.66.

Recommendations

R.1 Engage in long-term strategic, capital, and financial planning

The District does not have a formal long-term strategic, capital improvement, or financial plan to link its annual budget to District-wide goals, objectives, and performance measures. While the Superintendent indicated the District's administration has an ongoing vision for the District, there is no formal document to translate this vision into tangible directions that can be easily understood by the public.

Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) defines strategic planning as "a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission, and achieve consensus on strategies and objectives for achieving that mission." Key steps in the strategic planning process include:

- Initiating the strategic planning process;
- Preparing a mission statement;
- Assessing and identifying environmental factors and critical issues;
- Agreeing upon and developing strategies for a small number of broad goals;
- Creating an action plan, including measurable objectives and performance measures;
- Obtaining approval of the plan; and
- Implementing, monitoring, and reassessing the plan.

In addition to strategic planning, financial planning and capital planning are also essential. *Long-Term Financial Planning* (GFOA, 2008) specifies that long-term financial planning should encompass the following elements:

- Planning at least five-to-ten years into the future,
- Considering all appropriated funds,
- Updating long-term planning activities as needed in order to provide direction to the budget process,
- Including an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and a plan for monitoring mechanisms, such as a scorecard of key indicators of financial health,
- And informing the public and elected officials about the long-term financial prospects of the government and strategies for financial balance.

Furthermore, *Multi-Year Capital Planning* (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should:

- Identify and prioritize expected needs based on the entity’s strategic plan,
- Establish project scopes and costs,
- Detail estimated amounts of funding from various sources; and
- Project future operating and maintenance costs.

The District should concurrently develop a strategic plan and long-term financial plan. As part of its strategic plan, the District should create a capital improvement plan for all of its capital assets. In the absence of long-term strategic, capital, and financial planning to guide program and funding decisions, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs.

R.2 Reduce health insurance costs by renegotiating costly plan design elements

ALSD purchases its health insurance through the Athens County Schools Employee Health and Welfare Benefit Fund (the Consortium), composed of several other government entities in Athens County. As of FY 2016-17 ALS D offers employees three different health plan options. While the Consortium determines the basic levels of coverage for the plans, members have some control over the specific plan design elements, such as out-of-pocket amounts and copayments.

The District has collective bargaining agreements (CBAs) with the Alexander Local Education Association (certificated CBA) and the Ohio Association of Public School Employees (classified CBA). Both CBAs contain language restricting the District’s ability to unilaterally modify specific health insurance plan design elements. The District last renegotiated the certificated CBA in September of FY 2016-17 and the classified CBA at the end of FY 2015-16 with these agreements expiring in August 31, 2019 and June 30, 2019, respectively.

Historically, the District had offered two health insurance plans which were differentiated by in-network deductibles; one referred to as the “low option plan” (the Low Plan) and the other as the “high option plan” (the High Plan). In FY 2016-17 the District began offering a third plan option of a high deductible/health savings account with the intent of eventually eliminating the High Plan as an option. Employees who are on the High Plan are allowed to remain on the plan but new employees cannot elect nor can current employees change to it.³

³ Employees currently grandfathered on the High Plan must pay the difference in costs between the Low Plan and High Plan to continue to retain the High Plan coverage.

The District's insurance plan costs and employee contributions were compared to the raw data used to create the *24th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employment Relations Board (SERB, 2016). To create this report, SERB surveys public sector entities on various aspects of health insurance benefits.

Table 6 shows the premium costs for ALSD's Low Plan and High Plan compared to the SERB Athens County average. This comparison is important as insurance costs are recognized as sensitive to local conditions and, where possible, other local or regional plans provide the most realistic benchmarks for relative price competitiveness.

Table 6: Health Insurance Premium Comparisons

	ALSD		SERB Athens County Avg.	Difference	
	Low Plan	High Plan		Low Plan/ County Avg.	High Plan/ County Avg.
Family Coverage					
Employee Cost	\$402.62	\$620.84	\$250.15	\$152.47	\$370.69
Employer Cost	\$1,610.46	\$1,610.46	\$1,555.56	\$54.90	\$54.90
Total Plan Cost	\$2,013.08	\$2,231.30	\$1,805.71	\$207.37	\$425.59
Employee Contribution %	20.0%	27.8%	13.9%		
Single Coverage					
Employee Cost	\$75.35	\$157.02	\$90.00	(\$14.65)	\$67.02
Employer Cost	\$678.11	\$678.11	\$620.63	\$57.48	\$57.48
Total Plan Cost	\$753.46	\$835.13	\$710.63	\$42.83	\$124.50
Employee Contribution %	10.0%	18.8%	12.7%		

Source: ALSD and SERB

As shown in **Table 6**, ALSD's health insurance plans have higher total costs, and employer costs, than the SERB Athens County average. This relatively high cost is despite the fact that the District purchases health insurance through the Consortium, a practice which typically reduces cost. In addition, with the exception of the Low Plan, single coverage, ALSD's employee contributions are also higher than the SERB Athens County average.

Table 7 shows ALSD's Low Plan elements as compared to the SERB Athens County average. It is important to examine plan design elements as they may have an impact on the overall cost of insurance and can also affect the extent to which the employees bear the cost of insurance consuming activities, such as doctor visits.

Table 7: ALSD Low Plan Elements Comparison

	ALSD Low Plan	SERB Athens County Avg.	Difference	% Difference
Copayments				
Office Visit	\$10	\$20	(\$10)	(50.0%)
Urgent Care Visit	\$35	\$25	\$10	40.0%
Emergency Room Visit	\$50	\$50	\$0	0.0%
Deductibles				
Network - Family Coverage	\$0	\$0	\$0	N/A
Network - Single Coverage	\$0	\$0	\$0	N/A
Non-Network - Family Coverage	\$800	\$800	\$0	0.0%
Non-Network - Single Coverage	\$400	\$400	\$0	0.0%
Out-of-Pocket Maximums				
Network - Family Coverage	\$2,000	\$2,300	(\$300)	(13.0%)
Network - Single Coverage	\$1,000	\$1,200	(\$200)	(16.7%)
Non-Network - Family Coverage	\$4,000	\$4,000	\$0	0.0%
Non-Network - Single Coverage	\$2,000	\$2,600	(\$600)	(23.1%)
Coinsurances				
Network	100.0%	90.0%	10.0%	11.1%
Non-Network	80.0%	70.0%	10.0%	14.3%

Source: ALSD and SERB

As shown in **Table 7**, ALSD's copayments fluctuate, but are generally in line with the SERB Athens County average. Similarly, the District's deductibles are also in line. However, the District's out of pocket maximums and coinsurances are lower than the SERB Athens County average.

High out-of-pocket maximums and coinsurances both have a negative impact on the overall cost of health insurance and bringing these plan design elements in line with the SERB Athens County average should help to reduce the District's health insurance costs. However, in order to address these plan design elements, the District will need to renegotiate them in the collective bargaining agreements, which do not expire until FY 2019-20.

R.3 Renegotiate costly or inefficient collective bargaining agreement provisions

As previously noted, the District has both a certificated CBA and a classified CBA. Analysis of these CBAs identified the following comparatively costly provisions that exceeded State minimum standards and/or provisions offered by the local peers:

- **Sick Leave Accumulation and Severance Payout:** Under the District's CBAs, employees are entitled to accumulate an unlimited amount of unused sick leave. The local peers' classified and certificated CBAs have an average maximum sick leave accumulation of 333 days and 375 days, respectively. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. Providing accumulation in excess of State minimum levels represents the potential for increased financial liability when sick leave is paid out to employees upon severance. Under ORC § 124.39 school employees are entitled to be paid for a minimum of 30 days (25 percent of 120 days) of unused sick leave at retirement. In contrast, ALSD's certificated employees are entitled to maximum severance payouts of 90 days and classified employees are entitled to 72 days, both of which are higher than the ORC requirement. The local peers certificated and classified employees are entitled to an average severance payouts of 117 days and 62 days respectively.
- **Vacation Accrual:** Under the classified CBA, employees are entitled to accrue 540 vacation days over the course of a 30-year career. This is higher than the local peer average of 529 days and higher than the ORC § 3319.084 minimum requirement of 460 days. Providing employees with more vacation days could increase substitute and/or overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, their reduction would increase the number of available work hours at no additional cost to the District.
- **Paid Holidays:** Under the classified CBA, 11-month and 12-month employees are entitled to nine paid holidays per year and nine-month and 10-month employees are entitled to seven paid holidays per year. ALSD's paid holidays are similar to the local peer averages of nine days and seven days, respectively. However, the District's benefit is higher than the ORC § 3319.087 minimum for 11-month and 12-month non-teaching employees of seven paid holidays per year, and 9-month and 10-month non-teaching employees of six paid holidays per year. Direct savings from reducing the number of holidays could not be quantified; however, their reduction would increase the number of available work hours at no additional cost to the District.

The District should seek to renegotiate its costly collective bargaining agreement provisions. Provisions within CBAs that provide benefits beyond what is required or typically offered in other school districts can create an unnecessary financial burden on the District and limit management's ability to control costs.

R.4 Renegotiate to freeze salaries over the forecast period

When analyzing salary schedules it is important to evaluate both career compensation as well as year-by-year, step-based compensation as salary schedules are often specifically designed to attract and retain employees. Furthermore, when assessing the relative appropriateness of salary schedules it is important to compare to local peers as these peers represent the District’s direct competition for personnel.

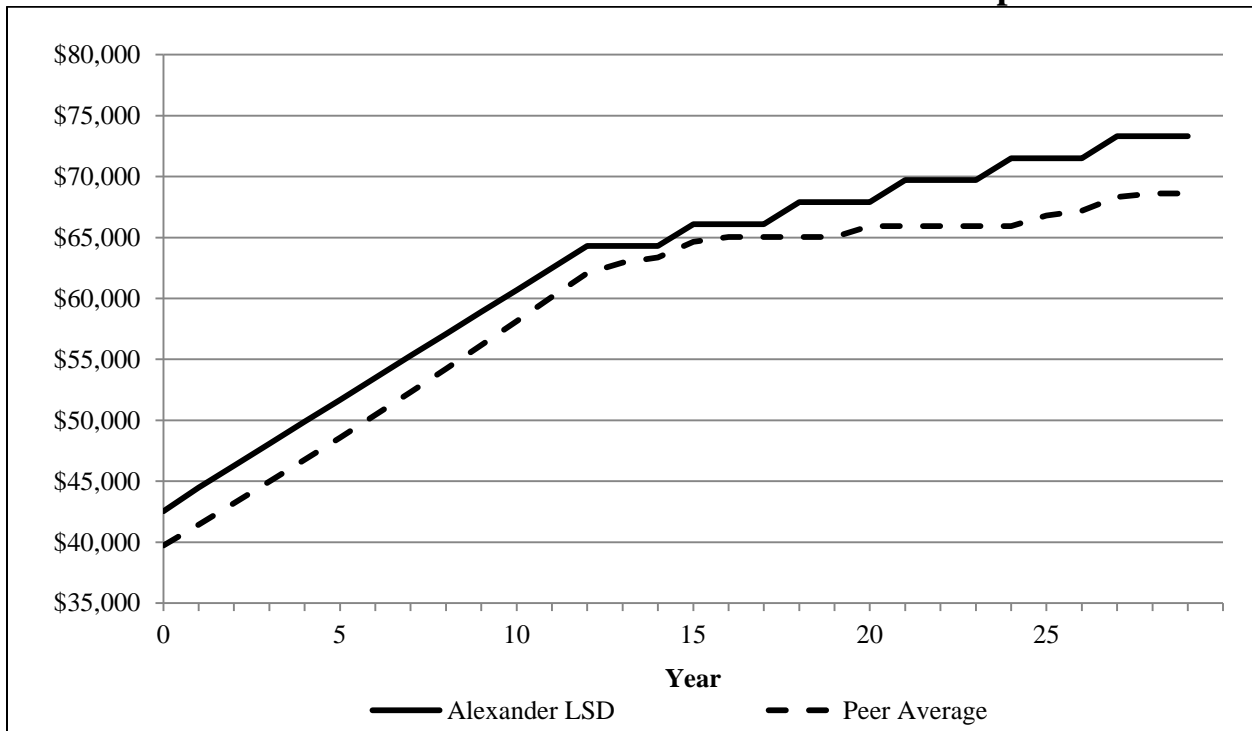
Certificated Staff Salary Schedules

ALSD’s certificated CBA, effective through August 31, 2019, governs salary schedules for the following classifications of teachers:

- Bachelors;
- Bachelors plus 30 Semester Hours; and
- Masters.

Chart 1 shows ALSA’s Masters level teacher compensation over a 30-year career as compared to the local peer average. As previously noted, this type of comparison is important as it includes both career and point-in-time compensation and puts it in context of the most direct local market.

Chart 1: Masters Level Teacher 30 Year Career Comparison



Source: ALSA and local peers

As shown in **Chart 1**, ALSA’s Master’s level teacher compensation starts higher than the local peer average and remains higher at every step throughout the 30-year career.

The compensation comparison shown in **Chart 1** is similar in result to all other compensation comparisons completed for certificated staff within this performance audit. In summary the results of each analysis are as follows:

- **Bachelors** - \$53,441 or 3.6 percent higher than the local peer average;
- **Bachelors plus 30 Semester Hours** - \$56,649 or 3.5 percent higher than the local peer average; and
- **Masters** - \$90,932 or 5.1 percent higher than the local peer average.

See **Appendix B** for charts showing detailed comparisons for each position type.

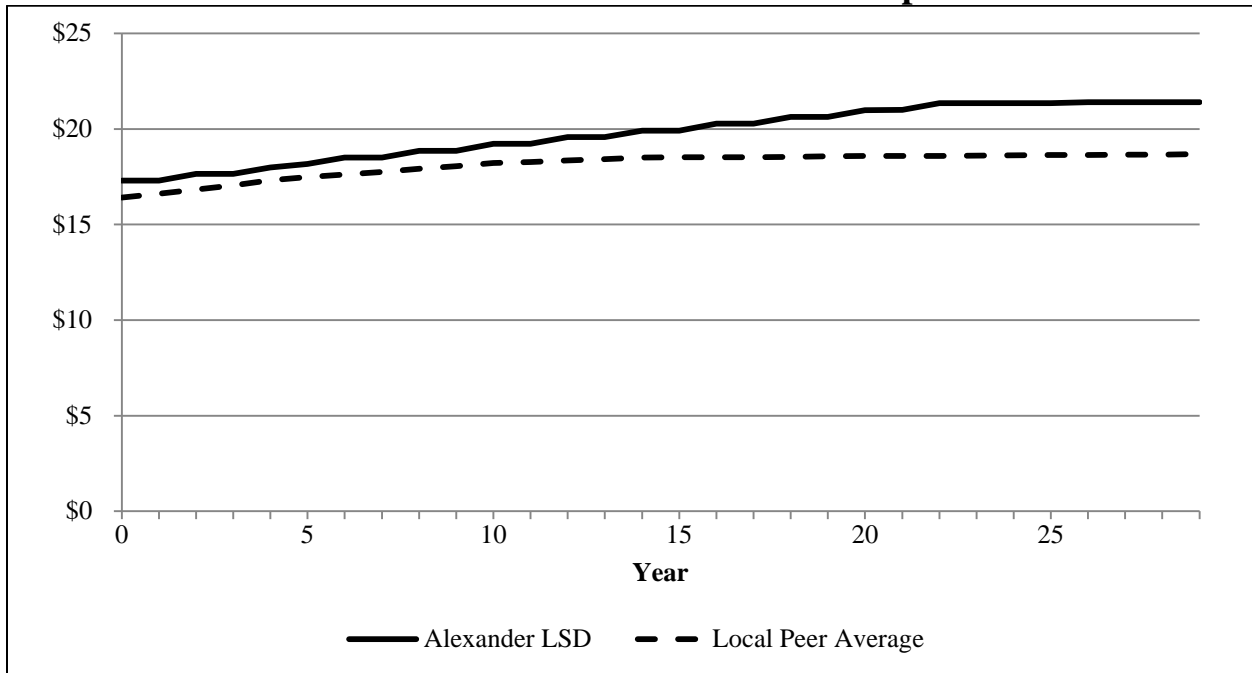
Classified Staff Salary Schedules

For classified, the analysis focused on the following classifications:

- Mechanics;
- Bus drivers;
- Cook II;
- Cashier;
- Paraprofessionals; and
- Health aides.

Chart 2 shows ALSD’s bus driver compensation over a 30-year career as compared to the local peer average. As previously noted, this type of comparison is important as it includes both career and point-in-time compensation and puts it in context of the most direct local market.

Chart 2: Bus Driver 30 Year Career Comparison



Source: ALSD and local peers

As shown in **Chart 2**, ALSD's bus driver compensation starts higher than the local peer average and remain higher at every step throughout the 30-year career.

The compensation comparison shown in **Chart 2** is similar in result to all other compensation comparisons completed for classified staff within this performance audit. In summary the results of each analysis are as follows:

- **Mechanics** - \$44,720 or 37.5 percent higher than the local peer average;
- **Bus Drivers** - \$8,722 or 9.0 percent higher than the local peer average;
- **Cook II** - \$13,350 or 15.3 percent higher than the local peer average;
- **Cashier** - \$15,130 or 19.3 percent higher than the local peer average;
- **Paraprofessionals** - \$8,544 or 10.1 percent higher than the local peer average; and
- **Health Aides** - \$12,460 or 14.6 percent higher than the local peer average.

See **Appendix B** for charts showing detailed comparisons for each position type.

Collectively these salary schedules have obligated ALSD to pay more than the local peers for certificated and classified staff salaries. As personal services accounted for 45.4 percent of total forecast expenditures in FY 2015-16 this difference could expose ALSD to significant fiscal distress over time. However, as previously noted, any changes to the District's salary schedules would require negotiations within the CBAs.

Financial Implication: Freezing salary schedules could save ALSD an average of **\$197,400**, annually for FY 2019-20 and FY 2020-21.

R.5 Eliminate 2.5 FTE general education teacher positions

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the district-wide ratio of general education teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

Table 8 shows a general education staffing comparison based on the District’s FY 2016-17 students to teacher ratio and the primary peer average for FY 2015-16. It is important to compare staffing to both the primary peer average and State minimum requirements in order to provide a full picture of staffing efficiency as well as options available to the District when considering potential staffing changes.

Table 8: General Education Teacher Staffing Comparison

	ALSD	Primary Peer Avg.			
Students Educated ¹	1,524	1,515			
Students Educated (Thousands)	1.524	1.515			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Totals for Comparison	70.17	46.04	44.11	1.93	2.94

Source: ALSA, ODE, and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of general education FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 8**, the District’s general education teacher staffing level is 2.94 FTEs above the primary peer average. The District’s regular education student teacher ratio is 1:18.61, whereas bringing staffing to the peer average by eliminating 2.5 FTEs would increase it to 1:19.30.

Financial Implication: Eliminating 2.5 FTE general education teacher position could save an average of **\$147,800** in salaries and benefits, annually. This savings was calculated using the lowest full-time general education teacher salaries and an average benefits ratio of 40.7 percent.⁴ The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

⁴ Salaries are inflated by an average of 2.4 percent annually to be consistent with projected increases over the forecast period. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

R.6 Eliminate 1.0 FTE career technical teacher positions

According to ORC § 3313.90, each city, local and exempted village school shall provide career technical education to students grades 7-12 either by establishing and maintaining its own education program, or becoming a member of a joint vocational school district, or contracting for career-technical education with a joint vocational school district or another school district to provide the programs. In providing these services ALSD is a part of the Tri-County Career Center; a full-service joint vocational school district located in Nelsonville, Ohio. In addition, the District employs 2.0 FTE career technical teaching positions that are located at Alexander Jr. High/High School.

Table 9 shows ALSD's career-technical teacher staffing for FY 2016-17 as compared to the FY 2015-16 primary peer average on a per 1,000 student basis. Evaluating staffing on a per 1,000 students basis is important in that it rationalizes comparisons across districts of different sizes.

Table 9: Career-Technical Teacher Staffing Comparison

	ALSD	Primary Peer Avg.			
Students Educated ¹	1,524	1,515			
Students Educated (Thousands)	1.524	1.515			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Totals for Comparison	2.00	1.31	0.53	0.78	1.19

Source: ALSD, ODE, primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of career-technical teaching position FTEs per 1,000 students in line with the primary peer average.

Table 9 shows that the District's career-technical teacher staffing level is 1.19 FTEs above the primary peer average.

Financial Implication: Eliminating 1.0 FTE career technical teaching positions could save an average of **\$93,700** in salaries and benefits, annually. This was calculated using the lowest career technical teaching salaries and an average benefits ratio of 40.7 percent.⁵ The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

⁵ Salaries are inflated by an average of 2.4 percent annually to be consistent with projected increases over the forecast period. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

R.7 Eliminate 2.5 FTE professional positions

ALSD employs 3.0 FTE library aides, 2.0 FTE nurses, and 3.0 FTE counseling and social workers. **Table 10** shows ALS D's professional staffing for FY 2016-17 as compared to the FY 2015-16 primary peer average on a per 1,000 student basis. Evaluating staffing on a per 1,000 students basis is important in that it rationalizes comparisons across districts of different sizes.

Table 10: Professional Staffing Comparison

	ALSD	Primary Peer Avg.			
Students Educated ¹	1,524	1,515			
Students Educated (Thousands)	1.524	1.515			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Library Staff (Librarians & Aides)	3.00	1.97	0.79	1.18	1.80
Counseling & Social Workers	3.00	1.97	2.12	(0.15)	(0.23)
Nursing (Registered & Practical)	2.00	1.31	0.40	0.91	1.39
Psychologists & Therapists	0.00	0.00	0.40	(0.40)	(0.61)
Other Professional Positions	0.00	0.00	0.08	(0.08)	(0.12)
Totals for Comparison	8.00	5.25	3.79	1.46	2.23

Source: ALS D, ODE, and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of professional FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 10**, ALS D employed more staff in these classifications than the primary peers. The District is 1.8 FTEs above the primary peer average in library staff and 1.39 above in nursing staff. These positions were formally considered education service personnel (ESP) and had certain staffing requirements by the State. Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision effectively eliminated State minimum staffing levels for ESP staffing.

Financial Implication: Eliminating 1.5 FTE library staff and 1.0 FTE nurse positions would save an average of **\$95,900** in total salary and benefits costs, annually. This calculation was based on the lowest salaried staff in each category and used 40.7 percent as the benefits ratio.⁶ The estimated cost savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

⁶ Salaries are inflated by an average of 2.4 percent annually to be consistent with projected increases over the forecast period. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

R.8 Eliminate 0.5 FTE technology position

Table 11 shows ALSD's technology staffing for FY 2016-17 as compared to the FY 2015-16 primary peer average on a per 1,000 student basis. Evaluating staffing on a per 1,000 students basis is important in that it rationalizes comparisons across districts of different sizes.

Table 11: Technology Staffing Comparison

	ALSD	Primary Peer Avg.			
Students Educated ¹	1,524	1,515			
Students Educated (Thousands)	1.524	1.515			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Computer Operator	2.00	1.31	0.13	1.18	1.80
Computer Programmer	0.00	0.00	0.26	(0.26)	(0.40)
Other Technical Positions	0.00	0.00	0.40	(0.40)	(0.61)
Totals for Comparison	2.00	1.31	0.79	0.52	0.79

Source: ALSD, ODE, and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of technology FTEs per 1,000 students in line with the primary peer average.

ALSD also has 0.79 FTE more technology positions than the peers. While the District has its staff classified as computer operators on, the peers have technical positions classified in computer operator, computer programmer, and other technical staff positions.

Financial Implication: Eliminating 0.5 FTE technology positions would save an average of **\$34,100** in total salary and benefits costs, annually. This calculation was based on the lowest salaried technology staff and used 40.7 percent as the benefits ratio.⁷ The estimated cost savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

⁷ Salaries are inflated by an average of 2.4 percent annually to be consistent with projected increases over the forecast period. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

R.9 Consider bringing subsidy of extracurricular activities in line with the primary peers

Historically, ALSD has subsidized extracurricular activities with General Fund dollars. For example, in FY 2013-14 extracurricular activities required a General Fund subsidy of \$279,106 and in FY 2014-15 this subsidy increased to \$329,118. In FY 2015-16, the District expended over \$556,000 on student extracurricular activities, which included the salaries and benefits of directors, coaches, advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures. Subsequently, ALSD's Student Extracurricular Activity Fund incurred an approximate \$332,849 deficit, which required subsidization from the General Fund.

Table 12 shows a comparison of the District's student extracurricular activity net cost (expenditures above revenues) per pupil to the primary peer average. This is important to examine as extracurricular activities impact the amount of funds available for classroom expenditures, as net cost represents General Fund subsidy of these activities.

Table 12: Student Extracurricular Activity Net Cost

	ALSD	Primary Peer Average	Difference	% Difference
Student Extracurricular Activities Net Cost	\$332,849	\$318,697	\$14,152	4.3%
Number of Pupils	1,524.0	1,512.4	11.6	0.8%
Net Cost per Pupil	\$218.40	\$210.72	\$7.68	3.5%

Source: ALSD and primary peers

As shown in **Table 12**, the District's extracurricular activity net cost per pupil was \$218.40, or 3.6 percent, greater than the primary peer average of \$210.72. While it is common for school districts in Ohio to subsidize extracurricular costs with General Fund money. However, ALSD's level of subsidy is higher than the primary peer average on a per pupil basis. Given the forecasted deficit conditions (see **Background**), the District should evaluate all available options to reduce expenditures and/or increase revenue for student extracurricular activities.

In order to reduce the General Fund subsidy, the District must increase revenue and/or decrease expenditures. This can be achieved by implementing one or more of the following:

- Increase pay to participate fees for sports;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or
- Eliminate programs.

Making these changes would help reduce the General Fund subsidy, allowing more resources to be dedicated to student instruction.

Financial Implication: Reducing its student activity expenditures to be in line with the primary peer average costs would save the District **\$11,700** annually.

R.10 Purchase and use routing software

ALSD is a relatively large school district, covering 174 square miles, and runs 29 active bus routes, including two routes for handicapped and disabled pupils. The current routes are configured and updated by the Transportation Supervisor using maps of the District without the audit of routing software. If a student is added or removed from a bus route, the Transportation Supervisor manually reconfigures the bus route to reflect the necessary change.

Cutting Costs with Routing Software (School Bus Fleet, 2011) recommends the use of routing software as it can drastically reduce costs through routing optimization, and it can protect student riders by helping users identify hazardous landmarks and arrange for curbside pickup. Furthermore, according to Environmental Systems Research Institute (ESRI) *School Bus Routing Goes High-Tech* (ESRI, 2000/2001), routing software can optimize routes, manage student and bus driver information, manage special education busing, and provide driving directions and bus accounting. Routing software can also provide accident-tracking information to show the location of dangerous stretches of roadway. Additionally, routing software can assist a district's fleet management by showing the number of buses, equipment, engines, and other equipment data required for conducting analysis. Finally, routing software can reduce the time it takes to create state reports and aid in the elimination of bus routes, ultimately saving money.

The District could use routing software to optimize its bus routes and more efficiently employ staggered bell schedules, multi-tiered routing, and cluster stops to improve transportation efficiency. These optimization could allow the District to more easily increase utilization on each route and ultimately help to reduce the size of the fleet (see **R.12**).

Financial Implication: Routing software could be obtained by the District for an initial one-time cost of **\$6,500** and an additional **\$4,000** per year for software maintenance and updates starting in the second year. Over the forecast period implementation will cost an average of **\$4,700** annually.

R.11 Develop a bus replacement plan

Alexander LSD does not have a formal bus replacement plan. Instead, the District replaces buses on an as needed basis according to immediate fleet needs as judged by the Transportation Supervisor. An analysis of the District's fleet revealed that the average age of the District's active bus fleet was 11 years old.

According to the NASDPTS in *School Bus Replacement Considerations* (NASDPTS, 2002), the replacement of school buses should be a planned process. The plan should incorporate the maintenance data collected by the District into the decision making process for bus replacements. The plan should also allow the District to establish its priorities with regard to safety and emissions features. Additionally, the publication recommends a combined approach to school bus replacement that considers both age and mileage in which replacement thresholds are set between 12 and 15 years, or 150,000 to 200,000 miles, respectively.

The District should develop a formal bus replacement plan. Doing so would allow the District to communicate to its leadership and to the public about the needs of its bus fleet. Additionally, it would allow the District to communicate its progress in meeting its schedule of replacement and any risks posed by the current state of the fleet. Adopting a plan could reduce overall operating costs and help to avoid the need to replace a major portion of the fleet at the same time.

R.12 Right-size the active bus fleet

In FY 2016-17, ALSD transported 938 regular needs riders with its regular needs fleet of 27 active buses. Although the District made efforts toward improving utilization by using cluster stops, it is important to note that the District uses single-tiered routing and a single bell schedule which contribute to inefficiency.

Bus capacity takes into account bus size, the number of regular riders, and number of routes per bus. According to *School Bus Seat Capacity* ((NASDPTS), 1999), the capacity of a school bus is determined by the number of seats on a bus and the number of students per seat. Examining the District’s ridership per bus in relation to capacity is important in determining the potential for the District to transport its students with fewer buses.

Table 13 shows a comparison of ALSD’s regular needs active bus fleet utilization in FY 2016-17, excluding routes in excess of 100 daily miles, to the bus utilization benchmark of 80.0 percent as published in *Hidden Savings in Your Bus Budget* (American Association of School Administrators (AASA), 2006).

Table 13: Regular Needs Ridership Comparisons

Regular Needs Fleet Utilization	
Total Buses	23
Regular Riders	826
Regular Riders per Bus	35.9
AASA 80% Benchmark Capacity per Bus ¹	49.4
Number of Buses Needed Based on Benchmark ²	16.7
Buses Over/(Under) Benchmark	6.3

Source: ALSD, ODE, and AASA

¹ This number is based on the manufacturer rated capacities of all buses divided by the total number of buses multiplied by 80 percent.

² Capacity is based on elementary and high school students plus the number of routes.

As shown in **Table 13**, the District operated the regular needs fleet with six more buses than necessary.

Table 14 shows annual savings achievable based on a reduction of six buses.

Table 14: Bus Reduction Cost Savings

Number of Buses to be Reduced	6
Driver Salaries	\$95,400
Retirement	\$33,700
Worker's Compensation	\$980
Employee Insurance	\$41,850
Bus Insurance	\$3,570
Total Annual Savings	\$175,500

Source: ALSD

As shown in **Table 14**, the District could achieve savings through bus reductions. The District should implement staggered bell schedules and multi-tiered routing to determine if such a reduction is feasible based on the District's needs. By transporting more students per bus, a district can reduce both the number of buses it uses and the costs associated with operating those buses.

Financial Implication: Reducing six regular active buses could save **\$175,500** based on FY 2015-16 operating data. Furthermore, based on Ohio Schools Council 2012 bus auction sales data, the District could generate **\$10,500** in one-time revenue from the sale of the six buses.

R.13 Reduce 27.5 daily labor hours from the food service operation

The District's food service operation has operated at a loss over the course of the last three fiscal years. Specifically, a loss of \$127,112 in FY 2015-16, \$164,168 in FY 2014-15, and \$274,560 in FY 2013-14. While the District has continued to operate at a loss, the severity of the losses have decreased in each year, from \$110,387 or 67.2 percent between FY 2013-14 and FY 2014-15 to \$37,056 or 29.2 percent from FY 2014-15 to FY 2015-16. However, the continued losses have depleted the balance of the Food Service Fund, requiring subsidization from the General Fund.

The primary components of food service expenditures are salaries and benefits. In FY 2015-16, the District spent an average of 76.3 percent more per meal on salaries and 69.4 percent more per meal on benefits relative to the peer average. The District currently employs a total of 14 food service employees and one food service supervisor.

Table 15 shows the District's meals per labor hour in FY 2015-16 compared to benchmark data outlined in School Food and Nutrition Service Management for the 21st Century (Pannell-Martin and Boettger, 2014). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table 15: Food Service Workload Comparison

ALSD Meal Equivalents Served per Day	ALSD Daily Labor Hours	Benchmark Required Daily Labor Hours	Difference
901	72.5	45.0	27.5

Source: ALSA and Pannell-Martin and Boettger

As shown in **Table 15**, the District’s total daily labor hours exceeded the benchmark by 27.5 in FY 2015-16. The excess hours can be attributed mostly to the declining lunch participation rate. The participation rate decreased from 50.1 percent in FY 2013-14 to 38.7 percent in FY 2015-16. Low participation in the food service program will reduce workload efficiency if staffing levels are not adjusted to match the low relative demand for meals. In order to align with the benchmark the District would need to reduce the number of labor hours to 45.0.

Financial Implication: Reducing 27.5 daily labor hours from the food service operation could save the District **\$101,300** in salaries and benefits, annually, and bring its meals per labor hour ratio in line with the industry benchmark. This calculation also uses the lowest wages for food service staff. Estimated savings could increase if the reduction in hours occurs through retirement or voluntary separation of higher waged staff.

R.14 Make additional reductions to address the remaining deficit

Even after implementing all preceding recommendations, the District is still projecting a cumulative forecast deficit of **\$2,319,167**, or **\$579,800** annually.

The District has various options to fully address the deficit, including those that have been implemented and/or planned to be implemented. However, to address the long-term deficit, the District will need to consider additional cost savings measures, including those that would bring staffing levels even further below peer average ratios. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

The following options represent choices that the District could make to address the remaining deficit over the forecast period. Either of the first three options, or a combination of the first three and the additional fourth option would be sufficient to eliminate the deficit.

- **Eliminate an additional 9.0 FTE general education teaching positions:** Based on the District’s remaining deficit, eliminating 9.0 FTE general education teaching positions, in addition to the staffing reduction recommended in **R.5**, could save an average of **\$586,400** in salaries and benefits, annually. This savings was calculated using the lowest salaried general education teaching salaried staff and an average benefits ratio of 40.7 percent.⁸ The estimated savings could increase if the reduction occurs though retirement

⁸ Salaries are inflated by an average of 2.81 percent annually for FY 2017-18 and FY 2018-19 to be consistent with projected increases over the forecast period. However, in order to avoid double-counting cost savings from **R.4** no inflationary increases are applied to FY 2019-20 or FY 2020-21. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

or voluntary separation of higher-tenured staff. As shown in **Table 16**, the elimination of an additional 9.0 FTEs would bring ALSD's regular student to teacher ratio to 22.26:1.

Table 16: ALSD General Education Teacher Student to Staff Ratios

Regular Student Population	1,306.07		
General Education FTEs	70.17		
Staffing Ratio (Students: Teachers)	18.61		
R.5 FTE General Education Teacher Reduction	2.50		
Revised FTE General Education Teachers	67.67		
Revised Staffing Ratio (Students: Teachers)	19.30		
	Staffing Ratio (Students: Teachers)	Proposed FTE Staffing	Proposed FTE Reduction
Address Remaining Deficit	22.26	58.67	9.00
State Minimum	25.00	52.24	15.00

Source: ALSD, ODE, and OAC

- Implement a 10.0 percent across-the-board staff reduction:** While **Table B-1** (see **Appendix B**) shows a high-level view of ALSD's staffing on a per 1,000 student basis as compared to the primary peer average, and **R.5, R.6, R.7** and **R.8** address targeted reductions based on financial needs and/or bringing staffing in line with the primary peer average, the District could make an additional 10.0 percent across-the-board staffing reduction to generate enough savings to offset the remaining deficit. **Table 17** shows the nature and savings of this staffing reduction for each classification category. This type of analysis is important because it provides the District with the information necessary to evaluate potential staffing reductions and the potential savings associated with each.⁹

Table 17: Across the Board Staffing Reduction

Position Group	Total FTEs	Revised FTEs ¹	10.0% Reduction	Rounded FTE Reduction	FY 2016-17 Salary & Benefits
Administrator	8.51	8.51	0.85	0.50	\$36,001
Teaching	78.49	74.99	7.50	7.50	\$441,683
Other Educational	2.00	2.00	0.20	0.00	\$0
Professional	8.00	5.50	0.55	0.50	\$19,220
Office/Clerical	8.00	8.00	0.80	0.50	\$26,200
Technology	2.00	1.50	0.15	0.00	\$0
Custodial, Maintenance & Other Facility Related	11.38	11.38	1.14	1.00	\$44,840
Totals	118.38	111.88	11.19	10.00	\$567,944

Source: ALSD

¹ Reflects the revised total FTEs remaining after staffing recommendations in **R.5, R.6, R.7**, and **R.8**.

⁹ It is important to note that for each classification, reductions are recommended based on staffing values rounded to the next lowest 0.50 FTE increment, with 0.50 FTE being the minimum threshold for a reduction, as the District may find it difficult to reduce and/or subsequently employ less than a part-time employee.

As shown in **Table 17**, an across-the-board staffing reduction of 10.0 percent would equal an additional 10.0 FTE employees with a FY 2016-17 total salaries and benefits of \$567,900. Eliminating 10.0 FTE positions could save an average of **\$596,500** in salaries and benefits, annually. This savings was calculated using the lowest salaried employees remaining after implementation of reductions identified in **R.5, R.6, R.7, and R.8**.¹⁰ The estimated savings could increase if the reductions occur through retirement or voluntary separation of higher-tenured staff.

- **Eliminate an additional 8.33 FTE ESP positions:**¹¹ In FY 2016-17 ALSD employed a total of 10.83 FTE ESP positions. The District's ESP positions include K-8 art, music, and physical education teachers as well as non-teaching counselors and nurses. **R.7** recommended elimination of 2.5 FTE professional positions, including 1.0 FTE nurse positions which is an ESP position. The elimination of an additional 8.33 FTEs in this category could save an average of **\$627,500** in salaries and benefits, annually. This savings was calculated using the lowest salaried staff and an average benefits ratio of 40.7 percent.¹²
- **Eliminate the remaining General Fund subsidy of extracurricular activities.** If the District eliminates the entire General Fund subsidy of extracurricular activities it could save an additional cost savings would be **\$321,100** in addition to the **R.9** financial implication of \$11,700. In order to eliminate the General Fund subsidy, the District must increase revenue and/or decrease expenditures. This can be achieved by implementing one or more of the following:
 - Increase pay to participate fees for sports;
 - Increase admissions and sales;
 - Increase booster club funding;
 - Reduce the supplemental salary schedule; and/or
 - Eliminate programs.

Financial Implication: Eliminating an additional 9.0 FTE general education teaching could save an average of \$586,400 annually. An additional across the board reduction of 10.0 percent could save an average of \$596,500 annually. Eliminating an additional 8.33 FTE ESP positions could save an average of \$627,500 annually. Each of these three options would be sufficient to address the remaining annual savings need of **\$579,800** annually. While it would not generate sufficient savings to fully address the remaining annual savings need, the District should also consider elimination of the remaining \$321,100 General Fund subsidy for extracurricular activities.

¹⁰ Salaries are inflated by an average of 2.81 percent annually for FY 2017-18 and FY 2018-19 to be consistent with projected increases over the forecast period. However, in order to avoid double-counting cost savings from **R.4** no inflationary increases are applied to FY 2019-20 or FY 2020-21. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

¹¹ This level of reduction is possible due to the District staffing multiple ESP positions will less than 0.5 FTE.

¹² Salaries are inflated by an average of 2.81 percent annually for FY 2017-18 and FY 2018-19 to be consistent with projected increases over the forecast period. However, in order to avoid double-counting cost savings from **R.4** no inflationary increases are applied to FY 2019-20 or FY 2020-21. In addition, benefits are calculated using the FY 2016-17 employee retirement/insurance benefits as a percentage of personal services.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with the Department and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation, and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and / or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Nine of the 23 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are budgeting and forecasting practices comparable to leading practices?	N/A
Does the District have a strategic plan and budgeting practices to address its educational goals as well as address its financial condition?	R.1
Is the District's financial communication consistent with leading practices?	N/A
Human Resources	
Are staffing levels in line with peers and/or state minimum requirements, where applicable, and appropriate based on the District's financial condition?	R.5, R.6, R.7, R.8, and R.14
Are the District's salaries comparable to peers and appropriate based on the District's financial condition?	R.4
Are the District's collective bargaining agreement (CBA) provisions comparable to the peers and appropriate based on the District's financial condition and ORC minimums?	R.3
Are the District's insurance benefits comparable to industry standards appropriate based on the District's financial condition?	R.2
Is the open enrollment policy and practice beneficial to the District and appropriate based on the District's financial condition?	N/A
How has the District adjusted supplemental and extracurricular programs and salaries to help address deficit spending?	R.9 and R.14
Facilities	
Is the District's custodial and maintenance staffing efficient compared to benchmarks and appropriate based on the financial condition?	N/A
Are the District's facilities expenditures comparable to peers and appropriate based on the financial condition?	N/A
Transportation	
Are the District T Report procedures accurate and consistent with leading practices?	N/A
Does the District make efficient use of routing for its fleet?	R.10 and R.12
Is the District's fuel purchasing practice resulting in efficient pricing?	N/A

Objective	Recommendation
Are the District's bus replacement practices consistent with leading practices?	R.11
Food Service	
Is the Food Service Fund self-sufficient and consistent with leading practices?	R.13
Are the District's food service staffing levels efficient compared to peers and/or leading practices?	R.13

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives.

Appendix B: Additional Comparisons

Staffing

Table B-1 shows full-time equivalent (FTE) staffing levels per 1,000 students at the District compared to the primary peer district average. The latest available peer data was from FY 2015-16, as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to the District's EMIS data to reflect accurate staffing levels for FY 2016-17.

Table B-1 Alexander Local Staffing Comparison Summary

	ALSD	Primary Peer Avg.			
Students Educated ¹	1,524	1,515			
Students Educated (thousands)	1.524	1.515			
Position Group	Total FTEs	FTEs Per 1,000 Students	FTEs Per 1,000 Students	Difference per 1,000 Students	Total FTEs Above (Below) ²
Administrators	8.51	5.58	5.41	0.17	0.26
Teaching	78.49	51.50	48.91	2.59	3.95
Other Educational	2.00	1.31	3.18	(1.87)	(2.85)
Professional	8.00	5.25	3.79	1.46	2.23
Office/Clerical	8.00	5.25	5.48	(0.23)	(0.35)
Non-Certificated Support	0.00	0.00	6.27	(6.27)	(9.56)
Technology	2.00	1.31	0.79	0.52	0.79

Source: ALS, ODE, and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-1**, the District's staffing levels were lower than the peer averages for administrative, office/clerical, and non-certificated support. The following staffing categories that were higher than the primary peers showing related recommendations appear below:

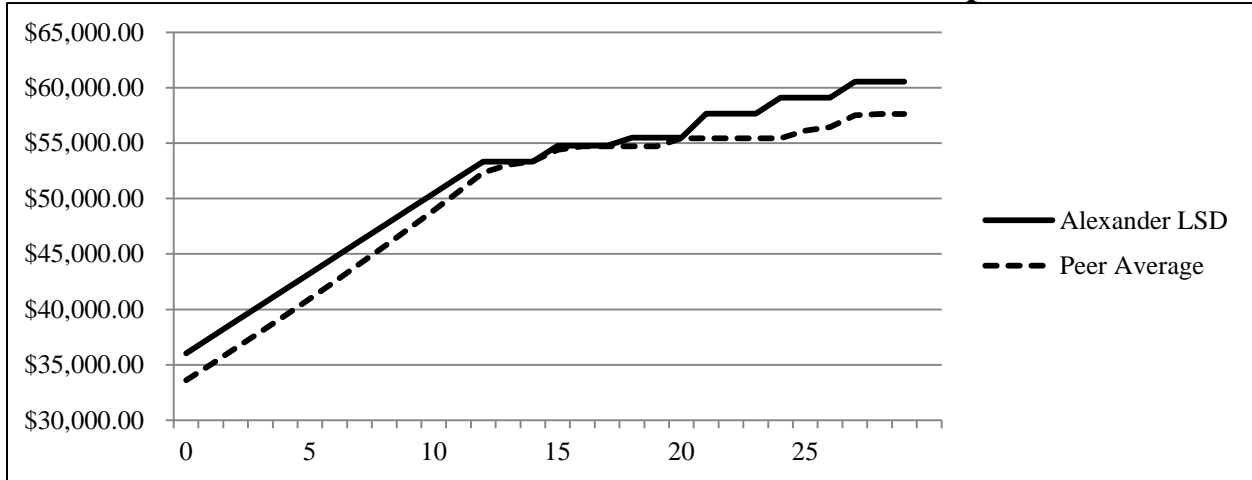
- Teaching positions – see **R.5** and **R.14**;
- Other educational positions – see **R.6**;
- Professional positions – see **R.7**; and
- Technical staff positions – see **R.8**.

In addition, administrative and office/clerical positions are considered in **R.14**.

Salaries

The following charts, **B-1** through **B-7**, show the ALSD 30 year career salary compared to the primary peer average for select positions.

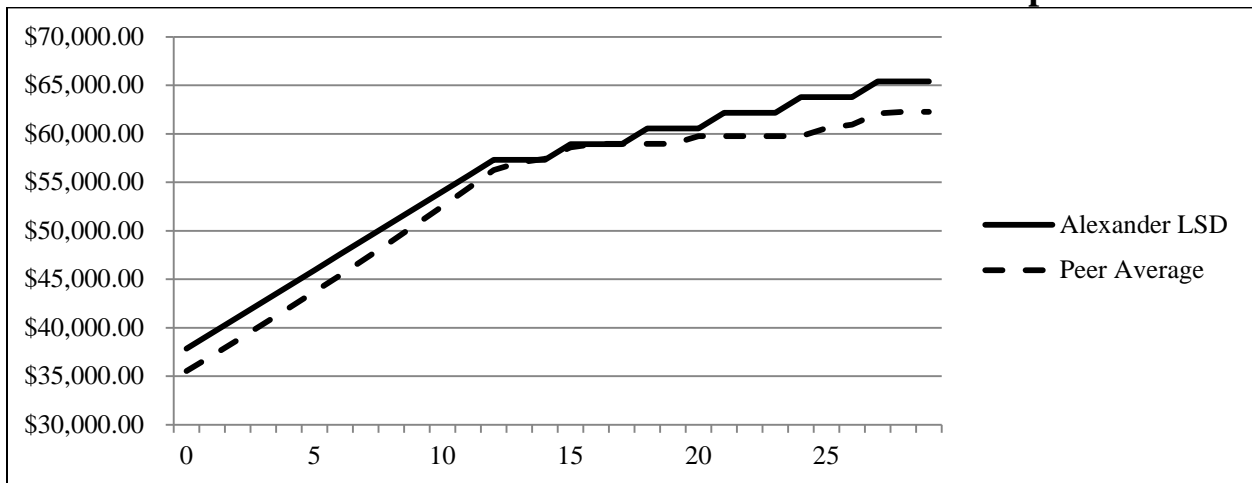
Chart B-1: Bachelor’s Level 30 Year Career Comparison



Source: ALSD and local peers

As shown in **Chart B-1**, ALSD’s bachelor level compensation starts higher than the local peer average and remain higher at almost every step except year 14, 16, and 20 throughout the 30-year career. In total, career compensation for this position is \$52,441 or 3.6 percent higher than the local peer average.

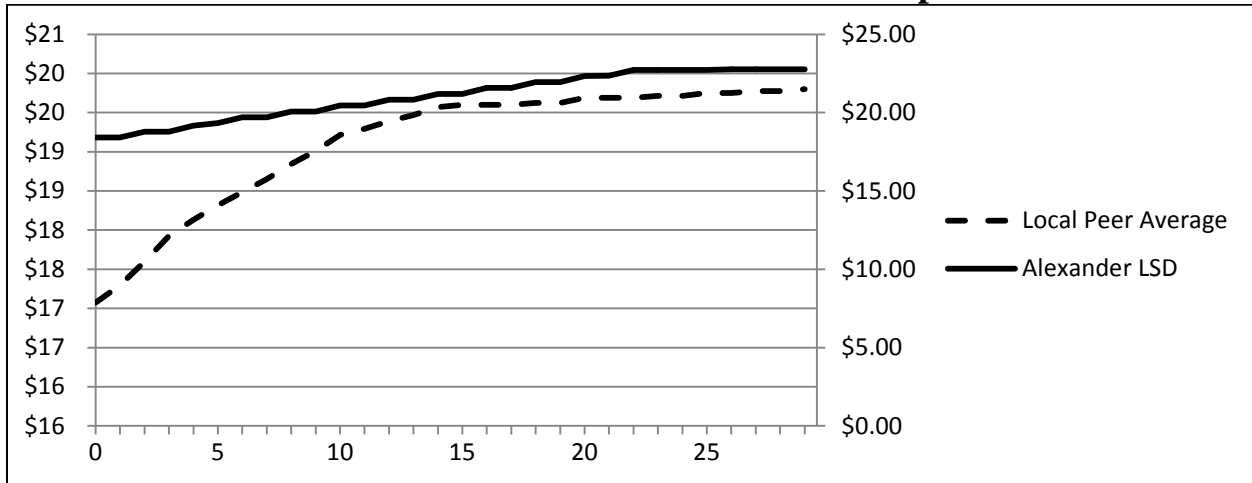
Chart B-2: Bachelor’s Plus 30 Level 30 Year Career Comparison



Source: ALSD and local peers

As shown in **Chart B-2**, ALSD’s bachelor plus 30 semester hour level compensation starts higher than the local peer average and remain higher at almost every step except year 14, 16, and 20 throughout the 30-year career. In total, career compensation for this position is \$56,649 or 3.5 percent higher than the local peer average.

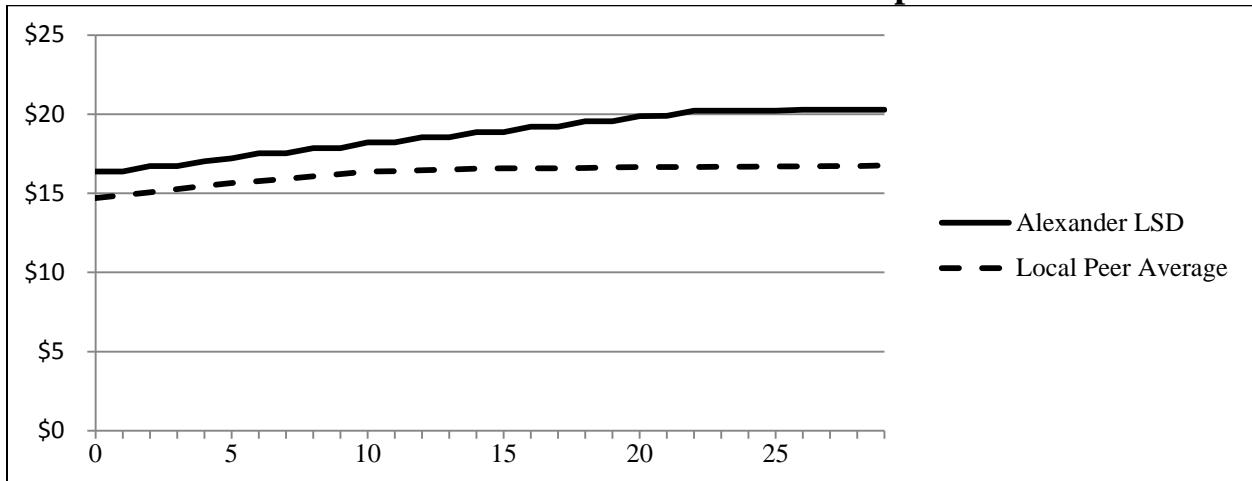
Chart B-3: Mechanics 30 Year Career Comparison



Source: ALSD and local peers

As shown in **Chart B-3**, ALSD’s mechanic level compensation starts higher than the local peer average and remain higher at every step throughout the 30-year career. In total, career compensation for this position is \$44,720 or 37.5 percent higher than the local peer average.

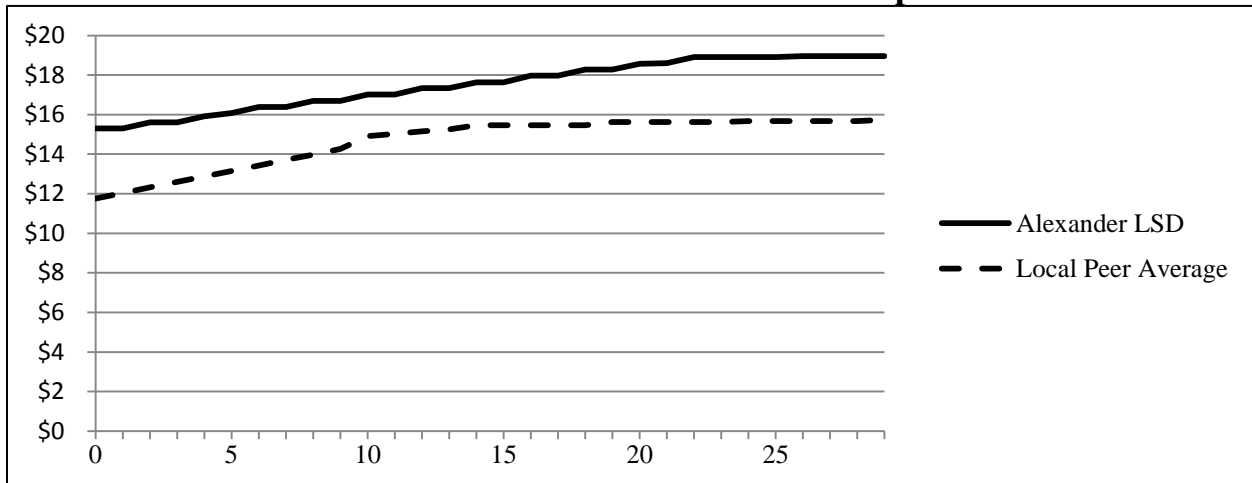
Chart B-4: Cook II 30 Year Career Comparison



Source: ALSD and local peers

As shown in **Chart B-4**, ALSD’s cook II level compensation starts higher than the local peer average and remain higher at every step throughout the 30-year career. In total, career compensation for this position is \$13,350 or 15.3 percent higher than the local peer average.

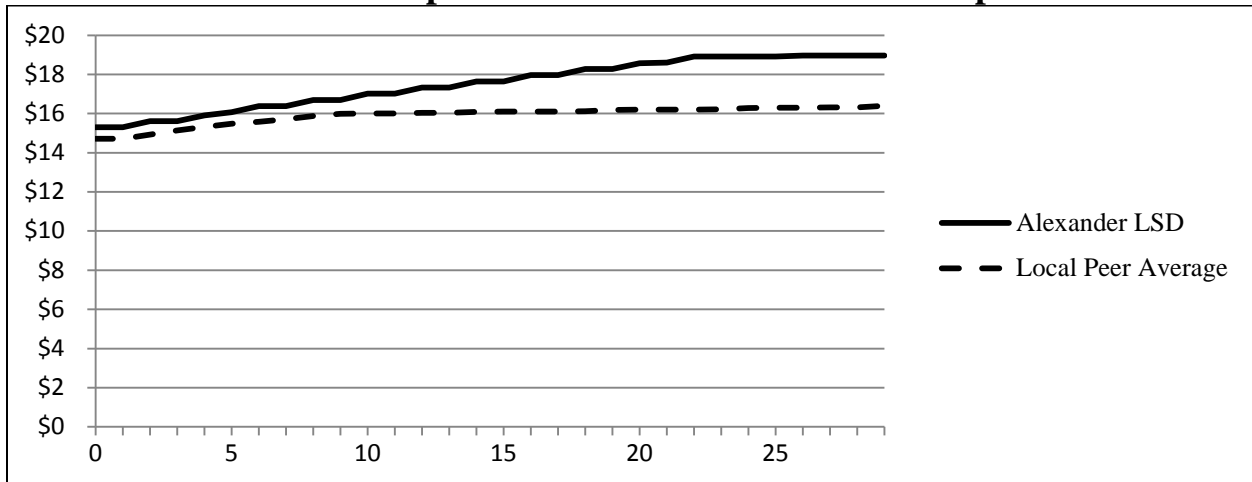
Chart B-5: Cashier 30 Year Career Comparison



Source: ALSLD and local peers

As shown in **Chart B-5**, ALSLD’s cashier level compensation starts higher than the local peer average and remain higher at every step throughout the 30-year career. In total, career compensation for this position is \$15,130 or 19.3 percent higher than the local peer average.

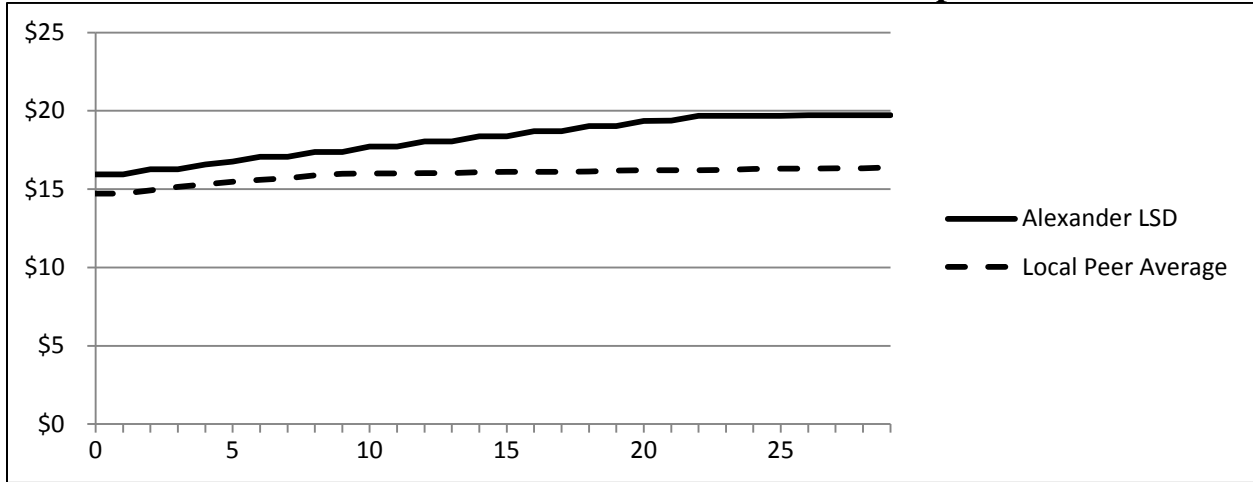
Chart B-6: Paraprofessionals 30 Year Career Comparison



Source: ALSLD and local peers

As shown in **Chart B-6**, ALSLD’s paraprofessionals level compensation starts higher than the local peer average and remain higher at every step throughout the 30-year career. In total, career compensation for this position is \$8.54 or 10.1 percent higher than the local peer average.

Chart B-7: Health Aides 30 Year Career Comparison



Source: ALSA and local peers

As shown in **Chart B-7**, ALSA's health aides level compensation starts higher than the local peer average and remain higher at every step throughout the 30-year career. In total, career compensation for this position is \$12,460 or 14.6 percent higher than the local peer average.

Overall, ALSA's trend line is greater than the peers in every category of comparison (see **R.4**).

Facilities Staffing

Table B-2 shows the District's buildings and grounds staffing for FY 2016-17 compared to industry benchmarks from American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table B-2: Buildings & Grounds Staffing Comparison

Grounds Staffing	
Acreage Maintained	39.6
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	1.0
Custodial Staffing ¹	
Square Footage Cleaned	232,947
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	7.9
Maintenance Staffing	
Square Footage Maintained	232,947
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.5
Total Buildings & Grounds Staffing	
Total FTEs Employed	10.4
Total Benchmarked Staffing Need	11.4
Total FTEs Above/(Below) Benchmark	(1.0)

Source: Client, AS&U, and NCES

¹ According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

As shown in **Table B-2**, the District is below the national benchmarks for total buildings and grounds staffing when measured against a Level 3 cleaning expectation. It is important to note that the totals for square footage cleaned and maintained do not include ancillary buildings, but instead only reflect the total amount of the educational building.

Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2016 Five-Year Forecast.

Chart C-1: ALSD October 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	2,775,649	2,832,496	3,037,686	3,027,424	3,077,231	3,116,132	3,166,451	3,311,546
1.020 Tangible Personal Property Tax	1,126,990	1,271,920	1,358,625	1,425,145	1,457,167	1,482,631	1,501,137	1,516,148
1.035 Unrestricted Grants-in-Aid	9,651,217	9,590,648	9,579,109	9,574,628	9,586,577	9,591,964	9,596,856	9,602,350
1.040 Restricted Grants-in-Aid	254,524	275,483	220,979	219,179	226,585	224,593	223,900	222,221
1.050 Property Tax Allocation	473,131	490,012	502,010	507,348	518,232	525,912	534,651	559,700
1.060 All Other Operating Revenue	1,403,778	1,326,805	1,299,557	1,434,553	1,376,898	1,390,667	1,404,574	1,418,619
1.070 Total Revenue	15,685,289	15,787,364	15,997,966	16,188,276	16,242,690	16,331,900	16,427,568	16,630,584
2.040 Operating Transfers-In	105,742	109,002	387,979	109,923	107,163	109,316	106,150	107,650
2.060 All Other Financial Sources	10,363	9,642	19,422					
2.070 Total Other Financing Sources	116,105	118,644	407,401	109,923	107,163	109,316	106,150	107,650
2.080 Total Revenues and Other Financin	15,801,394	15,906,008	16,405,367	16,298,199	16,349,853	16,441,216	16,533,718	16,738,234
3.010 Personnel Services	5,384,299	5,716,248	6,135,667	6,238,337	6,428,096	6,594,219	6,723,546	6,859,752
3.020 Employees' Retirement/Insurance B	2,037,567	2,173,677	2,436,386	2,541,483	2,689,163	2,807,330	2,928,797	3,061,090
3.030 Purchased Services	2,853,139	2,960,537	3,063,400	2,967,784	2,997,462	3,027,436	3,057,711	3,088,288
3.040 Supplies and Materials	571,927	595,411	532,346	512,669	517,796	522,974	528,204	533,486
3.050 Capital Outlay	378,473	261,948	1,023,303	627,536	533,811	539,150	544,541	549,986
4.010 Debt Service: All Principal (Historica	70,000	75,000	75,000					
4.050 Debt Service: Principal - HB 264 Loans				80,000	80,000	85,000	85,000	90,000
4.055 Debt Service: Principal - Other				89,000	178,000	178,000	178,000	178,000
4.060 Debt Service: Interest and Fiscal Ch	35,742	34,002	32,203	29,923	27,163	24,316	21,150	17,650
4.300 Other Objects	202,231	199,564	227,509	229,784	232,082	234,403	236,747	239,114
4.500 Total Expenditures	11,533,378	12,016,387	13,525,814	13,316,515	13,683,573	14,012,828	14,303,695	14,617,367
5.010 Operational Transfers - Out	4,082,121	4,212,280	3,785,207	3,874,059	4,045,422	4,204,502	4,339,601	4,484,822
5.030 All Other Financing Uses		60,318	60,317	34,000				
5.040 Total Other Financing Uses	4,082,121	4,272,598	3,845,524	3,908,059	4,045,422	4,204,502	4,339,601	4,484,822
5.050 Total Expenditure and Other Financ	15,615,499	16,288,985	17,371,338	17,224,574	17,728,995	18,217,330	18,643,296	19,102,189
6.010 Excess Rev & Oth Financing Source	185,895	-382,977	-965,971	-926,375	-1,379,142	-1,776,114	-2,109,578	-2,363,955
7.010 Beginning Cash Balance	4,433,550	4,619,445	4,236,468	3,270,497	2,344,122	964,980	-811,134	-2,920,712
7.020 Ending Cash Balance	4,619,445	4,236,468	3,270,497	2,344,122	964,980	-811,134	-2,920,712	-5,284,667
8.010 Outstanding Encumbrances	78,613	40,000	40,000	40,000	40,000	40,000	40,000	40,000
10.010 Fund Balance June 30 for Certificat	4,540,832	4,196,468	3,230,497	2,304,122	924,980	-851,134	-2,960,712	-5,324,667
12.010 Fund Bal June 30 for Cert of Contra	4,540,832	4,196,468	3,230,497	2,304,122	924,980	-851,134	-2,960,712	-5,324,667
13.010 Income Tax - New				150,000	1,887,500	2,500,000	2,500,000	2,500,000
13.030 Cumulative Balance of New Levies				150,000	2,037,500	4,537,500	7,037,500	9,537,500
15.010 Unreserved Fund Balance June 30	4,540,832	4,196,468	3,230,497	2,454,122	2,962,480	3,686,366	4,076,788	4,212,833

Source: ALSD and ODE

Client Response

The letter that follows is the District's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report, and provided supporting documentation, revisions were made to the audit report.

Alexander Local School District

Albany, Ohio 45710

740-698-8831/1-800-628-9517

District Office
6091 Ayers Road
740-698-2038 (fax)

Elementary
6105 School Rd.
740-698-2137 (fax)



Middle School
6115 School Rd.
740-698-8833 (fax)

High School
6125 School Rd.
740-698-3614 (fax)

April 17, 2017

David Yost

Auditor of the State

88 East Broad Street, 5th Floor

Columbus, Ohio 43215

Dear Auditor Yost,

On behalf of the Alexander Local School District, we would like to thank you and your team for completing the Performance Audit for our district. This district voluntarily engaged in this audit process to give the Board of Education and the district leadership an additional tool to further streamline district operations and continue to improve our efficiency and operations. We have enjoyed the conversations, input, analysis of the district, and thank you for the work that your staff has completed. We will share this information with the District Leadership Team, Board of Education, and community.

We appreciate the many accomplishments noted within the report and the suggestions given to improve our district. We are committed to continuing our efforts in the area of providing and excellent educational opportunity for all of our children while maintaining a lean budget.

Historically we have balanced the budget through attrition, energy audits, reviewing purchased services, and increasing grant funding.

This audit will be used to make future decisions to balance our budget while offering top quality educational experiences for students. We will analyze the information gained through the audit process for continued improvement of the Alexander Local School District. We thank you for your time and efforts you have given during this audit.

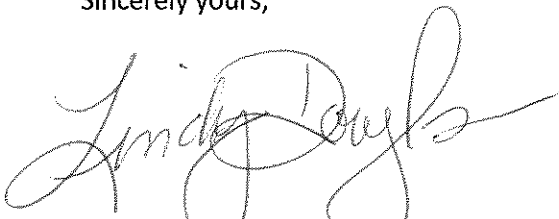
Below is a list of cuts that we have implemented for the upcoming school year 2017-18.

The Alexander Local School District offers educational programs, services, activities, and employment practices without regard to race, religion, national origin, sex, handicap, or age.

2017- 18 proposed cuts for the fiscal year.

We will not buy 2 buses this coming year.	\$180,000	
We will cut one route from bussing.	\$ 35,000	
Educational Service Center - reading	\$51,000	
Education Service Center - preschool	\$10,000	
One teaching position	\$68,000	
CC unit	\$18,000	
Ohio Univ. & reading Int.	\$44,000	
Food Service 3hr. position	\$12,000	
1 library aide position	\$ 41,000	
2 non certified positions	\$ 105,000	
Live Healthy Appalachia	\$ 2,250	
Technology	\$50,000	Total \$616,250.

Sincerely yours,



Lindy Douglas, Superintendent



Dave Yost • Auditor of State

ALEXANDER LOCAL SCHOOL DISTRICT

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2018**