JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MASSILLON CITY SCHOOL DISTRICT PERFORMANCE AUDIT

MARCH 14, 2000

EXECUTIVE SUMMARY

Project History

Pursuant to Ohio Revised Code Section 3316.042, the Auditor of State's Office may conduct a performance audit of a school district in a state of fiscal watch or fiscal emergency, and review any programs or areas of operations in which the Auditor of State believes that greater operational efficiencies or enhanced program results can be achieved.

The Massillon City School District (MCSD) was placed in fiscal watch on January 6, 1997. As required by law, the district developed a financial recovery plan within 120 days and the first annual update was submitted in January 1998. However, the district failed to submit its second annual update in January 1999. The failure of a school district under fiscal watch to submit an updated financial recovery plan acceptable to the state superintendent of public instruction results in a designation of fiscal emergency. Consequently, on September 30, 1999, MCSD was declared to be in fiscal emergency.

Pursuant to Ohio Revised Code Section 3316.041, the Auditor of State's Office initiated a performance audit of the Massillon City School District. Based upon a review of MCSD information and discussions with the Superintendent and the Ohio Department of Education, the following four functional areas were selected for the performance audit:

- Financial Systems
- Human Resources
- Facilities
- Transportation

Planning for the performance audit began in September, 1999, and the actual performance audit was conducted primarily during the months of October 1999 to January 2000.

The goal of the performance audit process is to assist the district and the Financial Planning and Supervision Commission (the Commission) in making decisions with the objective of eliminating the conditions which brought about the declaration of fiscal emergency. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements and to perform an independent assessment of the district's financial situation, including development of a framework for a financial recovery plan. The recommendations contained in the performance audit will provide one major resource to the district and Commission in developing a financial recovery plan. However, the district and Commission are encouraged to assess overall district operations and to develop other recommendations as well.

Financial Planning and Supervision Commission

As a result of the Auditor of State declaring MCSD in a state of fiscal emergency, and in accordance with Ohio Revised Code Section 3316.05, a Financial Planning and Supervision Commission was created. This Commission, by law, has broad fiscal and management authority to deal with MCSD's financial problems. Commission membership includes the following:

- The Superintendent of Public Instruction or designee
- The Director of Budget and Management or designee
- An appointment of the Governor
- An appointment of the Mayor
- An appointment of the Superintendent of Public Instruction who shall be a parent of a child attending school in the district.

Ohio Revised Code Section 3316.06 requires the Financial Planning and Supervision Commission to adopt a financial recovery plan within 120 days of its first meeting. The fiscal emergency legislation stipulates that the plan must contain the following provisions:

- Eliminate the emergency fiscal conditions that prompted the Auditor of State's declaration of fiscal emergency
- Satisfy judgements and any past due payables and/or payroll and fringe benefits
- Eliminate deficits in applicable funds
- Restore to special funds any amounts borrowed or improperly used
- Balance the budget
- Avoid future deficits
- Stay current in all accounts
- Avoid future fiscal emergency conditions
- Restore the school district's ability to market long-term obligations.

The Commission has the following powers, duties and functions:

- Review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan
- Inspect and secure pertinent documents
- Review, revise and approve determinations and certifications affecting MCSD made by the County Budget Commission or the County Auditor
- Bring civil actions to enforce fiscal emergency provisions
- Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules
- Assume responsibility for all debt issues

- Make and enter into all contracts necessary or incidental to the performance of its duties
- Implement cost reductions and revenue increases to achieve balanced budgets and carry out financial recovery plan.

The Financial Planning and Supervision Commission is currently reviewing all monthly financial reports, and is monitoring the processes followed by MCSD for all expenditures. The Commission will continue in existence until the Auditor of State, or the Commission itself, determines that the following conditions have been met:

- An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years
- All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- The objectives of the financial recovery plan are being met
- The MCSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse."

District Overview

The Massillon City School District (MCSD) is located in west-central Stark County. The district encompasses approximately 20.1 square miles and serves 4,654 students. The City of Massillon has a population of approximately 31,000. The district's average daily membership (ADM), per the October 1998 ADM count for FY 1998-99 is 4,654, compared to the previous fiscal year's ADM of 4,868. Since FY1994-95, MCSD's enrollment has exhibited a moderate downward trend. MCSD's student attendance rate is 93.2 percent, a level equivalent to the peer group average of 93.2 percent and slightly lower than the statewide average of 93.6 percent. The district's ninth grade proficiency test passage rate is 45 percent which is somewhat higher than the peer group average of 41.5 percent, but significantly lower than the state average of 56 percent. MCSD met 7 of the 18 standards on the district report card issued in 1999 for the 1997-98 school year, and met 8 of 27 standards on the report card issued in 2000 for the 1998-99 school year. This level of attainment placed the district in the academic emergency category.

MCSD's current financial condition is due, in part, to a history of deficit spending which has necessitated both short and long term borrowing to fund general operations. The need for borrowing was further necessitated by the loss of an anticipated construction grant for vocational education facilities after the district had awarded the construction contracts. Although the state replaced the grant with an interest free loan, $4.1 million was added to the district's debt position.

The Auditor of State, Local Government Services (LGS) office has certified an estimated deficit of $3.3 million in FY 1999-00. The district will be required to borrow that amount from the State Solvency Assistance Fund during the current fiscal year and repay one-half during each of the next two fiscal years, FYs 2000-01 and 2001-02. The current financial forecast provided in **Table 2-1** of the **Financial Systems** section of this report shows operating deficits in FY 1999-00 and FY 2000-01, followed by operating surpluses throughout the remainder of the forecast period, resulting primarily from passage of a 9.7 mill emergency operating levy in November, 1999, and the full collection of school district income tax revenues. The cumulative fund balance is projected to grow to $4.7 million by FY 2003-04. However, this favorable forecast assumes the renewal of the 5.3 mill emergency operating levy in FY 2001-02. In addition, the failure to renew the 9.7 mill emergency operating levy or to replace the school district income tax revenues when it expires will significantly effect the district's financial position.

Voters in the City of Massillon have been marginally supportive of the schools as evidenced by the fact that 50 percent of the tax issues placed on the ballot since November 1998 have been successful. Four of those ballot issues provided new revenue, and two were renewals. As a result, MCSD received revenues totaling $5,922 per pupil in FY 1997-98, placing it below both the peer district and state averages of $6,390 and $6,419 respectively. Per pupil expenditures in FY 1997-98 totaled $5,122, an amount well below revenues. However, in each of the three previous fiscal years, per pupil expenditures exceeded per pupil revenues 24 to 36 percent, as reported by EMIS.

As a labor intensive organization, MCSD expends approximately 85.2 percent of its operating budget to fund payroll and fringe benefit costs. This amount is high compared to most school districts and illustrates the limited resources available to the district for discretionary expenditures.

While MCSD has shown a consistent pattern of deficit spending over several years, it has recognized the seriousness of its financial condition and initiated actions to correct the underlying causes. Wages were frozen during FY 1997-98 and FY 1998-1999, appropriations were reduced from prior levels, and early retirement programs were offered to eligible employees in an effort to reduce staffing. A citizens advisory committee was formed in late 1996 to guide the district's initial financial recovery plan and a 0.75 percent district income tax was passed in May 1997 to help pay down the general operating debt.

In FY 1997-98, the district employed approximately 516.9 employees, including approximately 311 teachers. The total number of employees has decreased by 9.2 percent since FY 1994-95 in response to the district's financial situation. MCSD has used a variety of effective management practices to achieve staffing levels which are significantly lower that the peer districts and approximately equal to recommended standards. MCSD maintains a 17.1:1 student teacher ratio in elementary schools, a 22.8:1 student teacher ratio in the middle schools and a 27.3:1 ratio in the high school.

The average teaching salary in MCSD is the lowest among the peer districts and is 3.8 percent lower than the peer district average. Average custodial and maintenance salaries are higher than the peer district average by 11.8 and 1.4 percent respectively. MCSD teachers averaged 7.3 sick days in FY 1998-99 and classified employees averaged 9.1 sick days.

MCSD's annual benefit cost per employee is the highest among the peer districts at $5,245. The higher costs can be attributed, in part, to MCSD not requiring its employees to contribute towards premium costs. The peer districts are self-insured, offer less comprehensive medical coverages and require their employees to pay significantly higher annual deductibles.

MCSD has negotiated collective bargaining agreements which provide management with the necessary flexibility to effectively manage the work force. The contracts establish the teachers' annual contract at 184 days while classified employees are required to work eight hours per day. A one week notice is required to use personal leave, teacher transfer decisions are not based strictly on seniority and ten years of service within MCSD is required to be eligible for severance pay.

MCSD operates seven elementary schools, two middle school, one high school, one stadium, one transportation facility, and three administrative/other sites. The average age of the ten school buildings is approximately 45 years and deferred maintenance has created significant capital needs. In 1997, the Ohio Legislative Budget Office estimated that building repair, renovation and replacement would cost approximately $58.5 million.

In order to appropriately address educational needs and space availability, the district should formally adopt methodologies for projecting enrollments and functional capacity utilization. Enrollment projections and capacity analyses should be updated on a regular basis. Based on current grade configurations, projected enrollments, the district should consider closing one elementary school.

The district should also evaluate the adequacy of funding for future capital improvements. Currently, MCSD lacks a dedicated capital revenue stream, and relies on general operating funds for building repairs and improvements. While H.B. 412 set-asides will eventually provide some funding for this purpose, these funds will not be adequate to meet the projected $58.5 million in costs.

In FY 1997-98, the custodial staffing level resulted in one FTE for every 26,824 square feet which is 20 percent more square feet than the peer district average. Each maintenance employee was responsible for maintaining 130,470 square feet, which is 4 percent more than the peer district average. District groundskeepers maintain an average of 24 acres per employee, which is significantly less than the industry standard of 50 acres per employee and should result in a staffing reduction.

In the area of transportation, MCSD's operating ratios for regular and special needs students appear high when compared to the peer districts. Approximately 2,023 students are eligible for transportation and the district operates 22 buses and 9 spares. The district has 17 buses that are more than 12 years old and exceed the standard criterion for replacement. The district needs to plan for the replacement of these buses at a cost of approximately $940,000. The district's current replacement plan is not comprehensive and does not identify potential funding sources.

Operationally, the regular per student transportation costs of $290 exceed the peer district average by approximately 16 percent. The special needs per student transportation costs of $2,881 exceed the peer district average by 106 percent. Reductions in transportation costs can be achieved by increasing student capacity per bus, making more effective use of contracted services and attempting to increase the use of payments in lieu of transportation for the parents of selected special needs and non-public students. Cost reductions might also result from the use of school bus routing optimization software.

In order to achieve and maintain financial stability, MCSD must continue its efforts to control costs. The district's negotiated agreements with all four bargaining units expired on December 31, 1999, and prudent bargaining with the unions will help to ensure future financial stability. At a minimum, the district must examine its benefit structure and the size of potential cost of living increases.

The performance audit provides a series of recommendations, many of which include associated cost reductions, redirected services or efficiency improvements. Management should carefully consider these recommendations when making the important decisions necessary to establish financial stability while improving on the educational standards MCSD is providing.

Summary Result

The summary result of the performance audit is contained on pages 1-8 through 1-16. The summary result is followed by overall performance audit information including a definition of performance audits, the objectives and methodology of performance audits, and peer district comparisons of key information.

The performance audit examines four major areas of MCSD operations. A summary of background information, major findings, commendations, recommendations and financial implications is provided for each area. However, a thorough analysis of each of the four areas, including detailed findings and recommendations, is contained within the corresponding sections of this report. All interested parties are encouraged to read the entire report.

The results of this performance audit should not be construed as criticism of MCSD management. Rather, the performance audit should be used as a management tool by the district, the Financial Planning and Supervision Commission, and the community to improve operations within the district. MCSD is facing a number of new legislative mandates which must be implemented and which could have financial implications. As the district addresses these issues, the performance audit provides a series of findings and recommendations which should be considered in the decision-making process. Each section of the performance audit contains commendations concerning certain aspects of district operations which should not be diminished.

A table representing a summary of the financial implications of the recommendations contained in this report is presented on pages 1-17 through 1-19. However, the performance audit contains a more complete discussion of all recommendations and should not be overlooked. If implemented, these recommendations will improve the operational efficiency and effectiveness of MCSD as it works to achieve its educational mission.

The performance audit is not a financial audit. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of MCSD's fiscal records and past financial transactions. However, copies of the financial audits are available through the Auditor of State's Office.

Financial Systems

This section focuses on the financial systems within the Massillon City School District (MCSD or the district). The objective is to analyze the current financial condition of the district, including an evaluation of internal controls, and develop recommendations for improvements and efficiencies. Within this section, the development of the district's five-year financial forecast is examined, and an additional forecast representing the Auditor of State's assessment of the district's financial condition is presented. Cost saving opportunities have been identified to assist the Financial Planning and Supervision Commission (the commission) in preparing a financial recovery plan for the district.

Background: ORC § 3316.04 requires the Auditor of State to place a school district in fiscal emergency if it fails to submit an acceptable financial recovery plan to the State Superintendent of Public Instruction within 60 days of being placed in fiscal watch, or fails to submit an acceptable update of that recovery plan on an annual basis. In January 1997, MCSD met all the conditions identified in ORC § 3316.03 and was declared to be in fiscal watch. The district appropriately filed an initial financial recovery plan and an updated plan the following year. However, MCSD did not submit an acceptable update to its financial recovery plan during 1999 and, on September 30 1999, the Auditor of State declared the district to be in fiscal emergency. A Financial Planning and Supervision Commission has been formed and given broad oversight authority to balance the district's budget and eliminate the conditions that caused the declaration of fiscal emergency.

MCSD's primary funding sources are local property taxes, school district income tax and state foundation support. Residents have passed four of eight emergency operating levies placed on the ballot during the past 10 years. Based on 1998 assessed valuation, one mill of property tax generates approximately $351,000 of revenue for MCSD. In November 1999, the district successfully passed a 9.7 mill emergency operating levy which is expected to raise approximately $3.4 million annually for five years. Voters approved a four-year, 0.75 percent district income tax in May 1997 to pay down the operating debt. MCSD has never passed a permanent improvement levy, attempting only one in the past 20 years. The district is not eligible to collect revenue through a joint city/school district income tax.

Findings: During much of the past decade, MCSD demonstrated a pattern of deficit spending which led to both short-term and long-term borrowing to fund operations. Currently, MCSD has approximately $13.5 million of general operating debt, as well as $12.5 million of outstanding capital construction debt. The capital debt is serviced by a bond issue passed in November 1988. In 1995, MCSD began taking steps to address its declining financial condition by reducing staffing and supplemental contracts, dispensing with wage increases for two years, creating a citizens advisory committee, successfully passing operating and income tax levies, and restructuring state emergency loans. However, district management has not fully quantified the financial benefit of all corrective actions taken.

In August 1999, MCSD hired a permanent treasurer who is developing its five-year financial forecast using a specialized computer model. Output from the computer model is used as the primary means of communicating the financial projections. **Table 2-1** contains the Auditor of State's forecast assuming no significant changes in the district's revenue sources or spending patterns. A second forecast, presented in **Table 2-2**, incorporates the financial implications of the recommendations resulting from this performance audit to aid the commission in developing the district's financial recovery plan. The forecast in **Table 2-1** presents a more positive outlook than that prepared by the treasurer. The treasurer has assumed no increase in state foundation revenue, a more conservative estimate of income tax revenue and higher capital spending. Both forecasts assume the renewal of a 5.3 mill emergency operating levy in FY 2001-02. Failure to renew the levy would eliminate the projected positive balances in the treasurer's forecast. In addition, the failure to renew the 9.7 mill emergency operating levy when it expires at the end of 2004 would remove a significant source of revenue beyond the forecast period. Further, the expiration of the school district income tax on December 31, 2001 will negatively affect district revenue. Both forecasts include estimated spending and reserve requirements under H.B. 412. However, the district has not fully quantified the potential impact of Am. Sub. S.B. 55 and Am. Sub. H.B. 650.

MCSD receives a significantly higher percentage of total revenues from local sources than its peer districts, and its effective milage has consistently ranked among the highest of the peer districts and has been equal to, or near, the state average. The district's average valuation per pupil is also consistently among the lowest of the peers and significantly below the state average, while median incomes for all four peer districts are generally low compared to the state average. MCSD has no positions dedicated to coordinating grant-related activities or Medicaid reimbursements, and consistently ranks among the lowest of the peers in the percentage of revenue received from federal sources. MCSD has not successfully passed a permanent improvement levy in the past 20 years, nor has it prepared a long-range plan to address its capital needs. The district relies primarily on general fund revenue to pay for the maintenance and upkeep of district facilities, and to finance capital improvement projects.

The allocation of scarce resources among the various functions of a district is one of the most important aspects of the budgeting process. An analysis of expenditures posted to USAS function codes within the governmental funds indicate that MCSD's operating expenditures of $5,894 per pupil were significantly below that of all other peer districts. However, at 61.4 percent, the proportion the district spent on instructional services is comparable to the other peer districts and only slightly below the peer average of 62.2 percent. Compared to its peers, MCSD ranks at or near the top in proportionate spending on non-instructional services and extracurricular activities.

District management has expressed a lack of confidence in the accuracy of its historical financial records due to past inconsistent and inaccurate coding practices. Grant-related expenditures were improperly charged to the general fund, supporting documentation could not be provided for significant transactions and agreements, the capabilities of the USAS account structure were not being fully utilized and fiscal office personnel have not been adequately trained on necessary reporting and record keeping procedures. MCSD has contracted with an independent public accounting firm to provide audit services and to prepare the district's GAAP-basis financial statements, but has not released its audited financial statements within the required six month time frame.

Recommendations: MCSD should establish procedures which will allow the treasurer to accurately and efficiently monitor, control and report on the progress being made toward financial recovery, as well as procedures to ensure the compliance with related filing requirements. The treasurer must quickly gain a clear understanding of the district's financial situation. Historical records must be corrected, office personnel must be properly trained, available software and coding options must be fully utilized, and internal control procedures must be strengthened.

MCSD should examine its spending patterns and reallocate resources toward those programs and priorities which will have the greatest impact on improving educational achievement and proficiency test results. A comprehensive long-term capital plan should be created and linked to the five-year forecast. The treasurer should prepare a separate document designed to communicate the underlying forecast assumptions and computations in a concise and easily understandable format.

Other significant recommendations include the following:

- Centralize oversight and control over grant-related activities.
- Consider obtaining professional assistance in administering the Medicaid reimbursement program
- Comply with the requirement to prepare and issue audited financial statements within six months of the end of the fiscal year.

Human Resources

Background: The human resources section evaluates the number, makeup and compensation of MCSD employees, substitute utilization and costs, benefits administration, contractual issues and other employment and organizational issues of MCSD. The human resources functions carried out by the district employees include recruiting and selecting employees, monitoring compliance with employment standards, facilitating employee performance valuations, placing substitutes, conducting grievance and discipline hearings, and negotiating as well as administering collective bargaining agreements.

Findings: MCSD's total staffing is the lowest among the peers. These staffing levels have been achieved primarily by offering an early retirement incentive for the period from FY 1995-96 through FY 1997-98. Additionally, the district is currently offering a second early retirement incentive for FYs 1998-99 through FY 2000-01. When compared to the peers, MCSD has the highest percentage of direct instruction personnel and the lowest percentage of employees categorized as educational support service personnel. An analysis of a teacher's work day indicates that the average middle school teacher is provided with a planning period, an activity period and a team period, and are only educating students approximately five out of nine periods a day. In contrast, the average high school teacher is provided with a planning period and is educating students approximately six out of eight periods a day. MCSD maintains a 17.1 to 1 student teacher ratio in the elementary schools and a combined 25.3 to 1 ratio in the secondary schools. The student teacher ratios in the elementary schools exceed state minimum guidelines while the student teacher ratios at the secondary level are approximately equal to the standards. The district's student teacher ratios in the areas of vocational and special education are approximately equal to the recommended standards and exceed peer and county averages.

MCSD spent $317,057 on substitute services in FY 1998-99 including $172,449 in teacher substitute costs. MCSD required substitute teachers for approximately six percent of the total teaching days in FY 1998-99. In response to substitute teaching shortages, the district has successfully run advertisements in the newspapers and on television in an effort to recruit its own pool of substitutes. MCSD's classified employees averaged 9.1 total leave days per year which is higher than the peer average and the Bureau of Labor Statistics governmental worker average. Additionally, MCSD's custodial/maintenance employees averaged 10.5 sick days, food service employees averaged 9.3 sick days and transportation employees averaged 15.6 sick days, all of which were the highest among the peers.

The administration of benefits for MCSD is handled by a clerk within the treasurer's office. MCSD belongs to the Stark County Schools Council of Governments (COG) which is a consortium composed of approximately 30 city and local schools districts, universities and educational service centers. The primary purpose of the COG is to provide medical and dental benefits to districts at a lower cost than if they acted independently. With the exception of transportation employees, the board pays 100 percent of the medical premium costs for all employees. Additionally, with the exception of transportation and custodial employees, the board pays 100 percent of the dental premium costs for all employees. In comparison to the peers, MCSD has the highest insurance cost per employee which can be attributed to the fact that the district does not require employee contributions, the peers are self-insured and offer less extensive medical coverages, and the peers require their employees to pay significantly higher annual deductibles.

MCSD has four collective bargaining agreements which cover the majority of its employees and are all set to expire on December 31, 1999. The MEA agreement establishes the annual contract at 180 instructional days which is the highest among the peers. Currently, the MEA does not compensate the district for members' salaries and substitute costs associated with time off to conduct association business. The OAPSE contract establishes an employee's probationary period at 60 days and indicates that vacancies and newly created positions will be filled based on seniority. Additionally, the OAPSE contract provides 12 month employees with a paid picnic day occurring in July or August, establishes the sick leave accrual rate for nine month employees at 1 1/4 days per month, requires classified employees to work eight hours per day and allows employees to earn compensatory time off if they are required to work on a calamity day. Both the MEA and OAPSE contracts contain language which precludes management from implementing a reduction in force without first offering an early retirement incentive. Furthermore, both contracts allow employees 30 days to file a grievance and establish severance payout policies which are more generous than ORC requirements.

Commendations: MCSD has been proactive in adjusting its staffing levels to reflect the district's financial condition as well as fluctuations in enrollment. MCSD uses lower salaried monitors to cover duty periods in the high school which allows the district to make the best use of its higher salaried teaching resources. An analysis of MCSD's staffing in comparison to the peers shows that it has the highest percentage of direct instruction personnel indicating that it is directing more of its operating resources toward instruction.

Other significant commendations include:

- Improving the district's financial condition by negotiating employee wage freezes
- Maintaining vocational and special education staffing levels consistent with ODE standards
- Implementing practices which reduce the costs of providing insurance benefits
- Managing the workers' compensation program in an effective manner
- Negotiating several favorable contractual provisions

Recommendations: The district should consider adopting a middle school teaching schedule similar to the high school and require teachers to teach classes six periods a day. Implementing this recommendation could potentially allow the district to reduce eight middle school teaching positions which would save approximately $390,000 annually. Reducing sick leave taken by teachers by one to three days could save MCSD between roughly $15,000 and $45,000 annually. Reducing sick leave taken by classified employees by three to five days could save MCSD between roughly $22,000 and $36,000 annually. MCSD should consider requiring full-time employees to contribute towards the monthly medical and dental premium costs. Establishing employee contributions between five and twenty percent would save MCSD between approximately $111,000 and $472,000 annually.

Other significant recommendations include:

- Requiring the MEA to reimburse the district for substitute costs when on association leave
- Negotiating to remove the provisions in the contracts disallowing reductions in force
- Lowering the severance payout policy to ORC standards
- Reducing the number of paid holidays granted to classified employees
- Reviewing the sick leave accrual rate for nine-month classified employees

Financial Implication: It is estimated that the implementation of all the recommendations in this section of the report would result in an annual savings of approximately $579,000 to $990,000 with a cost avoidance ranging from approximately $300,000 to $400,000.

Facilities

Background: The department of buildings and grounds is responsible for maintaining MCSD's facilities. The district consists of 15 sites with a total area of 782,818 square feet. There are 10 schools, 1 stadium complex, 1 transportation facility, 1 administrative building, 1 adult basic education building and 1 stockroom. The department includes 39.6 full-time employees and has an annual budget of approximately $3.4 million dollars. Facility surveys, conducted by the Ohio Department of Education in 1990 and the Ohio Legislative Budget Office in 1997, estimated it would cost between $44.7 and $58.5 million to repair and upgrade MCSD's facilities to minimum health and safety code standards.

Findings: MCSD custodians maintain an average of 26,824 square feet per custodian, 12 percent more average square footage than the peer average. In part, overtime usage is high because of weekend building checks and special events. Custodial workers average $5,544 in overtime each year. Often, custodians do not have adequate management support to expedite emergency repairs.

The physical condition of the district's buildings, neglected for several years, poses substantial repair obstacles for the district's maintenance workers. Maintenance employees maintain a high square footage, an average of 130,470 square feet per maintenance worker and approximately 73 percent more than the AS&U Region 5 average. MCSD grounds workers currently maintain 52 percent less area than the AS&U Region 5 average and accrue approximately $14,577 in overtime each year. Groundskeeping equipment is outdated and in poor repair, which represents a significant cost to the district in employee time. The district should either invest in new equipment or privatize the groundskeeping function.

The district has not developed a comprehensive long-term facilities plan to guide day to day activities nor has the district implemented recommendations from its facilities study. Preventive maintenance has not been employed for over a decade and the facility infrastructure has suffered as a result. The district does not use an annual maintenance plan and the lack of planning and upkeep has led to increased expenditures and impeded efficiency.

MCSD has not taken advantage of H.B. 264 funding to reduce energy costs. Energy conservation measures have not been employed to reduce utility usage and lower costs. Although the district is participating in a discounted gas program through Power Resources, MCSD has not enrolled in the Energy for Education program, which provides electricity at a discounted rate. The district's utility costs are approximately 18 percent per square foot higher than the peer average.

Commendations: MCSD custodial staff are responsible for 4,493 square feet or 17 percent more per custodian than the peer district average and 2,949 square feet and 11 percent more per custodian than the AS&U Region 5 average. The limited use of carpeting in the buildings and the ownership and pride custodians demonstrate toward their work assignments contribute to the high square footage per custodian. The district's maintenance staff is responsible for maintaining 55,470 square feet (43 percent) more per maintenance employee than the AS&U Region 5 average. Factors contributing to MCSD's high square footage maintained include assigning minor repairs to custodians and cross training tradesmen. Massillon also purchases deregulated gas through Power Resources resulting in savings that can be reallocated to more vital district needs.

Recommendations: The district should develop a comprehensive long-range facilities plan to encompass annual and preventive maintenance and long-term facility plans. The plan should include an annual maintenance plan detailing by year the types of work to be performed, an ongoing preventive maintenance plan for each of the district's facilities, facility evaluations as well as capital improvement needs, enrollment projections, capacity and space utilization analyses, and an implementation plan and budget. The district should consider consolidating the elementary student population into the newer school buildings and closing one elementary school.

Overtime should be tracked and monitored and the district should investigate alternatives to overtime use. After replacing outdated groundskeeping equipment, MCSD should reduce the size of its grounds crew and reallocate those resources to maintenance activities, adding one maintenance worker to the current maintenance staff.

The district should take advantage of H.B. 264 funds to finance capital improvements such as lighting upgrades, boiler replacement, and roof, door and window replacements. Upgraded equipment and the increased use of technology associated with some H.B. 264 projects has the potential to create savings in personnel and energy costs. MCSD should also implement an energy management program to lower utility costs in each school building. Finally, the district should take advantage of the Energy for Education electricity savings program which would increase funding available for educational and facilities-related programs.

Other significant recommendations include the following:

- Implementing an integrated fire alarm, boiler control and security system. MCSD should incorporate freezer temperature alarms and motion sensors into an integrated alarm system and restrict the number of people who have access to district buildings during non-business hours.
- Developing a formal plan to replace old vehicles, mowers and tractors to increase efficiency and reduce the need for excess grounds keepers.
- Adopting a testing and screening process to identify qualified candidates when hiring and promoting classified personnel.

Financial Implications: It is estimated that the recommendations in this section of the report would result in an annual savings of $537,000 - $768,000, an annual cost avoidance of $79,000, with implementation costs of $357,000 - $403,000. Estimates by the Ohio Legislative Budget Office place the capital cost to repair and upgrade MCSD's facilities to the minimum standards and codes for health and safety at $58.5 million.

Transportation

Background: In FY 1999-00, Massillon City School District (MCSD) provides transportation services to 2,023 students through various means. On a daily basis, district buses transport 1,700 public, 280 non-pubic and 17 special needs students. In addition, approximately 21 special needs students are transported by board-leased vans and five non-public students receive payments in lieu of transportation. The district operates 22 school buses and two board-leased vans which travel an estimated 198,933 miles on 53 daily routes. The transportation department is staffed with 29 employees and budgeted expenditures for FY 1999-00 are $685,625.

Findings: State law requires school districts to provide transportation for students in grades K-8 who reside two or more miles from their designated school of attendance. MCSD transports all students in grade kindergarten to eight who live one or more miles from their designated school of attendance. MCSD does not transport students in grades 9-12.

MCSD does not use routing software to design bus routes. Instead, routes are manually designed or adjusted from previous years. Based on FY 1999-00 ridership information provided by the district, MCSD's bus fleet is operating at approximately 67 percent of capacity, with 79 percent of transportation routes scheduled with one or two runs.

The district's average cost to transport a regular needs student is $290, while the average cost to transport special needs students is $2,881. Peer district averages for regular and special needs transportation are $249 and $1,395 respectively. MCSD's regular needs transportation cost of $291 on district buses is second highest among the peer districts. The cost per bus of $26,189 is highest among the peer districts. Peer district averages are $286 and $22,047 respectively. For special needs transportation, MCSD has the highest cost per student on district buses ($3,099), contracted other vehicles ($2,002) and all modes of transportation ($2,881). Peer district averages are $1,444, $1,780 and $1,395 respectively. The department experiences a high rate of absenteeism and sick leave usage, averaging 15.6 sick days and 21 total leave days per employee per year. The high levels of sick leave and absenteeism usage are factors that contribute to the high overtime and substitute costs which total $21,468 and $63,684 respectively.

MCSD's bus fleet has an average age of 11.3 years. Seventeen buses exceed the age guidelines for replacement. Fuel is purchased through a consortium utilizing a local wholesaler. The district takes advantage of available refunds of federal excise taxes. District opportunities for privatization in the area of transportation were determined to be low to moderate.

MCSD's union contract with OAPSE Local 114 provides guaranteed hours for all bus drivers. The contract with Local 114 does not include an attendance incentive for department employees or require annual performance evaluations for departmental staff.

Commendations: In August 1999, MCSD reduced its transportation services and costs in response to financial constraints. MCSD's transportation supervisor is consulted during the development of Individualized Education Programs (IEP) for students who require special transportation services, thus assuring that only those students requiring special transportation services are transported by special needs vehicles. MCSD's participation in the Stark County Schools Consortium to purchase gasoline and diesel fuel is estimated to save the district $29,422 in fuel costs for FY 1999-00.

Recommendations: MCSD should explore other means for transporting special needs students. The district should also consider increasing bus capacity utilization to more closely meet industry standards and reducing the bus fleet by up to four buses. During the next negotiations, the district should seek the elimination of guaranteed hours in the contract. Automated routing software would allow the district to test various route and bell schedule options to ensure that bus capacities and driver hours are optimally utilized.

Other significant recommendations include the following:

- Establishing a safety committee to review transportation policy exceptions
- Implementing an attendance incentive program to reduce sick leave and overall leave usage and taking steps to decrease overtime and substitute costs for transportation personnel
- Conducting transportation department employee evaluations at least annually to identify both high performance and problem areas
- Requiring ASE certification as a condition of employment for future mechanics
- Including in its bus replacement plan the average age and cost of replacement for each bus and investigating other purchasing and funding options for replacement buses

Financial Implications: The implementation of the recommendations found in this section of the report would result in estimated annual cost savings of $161,000 and implementation costs of $20,000. Costs avoided by not having to replace four buses are estimated at $220,000. The magnitude of cost savings associated with some recommendations will be affected by the implementation of other interrelated recommendations.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which MCSD and the Financial Planning and Supervision Commission should consider. Certain of the recommendations are dependent on labor negotiations or community approval. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit report.

Estimated Revenue Enhancements, Cost Savings, Cost Avoidance and Implementation Costs				
Ref. No.	**Recommendations From All Sections**	**Cost Savings**	**Cost Avoidance**	**Implementation Costs**
	Human Resources			
R3.1	Increase number of periods middle school teachers are required to teach	$390,000		
R3.2	Reduce sick leave usage among certificated staff	$15,165 - $45,495		
R3.4	Reduce sick leave usage among classified staff	$21,614 - $36,023		
R3.6	Increase employee contributions towards health care premiums	$111,059 - $471,526		
R3.7	Require MEA to reimburse the district for costs incurred to accommodate association leave	$540 - $5,000		
R3.13	Achieve cost avoidance by implementing a reduced payout of sick leave for severance payments to certificated and classified staff		$300,000 - $400,000	
R3.16	Eliminate the paid picnic day for classified employees	$4,000 - $5,000		
R3.17	Reduce sick leave accrual rate for nine-month classified employees to ORC standards	$28,000		

Estimated Revenue Enhancements, Cost Savings, Cost Avoidance and Implementation Costs				
Ref. No.	**Recommendations From All Sections**	**Cost Savings**	**Cost Avoidance**	**Implementation Costs**
R3.21	Discontinue practice of granting compensatory time to classified employees working on a calamity day	$9,000[1]		
	Facilities			
R4.1	Hire a custodial supervisor and promote three custodians to head custodian			$45,000 - $49,000 (Annual Cost)
R4.2	Implement a training program.			$5,000 - $6,250 (Annual Cost)
R4.4	Reduce custodial overtime expenditures.	$69,000 - $133,000		
R4.5	Hire one additional maintenance employee.			$38,000 (Annual Cost)
R4.6	Purchase a new John Deere tractor and a 3/4 ton snow plow ready pick-up truck under the state contract.			$31,200
R4.7	Reduce the grounds crew staff by one employee.	$36,400		
R4.9	Purchase automated work order system.			$5,000 - $15,000
R4.10	Reduce maintenance overtime expenditures.	$30,000 - $60,000		
R4.20	Close one elementary school building.	$264,000[2]		
R4.21	Implement a new security system.		$79,000	$131,000 - $162,000 (Annual Cost for 5 Years)
R4.22	Implement an energy savings program.	$111,000 - $221,000		$102,000
R4.23	Enroll in the Energy for Education Program.	$27,000 - $54,000		

Estimated Revenue Enhancements, Cost Savings, Cost Avoidance and Implementation Costs				
Ref. No.	**Recommendations From All Sections**	**Cost Savings**	**Cost Avoidance**	**Implementation Costs**
	Transportation			
R5.2	Consider reducing bus fleet by four buses	$104,756	$220,000	
R5.3	Consider using other forms of transportation for special needs students	$56,544		
R5.9	Consider the purchase and use of routing software			$20,000
	Total	**$1,278,078 - $1,919,744**	**$599,000 - $699,000**	**$377,200 -$423,450**

[1]Assumes three calamity days per year.
[2]Savings do not include costs associated with capital repairs avoided at the closed school.

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

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits.

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine if management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences.

Program audits normally are designed to determine if the entity's activities or programs are effective, if they are reaching their goals and if the goals are proper, suitable or relevant. Program audits often focus on the relationship of the program goals with the actual program outputs or outcomes. Program audits attempt to determine if the actual outputs match, exceed or fall short of the intended outputs. This audit was primarily designed as an economy and efficiency audit.

The objectives of performance audits may vary. The Auditor of State's Office has designed this performance audit with the objective of reviewing systems, organizational structures, finances and operating procedures to develop recommendations for reducing operating costs, increasing revenues or improving efficiency. Specific objectives of this performance audit include the following:

- Identify opportunities for improving district effectiveness, responsiveness and quality of service delivery which is cost beneficial.
- Identify opportunities for improving district procedures, work methods and capital asset utilization which should result in higher quality and/or reduced costs.
- Determine if the current district organization is flexible and effectively structured to meet future demands.
- Evaluate financial policies and procedures and provide recommendations for enhanced revenue flows, expenditure reduction ideas or alternative financing techniques.
- Assure administrative activities are performed efficiently and effectively without unnecessary duplication.
- Determine if support activities are sufficient to meet educational objectives.
- Ensure education goals and objectives are supported by the administrative organization.
- Ensure the administrative hierarchy does not diminish teacher effectiveness.
- Perform an independent assessment of the district's financial situation including developing a framework of a financial recovery plan.

The performance audit topics focus primarily on the system/business side of school district operations. By focusing on systems, the audit provides the districts with alternative recommendations intended to enable the districts to operate more efficiently and economically. Certain systems are not operating effectively and do not support the mission of education. Enhancements to these systems will assist in improving the delivery of educational services to students.

The performance audit on the Massillon City School District covers the following areas of operation:

- Financial Systems
- Human Resources
- Facilities
- Transportation

These particular areas were selected pursuant to discussions with the district and the Department of Education. Within district operations, these areas are important to assess because they typically are major cost centers and have the potential to create a significant financial or operational risk.

Methodology

To complete the performance audit, auditors gathered and assessed a significant amount of data pertaining to MCSD, conducted interviews with various groups associated with MCSD and conducted interviews and assessed information from the peer districts along with other school districts. The methodology is further explained below.

Use of previous studies, reports and other data sources

In assessing the various performance audit areas, MCSD was asked to provide any previous studies or analyses already prepared on the subject areas. In addition to assessing the information, the auditors spent significant amount of time gathering and assessing other pertinent documents or information. Examples of the studies, reports and other data sources which were studied include:

- MCSD's financial forecasts, annual reports, the general ledger for the period July 1998 through May 1999 and actual tax receipts for June 1999
- Board Policy Manual and board minutes including appropriation resolutions and amendments
- Ohio Revised Code and Administrative Code
- Various contracts with vendors and competitive contracting proposals
- Negotiated union contracts, current organizational charts and departmental handbooks
- Various reports and studies conducted by the Department of Education and Educational Management Information System (EMIS)
- American School and University's 26th annual Maintenance and Operating Cost Study
- Reports regarding the State Emergency Loan Program and State Subsidy Fund

Interviews, Discussions and Surveys

Numerous interviews and discussions were held with many levels and groups of individuals involved internally and externally with MCSD. These interviews were invaluable in developing an overall understanding of district operations, and in some cases, were useful sources in identifying concerns with MCSD operations and in providing recommendations to address these concerns. Examples of the organizations and individuals which were interviewed include:

- Teachers, principals, directors, and administrators
- Heads of the four unions
- The Ohio Department of Education
- Representatives for the Stark County Auditor
- An employee of the Ohio School Council
- Representatives from other school districts including Alliance CSD, Barberton CSD, and Mansfield CSD

Benchmark Comparisons with Other Districts

Three other school districts, Alliance City School District, Barberton City School District and the Mansfield City School District, were selected to provide benchmark comparisons with MCSD. Performance indicators were established for the various performance audit areas to develop a mechanism for determining how effectively and efficiently MCSD is providing the necessary functions. The information was gathered primarily through information contained within the State of Ohio Educational Management Information System (EMIS) and information provided by the selected peer districts named above.

Certain other performance audits had information or suggested procedures which were used where applicable. These procedures were selected to provide certain benchmark comparisons with MCSD regarding employees wages and benefits, and transportation.

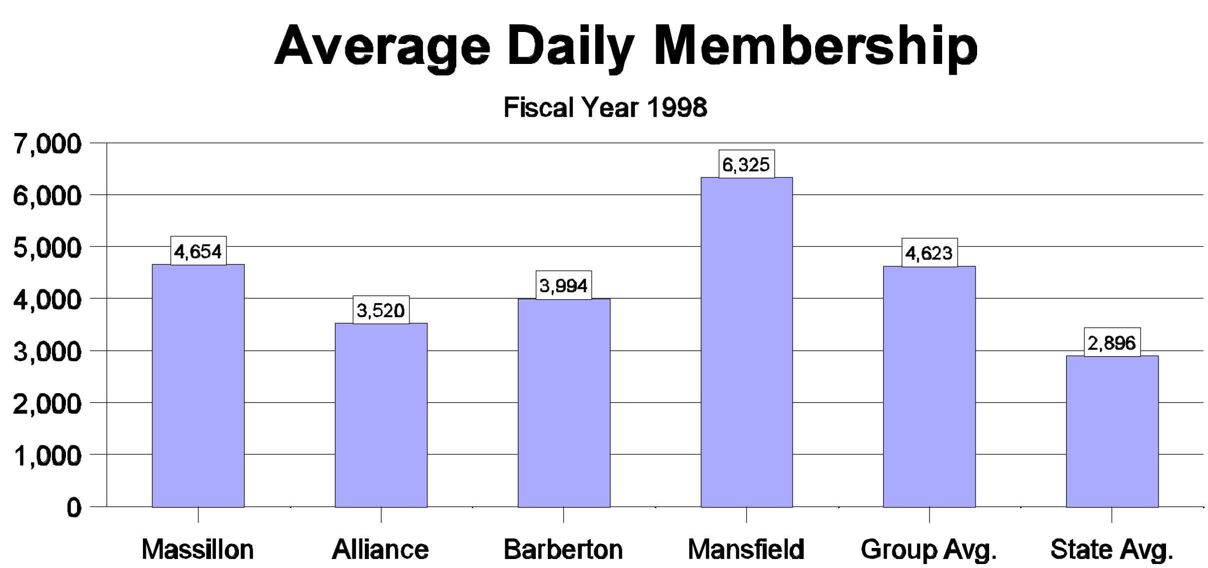
Comparative Districts

One important component of a performance audit is the selection of peer districts. The peer groups provide an ability to compare information and statistics while providing benchmarking data. The peer group selection for this performance audit includes Alliance City School District, Barberton City School District, and Mansfield City School District. These districts were selected as peer districts because of similar demographic statistics. The peer district averages include Massillon City School District unless otherwise noted. The statewide average includes all school districts located within the state of Ohio. Certain information contained within the Executive Summary may differ from the individual sections due to the timing of the data from the Department of Education.

Massillon's average daily membership (ADM) was 4,654 in FY 1997-98. This is the second highest among the peer districts and slightly higher (0.6 percent) than the group average in FY 1997-98. Over the four year trend period, only Mansfield experienced an increase in ADM. Massillon's 1.8 percent decrease over the four year trend period was similar to the group average for this period. The state average increased 0.9 percent for the four year trend period. ADM differs from standard enrollment in that it makes adjustments for Kindergarten, Special and Vocational Education students.

Average Daily Membership					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	4,738	4,539	4,868	4,654	(1.8%)
Alliance	3,767	3,774	3,753	3,520	(6.6%)
Barberton	4,070	3,967	4,016	3,994	(1.9%)
Mansfield	6,280	6,176	6,219	6,325	0.7%
Group Avg.	4,714	4,614	4,714	4,623	(1.9%)
State Avg.	2,870	2,876	2.901	2,896	0.9%

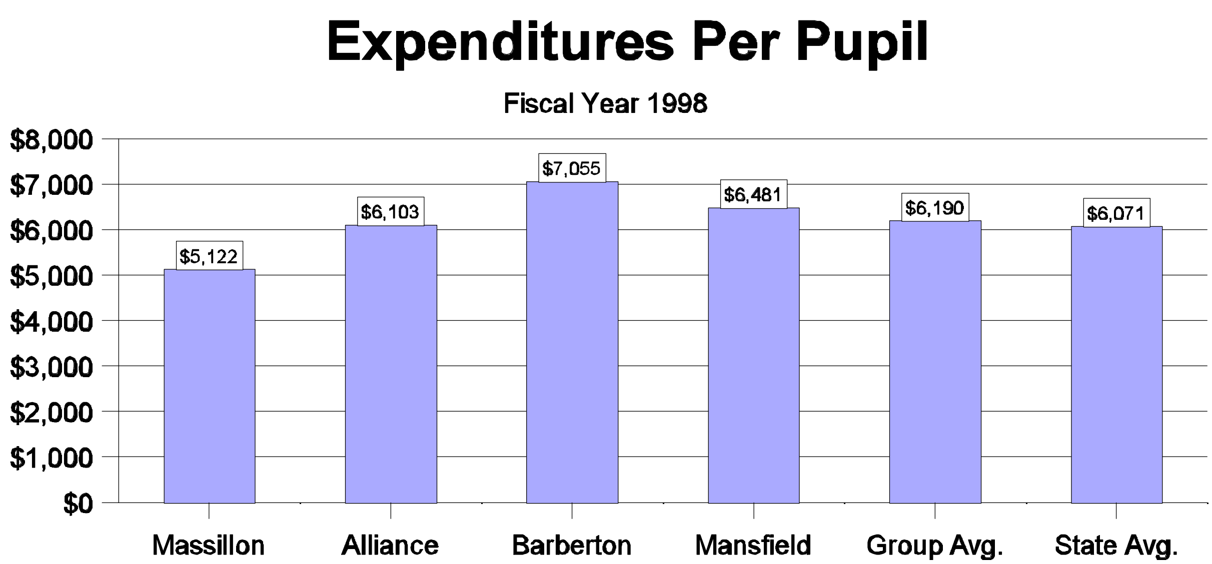
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon's expenditures per pupil were the lowest among the peer districts in fiscal year 1998. At $5,122, Massillon's spending was over 17 percent lower than the group average, and nearly 16 percent lower than the state average in fiscal year 1998. In addition, Massillon experienced the only decrease of 5.7 percent over the four year trend period.

Expenditures Per Pupil					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	$5,431	$5,814	$5,415	$5,122	(5.7%)
Alliance	$5,150	$5,511	$5,646	$6,103	18.5%
Barberton	$6,079	$6,367	$6,749	$7,055	16.1%
Mansfield	$5,871	$6,313	$6,420	$6,481	10.4%
Group Avg.	$5,633	$6,001	$6,058	$6,190	9.9%
State Avg.	$5,391	$5,466	$5,815	$6,071	12.6%

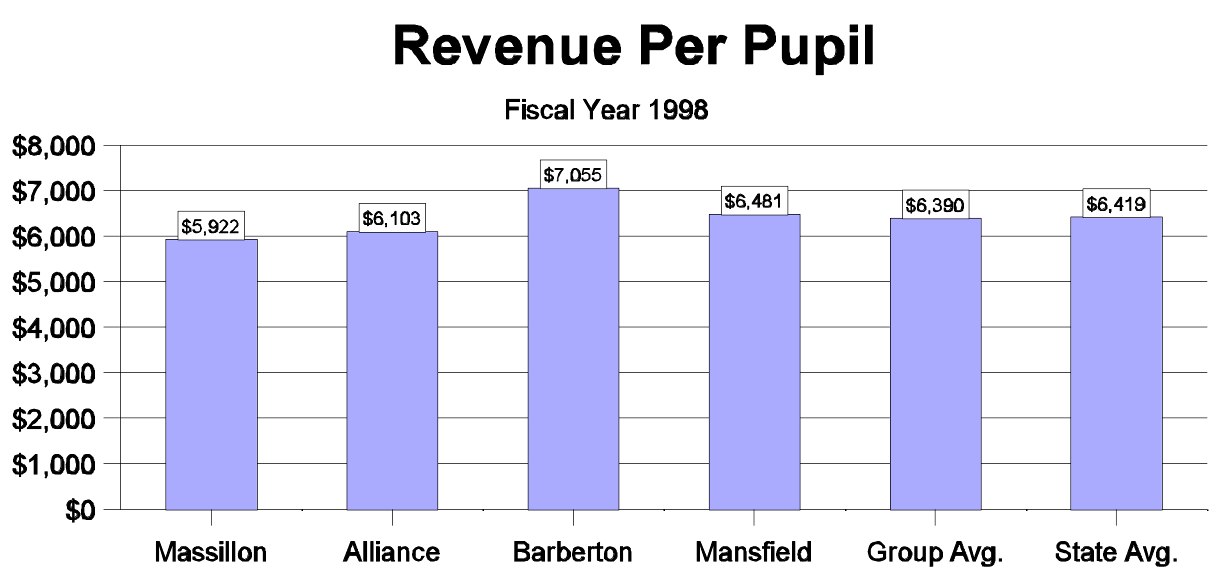
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon's average revenues per pupil were higher than its corresponding expenditures per pupil ($1,579) in fiscal year 1997. Massillon experienced the largest increase in revenues per pupil of the peer districts during the four year trend period ending with FY 1997-98 at $5,922 per pupil although it experienced the lowest revenue per pupil . While Massillon's revenues per pupil were 7.3 percent lower than the group average in fiscal year 1998, it increased by 38.3 percent over the four year trend period, the group average rate increased 21.8 percent. The state average also increased at a similar rate to the group average over the four year trend period. Revenues per pupil include all funds.

Revenue Per Pupil					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	$4,282	$4,271	$4,343	$5,922	38.3%
Alliance	$5,232	$5410	$5,642	$6,103	16.6%
Barberton	$6,618	$7,198	$7,334	$7,055	6.6%
Mansfield	$4,856	$5,464	$5,857	$6,481	33.5%
Group Avg.	$5,247	$5,586	$5,794	$6,390	21.8%
State Avg.	$5,403	$5,612	$5,995	$6,419	18.8%

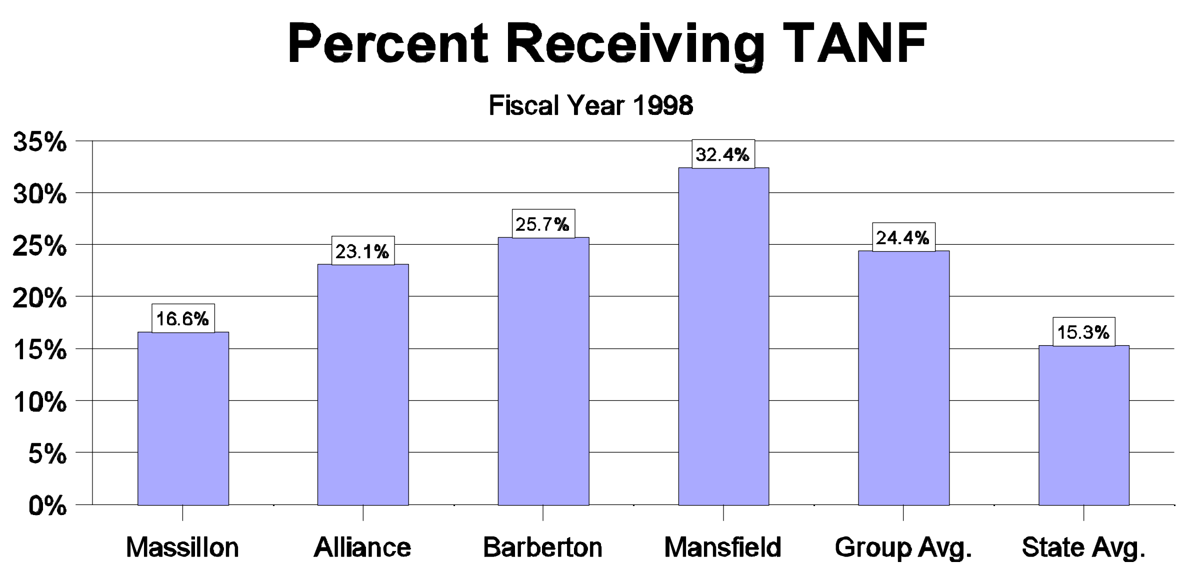
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon exhibited the lowest percentage of students receiving Temporary Assistance for Needy Families (TANF) among the four peer districts in fiscal year 1998. In FY 1998, the district's 16.6 percent of students receiving TANF was 7.8 percent lower than the group average but only 1.3 percent higher than the state average. Although both the state and the group averages have decreased over the four year trend period, Massillon has experienced the second greatest decrease in percentage of TANF in the comparison group.

Percent Receiving Temporary Aid to Needy Families (TANF)					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	20.0%	19.4%	18.0%	16.6%	(17.0%)
Alliance	29.4%	25.0%	24.2%	23.1%	(21.4%)
Barberton	28.0%	26.9%	25.7%	25.7%	(8.2%)
Mansfield	31.8%	31.6%	31.0%	32.4%	1.9%
Group Avg.	27.3%	25.7%	24.7%	24.4%	(10.6%)
State Avg.	16.6%	16.6%	15.9%	15.3%	(7.8%)

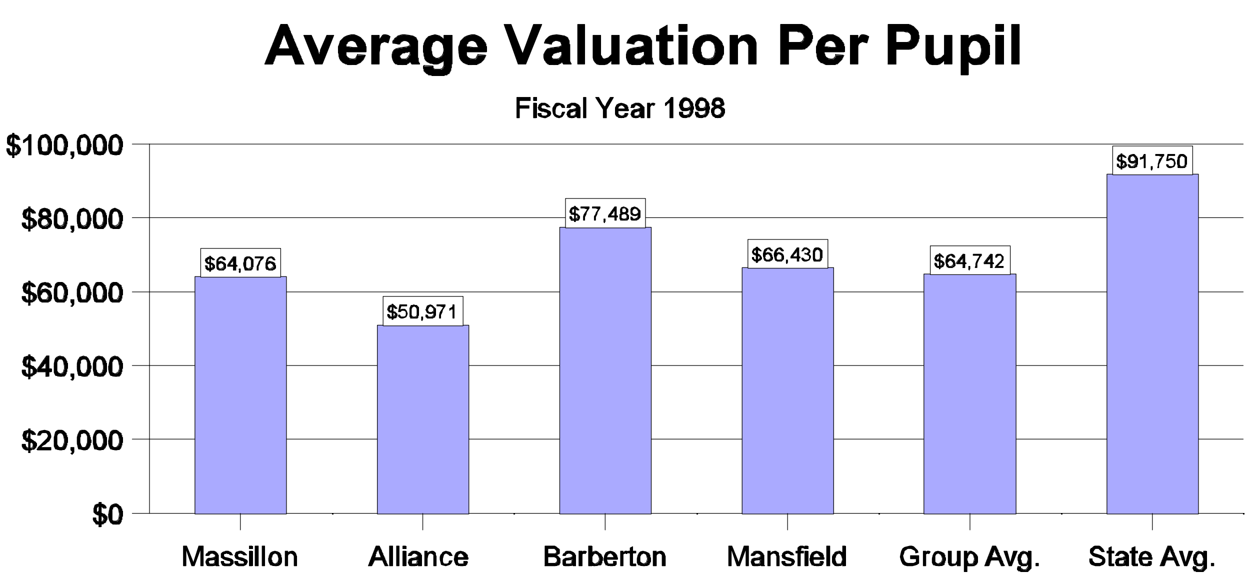
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



The assessed average property valuation per pupil is an important component in a school district's funding. Average property valuation is a significant factor in determining the ability of the school district to remain financially viable. The higher the average property valuation, the greater the revenue stream a school district is able to generate for each mill of tax levied. Massillon's average property valuation per pupil was $64,076 in fiscal year 1998, the second lowest among the peer districts. This was one percent lower than the group average and 30.1 percent lower than the state average. Massillon's average property valuation increased by 40 percent over the four year trend period, the largest increase among the peer districts. In comparison, the group and state average property valuations increased over the four year trend period by 19.5 percent and 14.9 percent respectively.

Average Valuation Per Pupil					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	$45,770	$46,964	$49,350	$64,076	40.0%
Alliance	$56,700	$59.759	$59.746	$50,971	(10.1%)
Barberton	$59,952	$58,273	$58,987	$77,489	29.3%
Mansfield	$54,346	$61,075	$59,910	$66,430	22.2%
Group Avg.	$54,192	$56,518	$56,998	$64,742	19.5%
State Avg.	$79,845	$83,414	$85,628	$91,750	14.9%

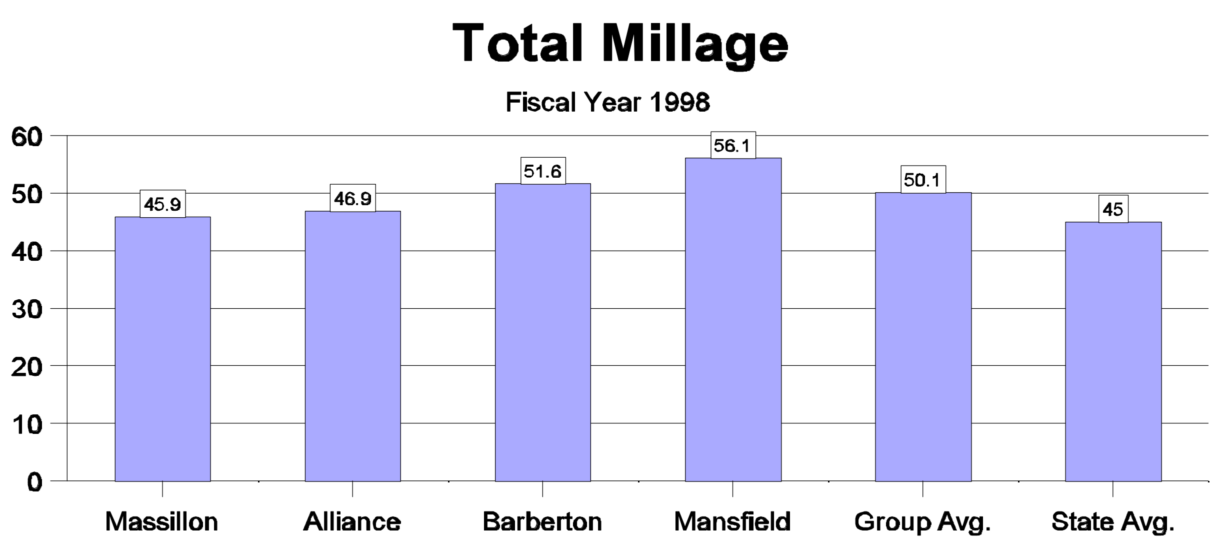
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Effective millage and total millage are the measurement units of assessed local property taxes. One mill will raise $1.00 of tax revenue for every $1,000 of taxable property value it is levied against. Total millage is the voted rate that is assessed to the entire local tax base, while effective mills are the rates applied to real property in each school district after the application of the tax reduction factor. In FY 1997-98, Massillon's total millage was 45.9, the lowest of the peer group. This figure was 8.4 percent lower than the group average but 2 percent higher than the state average The group average of 50.1 total mills in FY 1997-98 represented a decrease of 1 percent from the FY 1994-95 total millage of 50.6. During the same four year trend period, the state average total millage decreased by 2 percent from 45.9 to 45.0 mills.

Total Millage					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	47.7	45.9	46.1	45.9	(3.8%)
Alliance	46.9	46.9	46.9	46.9	0%
Barberton	51.6	51.6	51.6	51.6	0%
Mansfield	56.3	56.5	56.7	56.1	(0.4%)
Group Avg.	50.6	50.2	50.3	50.1	(1.0%)
State Avg.	45.9	44.5	45.0	45.0	(2.0%)

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

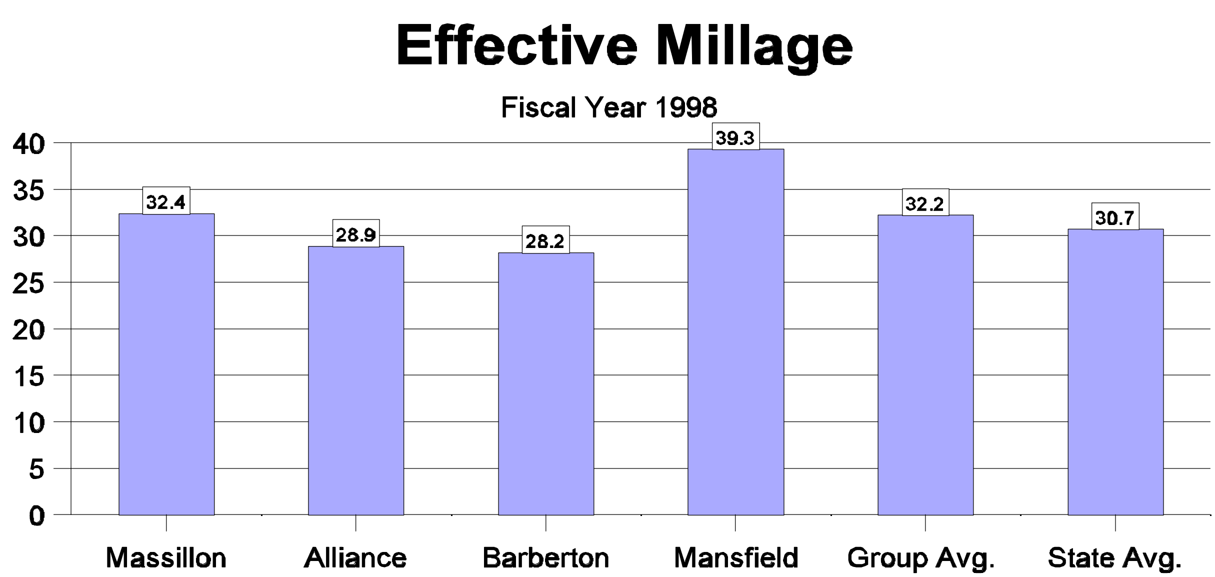


Because of the impact of H.B. 920, effective millage is a more accurate gauge in assessing the amount of revenues school districts generate from property taxes. Massillon's effective millage was 32.4 percent in fiscal year 1998, lower than the other peer districts. Over the same four year trend period, Massillon's effective millage rate decreased by almost 9 percent, the second largest decrease of the comparison group. In fiscal year 1998, Massillon's effective millage rate was similar to the group average rate and slightly higher than the state average rate. The group average decreased by 8.3 percent over the four year trend period, while the state average increased only 1.7 percent over this same period.

Effective Millage

	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Percent Change 1995-1998
Massillon	35.5	34.0	34.5	32.4	(8.7%)
Alliance	30.5	29.1	29.1	28.9	(5.2%)
Barberton	32.8	32.8	32.7	28.2	(14.0%)
Mansfield	41.4	41.6	41.8	39.3	(5.1%)
Group Avg.	35.1	34.4	34.5	32.2	(8.3%)
State Avg.	30.2	30.5	30.9	30.7	1.7%

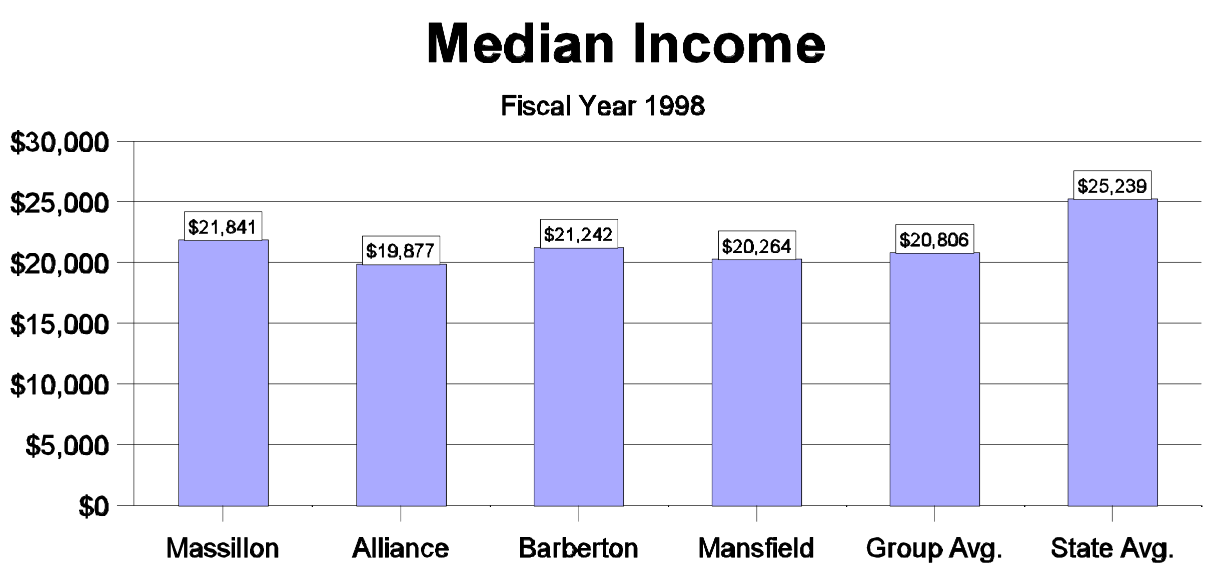
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon's median income, the highest of the four peer districts, was $21,841 in fiscal year 1998. Over the four year trend period, Massillon's median income increased by 5.6 percent which represents the smallest increase of the comparison group. In FY 1998, the district's median income was 5 percent more than the group average and 13.5 percent less than the state average. In FY 1998, the group average median income was $20,806, approximately $4,400 less than the state average.

Median Income					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	$20,673	$20,455	$20,455	$21,841	5.6%
Alliance	$18,370	$18,585	$19,298	$19,877	8.2%
Barberton	$19,715	$20,041	$20,442	$21,242	7.7%
Mansfield	$19,005	$18,902	$19,614	$20,264	6.6%
Group Avg.	$19,441	$19,496	$19,952	$20,806	7.0%
State Avg.	$23,361	$23,478	$24,588	$25,239	8.0%

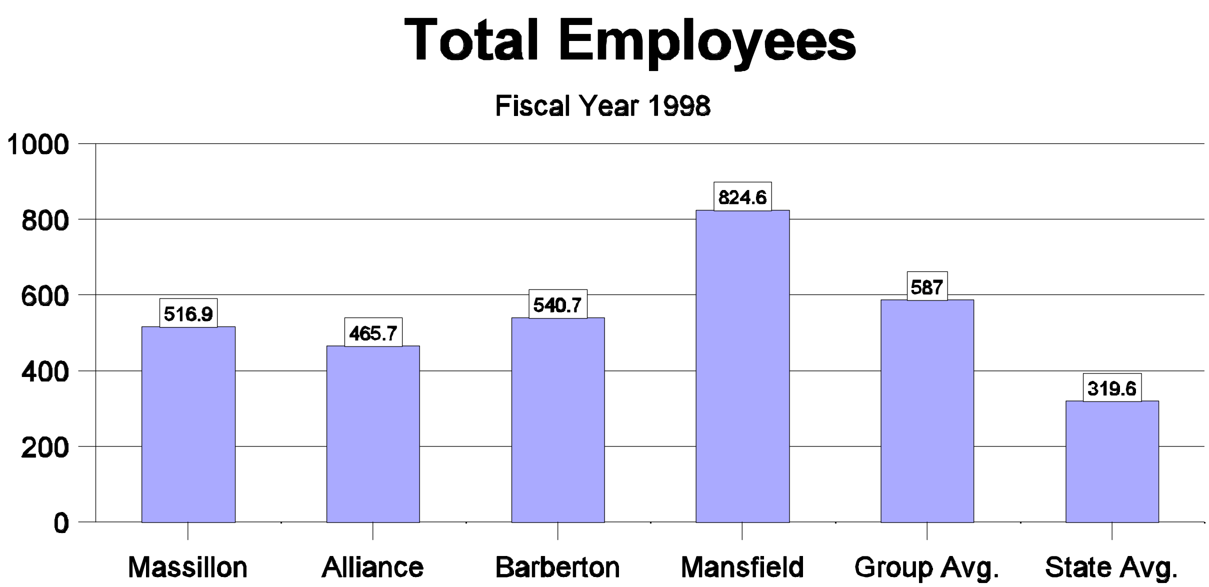
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon exhibited a staff decrease of more than nine percent in the total number of employees for the four year trend period. In fiscal year 1998, Massillon's total number of employees was 516.9, which represented the second lowest total among the peer districts. Though the district's total number of employees was only 12 percent higher than the group average in FY 1998, it was significantly higher than the state average of 319.6.

Total Employees					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	569.4	565.0	536.2	516.9	(9.2%)
Alliance	441.9	445.8	474.6	465.7	5.4%
Barberton	543.4	519.0	537.2	540.7	(0.5%)
Mansfield	810.9	815.3	829.1	824.6	1.7%
Group Avg.	591.4	586.3	594.3	587.0	(0.7%)
State Avg.	306.9	306.6	310.8	319.6	4.1%

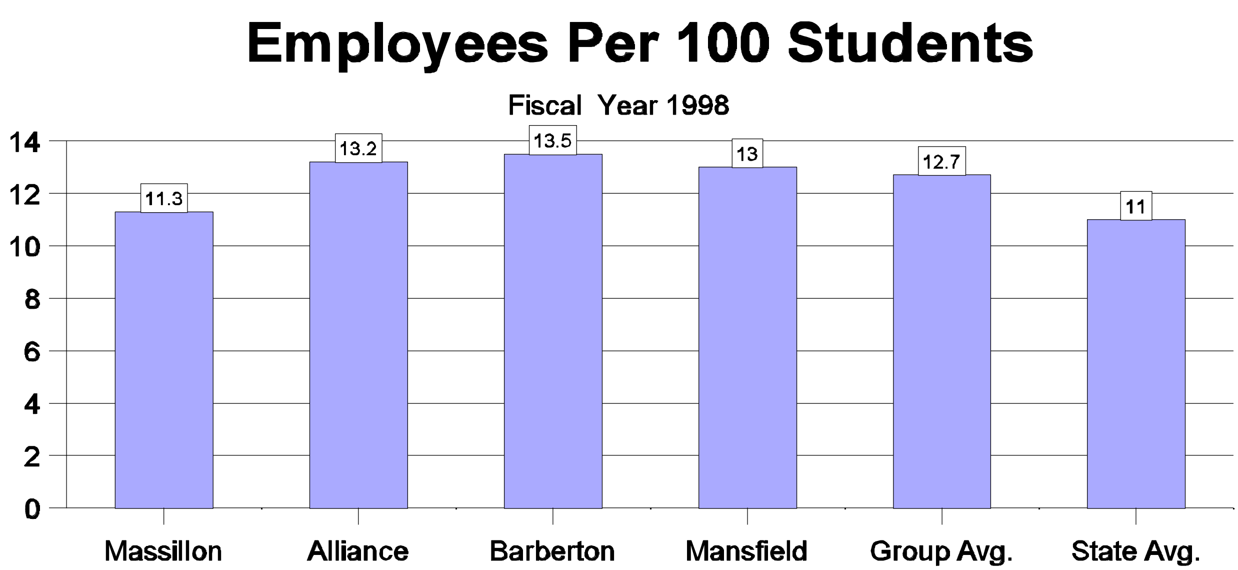
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



In FY 1998, Massillon had 11.3 employees per 100 students, the lowest among the peers. During the four year trend period, Massillon was the only district of the comparison group to experience a decrease in employees per 100 students. Massillon's total employees per 100 students was 11 percent lower than the group average for FY 1997-98, but less than three percent higher than the state average for the same year. The group average in FY 1997-98 was 15 percent higher than the state average.

Employees Per 100 Students					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	12.0	12.4	11.0	11.3	(5.8%)
Alliance	11.7	11.8	12.6	13.2	12.8
Barberton	13.4	13.1	13.4	13.5	0.7
Mansfield	12.9	13.2	13.3	13.0	0.8%
Group Avg.	12.5	12.7	12.6	12.7	1.6%
State Avg.	10.7	10.7	10.7	11.0	2.8%

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

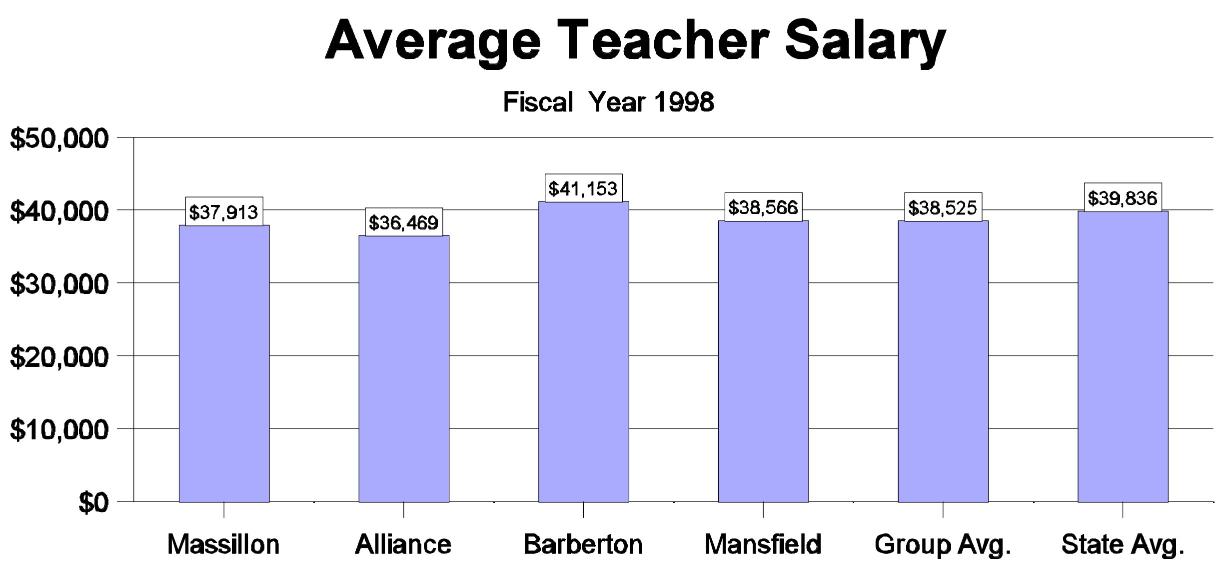


Massillon's average teacher salary was $37,913 in fiscal year 1998, second lowest of the comparison group. This average salary was 1.6 percent less than the group average, and 4.8 percent lower than the state average for fiscal year 1998. The group's average increased 6.2 percent over the four year trend period, while the state average increased by 7.7 percent over the same period. A detailed analysis of teacher salaries is provided in the **Human Resources** section.

Average Teacher Salary

	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Percent Change 1995-1998
Massillon	$35,207	$36,032	$36,194	$37,913	7.7%
Alliance	$36,178	$36,350	$36,657	$36,469	0.8%
Barberton	$38,125	$39,280	$39,443	$41,153	7.9%
Mansfield	$35,615	$37,151	$37,918	$38,566	8.3%
Group Avg.	$36,281	$37,203	$37,553	$38,525	6.2%
State Avg.	$36,973	$38,064	$38,913	$39,836	7.7%

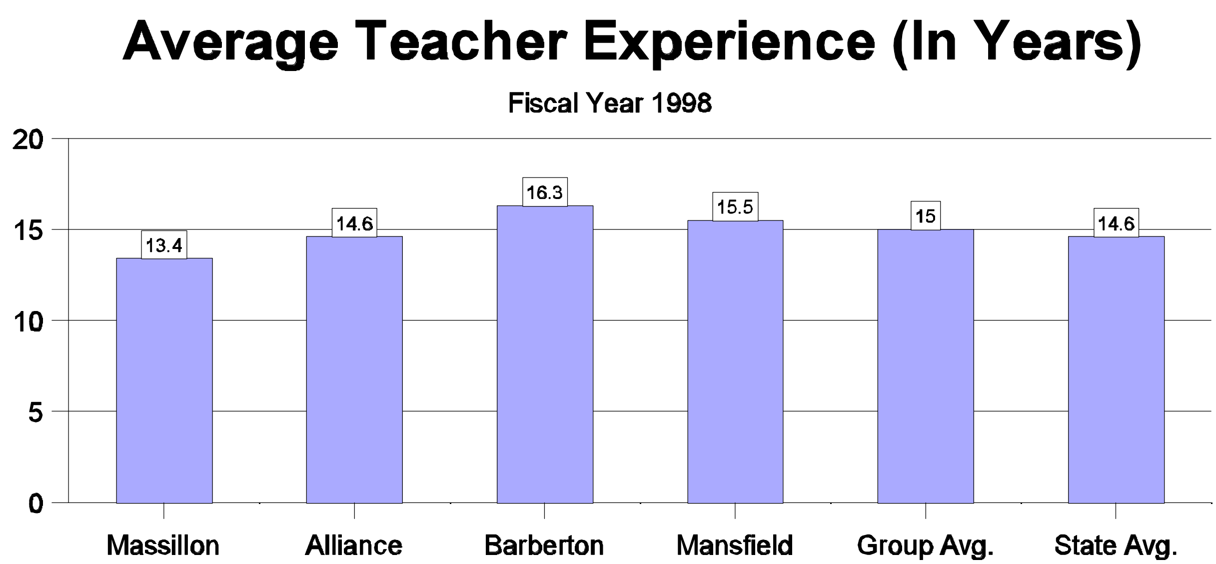
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Average teacher experience normally correlates to average teacher salary. The greater the number of years a teacher has been in the district, the higher the teacher will be on the pay scale. Massillon's average teacher experience was 13.4 years in fiscal year 1998. Massillon experienced the lowest teacher experience among the peer districts in fiscal year 1998. In addition, Massillon experienced the greatest decrease in teacher experience in the comparison group over the four year trend period. Massillon's teacher experience was over ten percent less than the group average in fiscal year 1998, and 8.2 percent less than the state average for the same year.

Average Teacher Experience (In Years)					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	14.7	15.3	13.8	13.4	(8.8%)
Alliance	15.1	14.6	15.1	14.6	(3.3%)
Barberton	15.6	15.7	16.4	16.3	4.5%
Mansfield	15.8	15.8	15.4	15.5	(1.9%)
Group Avg.	15.3	15.4	15.2	15.0	(2.0%)
State Avg.	14.8	14.8	15.0	14.6	(1.4%)

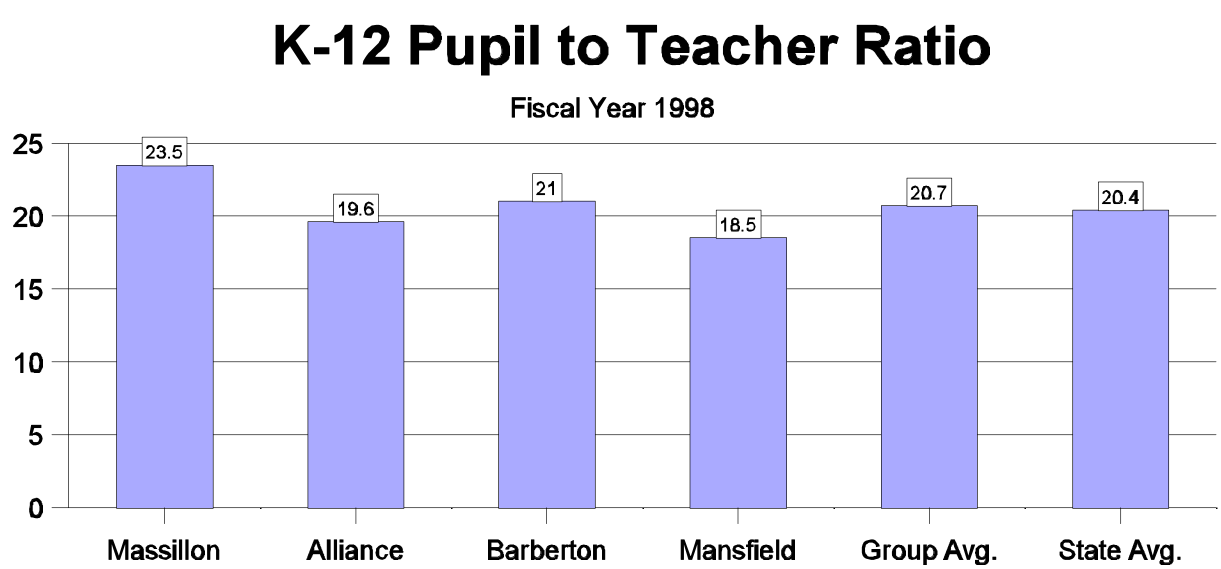
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon's average pupil to teacher ratio was 23.5 in fiscal year 1998, the highest in the comparison group. Massillon's average was 13.5 percent higher than the group average and 15.2 percent higher than the state average for fiscal year 1998. Over the four year trend period, Massillon experienced the greatest increase in average pupil to teacher ratio. The state average pupil to teacher ratio increased by one percent over the four year trend period, while the group average increased by 13.7 percent over the same period.

K-12 Pupil to Teacher Ratio					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	22.1	21.4	24.0	23.5	6.3%
Alliance	21.0	19.9	20.4	19.6	(6.7%)
Barberton	20.5	21.3	20.1	21.0	2.4%
Mansfield	19.2	18.9	18.3	18.5	(3.6%)
Group Avg.	18.2	20.4	20.7	20.7	13.7%
State Avg.	20.2	20.1	20.7	20.4	1.0%

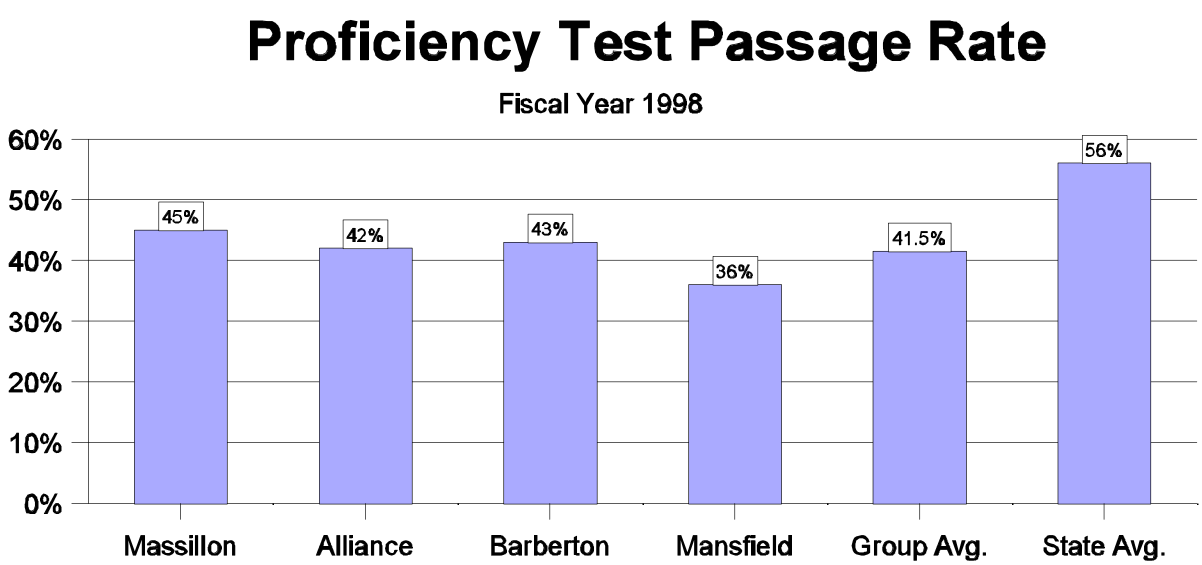
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon's ninth grade proficiency test passage rate has increased by 2.3 percent over the four year trend period. Although Massillon experienced moderate changes in passage rates during FYs 1995-96 and 1996-97, the district had the highest passage rate of all the schools for FY 1997-98. In FY 1997-98, Massillon's passage rate was 3.5 percent higher than the group average and 11 percent lower than the state average for the same year. The state average remained relatively constant over the four year trend period, while the group average decreased by 3 percentage points.

9th Grade Proficiency Test Passage Rate (All Subjects)					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	44%	46%	46%	45%	2.3%
Alliance	41%	41%	45%	42%	2.4%
Barberton	48%	49%	46%	43%	(10.4%)
Mansfield	38%	54%	31%	36%	(5.3%)
Group Avg.	42.8%	47.5%	42%	41.5%	(3.0%)
State Avg.	55%	54%	56%	56%	1.8%

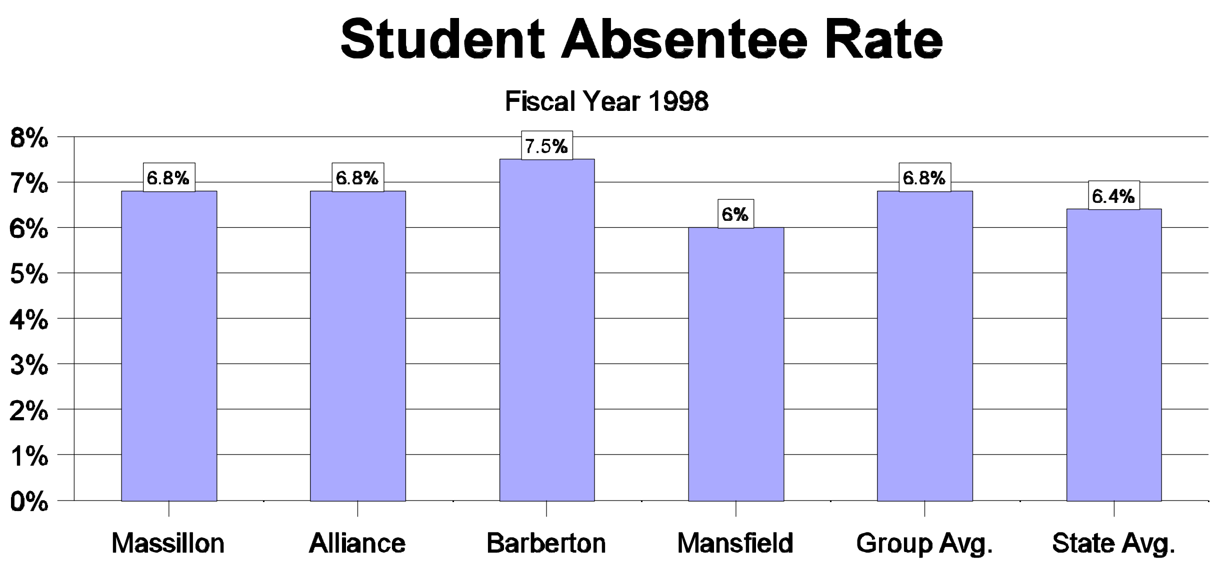
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



Massillon's absentee rate was 6.8 percent in fiscal year 1998, which is equal to the group average for that year. This rate was only 6 percent higher than the state average for the same year. Over the four year trend period, Massillon also experienced the same rate of decrease as the comparison group.

Student Absentee Rate					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	7.1%	6.9%	7.2%	6.8%	(4.2%)
Alliance	6.4%	7.8%	7.6%	6.8%	6.3%
Barberton	7.6%	7.3%	7.5%	7.5%	(1.3%)
Mansfield	7.4%	7.8%	7.2%	6.0%	(18.9%)
Group Avg.	7.1%	7.5%	7.4%	6.8%	(4.2%)
State Avg.	6.6%	6.9%	6.6%	6.4%	(3.0%)

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

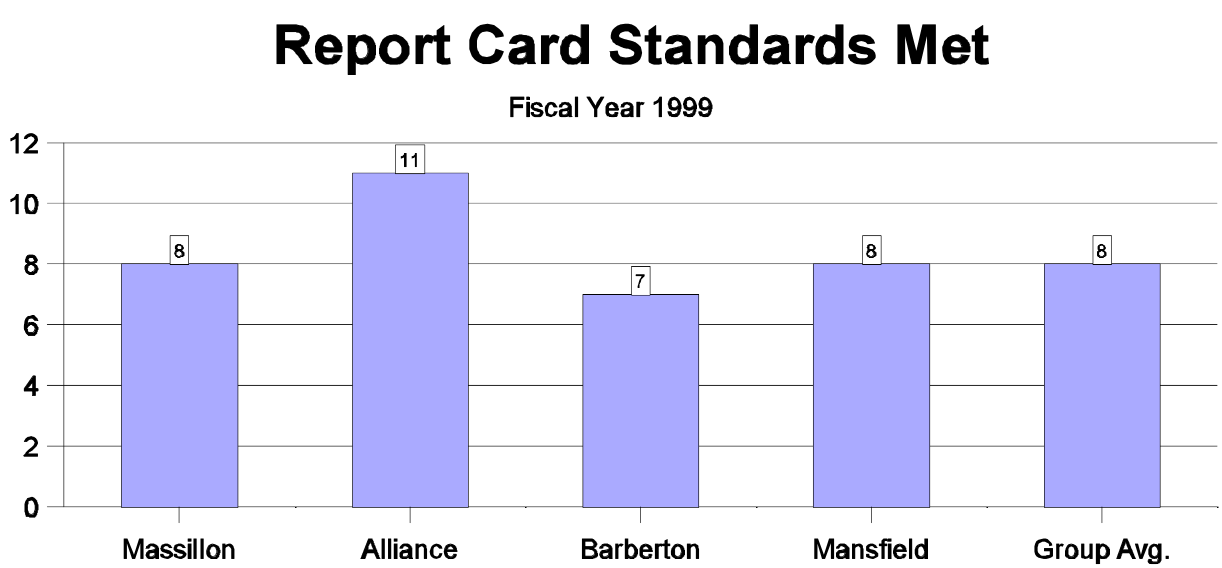


The Ohio Department of Education annually issues school district report cards which measure attainment of statewide performance standards. These report cards reflect data for the school year prior to the one in which the report card is issued (i.e., the 2000 report cards reflect data for the 1998-99 school year.) It is important to note that the number of standards increased from 18 in 1999 to 27 in 2000.

Massillon's performance has been slightly lower than the peer district average since 1998. The most recent data places the district in the academic emergency category.

Report Card Standards Met			
District	**1996-1997**	**1997-1998**	**1998-1999**
Massillon	5	7	8
Alliance	4	8	11
Barberton	6	7	7
Mansfield	5	7	8
Group Avg.	5	7.3	8.5
Total Standards Possible	18	18	27

Source: Educational Management Information Systems (EMIS), Ohio Department of Education.



Massillon exhibited the highest revenues from local sources compared to the peer group in fiscal year 1998, but exhibited the lowest revenue from federal sources. Massillon generated more federal revenue than the state average, but exhibited greater percentages of local and state revenues than the state average.

Percent of Revenue - Local					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	31.6%	32.5%	42.4%	40.5%	28.2%
Alliance	32.1%	30.8%	30.4%	29.7%	(7.5%)
Barberton	38.4%	34.6%	35.4%	33.6%	(12.5%)
Mansfield	31.6%	31.6%	33.6%	32.9%	4.1%
Group Avg.	33.4%	32.4%	35.5%	34.2%	2.4%
State Avg.	51.2%	50.2%	51.2%	51.4%	0.4%

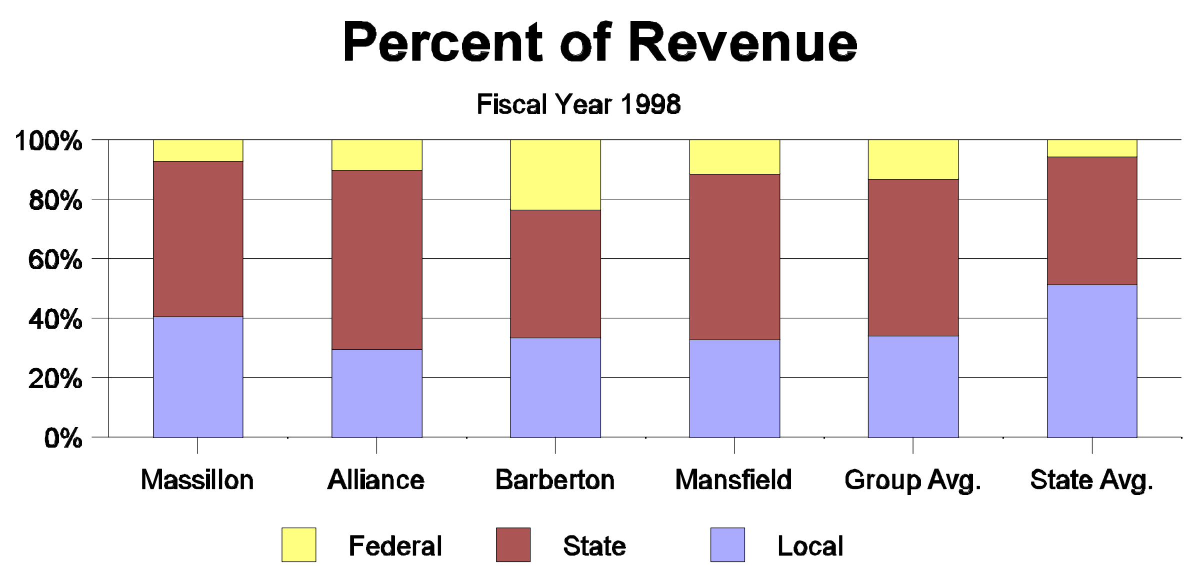
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percent of Revenue - State					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	59.5%	57.1%	48.1%	52.2%	(12.3%)
Alliance	58.6%	59.4%	59.9%	60.1%	2.6%
Barberton	44.4%	45.5%	45.3%	42.8%	(3.6%)
Mansfield	57.2%	55.7%	53.6%	55.5%	(3.0%)
Group Avg.	54.9%	54.4%	51.7%	52.7%	(4.0%)
State Avg.	42.5%	43.3%	42.3%	42.9%	0.9%

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percent of Revenue - Federal					
	Fiscal Year 1995	**Fiscal Year 1996**	**Fiscal Year 1997**	**Fiscal Year 1998**	**Percent Change 1995-1998**
Massillon	8.9%	10.3%	9.5%	7.3%	(18.0%)
Alliance	9.4%	9.8%	9.7%	10.2%	8.5%
Barberton	17.2%	19.9%	19.3%	23.6%	37.2%
Mansfield	11.2%	12.7%	12.8%	11.5%	2.7%
Group Avg.	11.7%	13.2%	12.8%	13.2%	12.8%
State Avg.	6.3%	6.1%	6.0%	5.7%	(9.5%)

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.



This page intentionally left blank.

Financial Systems

Introduction

This section focuses on the financial systems within Massillon City School District (MCSD or the district). The objective is to analyze the current financial condition of the district, including an evaluation of the internal controls, and develop recommendations for improvements and efficiencies. Findings and recommendations have been segregated into two subsections: (A) Financial Planning, which includes the assessment of the district's financial condition and the potential impact on future revenues and expenditures resulting from the recommendations contained throughout this report; and (B) Revenues and Expenditures, which includes assessments of various factors affecting district finances. Cost saving and revenue enhancement recommendations presented here are intended to aide the Financial Planning and Supervision Commission (the commission) in fulfilling its duty to produce a financial recovery plan for the district.

This section focuses primarily on the general fund, which accounts for approximately 70 percent of the revenues in all district funds. The general fund supports general district operations and is used to account for all financial resources except those required by law or contract to be accounted for in a separate fund. The general fund is available for any purpose, provided the expenditure or transfer is made according to the laws of Ohio. The district's utilization of grants was also analyzed for this report. Grants can be funded by the federal government, the state government or private sources and are accounted for in separate special revenue funds.

A. Financial Planning

Background

In accordance with Ohio Revised Code (ORC) § 3316.03, the Auditor of State is required to declare a school district to be in a state of fiscal watch if the following conditions are met:

- The district has an operating deficit which exceeds eight percent of the preceding year's general fund revenues.
- The district's unencumbered cash balance in the preceding year was less than eight percent of the general fund expenditures.
- A levy has not been passed which will raise sufficient revenues to eliminate these conditions.

ORC § 3316.04 requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district's board of education fails to submit an acceptable financial recovery plan to the State Superintendent of Public Instruction within 60 days of being placed in fiscal watch. Furthermore, the failure to submit an acceptable update of that financial recovery plan to the State Superintendent of Public Instruction on an annual basis will also result in a declaration of fiscal emergency.

In January 1997, MCSD was declared to be in fiscal watch. The district filed its initial financial recovery plan within the statutory time frame, and submitted an updated plan the following year, as required. The treasurer left the district at the end of FY 1997-98, and three different individuals served in that capacity on an interim basis during the following year. The district hired a permanent treasurer in August 1999. However, due in part to this recent instability in the treasurer position, MCSD did not submit an acceptable update to its financial recovery plan during 1999. On September 30, 1999, the Auditor of State declared the district to be in a state of fiscal emergency.

A commission has been formed and given broad oversight authority to balance the district's budget and eliminate the conditions that caused the declaration of fiscal emergency. To accomplish this, the commission will develop and adopt a formal fiscal recovery plan which details the expenditure reductions and operations changes necessary to eliminate the deficit. The commission consists of a representative of the state office of budget and management, a representative of the state superintendent of public instruction, a representative of the Governor of the State of Ohio, a member of the business community appointed by the Mayor of the City of Massillon, and a district parent appointed by the state superintendent of public instruction. The commission will continue in existence until the Auditor of State, or the commission itself, determines the following:

- An effective financial accounting and reporting system is in place
- All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- The objectives of the financial recovery plan are being met
- The MCSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse".

During the past decade, MCSD has demonstrated a consistent pattern of deficit spending which has led to a continuing reliance on both short-term and long-term borrowing to fund general operations. In the opinion of current district management, the operating deficits primarily stemmed from past decisions to base levy requests on amounts that were perceived as being acceptable to district voters rather than as being sufficient to meet district spending levels. This need for operational borrowing was exacerbated by legislation in 1990 which removed grant funding for the construction of vocational education facilities from the state's biannual budget. Because the change occurred after construction contracts were let, the state replaced MCSD's grant with a no-interest loan, which added approximately $4.1 million to the district's debt position. In 1995, MCSD began taking steps to address its declining financial condition. In succeeding years, reductions were made in staffing and supplemental contracts, wages were frozen, a citizens advisory committee was empaneled to develop recommendations to improve district operations, and operating and income tax levies were successfully passed. In 1998, various state emergency loans were restructured into a single, five-year note in an effort to more effectively manage cash and reduce the need for annual borrowing. Currently, MCSD has debt outstanding of approximately $26 million extending through the end of FY 2011-12. Included in this amount is approximately $13.5 million of operating debt, and $12.5 million relating to the construction of Washington High School.

Financial Forecast

Table 2-1 presents the Auditor of State's projection of the district's future financial condition in the absence of significant increases in revenues or reductions in expenditures. The projections, which incorporate the combined general and DPIA funds and that portion of the debt service fund relating to general fund obligations, are accompanied by three years of comparative historical results, general assumptions and explanatory comments. The forecast anticipates shortfalls of approximately $3.3 million in FY 1999-00 and $0.4 million in FY 2000-01. Positive year-end balances are projected for FY 2001-02 and beyond, reaching a high of approximately $4.7 million by the end of FY 2003-04. However, the recommendations resulting from this performance audit are not reflected in **Table 2-1**. Rather, the expected financial impact of the audit recommendations, including associated implementation costs, are included for consideration in the proposed financial recovery plan forecast presented in **Table 2-2**. Amounts in both tables are shown in thousands of dollars.

The board approved a forecast prepared by the treasurer in December 1999. That forecast, which assumed no increase in base wages following the expiration of the existing collective bargaining agreements, has undergone significant revision. Without borrowing from the state Solvency Assistance Fund, the treasurer's current projections anticipate operating deficits of $3.3 million and $1.3 million at the end of FY 1999-00 and FY 2000-01, respectively. Positive balances of less than $200,000 are predicted over the remaining three years. However, unlike the forecast presented in **Table 2-1,** the treasurer has assumed no increase in state foundation revenue over the life of the forecast, and has incorporated a more conservative estimate of income tax revenue and higher capital spending. Neither the board or the commission has yet acted on this revised forecast, and it continues to undergo refinement.

Both the forecast in **Table 2-1** and that prepared by the treasurer assume the renewal of a 5.3 mill emergency operating levy which raises approximately $2 million annually. The absence of such a renewal would more than eliminate the projected positive balances in the treasure's forecast. Both forecasts reflect the loss of revenue due to the expiration of the district income tax on December 31, 2001. Also, while both forecasts predict positive results over the final years, the failure to renew the 9.7 mill emergency operating levy passed in November 1999 would remove $3.4 million annually from the district's future revenue stream.

Table 2-1: Five-Year Forecast with Three Year's Historical Data

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04
Real Estate Property Tax	$7,414	$8,157	$7,848	$6,879	$6,982	$7,366	$7,771	$7,888
Tangible Personal Property Tax	3,078	3,504	3,443	2,721	2,775	2,831	2,888	2,945
Nov. 1999 Emergency Levy	0	0	0	1,284	3,155	3,155	3,155	3,155
Income Tax	0	210	1,939	2,521	3,100	2,117	1,113	0
Investment Earnings	95	100	188	345	230	236	242	248
State Foundation	12,582	13,197	14,632	15,248	15,730	15,711	15,802	16,094
Homestead and Rollback	940	1,035	997	1,015	1,185	1,207	1,229	1,252
Other Revenues	435	783	1,300	606	372	495	619	625
Total Operating Revenues	24,544	26,986	30,347	30,619	33,529	33,118	32,819	32,207
Salaries & Wages	16,425	15,879	16,802	17,274	17,541	17,881	18,228	18,582
Fringe Benefits	4,607	5,979	6,562	8,578	5,713	5,478	5,757	6,053
Purchased Services	1,514	1,949	2,104	2,347	2,418	2,495	2,575	2,657
Supplies, Materials & Textbooks	697	938	1,158	1,400	1,548	1,656	1,658	1,662
Capital Outlay	119	88	122	1,221	794	963	945	930
Other Expenditures	233	255	241	265	272	278	285	293
Interest on Loans [1]	0	0	0	547	228	147	61	0
Total Operating Expenditures	23,595	25,088	26,989	31,632	28,514	28,898	29,509	30,177
Proceeds From the Sale of Notes [1]	4,983	950	1,600	4,877	0	0	0	0
State Consolidation Loan	0	5,930	0	0	0	0	0	0
State Loan Payments [1]	(5,745)	(8,133)	(3,605)	(1,387)	(1,439)	(1,492)	(1,549)	(255)
Tax Anticipation Note Payments	0	(400)	(637)	(5,514)	(637)	(637)	0	0
Net Transfers/ Advances - In/ (Out)	0	0	(35)	(610)	0	0	0	0
Net Other Financing Sources/ (Uses)	(135)	(220)	70	0	0	0	0	0
Net Financing	(897)	(1,873)	(2,607)	(2,634)	(2,076)	(2,129)	(1,549)	(255)
Results of Operations (Net)	52	25	751	(3,647)	2,939	2,091	1,761	1,775
Beginning Cash Balance	45	97	122	873	(2,774)	165	2,256	4,017
Ending Cash Balance	97	122	873	(2,774)	165	2,256	4,017	5,792
Outstanding Encumbrances	56	117	234	279	279	279	279	279
Bus Purchase Reserve	0	0	0	3	66	50	35	19
"412" Instructional / Capital Reserve	0	0	197	0	0	0	0	0
"412" Budget Reserve	0	0	141	260	260	554	842	842
Ending Fund Balance	*$41*	*$5*	*$301*	*($3,316)*	*($440)*	*$1,373*	*$2,861*	*$4,652*

Source: District records, performance audit projections and estimates, and district estimates.

[1] Historical note proceeds and principal and interest payments were not separately identified in the financial system and are presented here in a single aggregate financing source and debt service amounts, respectively. Included in the history since 1992 is the annual payment of the state interest free loan for construction of the vocational education wing at Washington High School.

Notes to Financial Forecast

I. Nature and Purpose of Presentation

This financial projection presents the expected revenues, expenditures and fund balance of the general fund of Massillon City School District for each of the fiscal years including June 30, 2000 through June 30, 2004, with historical (unaudited) information presented for the fiscal year ended June 30, 1997, 1998 and 1999. The general fund financial data also includes amounts recorded in the DPIA fund and that portion of the debt service fund which are considered to be general fund obligations.

The assumptions disclosed herein are based on information obtained from the district. Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

These projections include the effects of new legislation concerning school funding as outlined in H.B. 650, H.B. 412 and H.B. 282, as well as S.B. 55, which requires certain educational enhancements. The requirements under H.B. 412 for textbooks and instructional materials are incorporated into this forecast through the Supplies, Materials and Textbooks line item, while the requirements under H.B. 412 for capital improvements and maintenance are satisfied through the Maintenance expenditures account within the Purchased Services line item, the Maintenance Materials account included in the Materials, Supplies and Textbooks line item, Salaries and Wages line item, Fringe Benefits line item, and the Capital Outlay line item.

II. Description of the School District

Under normal circumstances, the district operates under the governance of a locally elected five-member board, with each member serving a four-year term. The district provides educational services as authorized by state statute and/or federal guidelines.

Annually, the district serves approximately 4,800 students who are enrolled in seven elementary schools, two middle schools and one high school. The district also operates a stadium complex, transportation facility, adult education facility, administrative building and stockroom. The district employs approximately 630 individuals on a full- or part-time basis.

A. Financial Planning and Supervision Commission

On September 30, 1999, the Auditor of State declared the district to be in a state of fiscal emergency as defined by Ohio Rev. Code Section 3316.03 (B), and accordingly, the district was subject to the oversight of the Financial Planning and Supervision Commission (the commission).

In accordance with the legislation, the commission must adopt a financial recovery plan within 120 days of the district being placed in fiscal emergency. Such a plan, which is continuously amendable based on changes in facts and circumstances, requires a five-year financial projection delineating the district's return to financial stability.

B. Basis of Accounting

This financial forecast has been prepared on the cash receipts and disbursements basis of accounting, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this method, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the district is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

C. Fund Accounting

The district maintains its accounts in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds.

The accompanying projections represent only the district's general and DPIA funds and the portion of the debt service fund relating to general fund obligations. The general fund is the operating fund of the district and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the district for any purpose provided it is disbursed or transferred in accordance with Ohio law.

III. <u>General Assumptions</u>

Summarized below are the significant general assumptions underlying the financial forecast found in **TABLE 2-1**. Parts IV through VII provide further detail on more specific assumptions.

A. Enrollment/ Average Daily Membership (ADM):

Actual October ADM counts for the district have fluctuated over the past six years, resulting in an overall loss of 170 students since FY 1993-94. Enrollment projections prepared by the Ohio Department of Education (ODE) indicate that the general downward trend is expected to continue over the next ten years. **Table 2-1A** presents five years of historical ADM counts and ADM projections for the forecast period.

TABLE 2-1A: ADM Counts

Year	October ADM	Increase (Decrease)	Percent Change
Actual			
FY 1994-95	4,839	(160)	(3.20)%
FY 1995-96	4,793	(46)	(0.95)%
FY 1996-97	4,923	130	2.71%
FY 1997-98	4,807	(116)	(2.36)%
FY 1998-99	4,829	22	0.46%
Forecast			
FY 1999-00	4,851	22	0.46%
FY 2000-01	4,787	(64)	(1.32)%
FY 2001-02	4,730	(57)	(1.19)%
FY 2002-03	4,700	(30)	(0.63)%
FY 2003-04	4,641	(59)	(1.26)%

Source: ODE October EMIS history and ODE enrollment projections

Under the current state foundation funding formula, a kindergarten student is only counted at 50 percent of a full time equivalent (FTE) student. All-day kindergarten, which the district implemented in FY 1998-99, is supported through state foundation DPIA funding.

B. Staffing

Table 2-1B summarizes the district's historical full-time equivalent (FTE) staffing for FY 1998-99 and cumulative proposed staffing changes and adjusted staffing levels for FY 1999-00 through FY 2003-04. FTE levels for FY 1999-00 reflect the early retirement incentive (ERI) program approved by the board in FY 1998-99, and actions of the commission. Except for the implementation of all-day kindergarten during the 1998-99 school year, the district has not determined an impact on staffing relating to the achievement of educational enhancements.

Table 2-1B: FTE Staffing

Category	Actual Staffing for FY 1999	Actual Staffing Changes for FY 2000	Adjusted Staffing for FY 2000	Proposed Staffing Changes for FY 2001	Adjusted Staffing for FY 2001	Proposed Staffing Changes for FY 2002	Adjusted Staffing for FY 2002	Proposed Staffing Changes for FY 2003	Adjusted Staffing for FY 2003	Proposed Staffing Changes for FY 2004	Adjusted Staffing for FY 2004
Administration	27.0	(3.0)	24.0	0.0	24.0	0.0	24.0	0.0	24.0	0.0	24.0
Certificated Staff	333.5	(5.5)	328.0	0.0	328.0	0.0	328.0	0.0	328.0	0.0	328.0
Classified Staff - Transportation	18.9	(2.2)	16.7	0.0	16.7	0.0	16.7	0.0	16.7	0.0	16.7
Classified Staff - All Other	163.8	(0.4)	163.4	1.0	164.4	0.0	164.4	0.0	164.4	0.0	164.4
Total Staff	543.2	(11.1)	532.1	1.0	533.1	0.0	533.1	0.0	533.1	0.0	533.1

Source: EMIS Staff Profiles, Superintendent's Office, Performance Audit Recommendations, Financial Planning and Supervisory Commission

(1) ***Administration:*** At the beginning of FY 1999-00, a net reduction of 5.0 FTE administrative positions was achieved through the non-replacement of employees accepting early retirement. During the year, the commission authorized the hiring of an assistant superintendent and an administrative assistant for human resources.

(2) ***Certificated Staff:*** At the beginning of FY 1999-00, a net reduction of 5.5 FTE certificated positions was achieved through the non-replacement of employees accepting early retirement.

(3) ***Classified Staff - Transportation:*** Transportation positions include bus drivers, monitors, mechanics, supervisory and clerical. At the beginning of FY 1999-00, the district reduced 4.7 FTE transportation positions when it instituted state minimum transportation requirements. Following passage of the November operating levy, a change in the transportation policy resulted in the reinstatement of 2.5 FTE positions. Included in the **transportation** section of this report are recommendations relating to increased bus utilization and efficiency which may impact the number of drivers employed by the district.

(4) ***Classified Staff - All Other:*** Excluding bus personnel, there was a net reduction at the beginning of FY 1999-00 of 0.4 FTE classified positions. The **facilities** section of this report includes recommendations to add one custodial supervisor and one maintenance employee while reducing the grounds crew by one employee, for a net addition of 1.0 FTE. These changes are assumed to occur in FY 2000-01.

C. Inflation

Inflation is assumed to remain at a low level consistent with that of recent years, which has ranged from two to three percent. Certain items were projected based on a combination of historical data and inflationary increases.

IV. Revenues - Local, State and Federal

The district's primary sources of revenue stem from the State of Ohio, through the State Foundation Program, and from the levying of property and income taxes. Property taxes are levied on real, public utility and tangible personal property located within the district's boundaries. The district income tax is levied on income earned by individuals residing within the district's boundaries.

A. Local Sources

(1) Real Estate Taxes and Tangible Personal Property Taxes: Property taxes are levied and assessed on a calendar year basis against real, public utility and tangible personal (used in business) property located in the district. Assessed values for real property taxes are established by state law at 35 percent of the appraised market value. All real property is required to be revalued every six years and updated mid-way through the six year period. Because of the limitation imposed on the growth of voted millage by House Bill 920, a property tax reduction measure passed by the legislature in 1976, property tax levies are needed about every three years to match cost of living increases.

District tax rates consist primarily of emergency millage voted by the residents of MCSD. Emergency levies raise a fixed dollar amount in taxes, regardless of changes or additions in real property valuation. Other than the 9.7 mill emergency levy passed in November 1999 to raise $3.4 million annually, no new levies are included in this forecast. The forecast assumes the renewal of the 5.3 mill emergency levy first passed in 1981 and renewed for each succeeding five year. The levy was last renewed in March 1996, and generates $2.0 million each year.

The projection for Real Estate Taxes (residential, agricultural, public utility tangible and trailer), Tangible Personal Property Taxes and Rollback and Homestead is based on the following factors:

! FY 1999-00 Real Estate Taxes, Tangible Personal Property Taxes and Rollback and Homestead are certified amounts provided by the county auditor on January 4, 2000.

! Property tax revenue estimates for all remaining forecast years are based on FY 1999-00 amounts increased by estimated growth in valuation from new property additions, and scheduled updates and reappraisals. Tangible personal property is not subject to reappraisal.

Because the effective millage of non-emergency operating levies is below the 20 mill floor, MCSD will see an increase in real estate tax revenues due to property reappraisals and adjustments. The effect of a reappraisal or adjustment in any calendar year will span two fiscal years, with the next full reappraisal occurring in calendar year 2001 and reflected in revenues beginning in FY 2001-02. Based on historical trends, the forecast assumes a cumulative increase in revenues of 10 percent during FY 2001-02 and FY 2002-03 due to the reappraisal. The forecast also includes a modest growth in revenue from new real estate construction of one-half percent annually and a conservative increase in tangible personal property tax revenues of one percent annually, which are consistent with the district's forecast.

- Homestead and Rollback is 12.5 percent of residential, agricultural and other real property tax. The residential, agricultural and other real property tax is reduced by 12.5 percent and this amount is reimbursed to the district from the state. Growth in this amount is based on historical trends.

- The recently passed 9.7 mill emergency levy is shown separately, reflecting the combined real estate and personal property tax revenues expected to be raised by the levy. The reimbursement for the Homestead and Rollback reduction related to the levy is included in the Homestead and Rollback line item.

(2) **Income Tax:** A 0.75 percent district income tax was passed in May 1997 for a four year period beginning in January 1998 and expiring on December 31, 2001. The tax was approved for the purpose of paying down the district's debt, and is assumed to not be renewed. School district income tax is collected by the Ohio Department of Taxation from individuals residing within the district through payroll withholding, estimated quarterly payments and annual tax filings. The district receives its remittance in the month following the end of the calendar quarter in which the taxes were collected.

The Ohio Department of Taxation provides taxing school districts with a worksheet to assist them in projecting revenue collections, and also provides an annual estimate of current taxes to be collected. Because of the timing of collection and remittance activities, MCSD should receive revenue from the four-year tax period over a span of six fiscal years. MCSD began receiving income tax revenues in late FY 1997-98, and remittances are projected to occur into FY 2002-03. The FY 1999-00 income tax revenue projection is based on the most recent annual estimate provided by the Ohio Department of Taxation, while the remaining years of the forecast were computed using the Ohio Department of Taxation worksheet. The revenue estimated in FY

2002-03 represent collections from April 2002 tax filings which would be remitted to the district in July.

(3) **Investment Earnings:** Investment earnings are generated from a fluctuating balance of temporarily available cash. The cash is primarily held in an interest-bearing checking account or invested in a STAR Ohio account. A bank sweep account is also used to invest cash overnight. Interest rates are assumed to remain fairly stable over the period covered by the projection.

In FY 1999-00, MCSD borrowed approximately $4.8 million for cash flow purposes, with the unused portion available for short-term investment until the loan is repaid on June 30, 2000. December 1999 year-to-date investment earnings totaled nearly $225,000. The projected revenue of $345,000 assumes that the district will continue to generate earnings at roughly historical levels in addition to realizing earnings on approximately half of the loan amount throughout the year. The forecast assumes future earnings will return to more historical levels in FY 2001-02 and increase with inflation thereafter.

B. State Sources

(1) **Foundation Program:** Under the ORC, state foundation payments are calculated by the ODE on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. On March 24, 1997, the Ohio Supreme Court (the Supreme Court) rendered a decision declaring certain portions of the Ohio school funding plan, including the foundation program, unconstitutional. The Supreme Court stayed the effect of its ruling for one year to allow the state legislature to design a plan to remedy the perceived defects in the system.

Since the ruling, numerous pieces of legislation have been passed by the state legislature in an attempt to address the issues identified by the court. The Court of Common Pleas in Perry County (the Court of Common Pleas) has reviewed the new legislation and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The state has appealed the decision made by the Court of Common Pleas to the Supreme Court, which has not yet rendered an opinion on this issue. The decision of the Court of Common Pleas has been stayed by the Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional. Therefore, state foundation revenue is projected under current laws and regulations in place.

(2) The main components of the district's state foundation revenues are presented in **TABLE 2-1C.** Amounts are shown in thousands of dollars.

TABLE 2-1C: State Foundation Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 1900-01	FY 2001-02	FY 2002-03	FY 2003-04
Basic Aid	10,777	11,587	12,467	13,220	13,647	13,597	13,656	13,914
DPIA	846	632	1,169	1,150	1,138	1,158	1,178	1,199
Transportation	222	262	363	390	519	519	519	519
Other [1]	737	716	633	488	426	437	449	462
Total State Foundation Revenues	**$12,582**	**$13,197**	**$14,632**	**$15,248**	**$15,730**	**$15,711**	**$15,802**	**$16,094**

Source: FY 1996-97 and 1997-98 SF-12 reports; FY 1998-99 SF-3 report; 1999-00 December Settlement; FY 2000-01 ODE funding projection.
[1] Other represents all other state foundation revenues and includes funding for such items as extended service, vocational education cost units, preschool unit funds and other adjustments.

! **Basic Aid** - Basic foundation aid projections for FY 1999-00 and FY 2000-01 were obtained from the ODE December 1999 foundation settlement statement and the FY 2000-01 funding simulation, respectively. Projections for FY 2001-02 and beyond are based on formula amounts outlined in H.B. 282. Because of anticipated declining enrollment, a rolling three-year average ADM count is used in the computations which reflects the same rate of decline as that found in the ODE enrollment projections.

! **DPIA** - Disadvantaged Pupil Impact Aid (DPIA) provides additional financial support to school districts whose school-age population has a high incidence of children from families covered under the Temporary Assistance for Needy Families (TANF) program, formerly known as Aid to Dependent Children. The funds provide support for additional costs associated with educating children in poverty. DPIA projections for FY 1999-00 and FY 2000-01 were obtained from the ODE December 1999 foundation settlement statement and the FY 2000-01 funding simulation, respectively. Projections for FY 2001-02 and beyond are based on formula amounts outlined in H.B. 282.

! **Transportation** - In accordance with ORC, the current method of state funding provides subsidies for pupil transportation. Transportation subsidy projections for FY 1999-00 and FY 2000-01 were obtained from the ODE December 1999 foundation settlement statement and the FY 2000-01 funding simulation, respectively. The FY 2000-01 amount was assumed for the remaining years of the forecast.

- Under Am. Sub. H.B. 650, the state funding program has a cap on the total amount of monies a district can receive. MCSD has historically been below this threshold, and is assumed to continue to remain below the cap throughout the forecast period.

(3) **Rollback and Homestead Exemptions:** State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a basic 2.5 percent rollback is granted on residential property taxes, and additional relief granted to qualified elderly and disabled homeowners based on income. However, the state reimburses the school district for the revenue lost due to these property tax exemptions. Rollback and homestead exemption revenues are included within the assumptions of the Real Estate Taxes and Tangible Personal Property Taxes.

C. Other Revenue Sources

(1) The main components of other revenues are presented in **TABLE 2-1D.** Amounts are shown in thousands of dollars.

Table 2-1D: Other Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Tuition	24	23	112	120	123	126	129	132
Classroom Fees	13	6	6	6	6	6	7	7
Transportation Fees	7	6	8	8	8	9	9	9
Medicaid Reimbursements	73	75	70	73	75	76	78	80
Rentals	43	47	34	35	36	37	38	38
Revenue Sharing	0	0	61	61	61	176	291	291
Non-Recurring	0	0	834	241	0	0	0	0
Miscellaneous	275	626	175	62	63	65	67	68
Total Other Revenues	**$435**	**$783**	**$1,300**	**$606**	**$372**	**$495**	**$619**	**$625**

Source: FY 1996-97, 1997-98, and 1998-99 4502 reports, Statement O

! **Tuition, Classroom Fees, Transportation Fees, Rentals and Miscellaneous:** MCSD receives tuition from neighboring districts when students from those districts elect, through intra-district open enrollment, to attend schools within MCSD. Classroom fees are collected for items such as workbooks, vocational education supplies, and laboratory materials. Transportation fees are collected primarily for field trips and other student activities to offset costs other than wages. Other miscellaneous sources of revenue include facilities rentals, swimming fees for public use of the district's pool, contributions and refunds. Projected amounts for FY 1999-00 through FY 2003-04 are based on FY 1998–99 results. Due to the significant amount of coding errors in recording past transactions, the historical figures are somewhat suspect. Therefore, the forecast assumes an inflationary increase of 2.5 percent annually.

! **Revenue Sharing:** According to district management, agreements have been made with the City of Massillon which will compensate the district for the loss of tax revenue resulting from real and personal property tax exemptions or other forms of tax incentives. Since 1998, businesses located within an area designated as an enterprise zone and receiving tax abatement for up to ten years have paid MCSD approximately $61,000 annually. A separate agreement relating to tax incremental financing of a planned strip mall is expected to pay MCSD approximately $230,000 annually over a ten year period beginning in 2002. The forecast assumes half of that amount will be received in FY 2001-02, with the full effect seen in FY 2002-03.

- **Non-Recurring:** Non-recurring revenues stem from the correction of posting errors, receipt of past due amounts, refunds and other transactions which are not expected to occur on a regular basis. The estimated amount for FY 1999-00 is based on a refund of prior year expenditures and the correction of grant-related expenditures erroneously posted to the general fund.

V. Expenditures

A. Operating Expenditures

(1) **Salaries and Wages:** Estimated salaries and wages are based on existing negotiated agreements which expired on December 31, 1999. The district will continue to operate under the expired contracts until new bargaining agreements are reached. Although preliminary negotiations have begun on new agreements, management's intentions regarding future wage and salary levels are not known at this time. Future base wages and salaries are assumed to increase 2 percent per year over the remaining forecast years, which is consistent with general historical trends. Because most employees are paid through a salary schedule, an additional increase of 1.5 percent has been built into the projections to reflect the impact of annual movement within the schedule steps.

According to the treasurer, substitute and overtime expenses for FY 1998-99 were just over $1.0 million. Substitute wage rates are assumed to remain relatively stable, and are estimated at $1.0 million over the forecast period. Efforts being taken by the district to reduce necessary overtime are assumed to offset the effect of future wage rate increases on overtime costs. FY 1999-00 auxiliary and supplemental wages are based on existing contracts. Because auxiliary and supplemental contracts are a function of the negotiated base salary schedules, these costs are also expected to increase at the same combined 3.5 percent rate which was applied to regular salaries and wages. Excluding those employees participating in the district's early retirement incentive (ERI), the treasurer has estimated severance payments for FY 1999-00 at $149,000. In addition, deferred severance payments of $297,000 were made in FY 1999-00 to employees retiring in FY 1998-99. Severance costs for FY 2000-01 and beyond assumes a similar annual amount increased by the combined 3.5 percent rate applied to regular salaries and wages.

The wage and salary projections are presented in **Table 2-1E**, with amounts shown in thousands of dollars. Staffing levels are assumed constant for FY 2000-01 and beyond, as shown in **Table 2-1B**.

TABLE 2-1E: Salaries and Wages

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Regular Salaries & Wages [1]	N/A	N/A	N/A	15,378	15,921	16,239	16,564	16,895
Overtime and Substitutes	N/A	N/A	N/A	1,000	1,000	1,000	1,000	1,000
Supplemental Contracts	N/A	N/A	N/A	450	466	482	499	516
Severance [2]	N/A	N/A	N/A	446	154	160	165	171
Total Salaries & Wages [3]	**$16,425**	**$15,879**	**$16,802**	**$17,274**	**$17,541**	**$17,881**	**$18,228**	**$18,582**

Source: Treasurer's Office
[1] All certificated and classified contracts expired on December 31, 1999. Forecasted regular salaries and wages assume average contracted increases of 2 percent annually and average step increases of 1.5 percent annually.
[2] FY 1999-00 includes $297,000 paid to FY 1998-99 retirees who elected to receive severance payment in FY 1999-00.
[3] The district was unable to provide a break out of historical salary and wage data in terms of the components used in the table.

(2) **Benefits:** The components of the district's fringe benefit projections are presented in **Table 2-1F.** Amounts are shown in thousands of dollars.

TABLE 2-1F: Fringe Benefits

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Medical Insurance	1,964	2,376	2,614	3,312 [1]	2,360	2,526	2,702	2,892
Retirement Contributions	2,545	3,504	3,826	2,648	2,741	2,837	2,936	3,039
Worker's Compensation	89	81	48	145 [2]	92	95	99	102
Unemployment Insurance	9	18	4	10	10	10	10	10
Tuition Reimbursement	0	0	0	10	10	10	10	10
Early Retirement Incentive	0	0	0	2,453	500	0	0	0
Total Fringe Benefits	**$4,607**	**$5,979**	**$6,492 [3]**	**$8,578**	**$5,713**	**$5,478**	**$5,757**	**$6,053**

Source: Treasurer's Office, district 4502 reports.
[1] FY 1999-00 amount include payment of premium in arrears of $1.106 million.
[2] FY 1999-00 amount includes amounts unpaid in FY 1998-99.
[3] An unexplained discrepancy of $70,000 exists between the historical FY 1998-99 benefit costs provided by the treasurer used in **Table 2-1** and the 4502 report detail used for this table.

MCSD makes quarterly premium payments to the Council of Governments (COG) consortium for medical insurance. Projected premiums for FY 1999-00 incorporate the treasurer's estimate of $2.2 million based on year-to-date billings and payment of premiums in arrears of approximately $1,106,000. The COG has indicated that premiums will increase 7 percent in the coming year, and this rate of increase is assumed throughout the remaining forecast period.

School districts generally contribute approximately 14 percent of salaries and wages to retirement funds and an additional 1.45 percent to Medicare on behalf of their employees. For the past three years, however, MCSD's actual retirement costs have ranged from 15.5 percent to nearly 23 percent. Because of the questionable reliability of the district's historical data, projected retirement contributions for FY 1999-00 are computed on the more typical 15.5 percent of estimated salaries and wages. The district's retirement costs are anticipated to increase by 3.5 percent annually throughout the forecast period to reflect assumed increases in base and incremental step wages. According to the treasurer, FY 1999-00 workers compensation premiums are approximately $86,000. An additional $59,000 is included in the FY 1999-00 estimate representing an underpayment of FY 1998-99 premiums. Future workers compensation cost estimates are assumed to increase by 3.5 percent annually throughout the forecast period. Estimated unemployment costs are approximately equal to the average of the past three years, and are assumed to remain constant. Tuition reimbursements are estimated to equal the maximum amount provided for under current collective bargaining agreements, and are unchanged through the remainder of the forecast.

In FY 1998-99, the district approved a second ERI for district employees eligible to retire between July 1, 1998-99 and June 30, 2000-01 in an effort to future reduce staffing to reflect the decline in enrollment and to assist in remedying its financial difficulties. Under the ERI, the district will pay both the employee and employer retirement contributions for those eligible employees who choose to participate in the program. ERI payments may be distributed over a three-year period. However, the district has chosen to pay in the current year the full amount due for those employees retiring under the program in FY 1998-99 and FY 1999-00. MCSD estimates this cost to be approximately $2.5 million. Because the provisions of the expired contracts remain in effect, eligible employees may still elect to participate in the program. The forecast assumes an additional cost of $500,000 may be incurred for employees accepting the ERI in FY 2000-01, which is consistent with the district's projections.

(3) **Purchased Services:** Purchased services include such costs as utilities, property insurance, leased equipment, tuition, postage, travel, and professional and technical services. Historically, purchased services have fluctuated substantially over the past six years, with annual increases and decreases typically ranging from 20 to 30 percent from the preceding year. The average annual change over that period, however, was only 1.5 percent. Such volatility does not provide meaningful trends for use in establishing projections. The district has estimated future purchased service expenditures based primarily on inflationary increases of 3 percent annually, plus anticipated one-time costs in FY 1999-00 representing legal fees associated with the collective bargaining process and possible changes in its security contract. This forecast has incorporated the district's estimates for purchased services.

(4) **Materials, Supplies and Textbooks:** Qualifying expenditures under H.B. 412 in meeting the textbook and instructional supplies set-aside are expected to be made from the supplies and materials line in the general fund. This line typically includes supply and material items used for both instructional purposes and support activities, such as maintenance, transportation, central office and administration.

The forecast assumes that only instructional-related expenditures qualify to meet set-aside requirements. Projections for FY 1999-00 are based on computed spending amounts required for instructional supplies and textbooks, and on the temporary appropriation measure adopted on June 22, 1999 for non-instructional supplies and materials. Expenditures for non-instructional supplies and material are assumed to increase annually by an inflationary factor of 2.5 percent. It is assumed that each year the set-aside requirements will be expended, and no unused balances will be carried forward to the succeeding year. Projected expenditures for supplies, materials and textbooks are presented in **Table 2-1G**. Amounts are shown in thousands of dollars.

TABLE 2-1G: Supplies, Materials and Textbooks

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Non-Instructional	N/A	N/A	743	736	754	773	793	812
Instructional - H.B. 412 Requirement	N/A	N/A	415	664	794	883	865	850
Total Supplies, Materials & Textbooks	**$697**	**$938**	**$1,158**	**$1,400**	**$1,548**	**$1,656**	**$1,658**	**$1,662**

Source: Treasurer's Office, 4502 reports.

(5) **Capital Outlay:** Qualifying expenditures under H.B. 412 in meeting the capital improvements and maintenance set-aside are expected to be made from the salaries and wages, fringe benefits, and purchased services line items, in addition to the capital outlay line in the general fund. However, the district has not specifically identified the wages, benefits or purchased services that may qualify.

MCSD has no permanent improvement fund, and has historically low levels of capital maintenance spending. The FY 1999-00 estimate includes approximately $1.0 million for roof repair and $150,000 for the purchase of two special education buses, in addition to expenditures already made to date. The estimated capital expenditures for FY 1999-00 exceed H.B. 412 requirements. For the remainder of the forecast period, annual estimates have been reduced to the level of spending required under H.B. 412. In all forecast years, it is assumed that the set-aside requirement will be expended and no unused balances will be carried forward to the succeeding year. An additional $80,000 has been included in FY 2001-02 through FY 2003-04 to reflecting future bus purchases. Bus purchase amounts in all years are consistent with the district's forecast.

(6) **Other Expenditures:** Other expenditures are assumed to increase 2.5 percent per year due to inflation. An additional $20,000 is assumed in FY 1999-00 representing increased county auditor and treasurer fees associated with anticipated higher tax revenues resulting from the new operating levy.

B. Educational Enhancements - Additional Operational Expenditures (under S.B. 55):

Under S.B. 55, MCSD is required to meet certain educational requirements which may have financial implications to the district. The educational enhancements include providing all- day kindergarten, increased graduation requirements and curriculum offerings, the establishment of reading intervention and summer remediation programs, and the creation of district continuous improvement plans. MCSD implemented all-day kindergarten during the FY 1998-99 school year, and the associated costs are reflected in the historical amounts on which the projections are, in part, based. However, because the district has not developed specific estimates for other components of S.B. 55, those costs may not be adequately incorporated into the forecast estimates.

VI. Debt Service

General fund debt principal is repaid in equal annual or semi-annual installments over the life of each loan except for the state consolidation loan, which follows a monthly repayment schedule. The related interest expense has been computed. The amount of general fund debt currently outstanding is shown in **Table 2-5** of **subsection B**. **TABLE 2-1H** presents the historical and projected debt service schedule for those general fund obligations that are currently outstanding. Amounts are shown in thousands of dollars.

TABLE 2-1H: Current General Fund Debt Service Schedule

Description	Amount	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Five-Year TAN [1]	2,000	0	400	400	400	400	400	0	0
Four-Year TAN [1]	950	0	0	238	237	238	237	0	0
One-Year TAN [1]	4,877	0	0	0	4,877	0	0	0	0
Five-Year State Loan [2]	5,930	0	0	1,083	1,132	1,184	1,237	1,294	0
Vo-Ed Bldg. Loan	4,147	255	255	255	255	255	255	255	255
Total Principal	**$17,904**	**$255**	**$655**	**$1,976**	**$6,901**	**$2,077**	**$2,129**	**$1,549**	**$255**
Interest - Five-Year TAN [1]	N/A	$0	$91	$73	$55	$36	$18	$0	$0
Interest - Four-Year TAN [1]	N/A	$0	$0	$42	$32	$21	$11	$0	$0
Interest - One-Year TAN [1]	N/A	$0	$0	$0	$238	$0	$0	$0	$0
Interest - Five-Year State Loan [2]	N/A	$0	$0	$272	$222	$171	$118	$61	$0
Interest - Vo-Ed Bldg. Loan	N/A	$0	$0	$0	$0	$0	$0	$0	$0
Total Interest	**N/A**	**$0**	**$91**	**$387**	**$547**	**$228**	**$147**	**$61**	**$0**
Total Debt Service	**$17,904**	**$255**	**$746**	**$2,363**	**$7,448**	**$2,305**	**$2,276**	**$1,610**	**$255**

Source: Treasurer's Office
[1] Tax Anticipation Note
[2] State Loan Series 97 is the consolidation of several existing state loans into a single 5 year loan with repayments deducted directly from the State Foundation settlement amount.

VII. Other Sources and Uses of Funds

A. Transfers and Advances In/Out

The district's food service fund, the uniform supply fund and the rotary fund function as enterprise funds. Of these, the food service fund represents nearly 90 percent of the combined enterprise fund balance. All three enterprise funds have remained essentially self sufficient, with each maintaining a surplus large enough to offset occasional annual operating deficits. During the past three years, no transfer or advancement of cash from the general fund was required to offset a deficit condition in any of the enterprise funds.

Since the district's enterprise funds historically have not required transfers from the general fund, no transfers are anticipated during the forecast period. The net advance out of the general fund projected for FY 1999-00 represents the repayment of an advance received at the end of the previous year and held over year-end, and an amount advanced to the generaal fund from the bond retirement fund. Encumbrances outstanding are consistent with the district's forecast.

B. Budget Reserve

H.B. 412 requires school districts to maintain a budget reserve when certain conditions are met. Whenever revenue received for current expenses for the preceding fiscal year is at least three percent greater than the revenue received for current expenses for the second preceding fiscal year, the district is required to set-aside as a budget reserve not less than one percent of the revenue received for current expenses for the preceding fiscal year. The minimum one percent set-aside continues each year until the accumulated budget reserve equals five percent of the revenue received for current expenses for the preceding fiscal year.

H.B. 770 also requires districts receiving a rebate from the Ohio Bureau of Workers Compensation (BWC) to apply the amount of the rebate toward the budget reserved requirement in the year the rebate is received. For rebates occurring in FY 1997-98 or FY 1998-99, the amount received was to be added to the budget reserve in addition to any applicable one percent set aside. In future years, however, the rebate would be used to offset any required contribution in the year the rebate was received. MCSD received a rebate of approximately $181,000 in FY 1997-98, which was required to be reserved.

School districts are not required to increase their budget reserve while they are in fiscal watch or fiscal emergency. However, amounts previously placed in the reserve may not be used to fund current operations without authorization from the State Superintendent of Public Instruction. District records indicate that approximately $79,000 was added to the reserve in FY 1998-99. Based on the year-end budget reserve balance of $141,000, MCSD appears to have used a portion of its BWC rebate for general operating purposes during FY 1998-99. The forecast assumes an increase in the budget reserve to $260,000 by the end of FY 1999-00, representing the BWC rebate and the amount previously added in FY 1998-99.

Based on the estimated growth of basic revenues, budget reserve contributions would normally be required in each year of the forecast except FY 2003-04. The positive cash balances projected in FY 2001-02 and beyond suggest the possibility that the conditions which resulted in the district's fiscal emergency could be corrected or eliminated during that time. Because of this anticipated financial improvement, the forecast assumes budget reserve contributions of $294,000 in FY 2001-02 and $288,000 in FY 2002-03.

C. Encumbrances and Other Reserves

The district uses encumbrances as a method for budget management and control. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation for future payment. The district's estimates for future outstanding encumbrances and fund balance reserves for bus purchases have been incorporated into this forecast.

Summary of Performance Audit Recommendations

Table 2-2 is being presented as a potential financial forecast for district management and the commission. It is a management tool to be utilized to assess the impact the implementation of the various performance audit recommendations will have on the district's financial condition. The forecast presented contains the same financial projections as presented in **Table 2-1** with additional lines to include the financial implications associated with the performance audit recommendations, implementation costs for performance audit recommendations and any actions taken to date by the commission. In order to accurately reflect MCSD's financial condition, **Table 2-2** does not reflect the $3.3 million borrowing in FY 1999-00 from the state solvency assistance fund.

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

The performance audit recommendations presented in **Table 2-2A** which affect the district's general fund are broken down into two categories; those recommendations subject to negotiation and those recommendations not subject to negotiation. **Table 2-2B** summarizes commission recommendations and actions taken to date, while **Table 2-2C** summarizes implementation costs.

For the district to achieve financial stability, it will be necessary to make difficult management decisions. This performance audit provides a series of ideas and recommendations which the district and commission should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of the district. The district and the commission should update the financial recovery plan presented on an ongoing basis as critical financial issues are addressed.

Table 2-2: Proposed Financial Recovery Plan

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04
Real Estate Property Tax	$7,414	$8,157	$7,848	$6,879	$6,982	$7,366	$7,771	$7,888
Tangible Personal Property Tax	3,078	3,504	3,443	2,721	2,775	2,831	2,888	2,945
Nov. 1999 Emergency Levy	0	0	0	1,284	3,155	3,155	3,155	3,155
Income Tax	0	210	1,939	2,521	3,100	2,117	1,113	0
Investment Earnings	95	100	188	345	230	236	242	248
State Foundation	12,582	13,197	14,632	15,248	15,730	15,711	15,802	16,094
Homestead and Rollback	940	1,035	997	1,015	1,185	1,207	1,229	1,252
Other Revenues	435	783	1,300	606	372	495	619	625
Total Operating Revenues	24,544	26,986	30,347	30,619	33,529	33,118	32,819	32,207
Salaries & Wages	16,425	15,879	16,802	17,274	17,541	17,881	18,228	18,582
Fringe Benefits	4,607	5,979	6,562	8,578	5,713	5,478	5,757	6,053
Purchased Services	1,514	1,949	2,104	2,347	2,418	2,495	2,575	2,657
Supplies, Materials & Textbooks	697	938	1,158	1,400	1,548	1,656	1,658	1,662
Capital Outlay	119	88	122	1,221	794	963	945	930
Other Expenditures	233	255	241	265	272	278	285	293
Interest on Loans	0	0	0	547	228	147	61	0
Performance Audit Rec. (Table 2-2A)	**0**	**0**	**0**	**(37)**	**(790)**	**(790)**	**(790)**	**(790)**
Commission Rec. (Table 2-2B) [1]	**0**	**0**	**0**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Implementation Costs (Table 2-2C)	**0**	**0**	**0**	**0**	**400**	**339**	**237**	**237**
Total Operating Expenditures	23,595	25,088	26,989	31,595	28,124	28,447	28,956	29,624
Proceeds From the Sale of Notes	4,983	950	1,600	4,877	0	0	0	0
State Consolidation Loan	0	5,930	0	0	0	0	0	0
State Loan Payments	(5,745)	(8,133)	(3,605)	(1,387)	(1,439)	(1,492)	(1,549)	(255)
Tax Anticipation Note Payments	0	(400)	(637)	(5,514)	(637)	(637)	0	0
Net Transfers/ Advances - In/ (Out)	0	0	(35)	(610)	0	0	0	0
Net Other Financing Sources/ (Uses)	(135)	(220)	70	0	0	0	0	0
Net Financing	(897)	(1,873)	(2,607)	(2,634)	(2,076)	(2,129)	(1,549)	(255)
Results of Operations (Net)	52	25	751	(3,610)	3,329	2,542	2,314	2,328
Beginning Cash Balance	45	97	122	873	(2,737)	592	3,134	5,448
Ending Cash Balance	97	122	873	(2,737)	592	3,134	5,448	7,776
Outstanding Encumbrances	56	117	234	279	279	279	279	279
Bus Purchase Reserve	0	0	0	3	66	50	35	19
“412" Instructional / Capital Reserve	0	0	197	0	0	0	0	0
“412" Budget Reserve	0	0	141	260	260	554	842	842
Ending Fund Balance	*$41*	*$5*	*$301*	*($3,279)*	*($13)*	*$2,251*	*$4,292*	*$6,636*

Source: District records, Performance Audit estimates and financial implications
[1] The financial implications of commission recommendations are included in the Salaries and Wages, Fringe Benefits and Supplies and Materials line items.

Table 2-2A summarizes the cost saving and revenue enhancement recommendations found throughout this performance audit report. The recommendations have been segregated into those which are included in **Table 2-2** and those which are not, and the recommendations subject to negotiation have been identified.

Table 2-2A: Summary of Performance Audit Recommendations

Recommendations	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
RECOMMENDATIONS INCLUDED IN FORECAST (Table 2-2):					
Recommendations Subject to Negotiation:					
R3.6 Increase employee contributions toward health care premiums	$0	$291,500	$291,500	$291,500	291500
R3.16 Eliminate classified paid picnic day	$0	$4,500	$4,500	$4,500	$4,500
Total Recommendations Subject to Negotiation	**$0**	**$296,000**	**$296,000**	**$296,000**	**$296,000**
Recommendations Not Subject to Negotiation:					
R4.4 Reduce custodial overtime expenditures	$25,250	$101,000	$101,000	$101,000	$101,000
R4.7 Reduce one grounds crew position	$0	$36,400	$36,400	$36,400	$36,400
R4.10 Reduce maintenance overtime expenditures	$11,250	$45,000	$45,000	$45,000	$45,000
R4.22 Implement energy management program	$0	$166,000	$166,000	$166,000	$166,000
R4.23 Enroll in the Energy for Education Program	$0	$40,500	$40,500	$40,500	$40,500
R5.2 Reduce bus fleet by four buses	$0	$104,756	$104,756	$104,756	$104,756
Total Recommendations Not Subject to Negotiation	**$36,500**	**$493,656**	**$493,656**	**$493,656**	**$493,656**
Total Recommendations Included In Forecast:	**$36,500**	**$789,656**	**$789,656**	**$789,656**	**$789,656**
RECOMMENDATIONS NOT INCLUDED IN FORECAST:					
Recommendations Subject to Negotiation:					
R3.1 Increase number of required periods for middle school teachers	$0	$390,000	$390,000	$390,000	$390,000
R3.7 Require MEA reimbursement of costs resulting from association leaves	$0	$2,770	$2,770	$2,770	$2,770
R3.17 Reduce classified sick leave accrual to ORC requirement	$0	$28,000	$28,000	$28,000	$28,000
R3.21 Discontinue classified compensatory time for calamity days	$0	$3,000 per calamity day	$3,000 per calamity day	$3,000 per calamity day	$3,000 per calamity day
Total Recommendations Subject to Negotiation [1]	**$0**	**$420,770**	**$420,770**	**$420,770**	**$420,770**
Recommendations Not Subject to Negotiation:					

Recommendations	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
R3.2 Reduce sick leave usage by certified staff	$7,500	$30,000	$30,000	$30,000	$30,000
R3.4 Reduce sick leave usage by classified staff	$7,250	$29,000	$29,000	$29,000	$29,000
R4.20 Close one elementary school	$0	$264,000	$264,000	$264,000	$264,000
R5.3 Utilize alternative forms of special education transportation	$0	$56,544	$56,544	$56,544	$56,544
Total Recommendations Not Subject to Negotiation	**$14,750**	**$379,544**	**$379,544**	**$379,544**	**$379,544**
Total Recommendations Not Included In Forecast: [1]	**$14,750**	**$800,314**	**$800,314**	**$800,314**	**$800,314**

Source: Financial Implications Summaries for all sections of this performance audit report.
[1] Amounts do not include the estimated $3,000 per day savings **(R3.21)** from discontinuing compensatory time for calamity day.

Table 2-2B summarizes the various recommendations the commission made and the district implemented in FY 1999-00. To date, however, the commission has limited itself to authorizing only two specific actions, one of which was promised by the district to voters in return for public support of the recent tax levy. Because both the promised change in transportation policy and the reinstatement of two administrative positions have already been approved by the board and incorporated into the forecast presented in **Table 2-1**, they are presented here for reference purposes only. The commission has not announced any additional recommendations at this time.

Table 2-2B: Summary of Commission Recommendation/Reductions

Recommendations/Reductions	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Reinstate two administrative positions [1]	$156,000	$0	$0	$0	$0
Restoration of one-mile busing for grades K-8	$76,000 [2]	$0	$0	$0	$0
Total Commission Recommendations/Reductions	**$232,000**	**$0**	**$0**	**$0**	**$0**

Source: Commission meeting minutes of November 17, 1999 and January 7, 2000.
[1] The cost represents estimated wages and benefits. At this time, the commission has authorized the reinstatement of the positions only, without approving actual wage levels.
[2] The amount is net of anticipated additional state foundation aid for transportation resulting from the change.

Table 2-2C summarizes the implementation costs associated with various recommendations contained within this performance audit. Each cost is dependent on the district's decision to implement the associated recommendation and the timing of that implementation.

Table 2-2C: Implementation Costs

Recommendation Implementation Costs	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
R4.1 Hire Custodial Supervisor; Promote three custodians to Head Custodian	$0	$47,000	$47,000	$47,000	$47,000
R4.2 Implement training program	$0	$5,625	$5,625	$5,625	$5,625
R4.5 Hire one maintenance employee	$0	$38,000	$38,000	$38,000	$38,000
R4.6 Purchase snow plow and pick-up truck under state contract	$0	$31,200	$0	$0	$0
R4.9 Purchase automated work order system	$0	$10,000	$0	$0	$0
R4.21 Lease/Purchase new security system	$0	$146,500	$146,500	$146,500	$146,500
R4.22 Implement energy saving program	$0	$102,000	$102,000	$0	$0
R5.9 Purchase bus routing software	$0	$20,000	$0	$0	$0
Total Recommendation Implementation Costs	**$0**	**$400,325**	**$339,125**	**$237,125**	**$237,125**

Source: Financial Implications Summaries for all sections of this performance audit report.

VIII Commission Considerations

A. The forecast assumes the renewal in FY 2001-02 of a 5.3 mill emergency operating levy which raises approximately $2 million annually. In the event the renewal effort is not successful, the projected positive ending balances for the final three years would be largely eliminated. Similarly, the entire forecast period benefits from the passage of the November 1999 emergency operating levy which generates an estimated $3.4 million each year. Failure to renew the 9.7 mill levy in FY 2004-05 would remove that $3.4 million from the district's revenue stream.

B. The income tax rate was set at 0.75 percent by the Ohio Department of Taxation based on the district's request in November 1996 for a tax which would raise $2.625 million from district residents. The projected tax revenues found in the forecast were derived from Department of Taxation formulas applied to the requested $2.625 million. However, the Department of Taxation has subsequently compared returns received from district residents for the years 1997 and 1998, and determined that as many as 3,500 individuals listed as district residents in 1997 had not filed a return in 1998. It is possible that a significant number of those who had not filed a district return in 1998 were no longer residents of MCSD. In that event, the tax rate may have been set too low to allow the district to raise the desired amount of revenue from those individuals actually residing within the district's borders.

C. Due to its past reliance on emergency operating levies, MCSD is below the 20 mill floor. Future levies, if continuing or non-emergency, could place the district above the floor, making those amounts subject to the reduction measures contained in H.B. 920.

D. MCSD has lost revenue from abatements and other types of favorable tax treatment awarded to local businesses as incentives to locate or expand within the area. Those past abatements are beginning to expire and will be returning revenue to the district. The forecast includes current agreements to compensate MCSD for some portion of the tax revenues lost under newly awarded incentives. However, MCSD has the ability to negotiate more favorable terms than it has previously, which could provide future tax revenues which are higher than those contained in the forecast.

E. State foundation payments are based, in part, on per-pupil spending levels provided in H.B. 650 and incorporated into the current bi-annual budget. Actual per-pupil spending amounts applicable to the remaining forecast years will not be established until future budget legislation is passed. To the extent that future spending levels are established at higher or lower amounts than those in the forecast, actual future state foundation revenues may be greater or less that the amounts projected.

F. State foundation payments are calculated on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. This performance audit relied on ODE projections which indicated a continuing downward enrollment trend over the next ten years. MCSD has not yet prepared its own enrollment studies based on such factors as the number of housing starts, the amount of undeveloped land within the district, or other relevant data. The consideration of these or other factors may suggest enrollment trends which differ from that used in the forecast, and could result in higher or lower state foundation funding projections. Such projections may also have an affect on the budget stabilization set-aside requirement if the percentage growth in ADM exceeds base revenue percentage increases.

G. Although they expired on December 31, 1999, the district will continue to operate under the previous collective bargaining agreements until new agreements have been reached. One of the provisions of the prior agreements allowed eligible employees to participate in an ERI program. The district intends to pay in FY 1999-00 the full retirement contribution of all employees who have to date accepted the ERI. The forecast includes expenditures of approximately $2.5 million in FY 1999-00 for this purpose, and also includes a contingency of $500,000 in FY 2000-01 for employees who may still elect to participate under the prior bargaining agreements. Should new bargaining agreements retain the ERI provision, or should the negotiating process significantly extend the life of the prior agreements which contained the ERI provision, it is possible that additional employees may chose to take advantage of the program. This could result in ERI payments to extend beyond FY 2000-01 or exceed the $500,000 contingency built into the forecast.

H. Wage estimates for FY 2000-01 and beyond assume a cost of living adjustment (COLA) of 2 percent per year, in addition to an average annual step increase of 1.5 percent. To the extent that future collective bargaining agreements incorporate differing COLA amounts, actual wage and associated benefit expenditures in those years may vary significantly from the forecast projections.

I. MCSD is required to meet certain educational enhancement requirements under S.B. 55. However, other than the implementation of all-day kindergarten, the financial impact of complying with these requirements has not been quantified by the district. Therefore, it is possible that the true cost to the district in providing these educational enhancements has not been adequately incorporated into the forecast spending estimates.

J. Because of a lack of dedicated sources of funds sufficient to meet its capital needs, MCSD has historically provided minimal levels of capital spending. In light of the district's financial difficulties, capital spending beyond FY 1999-00 was projected at the minimum amounts required under H.B. 412. This may prove to be an undesirably low level of spending for capital items. However, higher levels of spending, particularly during the first two years of the forecast, will have an adverse affect on year-end balances and result in higher deficits in FY 1999-00 and FY 2000-01.

K. All current general fund debt obligations, except for the vocational education building loan, will be fully repaid during the forecast period. In FY 2003-04 and beyond, funds previously required for the repayment of principal and interest will be available for use in supporting educational programs, capital projects or other purposes.

L. Significant unencumbered year-end balances are projected over the later years of the Auditor of State's financial recovery plan (Table 2-2), ranging from nearly $2.3 million in FY 2001-02 to more than $6.6 million in FY 2003-04. Based on this forecast, it appears that the district will have future financial resources to begin addressing some of its more critical funding needs. In particular, MCSD should have additional funds available for such items as capital maintenance, educational enhancements and technology.

B. Revenues and Expenditures

Background

A school district's primary funding sources are local property taxes and state foundation support. A district can increase its local contribution through a property tax, a school district income tax or a joint city/school district income tax. Each of these tax options requires voter approval. Property taxes are levied on a calendar year basis against the assessed values of real estate, public utility property and tangible (business) personal property located within the district. In FY 1998-99, the total assessed value of real estate, public utility and tangible property was approximately $351 million.

Residents have historically provided mixed support for district levies, passing 50 percent of the eight emergency operating levies placed on the ballot during the past 10 years. However, excluding the repeated renewal of a five year emergency levy first passed in 1981, only two of six requested operating levies have received voter approval during the past decade. Most recently, a 9.7 mill, five-year emergency operating levy was approved on its second attempt in November 1999, following the declaration of fiscal emergency. This levy, which will raise approximately $3.4 million annually, offsets the loss of $2.05 in revenue from a 7.9 mill operating levy which expired during FY 1998-99.

Although MCSD receives the majority of its tax revenue from property taxes, voters approved a 0.75 percent district income tax in May 1997. The income tax is limited to a four year period, with the revenue generated used to pay down the operating debt. MCSD has never passed a permanent improvement levy, and the only one attempted in the past 20 years failed in 1998. **Table 2-6** summarizes the district's levy history for the past ten years.

The Ohio General Assembly determines the level of state support for schools and distributes that support through the State Foundation Program. Allocations are based on a formula that guarantees each district will receive a specified amount per student which is deemed sufficient to support an adequate educational program at the state minimum level. The distribution formula, which incorporates Average Daily Membership (ADM) and millage minimums applied to the district's total assessed property valuation, has undergone significant change through new legislation which became effective in FY 1998-99. The State Foundation program also includes Disadvantaged Pupil Impact Aid (DPIA) funding, which recognizes the additional spending often required of a district when serving disadvantaged students. Awards are derived from the number of enrolled students who are covered under Temporary Assistance for Needy Families (TANF), formerly known as Aid to Dependent Children. In general, as welfare recipients return to work or otherwise become ineligible for public assistance under welfare reform, the number of TANF students decline, resulting in decreased DPIA revenues. However, there is usually no corresponding decrease in the cost of educating these students.

Federal monies are awarded primarily through grant programs directed at helping economically disadvantaged students or those with special educational needs. Districts may also be reimbursed for certain types of expenditures made for eligible students under the Medicaid program. Although federal budget-balancing is expected to negatively impact grant awards, it is important for the district to closely examine and evaluate restricted state and federal grants as potential funding sources in order to maximize its revenue. **Table 2-3** illustrates how the district's primary funding sources compare to the peer districts and state averages.

The board is required under the ORC to adopt an annual budget. Each year, two budgets are prepared by the district: a tax budget and an operating budget. The budgeting process identifies the adequacy of financial resources for the educational programs and provides a basis for accountability in fiscal management. The tax budget also serves as the legal basis for the establishment of tax rates. A separate capital budget is not prepared. MCSD has not passed a permanent improvement levy, and capital expenditures are made to the extent possible through the general fund.

There is no separate department responsible for budgeting within MCSD. Under board policy, this function is centralized in the offices of the superintendent and the treasurer. The superintendent and the board establish the overall fiscal objectives for the district while the actual budget preparation, presentation and subsequent management reporting falls under the authority of the treasurer.

The treasurer prepares the tax budget and the annual appropriation resolution, files required forms and reports with the county budget commission and the ODE; monitors compliance with appropriation spending levels; initiates, reviews and processes budget adjustments and modifications; and prepares monthly budgetary internal reports. She is responsible for establishing and overseeing a system of internal controls within the district to ensure the accuracy of financial information and to protect the district's assets.

Organization Function

Under the current organizational structure, the board's role is limited to managing the daily operations of the district and carrying out the fiscal recovery plan adopted by the commission. Decisions which have financial implications or that effect the district financing are required to be made by the commission.

The district superintendent and the treasurer report independently to both the elected board and the appointed commission. Within this organizational structure, all departments except the treasurer's department report to the superintendent.

Summary of Operations

The creation of a long-range financial plan is a valuable management exercise. The previous treasurer had prepared such forecasts primarily for internal use by the board and district management. During FY 1998-99, one or more of the interim treasurers, in cooperation with board finance committee members, prepared the five-year forecast necessary to comply with H.B. 412 reporting requirements. The new treasurer has recently completed the current H.B. 412 forecast, which will also be used to augment the recovery plan being developed by the commission. This forecast was created using a specialized computer model designed specifically for such a purpose, and includes three years of historical data and detailed assumptions. The forecast has been adopted by the board, and is expected to be presented to the commission for its use in preparing the formal fiscal recovery plan.

MCSD has contracted with the Stark County Educational Service Center (the educational service center) for computer, legal and other professional services. The affiliated Stark/Portage Area Computer Consortium (SPARCC) serves as the data acquisition site and provides the state software used for the district's primary business operations, student information and payroll applications. Through the educational service center, MCSD belongs to the Council of Governments (COG) consortium for obtaining medical insurance.

The budgetary process begins with the preparation and adoption of the tax budget, showing estimated receipts and expenditures, and is submitted to the county budget commission before January 20, in accordance with ORC and board policy. In June, the district adopts a temporary appropriation measure to be used during the three month period from July through September, during which time the permanent appropriation measure is prepared and adopted.

The treasurer's office is responsible for the preparation and issuance of various financial reports in accordance with state and federal guidelines. These include an annual spending plan and quarterly updates submitted to the ODE. The spending plan allows the State Superintendent of Public Instruction to determine if the district has expenditures that may impair its ability to operate within its revenue sources. The cash-basis plan includes revenue projections by source, the nature and amount of expenditures to be incurred by the district, outstanding and unpaid expenses and the months in which the expenses are to be paid. The district has contracted with an independent pubic accounting firm to prepare the required financial statements in accordance with generally accepted accounting principles (GAAP). However, a comprehensive annual financial report (CAFR) is not created.

Financial Data

Chart 2-1: Financial Organizational Chart

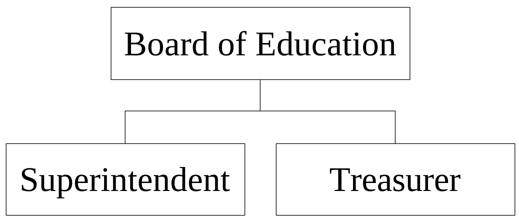


Table 2-3 shows the distribution of revenue by funding source for all funds over the past three fiscal years, on a cash basis, for MCSD, its peer districts and the state average.

TABLE 2-3: Percent of Revenue by Funding Source

	Massillon	Alliance	Barberton	Mansfield	Peer Average	State Average
FY 1995-96:						
Local	32.5%	30.8%	34.6%	31.6%	32.4%	50.2%
State	57.1%	59.4%	45.5%	55.7%	54.4%	43.3%
Federal	10.3%	9.8%	19.9%	12.7%	13.2%	6.1%
FY 1996-97:						
Local	42.4%	30.4%	35.4%	33.6%	35.5%	51.2%
State	48.1%	59.9%	45.3%	53.6%	51.7%	42.3%
Federal	9.5%	9.7%	19.3%	12.8%	12.8%	6.0%
FY 1997-98:						
Local	40.5%	29.7%	33.6%	32.9%	34.2%	51.2%
State	52.2%	60.1%	42.8%	55.5%	52.7%	42.9%
Federal	7.3%	10.2%	23.6%	11.5%	13.2%	5.7%

Source: EMIS District Profiles.

Table 2-4 presents statistics which impact a district's ability to raise local revenue. MCSD is compared with its peer districts and state averages.

TABLE 2-4: Local Statistics - Last Three Years

	Massillon [2]	Alliance	Barberton	Mansfield	Peer Average	State Average
FY 1995-96:						
Effective Millage	34.0	29.1	32.8	41.6	34.4	30.5
Average Valuation [1]	$ 46,964	$ 59,759	$ 58,273	$ 61,075	$ 56,518	$ 83,414
Area Median Income	$ 20,455	$ 18,585	$ 20,041	$ 18,902	$ 19,496	$ 23,478
FY 1996-97:						
Effective Millage	34.5	29.1	32.7	41.8	34.5	30.9
Average Valuation [1]	$ 49,350	$ 59,746	$ 58,987	$ 59,910	$ 56,998	$ 85,628
Area Median Income	$ 20,455	$ 19,298	$ 20,442	$ 19,614	$ 19,952	$ 24,588
FY 1997-98:						
Effective Millage	32.4	28.9	28.2	39.3	32.2	30.7
Average Valuation [1]	$ 64,076	$ 50,971	$ 77,489	$ 66,430	$ 64,742	$ 91,750
Area Median Income	$ 21,841	$ 19,877	$ 21,242	$ 20,264	$ 20,806	$ 25,239

Source: EMIS District Profiles.
[1] Average valuation per pupil will increase over a period of years, if the average daily membership (ADM) count declines.
[2] FY 1997-98 Effective Millage does not include the 0.75 percent district income tax passed in May 1997 effective January, 1998, and the 9.7 mill emergency operating levy passed in November 1999.

Table 2-5 presents MCSD's long term indebtedness as of June 30,1999. Not included in this table is a $4.877 million one-year tax anticipation note with interest at 4.8 percent. The note was issued on July 1, 1999 to provide a temporary source of cash flow, and will be repaid in full on June 30, 2000.

TABLE 2-5: Long Term Indebtedness as of June 30, 1999

Description	Fund	Interest Rate	Issue Date	Maturity Date	Amount Borrowed	Amount Outstanding
Twenty-three-Year Bond Issue [1]	Debt Service	7.6 mills	11/1/88	12/1/11	$20,800,000	$12,585,000
Total Debt Service Fund Debt					$20,800,000	$12,585,000
Five-Year Tax Anticipation Note	General Fund	4.56%	12/2/96	12/1/01	$2,000,000	$1,200,000
Four-Year Tax Anticipation Note	General Fund	4.45%	12/12/97	12/1/01	$950,000	$712,500
State Loan (Series 97) [2]	General Fund	4.44%	12/5/98	6/15/03	$5,930,189	$4,846,882
Vocational Building Assistance Loan [3]	General Fund	0.00%	3/1/92	6/15/07	$4,147,087	$1,912,489
Total General Fund Debt					$13,027,276	$8,671,871
Total Debt					**$33,827,276**	**$21,256,871**

Source: District records and 4502 reports, Statements J and L.
[1] Bond issue was passed to pay for the construction of Washington High School.
[2] The five-year State Loan Series 97 consolidated several existing state loans. Repayments are deducted directly from the State Foundation settlement.
[3] The state loan was made in lieu of a grant to partially fund construction of a vocational education wing at Washington High School. Because the change in state funding mechanisms occurred after passage of the high school bond issue, MCSD considers the loan to be a general fund obligation.

Table 2-6 details the election results for the past ten years for various levies MCSD has placed on the ballot.

TABLE 2-6: Ten Year Levy History

Year	Type of Levy	Voted Millage	New/Renewal	Duration	Results
November 1988	Construction Bond	7.6 mills	New	23 Years	Passed
November 1990	Emergency Operating	5.3 mills	Renewal	5 Years	Passed
November 1992	Emergency Operating	5.9 mills	New	4 Years	Failed
February 1993	Emergency Operating	7.9 mills	New	5 Years	Failed
May 1993	Emergency Operating	7.9 mills	New	5 Years	Passed
March 1996	Emergency Operating	5.3 mills	Renewal	5 Years	Passed
November 1996	Income Tax	0.75%	New	4 Years	Failed
May 1997	Income Tax	0.75%	New	4 Years	Passed
May 1998	Emergency Operating	7.9 mills	Renewal	5 Years	Failed
November 1998	Permanent Improvement	4.3 mills	New	Continuing	Failed
August 1999	Emergency Operating	9.7 mills	New	5 Years	Failed
November 1999	Emergency Operating	9.7 mills	New	5 Years	Passed

Source: District Records

Table 2-7 presents the originally voted millage and effective millage for levies which currently provide revenue for general fund purposes.

TABLE 2-7: Tax Millage Currently Being Assessed for General Fund

Year	Type of Levy [2]	Duration	Original Millage	Effective Millage
Prior to 1976 [1]	Operating	Continuing	27.8 mills	15.9 mills
March 1996	Renewal of Emergency Operating	5 Years	5.3 mills	5.2 mills
November 1999	New Emergency Operating	5 Years	9.7 mills	9.7 mills
Inside Millage				4.1 mills

Source: Stark County Auditor
[1] With the passage of H.B. 920 in 1976, all existing continuing levies were aggregated into one total voted and effective millage amount.
[2] Not included in this table is the 0.75% district income tax passed in May 1997 and effective January 1, 1998 through December 31, 2001.

Performance Measures

The following performance measures were used to analyze the district's financial systems:

- Assessment of financial planning processes
- Assessment of federal, state and local funding levels
- Assessment of district expenditures
- Allocation of resources for instruction, support and administrative costs
- Relevance and timeliness of financial and management reports

Findings / Commendations / Recommendations

Financial Planning

F2.1 Due to its declining financial condition and increasing reliance on operating debt during the first half of the past decade, MCSD recognized the strong possibility of being placed in fiscal watch. According to board records, prior to the beginning of the FY 1996-97 school year, the district had taken the following major steps in addressing its financial crisis.

- Appropriations were reduced more than $480,000 from FY 1994-95 levels.
- A three-year early retirement incentive plan was initiated, resulting in the reduction of 17 teaching, 3 central office, and 6 classified positions.
- Extra, co-curricular supplemental and extended contracts were reduced by $53,000.
- A two-year wage freeze, extending until December 1999, was approved by district teachers, administrators, non-union secretaries, custodians, bus drivers and cooks.

C2.1 MCSD recognized the seriousness of its financial condition and initiated various actions to address financial issues even prior to being placed in fiscal watch.

F2.2 In late 1996, the board empaneled a citizens advisory committee to recommend actions which might allow the district to avoid fiscal emergency designation. The initial advisory committee was composed of 34 members representing the administration and each school building. The committee was asked to examine the financial history of the district, analyze its revenues and expenditures, and develop a long range financial plan. It presented its report to the board on February 4, 1997.

The report contained nearly 30 specific recommendations, a dozen pages of analysis and comments, and five years of revenue and spending projections through FY 2001-02. Significant findings and recommendations contained in the report follow.

- MCSD became indebted primarily due to a pattern of deficit spending resulting in an increasing level of unfunded general fund debt. Emergency levies were placed on the ballot requesting amounts the board thought would be acceptable to voters rather than amounts needed to support the district's level of spending. The resulting revenue shortfalls led to a series of emergency operating loans and short term borrowing; with newer loans being used in part to repay older loans.

- In 1989, a bond levy was passed to pay for construction of Washington High School. The bond issue raised approximately $20.8 million and was to be repaid over 23 years. Because a sufficient source of funds for repayment has been established, this was considered funded debt rather than operating debt, and did not contribute to the district's financial decline. However, the vocational wing incorporated into the building of the high school was not included in the bond levy and did become a source of additional operating debt.

The vocational education wing was intended to be financed by a matching state grant. Therefore, the state's anticipated $3.2 million portion of the cost was not included in the bond levy. Upon the awarding of contracts and the beginning of construction, MCSD submitted its grant application for inclusion in the state's upcoming bi-annual budget. However, the budget legislation which was ultimately enacted discontinued the matching gift funding. The state instead awarded MCSD a 15-year, $4.15 million loan at no-interest to complete construction of the vocational wing.

- There was an overall lack of accountability for establishing short- and long-term goals throughout the district. A clear mission statement and district-wide goals were needed. The creation and annual review of a long-range strategic plan would assist the board and district management in assessing ongoing operations and eliminating unnecessary expenditures which, in turn, would help prevent further operational borrowing.

- In order to operate under fiscal watch without additional funds, the district would need to operate at absolute minimum standards. District management was to develop a plan to reduce operations to those minimum levels by the first day of the 1997-98 school year. The plan was expected to include reducing staff, limiting busing services, closing buildings, suspending extra-curricular activities, and eliminating many educational programs and services.

- A 0.75 percent income tax was to be prepared for voter approval at the earliest possible date, and offered until passed. The tax was to be used to retire current operating debt.

- The existing operating debt was to be consolidated and restructured to a 10-year term.

C2.2 MCSD empaneled a citizens advisory committee to examine the causes of its financial distress and recommend solutions. Although the district was ultimately placed in fiscal watch, the committee was successful in preparing a thoughtful and candid assessment of the district's deteriorating financial condition and developed a number of solid recommendations for improvements in financial management and oversight. The results of the committee's efforts became the basis for the district's initial financial recovery plan.

F2.3 MCSD was placed in fiscal watch on January 6, 1997. A financial recovery plan was prepared based on the recommendations contained in the citizens advisory committee report, and submitted to the ODE within the 120-day time frame required by law. The recovery plan was revised in July 1997 due to the passage of the recommended 0.75 percent district income tax, and included a ten-year projection of revenues and expenditures. In addition to the new tax revenue, the revisions were expected to save approximately $900,000 during FY 1997-98. In January 1998, the district submitted the required annual update to its recovery plan, which also included ten years of projected revenues and expenditures. The financial projections contained in both updated recovery plans were prepared by the treasurer in cooperation with the board.

The following summarizes the major revisions that have been made to the district's original fiscal watch financial recovery plan.

- Reduce four regular education teachers, one educational service person and two secretaries.
- Reduce building administrative personnel and custodial/maintenance personnel by 1.34 and 4.5 FTEs, respectively.
- Reduce aides to the level required under negotiated agreements.
- Eliminate $30,000 of general fund extra-curricular salaries.
- Eliminate one shift of Washington High School security.
- Consolidate bus routes and reduce the number of drivers.
- Reduce one library technician and pool remaining library technicians.
- Implement one additional vocational unit and one additional vocationally funded tech prep unit.
- Eliminate general fund expense for student workers.
- Incorporated H.B. 412 set-asides and budget reserves.
- Restructure existing state emergency loans into a single, longer-term emergency loan.

F2.4 Although the original recovery plan and its revisions were documented and approved by the board, district management has been unable to verify the extent to which all recommendations may have been implemented and substantiate the resulting impact on district finances. It is known that the recommended 0.75 percent district income tax was passed and the existing state loans were consolidated. The **human resources** section of this report discusses reductions in staffing and limitations on wage increases which have occurred in recent years. However, there appears to be no centralized mechanism or assigned responsibility for tracking and evaluating progress against the plan. The status of all recovery plan recommendations is not clearly documented, either in terms of completion or planned implementation, nor is supporting information readily available. Such information may be fragmented among the superintendent, treasurer and other administrators, making it difficult for the board and management to obtain a clear understanding on which to make decisions.

R2.1 An understanding of, and adherence to, its recovery plan is critical to any district attempting to emerge from fiscal watch or fiscal emergency. MCSD should establish procedures which will allow it to accurately and efficiently monitor, control and report on the progress being made towards its financial recovery. Because of the financial nature of the recovery plan, this function would appropriately reside in the treasurer's office, although the district may choose to assign this responsibility to another individual. The board should remain thoroughly familiar with any recovery plan used to guide the district's operations and be apprized of its progress on a regular basis.

MCSD should also closely examine the recommendations contained in the previous recovery plans. For each recommendation, the district should determine the extent of any attempted implementation, the degree to which implementation was successful or the reasons that no attempt was made, and the ultimate result and financial impact to the district. Those recommendations which have not been fully implemented should be reconsidered in light of the district's current condition and, if deemed beneficial, incorporated into any future recovery plan.

F2.5 At the end of FY 1997-98, the former treasurer left the district. Three interim treasurers were employed during FY 1998-99 for periods of approximately three-to-four months each. During this time, members of the board finance committee and the interim treasurer jointly prepared the district's five-year forecast required under H.B. 412, as well as any other desired financial analyses or projections. However, MCSD failed to prepare and submit an acceptable annual update of its fiscal watch recovery plan as required by law.

The failure of a district under fiscal watch to provide an updated financial recovery plan acceptable to the state superintendent of public instruction results in a designation of fiscal emergency. Consequently, on September 30, 1999, MCSD was declared to be in fiscal emergency. Although it is unknown whether the district would have ultimately been placed in fiscal emergency due to its financial condition, the current designation was triggered by its failure to prepare and submit the required annual update to its recovery plan.

F2.6 There have been significant changes, particularly during the past year, in key leadership and governance positions. The superintendent is now in his fifth year with the district. Following a year in which three individuals served as treasurer on an interim basis, MCSD hired a permanent treasurer to begin in August 1999. Although she possesses prior experience as a school treasurer, she has been with the district for only a few months. Four of the five board seats will be occupied by new members beginning January 2000, following the November 1999 election. It is unknown at this time what changes might be forthcoming under this relatively new leadership.

R2.2 MCSD should develop and implement the procedures necessary to ensure that all required financial or planning documents are properly prepared and submitted to the appropriate authorities in a timely manner, and that the district fully understands and complies with all filing requirements. These procedures should clearly identify individual responsibility and accountability for their execution, and establish proper management controls over the process. The board is ultimately responsible for overseeing district regulatory compliance, and should take steps to ensure that it is both fully cognizant of such requirements and that those requirements have been properly met. These procedures must be designed to operate regardless of personnel changes or position vacancies. This is especially important, in light of the turnover in the elected board and the relative newness of the current treasurer, to help maintain continuity in the district's financial practices and procedures.

Recommendations **R2.1** and **R2,.2**, as well as others elsewhere in this subsection, may result in potentially significant additions to the duties and responsibilities of the treasurer. Once the district has emerged from fiscal emergency, it may wish to consider whether these additional duties and responsibilities are sufficient to warrant creating a position of assistant treasurer. Such a position could provide the treasurer greater flexibility in focusing on these and other meaningful functions within her office.

F2.7 Following the designation of MCSD as a district in fiscal emergency, a financial planning and supervisory commission was formed to develop a long-range plan for fiscal recovery. Under ORC, the commission has been granted broad oversight authority over district operations and financial matters. The commission will continue in existence until the Auditor of State, or the commission itself, determines the following:

- An effective financial accounting and reporting system is in place
- All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- The objectives of the financial recovery plan are being met
- The MCSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse".

F2.8 The current treasurer is developing a five-year forecast for the district. To accomplish this, the treasurer has employed a computerized model designed to be used by school districts in preparing financial forecasts. The model relies on a series of linked spreadsheets to manipulate historical data and assumptions relating to such variables as local property valuations, tax collection patterns, anticipated state funding, collective bargaining contracts, new state requirements and changes in spending patterns. The Windows-based model was developed by the treasurers of Jackson and Chillicothe school districts, who have presented it at various educational workshops. The MCSD treasurer obtained a working version of the model while attending the 1999 Ohio University Leadership Program. The model was included in the $500 cost of the workshop. However, the source code was not provided and the district is not able to modify or customize its version of the model.

F2.9 The treasurer completed her initial forecast in November 1999, and reviewed it with management and board finance committee members. Revisions based on the review comments were incorporated, and a revised forecast was presented to the board on December 8, 1999 for their review and approval. The forecast, as approved by the board, assumed no increase in base wages following the expiration of the existing collective bargaining agreements on

December 31, 1999. The treasurer then prepared various "what if" scenarios varying increases in base wages over the life of the forecast. The treasurer anticipates presenting the base forecast and one or more wage scenarios to the commission in the near future.

The December 1999 forecast approved by the board anticipated a $2.1 million deficit in FY 1999-00, and projected positive year end balances of $0.7 million in FY 2000-01 increasing to $7.9 million in FY 2003-04. The district has shown a positive unrestricted general fund balance in each of the past three years, ranging from a low of just under $4,000 in FY 1997-98 to a high of approximately $300,000 at the end of FY 1998-99. However, these balances are uncomfortably small, especially in light of the high level of debt shown in **Table 2-5.** In essence, the district has relied on operating debt to essentially maintain a break-even position over the past three years.

The district's five-year forecast continues to evolve. The treasurer has made significant adjustments to the forecast approved by the board in December 1999. Revenue projections have been reduced, primarily by holding future state foundation funding constant, while expenditure estimates are somewhat higher. The changes have had the effect of eliminating most of the positive year-end balances previously anticipated. The most recent version of the forecast examined during this audit, dated January 31, 2000, projects annual deficits of $3.3 million in FY 1999-00 and $1.3 million at the end of FY 2000-01, with small positive balances of less than $200,000 thereafter. The treasurer is continuing to refine her estimates with the assistance of commission staff members.

F2.10 The forecast document presented to the board consisted of the forecast and approximately 20 pages of computer-generated spreadsheets and graphical support for selected line items. However, the document does not contain the kind of detailed support that would enable the board or the commission to easily assess the reasonableness and financial impact of the assumptions. Although the supporting pages provided several years of history and allowed the inclusion of a limited amount of explanatory comments, the format in which the information was displayed was somewhat difficult to follow and interpret, data elements were sometimes split between two or more supporting spreadsheets, and key computational formulas were contained within the program code or the cells of the supporting spreadsheets, thereby requiring the reader to possess a good understanding of the model's logic and access to the model, itself. In general, the forecast is displayed in a manner which computes various balances needed for certification or appropriation purposes rather than clearly segregating revenue, expenditure and reserve amounts, while the supporting documentation appears to be designed to assist in preparing the forecast rather than communicating an understanding of it to others.

R2.3 The treasurer should consider preparing and publishing a separate forecast document rather than relying on output from the computer model as the primary means of communicating the financial projections. Although she has developed a detailed forecast using a computer model which captures comparative historical results and supporting assumptions, the accompanying documentation did not present the information in a level of detail or clarity of format that would be easily understandable by an average reader. The treasurer may wish to consider presenting the forecast in a format similar to that found in **Table 2-1**. The budget document prepared by the Toledo City School District provides examples of various forms of supporting information that may also benefit MCSD.

Because the forecast presents potential revenue-raising and spending decisions, the accompanying documentation should communicate both how and why those decisions are being considered. The forecast document should highlight district goals, objectives and key issues, and clearly indicate how expenditure figures were derived and how they tie back to the various plans adopted by the board and, ultimately, the commission. While segregating the impact of various legislative requirements aids in the understanding of those requirements, the reader can not confirm that they have been adequately incorporated into the forecast without a detailed explanation of the derivation of the forecasted amounts.

The forecast document should be made available to the general public, as well as to parents, district employees and board members. By presenting more detailed historical and projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates, the district will provide management, as well as the general public, a more comprehensive understanding of its anticipated financial condition. The board might also benefit from more frequent reviews and in-depth discussions of the financial projections and underlying assumptions.

F2.11 MCSD does not prepare a formal capital budget or long-range capital spending plan, nor has it created a comprehensive facilities master plan for use in guiding its long-term decisions. A buildings and grounds assessment completed in 1995 and updated in 1997, identified approximately $1.0 million in needed roof repairs. An ODE survey published in 1990 and updated in 1997 places the cost of repairing and upgrading the district's current facilities to meet minimum standards for health and safety at approximately $58.5 million.. According to the treasurer, however, there are no plans to prepare a capital budget in the near future, nor has spending for capital maintenance items been coordinated with the requirements of H.B. 412. The **facilities section** of this report presents a detailed discussion of the district's capital needs and funding sources.

R2.4 MCSD should create a comprehensive long-range capital plan which addresses the need for capital additions and new construction, as well as the need for ongoing capital repairs and maintenance. The plan should incorporate the condition of all facilities, the impact of building style and configuration on curriculum and educational programs, and the means of maximizing the utilization of classroom space and technological resources. The plan should be formally adopted by the board when first created, and annual segments should again be approved individually as they become current, allowing for modifications and adjustments to the original components as circumstances dictate. All elements of this comprehensive plan should be linked to the district's five-year financial forecasts and annual budgets. Such a plan would more accurately demonstrate to the public the district's total capital requirements and priorities, and help build support for future permanent improvement issues and levy campaigns.

MCSD should also consider establishing a Permanent Improvement Panel (PIP) to preside over all permanent improvement projects. The PIP should be comprised of a cross-section of district staff and community and parent representatives, and provide an ongoing review the identified capital needs of the district

F2.12 MCSD, as well as all other school districts in the State of Ohio, have been impacted by several major pieces of legislation which are changing the nature of education both financially and operationally. Am. Sub. H.B. 650 will provide additional revenue to MCSD. However, Am. Sub. H.B. 650 also includes important enhancements of certain educational programs, including reduced class sizes and all day kindergarten. H.B. 412 establishes additional accountability standards for school districts, as well as requiring financial set-asides for critical educational items including textbooks and capital improvements. H.B. 412 also requires school districts to maintain a budget reserve when certain conditions are met.

The provisions of Am. Sub. S.B. 55 include programmatic changes for school districts, many of which will have financial implications. Programmatic changes contained within the legislation include the creation of a three year continuous improvement plan for certain school districts, potential expansion of the summer school programs and an increase in the number of units offered to high school students. S.B. 55 requires the ODE to issue "report cards" on school districts. Beginning with the year 2000 for the 1998-1999 school year, district performance is measured against 27 specific standards, and compared with similar districts and with state averages. According to the ODE, MCSD met eight of those standards.

District management is attempting to determine the full effect of these pieces of legislation on district operations. To date, however, school foundation revenue has only been estimated based on historical trends rather than on the new funding formula contained in Am. Sub. H.B. 650. In her five-year forecast, the treasurer has estimated spending and reserve requirements under H.B. 412. Except for all-day kindergarten, which MCSD implemented in FY 1998-99, the potential impact on operating costs due to the new educational requirements under Am. Sub. S.B. 55 and Am. Sub. H.B. 650 have not been quantified by the district.

Subsection A, Financial Planning, presents Auditor of State projections of school foundation monies under Am. Sub. H.B. 650 and H.B. 282, and the state required set-asides for textbooks and instructional materials, capital improvements and maintenance, and a budget reserve under Sub. H.B. 412.

F2.13 The superintendent offered the following thoughts on the district's environment which are relevant to the planning process:

- The City of Massillon has seen its local economy change from one dependent on manufacturing to one now more dependent on the service industry.
- The local economy appears to be stable, and is anticipated to become stronger.
- The district population is stable, but is not expected to grow.
- The district population is mature, with approximately 60 percent over the age of 50.
- The maturity of the population makes passage of school levies increasingly difficult.

Revenue Assessment

F2.14 A school district's local revenue sources are essentially limited to property taxes and income taxes, if applicable. All school districts receive real and personal property tax revenue. Only some districts collect income taxes, either through a school district or a joint city/school district income tax approved by the voters. Although MCSD has passed a district income tax, information provided by the State Department of Taxation indicates it is not eligible to collect revenue through a joint city/school district income tax.

Under Ohio law, property values are adjusted (updated) every three years, and a complete recalculation (reappraisal) is performed every six years. According to information provided by the Stark County Auditor's Office, the 1998 assessment of property values within the district totaled approximately $351 million, which was reflected in taxes collected beginning in the 1999 calendar year. The next complete reappraisal will be conducted in calendar year 2000, which will affect tax collections beginning in calendar year 2001.

The impact on local revenues from incremental increases in local revenue sources is summarized below:

- Based on 1998 assessed valuation, one mill of property tax would generate approximately $351,000 of additional revenue for MCSD.

- The Ohio Department of Taxation indicated the 0.75 percent school district income tax passed in May 1997 would raise approximately $2.625 million of revenue annually for MCSD.

F2.15 Primarily, the district has been successful in obtaining voter approval for emergency operating levies only. Emergency levies generate a fixed amount of revenue annually over a specified period of time. A $2.0 million emergency levy has been renewed every five years since its initial passage in 1981. However, **Table 2-6** illustrates that other than the repeated renewal of this levy, only two of seven emergency levy requests have been approved by district voters during the past ten years. A 7.9 mill emergency operating levy which raised an annual amount of $2.05 million expired in FY 1998-99. MCSD has been able to compensate for this loss of revenue by successfully passing a 9.7 mill emergency operating levy in November 1999 which is expected to generate $3.4 million each year for the next five years.

H.B. 920, a property tax reduction measure passed by the legislature in 1976, places limitations on the growth of voted millage due to increases in property valuation. However, this limitation does not apply to emergency operating levies. To the extent millage from the district's non-emergency levies falls below a guaranteed minimum of 20 mills, MCSD will benefit from increases in property values due to the tri-annual updates and reappraisals.

F2.16 **Table 2-3** demonstrates that at over 40 percent, MCSD's local revenue sources generated a significantly higher percentage of total revenues than its peer districts during FY 1996-97 and FY 1997-98. In FY 1997-98, state sources accounted for approximately 52 percent of district revenue, which was average for the peer districts. However, the percentage of revenue received from federal sources is consistently among the lowest of the peers, although ranking above the state average.

As indicated by **Table 2-4,** MCSD's effective milage has been reasonably stable over the three year period shown, consistently ranking second highest among the peer districts and equal to, or near, the state average. However, its average valuation per pupil is also consistently among the lowest of the peers and significantly below the state average. Although MCSD has the highest median income of the peers, the median income for all four peer districts are generally low compared to the state average. The impact of the 9.7 mill emergency operating levy passed in November 1999 is not reflected in the historical statistics presented in **Table 2-3** and **Table 2-4**, nor is the district income tax passed in May 1997 incorporated into the effective millage for FY 1997-98 found in **Table 2-4**.

C2.3 In spite of relatively low property valuations and median income when compared to state averages, MCSD has received a higher percentage of its funding from the local community than any of the peer districts. The district has been successful in maintaining a relatively stable level of local support as measured by its effective millage, which does not include the district's income tax. The passage of a 9.7 mill emergency operating levy in November 1999 has helped compensate for the expiration of a 7.9 mill emergency operating levy during FY 1998-99.

F2.17 According to the superintendent, past decisions by the City of Massillon to reduce property taxes as an incentive to businesses to build or expand within the city have had a negative financial impact on the district. Although the district has not quantified the amount of revenue lost through the abatement process, the superintendent believes it to have been significant. Past abatements began expiring in FY 1998-99.

Legislation passed in 1994 allows school districts, within certain guidelines, to become directly involved with cities and counties in negotiating tax relief lasting more than 10 years or applying to more than 75 percent of the appraised property value. According to the superintendent and treasurer, MCSD has reached an agreement with the City of Massillon to be partially compensated for the loss of revenue resulting from tax incentives granted by the city. However, the reimbursement agreed to by the district corresponds to the legislated amount rather than a higher negotiated amount. Some districts, such as the Toledo City School District, have negotiated the return of up to 100 percent of revenues lost from business receiving tax incentives from their respective cities.

Since 1998, the district has received approximately $61,000 annually from businesses located within a designated "enterprise zone"which have been granted tax relief. Under a second agreement, the district anticipates receiving approximately $230,000 annually over a ten year period relating to tax incentives awarded for the development of a strip mall on State Route 21. MCSD, in conjunction with Perry Local and Tuslaw Local school districts, is also in the precess of negotiating a general revenue sharing agreement with the City of Massillon which will be applicable to future abatement, incremental tax financing or other tax incentives granted by the city. Although these agreements have been confirmed by district management and, in the case of the "enterprise zone", appear to be supported by district financial records, no formal documentation has been provided during this audit.

R2.5 Although MCSD will receive partial compensation for revenues lost through the granting of business tax incentives, the district will receive only the amount provided for in the legislation. MCSD should actively negotiate with businesses in the future to return a greater share of the revenues which would be lost due to the tax incentives. An individual within the district, preferably knowledgeable in taxation, should monitor the reimbursements and ensure that all amounts due the district are received. To assist in accomplishing this task, the individual should create a computerized spreadsheet which would identify all businesses receiving tax exemptions and capture such information as the date the exemption was approved, the type of tax exempted, the applicable compensation percentage, an estimate of the total compensation to be received by the district over the life of the exemption and the amount actually received. This individual should also identify amounts which are past due and initiate the necessary procedures to resolve the past due situation.

F2.18 School districts typically obtain funding for the on-going systematic upgrading or replacement of basic capital items such as roofs, windows, boilers, electrical components, playgrounds and equipment, as well as complying with ever increasing environmental and social mandates, through voter-approved capital or permanent improvement levies. The monies raised through such levies and the associated expenditures are segregated in a separate capital or permanent improvement fund established for that purpose within the accounting system.

MCSD has not been successful in passing a permanent improvement levy, placing only one such levy on the ballot in the past 20 years. The 4.3 mill continuing levy, which was defeated in November 1988, would have raised approximately $1.4 million annually for capital improvements. Instead, general fund revenue is primary used to pay for the maintenance and upkeep of district facilities, and to finance capital improvement projects. Some additional funding is also provided through certain state and federal sources, such Eisenhower and SchooNet grants. The capital needs identified in the ODE study associated with attaining minimum health and safety standards are expected to remain unmet until such time as additional sources of revenue, such as a levy or bond issue, is requested or until sufficient state or other third party assistance can be obtained. The **facilities section** of this report presents a detailed discussion of the district's capital needs and funding sources.

F2.19 H.B. 264 established an energy conservation loan program which allows school districts to issue debt to fund the implementation of energy conservation measures without prior voter approval. In spite of the limitations placed on capital spending resulting from the absence of a permanent improvement levy, MCSD has declined to participate in this loan program. Management has expressed their reluctance in acquiring additional debt of any kind in light of the high level of existing debt, even if such new debt would result in a long-term benefit to the district.

R2.6 MCSD must place a high priority on the ongoing repair and maintenance of its facilities, and the systematic upgrading and replacement of its capital assets. The comprehensive long-range capital plan recommended in **R2.4** should be used to help communicate the district's priorities and funding requirements to the board and community. The forecasts presented in **Table 2-1 and Table 2-2** incorporate a measure of capital maintenance spending, as well as project an increasingly improved financial position which could provide support in meeting certain capital priorities. The district should also identify other potential sources of revenue, such as grants or borrowing, necessary to implement the capital plan. The **facilities section** of this report provides specific recommendations to aid the district in meeting its obvious short- and long-term capital needs.

F2.20 In May 1997, voters passed a 0.75 percent school district income tax recommended by the citizens advisory committee. The tax will be in effect for four years, with proceeds to be used to pay down the district's outstanding operating debt. District management believes this kind of tax is unpopular with many senior citizens, and does not anticipate attempting to renew the tax when it expires at the end of calendar 2001.

The levy proposal, first attempted in November 1996, requested voter approval to raise approximately $2.625 million annually through the tax. The Ohio Department of Taxation (the department of taxation) established the necessary tax rate of 0.75 percent, and provided the district with guidance in estimating collections from the tax for planning purposes. Due to the timing of the collection and remittance of the tax by the department of taxation, MCSD anticipates receiving tax revenues over six fiscal years. Actual receipts in FY 1998-99, the first full fiscal year in which the tax was in effect, were $1.9 million. The department of taxation has estimated tax revenues for FY 1999-00 at approximately $2.5 million.

Based on a comparison by the department of taxation of returns filed in tax years 1997 and 1998, potentially as many as 3,500 Massillon residents may have failed to file school income tax returns for 1998. The department of taxation mailed notification letters to those individuals on January 21. It is unknown at this time how many of those individuals actually resided within the district during 1998 or the amount of revenue potentially due to the district. According to commission staff, the department of taxation has also identified approximately $124,000 in unpaid taxes from individuals who filed a district income tax return but did not remit the taxes due. However, because of the uncertainty surrounding the collection of unpaid taxes, no additional amounts have been incorporated into the forecast estimates.

F2.21 MCSD receives state and federal grants for specific programs such as National School Lunch, Title I, Title VI-B, Head Start, and SchoolNet. Grants such as these are provided for specific purposes and, therefore, may not be used to directly pay for general operations. However, they help maintain and improve student levels of learning and nutrition, and contribute resources which otherwise might be required of the district's general fund. As shown in **Table 2-3**, MCSD receives a relatively small portion of its total revenue from federally funded programs. Grant awards are formally accepted through board resolution.

MCSD does not employ a grants coordinator, nor has the grant oversight and coordination function been centralized in another position within the district. While grant writing and administrative activities may occur throughout the district, the board must formally accept the grant awards before the funds can be used. The treasurer's office is responsible for reviewing grant budgets and account coding for accuracy, entering grant activity into the accounting system, and preparing the final cost report. However, district management believes the lack of centralized grant coordination has contributed to past errors in properly accounting for grant activity, as discussed in **F2.32**, as well as resulted in the loss of grant revenue caused by the failure to use grant funds within the specified time frame. For example, approximately $30,000 of a pre-kindergarten grant awarded for FY 1998-99 was recently refunded because the funds had not been used prior to June 30, 1999.

R2.7 MCSD should centralize control over grant writing and monitoring activities district-wide. This function should either be incorporated into the responsibilities of an existing position, or duties should be reallocated to allow for the creation of a dedicated position concentrating on grant-related activities. MCSD should establish procedures to standardize the grant application process, and provide oversight and control over both the amount of dollars received and their intended use.

As well as originating grants, the grant coordinator should function as an internal resource to assist others throughout the district in preparing their federal, state and local grant applications. This position should monitor the amount of federal funds received, and ensure that overhead expenses are appropriately charged to federal programs rather than absorbed by the district. The grant coordinator should work closely with the treasurer's office in establishing grant budgets and confirming that grant activity is properly recorded in the district's financial system. The grant coordinator should then monitor activity against those budgets to ensure that the district is fully and properly utilizing all monies received.

The board should continue to be involved in the process through the formal acceptance or rejection of grant awards. However, it should take a more active oversight role by being informed on a regular basis of the status of active grants and the resulting benefits received by the district. In light of its current financial condition, MCSD must make every effort to ensure that it takes full advantage of all available grant opportunities.

F2.22 School districts can be reimbursed for certain services provided to students eligible for Medicaid through the Community Alternative Funding System (CAFS), a federal program administered by the state. Billable services may be provided by the district's occupational therapists, physical therapists, speech pathologists, audiologists, psychologists, nurses and social workers. CAFS is a cost-based program, with monthly reimbursements based on billing rates for each category of service provider. The district submits an annual cost report to the state in October which reconciles the year's monthly submissions and provides the district with an opportunity to request payment for any previously unclaimed costs. Both the eligible costs and the related reimbursements are recorded in the general fund.

MCSD has participated in the CAFS program for the past six years. The treasurer's office is responsible for administering the CAFS program, although there is no position within the district dedicated full-time to this function. According to the treasurer, MCSD currently receives approximately $75,000 annually in reimbursements. Because the process of billing for medical services is a specialized activity in which school districts are unlikely to be proficient, they often obtain outside assistance from consultants, county boards of mental retardation and developmental disabilities, or other experienced third parties. However, MCSD is performing all aspects of the data gathering, verification and record keeping functions in-house.

R2.8 MCSD should consider utilizing the expertise of a third-party professional in identifying and billing qualifying reimbursable costs under the CAFS program. Given the high level of complexity found in federal and state regulations regarding health care and the lack of internal resources which can be dedicated to this function, it is likely that there have been eligible costs which have gone unclaimed. Third-party consultants are generally willing to perform an independent analysis of a district's Medicaid billings. In past performance audits, such analysis has identified opportunities for districts to potentially generate additional reimbursements by fully billing for all eligible services. At a minimum, MCSD is encouraged to arrange for a thorough review and analysis of its past billings to determine if additional eligible amounts may be claimed.

District Expenditures

F2.23 In November 1999, voters passed a five-year, 9.7 mill emergency levy which will raise approximately $3.4 million annually. To solicit voter approval, the district promised to reinstate its former policy of transporting elementary and middle school students living more than one mile from their assigned school, rather than adhering to the state minimum requirement of transporting students living two miles or more. In December 1999, the one-mile transportation policy became effective, resulting in the reactivation of nine school buses and five drivers. The district has estimated the cost of its change in transportation policy at approximately $76,000 net of additional state reimbursements. The **transportation section** of this report provides a complete discussion on the district's transportation policies.

F2.24 The board has adopted policies which govern the district's purchasing practices. The board has directed that, except in cases of emergency, at least two price quotations be obtained for the purchase of any single item costing in excess of $5,000. The board also requires that formal competitive bids be solicited for building construction, demolition, improvements or repairs exceeding $25,000 in compliance with ORC. MCSD also takes advantage of contracts for goods and services negotiated through its membership in the Stark County Educational Service Center and other consortiums. The treasurer has expressed a concern, however, that the district may not be soliciting competitive bids and comparative quotations as often as it could. As she continues to monitor and analyze district spending, she expects to identify additional opportunities for obtaining bids and quotations which will benefit MCSD in maximizing the value received from its limited financial resources.

R2.9 The treasurer is encouraged to continue seeking opportunities for increasing the use of competitive bids and comparative price quotations in the purchasing process. The board should consider requiring formal competitive bids for purchases below the legislated $25,000 threshold, and extending the bidding process to include a wider range of items than those currently provided for under ORC. The board should also consider requiring comparative quotations to be obtained for spending levels below the current $5,000. Such prudent business practices will assist the district in maximizing the effectiveness of each dollar it spends.

F2.25 The food service fund, the uniform supply fund and the rotary fund function as enterprise funds, and have operated on a self-sustaining basis over the past three years. Each has maintained a surplus large enough to offset occasional annual operating deficits, and no permanent cash transfers have been required from the general fund during that time. The food service fund is the district's primary enterprise fund, representing nearly 90 percent of combined enterprise fund balances. June 30, 1999 cash balances in the food service, uniform supply and rotary funds were approximately $155,000, $3,400 and $2,125 respectively.

C2.4 MCSD successfully manages its enterprise funds on a self-sustaining basis. The absence of necessary transfers from the general fund to maintain positive year-end balances allows more dollars to be used to support the district's general operations.

Allocation of Resources

F2.26 **Table 2-8** depicts general fund FY 1998-99 revenues by source and expenditures by object as a percent of total general fund revenues and expenditures for MCSD and its peer districts.

TABLE 2-8: Revenues by Source and Expenditures by Object

	Massillon	Alliance	Barberton	Mansfield
Property and Income Taxes [1]	39.9%	31.1%	41.8%	40.5%
Intergovernmental Revenues	50.5%	66.1%	54.7%	54.6%
Other Revenues	9.6%	2.8%	3.5%	4.9%
TOTAL REVENUES	$ 27,326,572	$ 19,441,641	$ 25,756,489	$ 39,946,973
Wages	60.9%	66.7%	63.1%	71.2%
Fringe Benefits	24.3%	19.3%	16.7%	19.1%
Purchased Services	7.9%	7.7%	12.5%	7.2%
Supplies & Textbooks	4.1%	2.6%	2.6%	2.7%
Capital Outlays	0.4%	1.0%	1.9%	1.0%
Miscellaneous	0.9%	1.5%	2.4%	(2.0)%
Other Financing Uses	1.5%	1.2%	0.8%	0.9%
TOTAL EXPENDITURES [2]	$ 26,768,407	$ 19,339,335	$ 24,448,480	$ 34,345,826

Source: FY 1998-99 District Report 4502, Exhibit 2 and statement P.
[1] Massillon passed a 0.75 percent district income tax in May 1997, effective for calendar years 1998-2001. No other peer district has income tax revenue.
[2] Total expenditures do not include general fund debt service payments. For Massillon, FY 1998-99 debt service payments totaled $4.2 million.

F2.27 One of the factors limiting the district in managing its financial operations is the high percentage of expenditures that are fixed by negotiated employment contracts, utility costs and debt service payments. As shown in **Table 2-8**, wages and employee benefits account for more than 85 percent of the total budgeted expenditures for the general fund, which is second lowest among the peer districts. The rate of compensation for most district employees is set by union contracts. Benefit payments such as retirement contributions, medicare, workers' compensation and unemployment are determined by state and federal regulations. Tuition payment, utility costs, and county auditor and treasurer fees combine for over 6 percent of budgeted general fund expenditures. Therefore, less than 9 percent of total budgeted dollars are available for discretionary spending, such as textbooks, capital purchases and educational supplies. A more detailed breakdown of discretionary expenditures is provided in **Table 2-9**.

MCSD appears to be reasonably similar to the majority of peer districts in most **Table 2-8** categories. However, even though all capital expenditures are recorded in the general fund rather than a capital fund, MCSD's capital outlay ranks last, significantly below that of all other peer districts.

F2.28 **Table 2-9** shows selected discretionary expenditures by account from MCSD's FY 1998-1999 general fund. The expenditures are then calculated as a percentage of total general fund expenditures, and compared with similar spending by the peer districts.

TABLE 2-9: Discretionary Expenditures

	Massillon	Massillon	Alliance=	Barberton	Mansfield	Peer Avg.
Prof. and Technical Services	$ 361,399	1.4%	0.7%	1.4%	0.9%	1.1%
Property Services	$ 194,576	0.7%	0.9%	2.6%	1.0%	1.3%
Mileage/Meeting Expense	$ 24,919	0.1%	0.1%	0.1%	0.4%	0.2%
Communications	$ 98,849	0.4%	0.4%	0.6%	0.5%	0.5%
Contract. Craft or Trade Service	$ 803	<0.1%	0.0%	0.0%	0.0%	<0.1%
Pupil Transportation Services	$ 397	<0.1%	<0.1%	0.4%	<0.1%	0.1%
Other Purchased Services	$ 0	0.0%	<0.1%	0.2%	0.2%	0.1%
General Supplies	$ 287,651	1.1%	1.4%	1.1%	1.2%	1.2%
Textbooks/Reference Materials	$ 172,405	0.6%	0.2%	0.6%	0.5%	0.5%
Plant Maintenance and Repair	$ 494,234	1.9%	0.7%	0.7%	0.5%	1.0%
Fleet Maintenance and Repair	$ 136,030	0.5%	0.4%	0.2%	0.5%	0.4%
Land, Buildings & Improvements [1]	$ 31,895	0.1%	0.1%	0.9%	0.0%	0.3%
Equipment	$ 52,021	0.2%	0.6%	0.9%	1.0%	0.7%
Buses/Vehicles	$ 28,706	0.1%	<0.1%	<0.1%	<0.1%	<0.1%
Other Capital Outlay	$ 9,673	<0.1%	0.4%	0.0%	0.0%	0.1%
Dues and Fees	$ 204,696	0.8%	1.4%	1.9%	0.8%	1.2%
Insurance	$ 35,820	0.1%	0.0%	0.2%	0.2%	0.1%
Awards and Prizes	$ 148	<0.1%	0.0%	<0.0%	0.0%	<0.1%
Miscellaneous	$ 0	0.0%	<0.1%	0.1%	0.0%	<0.1%
TOTAL OF THIS TABLE	$ 2,132,222	8.0%	7.3%	11.9%	7.7%	8.8%

Source: FY 1998-99 4502 Reports, Statement P.
[1] Barberton is building a new high school, which resulted in significantly higher capital outlay expenditures compared to other peer districts.

F2.29 **Table 2-9** shows that MCSD's percentage of discretionary spending exceeded its peers in only one of nineteen expenditure categories - plant maintenance and repair. MCSD equaled the highest percentage in four other categories, but in three of those the difference in percentages between the district and the majority of peers was minimal. In the fourth, professional and technical services, both MCSD and Barberton City School District spent 1.4 percent of their general fund budget, or approximately twice the percentage of the other two peers and well above the peer average of 1.1 percent. Because of past coding practices and the newness of the treasurer, definitive explanations for those comparatively high spending percentages could not be provided. However, the following explanations are believed to be reasonable.

- *Professional and Technical Services:* The district used approximately 1.4 percent of its general fund budget for professional and technical services, the same percentage as Barberton City School District. Professional and technical services are defined as non-payroll services which by their nature can be performed only by persons with specialized skills and knowledge. This object code consists of instruction services, instructional improvement services, health services, staff services, management services, data processing services, statistical services, professional/legal services and other professional and technical services.

- *Plant Maintenance and Repair:* The district spent approximately 1.9 percent of its general fund budget for plant maintenance and repair, which is significantly higher than all other peer districts. However, because the lack of a permanent improvement levy necessitates that essentially all capital maintenance expenditures be charged to the general fund rather than a capital expenditure fund, this higher amount compared to the peer districts seems more reasonable.

C2.5 In light of current financial difficulties, it is extremely important that the district diligently monitor those spending areas over which it can exercise some measure of discretion. MCSD has exhibited levels of discretionary spending which are consistently as low or lower than those of its peers.

F2.30 **Tables 2-10** and **2-11** show the amount of expenditures posted to the various USAS function codes during FY 1998-99 for MCSD and for the peer districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-10** shows the operational expenditure per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types. Governmental funds are used to account for a district's governmental-type activities. **Table 2-11** shows the total expenditures of the governmental funds, including facilities acquisition and construction, and debt service.

TABLE 2-10: Governmental Funds Operational Expenditures By Function

USAS Function Classification	Massillon $ Per Pupil	Massillon % of Exp	Alliance $ Per Pupil	Alliance % of Exp	Barberton $ Per Pupil	Barberton % of Exp	Mansfield $ Per Pupil	Mansfield % of Exp	Peer Average $ Per Pupil	Peer Average % of Exp
Instruction Expenditures	**$3,623**	**61.4%**	**$4,142**	**65.7%**	**$4,909**	**62.8%**	**$3,861**	**59.0%**	**$4,134**	**62.2%**
Regular Instruction	$2,659	45.1%	$3,077	48.8%	$2,810	36.0%	$2,539	38.8%	$2,771	42.2%
Special Instruction	$555	9.4%	$589	9.3%	$993	12.7%	$987	15.1%	$781	11.6%
Vocational Instruction	$319	5.4%	$389	6.2%	$216	2.7%	$253	3.9%	$294	4.5%
Adult/Continuing Inst.	$ 8	0.1%	$0	0.0%	$579	7.4%	$23	0.4%	$152	2.0%
Other Instruction	$82	1.4%	$87	1.4%	$311	4.0%	$59	0.8%	$134	1.9%
Support Services Exp.	**$2,003**	**34.0%**	**$2,003**	**31.8%**	**$2,611**	**33.4%**	**$2,535**	**38.6%**	**$2,288**	**34.5%**
Pupil Support	$311	5.3%	$263	4.2%	$430	5.5%	$418	6.4%	$356	5.3%
Instructional Support	$137	2.3%	$159	2.5%	$466	6.0%	$419	6.4%	$295	4.3%
Board of Education	$1	<0.1%	$6	0.1%	$3	<0.1%	$4	<0.1%	$3	<0.1%
Administration	$462	7.8%	$567	9.0%	$587	7.5%	$446	6.8%	$516	7.8%
Fiscal Services	$95	1.6%	$53	0.8%	$113	1.4%	$108	1.6%	$92	1.4%
Business Services	$95	1.6%	$16	0.3%	$78	1.0%	$71	1.1%	$65	1.0%
Plant Operation/Maint.	$718	12.2%	$791	12.5%	$736	9.4%	$749	11.4%	$749	11.4%
Pupil Transportation	$183	3.1%	$124	2.0%	$187	2.4%	$184	2.8%	$169	2.6%
Central Support Services	$1	<0.1%	$24	0.4%	$11	0.1%	$136	2.1%	$43	0.7%
Non-Instructional Services Expenditures	**$64**	**1.1%**	**$36**	**0.5%**	**$92**	**1.2%**	**$51**	**0.8%**	**$60**	**0.9%**
Extracurricular Activities Expenditures	**$204**	**3.5%**	**$128**	**2.0%**	**$201**	**2.6%**	**$101**	**1.6%**	**$159**	**2.4%**
Total Governmental Fund Operational Expenditures	**$5,894**	**100%**	**$6,309**	**100%**	**$7,813**	**100%**	**$6,548**	**100%**	**$6,641**	**100%**

Source: FY 1997-98 4502 reports.

TABLE 2-11: Total Governmental Fund Expenditures By Function

USAS Function Classification	Massillon $ Per Pupil	Massillon % of Exp	Alliance $ Per Pupil	Alliance % of Exp	Barberton $ Per Pupil	Barberton % of Exp	Mansfield $ Per Pupil	Mansfield % of Exp	Peer Average $ Per Pupil	Peer Average % of Exp
Total Governmental Funds Operational Expenditures	$5.894	72.7%	$6,309	96.7%	$7,813	44.3%	$6,548	88.4%	$6,641	75.5%
Facilities Acquisition & Construction Expenditures	$0	0.0%	$9	0.1%	$1,549	8.8%	$11	0.1%	$392	2.3%
Debt Service Expenditures	$2,216	27.3%	$209	3.2%	$8,278	46.9%	$848	11.5%	$2,888	22.2%
Total Governmental Funds Operational Expenditures	**$8,110**	**100%**	**$6,527**	**100%**	**$17,640**	**100%**	**$7,407**	**100%**	**$9,921**	**100%**

Source: FY 1997-98 4502 reports.

F2.31 The allocation of resources between the various functions of a district is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending pattern between the various functions should indicate where the priorities of the board and management are placed.

Table 2-10 details the district's governmental funds' operational expenditures for FY 1998-99 by function as captured and reported by the accounting system. MCSD's per pupil operating expenditures were significantly below that of all other peer districts, over $400 less than the next lowest expenditure amount and over $1,900 lower than the high of Barberton. However, at 61.4 percent, the proportion MCSD spent on instructional services is comparable to the other peer districts and only slightly below the peer average of 62.2 percent. Although proportionate spending on non-instructional services and extracurricular activities are relatively small for all peer districts, MCSD ranks at or near the top in both categories. Extracurricular spending in particular, as a percentage of total operational spending, was significantly higher for MCSD than any other peer district, and was also highest on a dollar-per-pupil basis.

Table 2-11 shows the per pupil operational, facilities acquisition and construction, and debt service expenditures for all governmental funds, as well as the percentage of these categories to total governmental fund expenditures. Even though capital spending is included in MCSD's operational expenditure percentage of 72.7 percent, it remains considerably lower than that of the two highest peers, and slightly below the peer average of 75.5 percent. Debt service expenditures represent 27.3 percent of the district's outlays, which is significantly higher than two of the peer districts and above the peer average of 22.2 percent. The majority of the district's debt was issued to pay current obligations from the future revenues, which limits management's ability to effective operate the district.

R2.10 MCSD should closely examine the spending patterns indicated in **Table 2-10** and **Table 2-11**, and consider reallocating the monies it is currently receiving towards those programs and priorities which will have the greatest impact on improving the student's education and proficiency test results. The district should utilize the recommendations contained in this performance audit to assist in identifying revenues currently being spent on support services which could potentially be shifted to further support instructional activities. In particular, MCSD should review its relatively high commitment to extracurricular and non-instructional services.

Management and Financial Reporting

F2.32 Both the superintendent and the treasurer have expressed concern and lack of confidence in the accuracy of the district's historical financial records due to past errors in posting transactions to the proper account codes which have recently been identified. Although total district revenue and expenditure amounts are not believed to have been affected, individual account balances at year end, particularly at the object code level, may have been misstated. The district's ability to effectively manage its operations, perform meaningful financial analyses and develop sound forecasts has been compromised by these past inconsistent and inaccurate coding practices. Without accurately capturing expenditure data, the true cost of programs and activities is not available for decision making purposes. The reliability of financial statements and management reports prepared using the financial system becomes questionable. In preparing her forecast, the treasurer has taken steps to compensate for this situation by basing estimates as much as possible on current contractual obligations, externally certified amounts or independent computations rather than historical trends. Because of the underlying analyses involved in forecasting, this process has helped identify such erroneous postings.

Of particular concern to district management are transactions arising from grant activity. According to the treasurer, grant expenditures are not systematically tracked and budgets are not consistently followed. Expenditures which were improperly charged to the general fund rather than the appropriate special revenue fund established for each grant consumed funds that would otherwise have been available for general operating purposes, thereby adding to the district's financial distress. The lack of central coordination over the grant function (**F2.21**) contributes to the occurrence of such errors. Although the potential dollar impact to the general fund stemming from grant-related errors has not yet been estimated, ODE has assigned a member of its staff to the district to assist in identifying and correcting such errors as quickly as possible. Corrections in this area could be made retroactively to transactions occurring as early as FY 1997-98.

C2.6 MCSD recognizes that problems exist concerning past coding practices and the accuracy and reliability of its financial data, and has initiated corrective action. In an effort to resolve the problem as quickly and completely as possible, the district has enlisted the aid of ODE personnel.

R2.11 While the district appears committed to rectifying its past coding inaccuracies, it should initiate appropriate internal control procedures to ensure such errors will not occur in the future. The district should perform a thorough review of the current code structure to ensure that it adequately captures all financial activity while posting to the proper line-items. The treasurer should perform random testing of account transactions on a regular basis and report to the board on the incidence of errors found. The district should not simply rely on the diligence of the treasurer in this matter, however. District management and, in particular, the board should be pro-actively involved by thoroughly understanding the reported financial results and then challenging those results which appear inconsistent or unrealistic.

F2.33 The treasurer has established individual special cost centers within the general fund to account for expenditures relating to instructional materials and capital outlays, and the establishment of budget reserves required under H.B. 412. At present, the special cost center accounts contain only the unspent balance at year end, thereby serving to restrict portions of the general fund to meet the obligations in the future. However, the accounts have not been used to capture the qualifying transactions to aid in future analyses and to confirm compliance with the legislated requirements. The treasurer intends to begin charging all qualifying transactions, including wages, benefits, purchased services, and restricted refunds from the state Bureau of Workers Compensation, directly to these special cost centers.

F2.34 Currently, all borrowing has been recorded in one of two special cost centers within the debt service fund. The bond debt used to pay for the construction of Washington High School is segregated in one cost center, but all other loan activity has been co-mingled in a second cost center. The lack of segregation hinders the district's ability to readily focus on a specific debt position or transaction. The treasurer has indicated plans to segregate the district's loans into individual cost centers within the debt service fund to enhance oversight and control.

R2.12 In light of the district's concern over past posting practices and its need for more segregated information, the treasurer should continue to incorporate all of the accounting and reporting capabilities available through the USAS coding structure. In particular, she should implement her plan to account for all qualifying transactions relating to H.B. 412 requirements directly into identifiable special cost centers. The district was first required to meet legislated spending levels in FY 1998-99. By the end of this year, all related transactions for FY 1999-00 should be captured in the appropriate special cost center and, if possible, transactions for FY 1998-99 should also be identified with the appropriate cost center to provide a complete history of the district's compliance with H.B. 412. The expanded use of USAS coding options will aid the district to more efficiently track, retrieve, analyze and verify its recorded financial information.

F2.35 MCSD is required to issue audited financial statements prepared in accordance with generally accepted accounting principles (GAAP). According to the treasurer, the district entered into a multi-year contract with an independent public accounting firm to provide audit services and prepare the district's GAAP-basis financial statements. Services under this contract, which will expire with the release of the FY 2000-01 financial statements, currently costs MCSD approximately $16,000 for the annual audit and $4,400 for preparing the GAAP-basis statements. Although the USAS accounting system used by MCSD has the capability to process GAAP-basis transactions, the treasurer does not anticipate preparing future GAAP-basis financial statements in-house. MCSD does not publish a comprehensive annual financial report (CAFR) as recommended by the Government Finance Officers Association (GFOA). The GFOA administers an award program for this type of report.

School districts are required to issue their audited financial statements within six months of the close of the fiscal year. However, the district's audited financial statements for the past three years have not been completed and released until February or March, eight to nine months following the close of the fiscal year. The district could not explain why the audits were completed so far after the end of the year, but indicated that it was not at the request of the district.

R2.13 Audited financial statements provide meaningful management information and confirm the reliability of the financial records on which decisions are based. However, the value of such audited statements is diminished if they are not prepared and made available in a timely manner. MCSD should schedule its annual financial audit to be completed within a reasonable time frame following the end of the fiscal year so that the audited statements will provide useful and relevant information from which the board, district management and general public may make informed decisions. At a minimum, the district should arrange for its audit to be completed within the required six month time period.

MCSD should also consider preparing an annual CAFR as a means of communicating to its varied constituents the district's financial condition and results of operations. The CAFR could provide an effective means to solicit public support for future levies and other district initiatives, and should be submitted to the GFOA for award consideration.

F2.36 Throughout this report section, references have been made to the district's lack of reliable historical data (**F2.32)**, inability to produce supporting documentation for major agreements (**F2.17)**, absence of oversight over significant programs (**F2.21)**, and other instances where necessary information is lacking, incomplete, or unsupportable. Treasurer's Office employees appear not to have been adequately trained on necessary reporting and record keeping procedures. Such an environment greatly hinders such key management functions as the preparation of a viable five-year forecast, the coordination of internal planning efforts and the accurate assessment of the district's true financial condition. During this performance audit, both the performance auditor and the treasurer have faced significant obstacles in obtaining a complete understanding of past district activity on which to base reasonable assumptions of future results. To their credit, the superintendent and treasurer have recognized that these types of problems exist and appear committed to rectifying them.

R2.14 It is critical that the treasurer is provided with the time and resources necessary to allow her to obtain a firm grasp on the district's financial situation. It is particularly important that the historical records are corrected, and that historical and future records are maintained in a manner that allows them to be used with confidence for decision-making purposes. Office personnel should be provided the training necessary to fully understand not only the tasks to be performed but also the purpose being served by those tasks. Internal lines of communication, particularly for planning and decision making purposes, must be strengthened. The board should support the treasurer and other administrators in giving this effort a high priority.

Conclusion Statement

MCSD has demonstrated a consistent pattern of deficit spending over most of the past decade which has left it in financial distress. The strain on operating funds has been exacerbated by a lack of a dedicated revenue stream to support capital maintenance and improvements, resulting in a deteriorating physical plant. A minimal level of capital spending is paid for through limited general fund monies. MCSD has attempted only one permanent improvement levy in over twenty years, which failed to gain voter approval in November 1998. The district has instead chosen to concentrate almost exclusively on emergency operating levies, passing about half of those placed on the ballot since 1990. However, MCSD based its levy requests more on the amounts that were perceived as being acceptable to district voters than on amounts that were necessary to sustain the level of spending which actually occurred. This led to a reliance on short- and long-term borrowing to support general operations and an increasing amount of unfunded general operating debt which now stands at approximately $13.5 million.

To its credit, MCSD recognized the seriousness of its financial dilemma and initiated actions aimed at correcting some of the underlying causes. Wages were frozen for two years, appropriations were reduced from prior levels, and early retirement programs were offered to eligible employees. A citizens advisory committee was formed in late 1996 and made recommendations which became the basis for the district's initial financial recovery plan. A district income tax, effective January 1998 through December 2001, was passed to help pay down the general operating debt. A new superintendent was hired in 1995 and a new treasurer in 1999. Both appear dedicated to resolving the current financial crisis and restoring fiscal order to the district.

In attempting to regain fiscal stability, MCSD must improve its financial planning and operating procedures. The treasurer continues to refine a five-year financial forecast which is critical to the district's decision-making process. However, she is hindered by a lack of underlying plans, well-organized records and reliable historical data. A viable capital budget or spending plan has not been created by the district. Since capital spending is supported primarily through general fund revenues, the absence of such a plan hampers the development of a meaningful and realistic long-term financial forecast. Planning documents need to be designed which clearly and simply present financial information, computations, assumptions and supporting explanations in a manner that is easily understood by the board, district personnel and the public. The capabilities of the district's accounting system to segregate, identify and track specific types of costs and revenues should be fully utilized. Management should consider adjusting responsibilities in a manner which would allow designated employees to focus on increasing revenue from such sources as grants, reimbursements or negotiated agreements. The district must strengthen its internal control procedures over the proper coding of transactions, and thoroughly train administrators and office personnel charged with performing financial processing and record-keeping functions.

It is critical that district management in general, and the treasurer in particular, has a clear understanding of the district's financial situation. MCSD and the commission are encouraged to evaluate the recommendations contained in this performance audit, as well as seek other revenue enhancing and cost saving opportunities, as they formulate the district's financial recovery plan.

This page intentionally left blank.

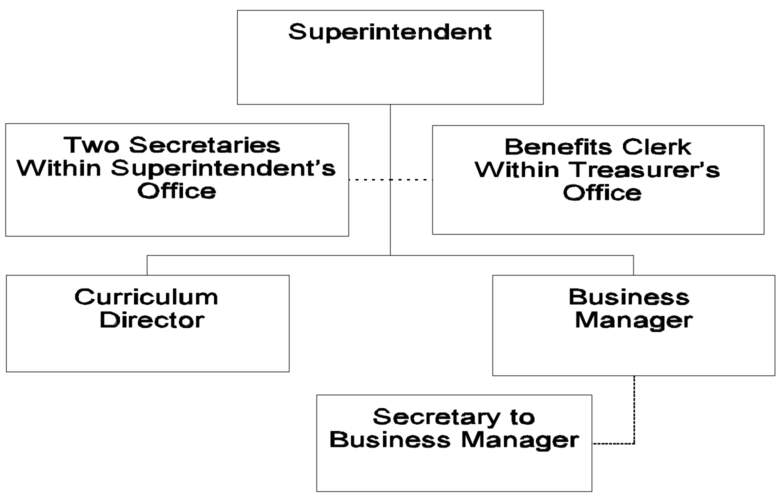
Human Resources

Background

Organizational Chart

The Massillon City School District (MCSD or the district) does not have a separate department dedicated to performing human resources functions. The chart below provides an overview of the individuals responsible for carrying out the human resources functions in the district.

Human Resources Functions



Organization Function

The individuals performing human resources functions are responsible for coordinating the activities and programs for the recruitment and selection of employees, monitoring compliance with employment standards (criminal record background check and teacher certification), facilitating employee performance evaluations, administering and monitoring grievance policies and procedures, negotiating and administering union contracts, conducting disciplinary hearings, placing selected substitutes and participating in new employee orientation. A clerk within the treasurer's office is responsible for processing and distributing benefit information.

Summary of Operations

All MCSD employees are categorized as either certificated or classified staff. Certificated staff includes the principals, teachers, counselors, therapists, nurses, librarians, coaches, social workers, psychologists, and certain supervisors and directors. Classified staff includes instructional assistants, maintenance workers, custodians, maintenance personnel, bus drivers, mechanics, food service workers, secretaries, account clerks, certain supervisors and classified administrators.

In general, the primary human resources functions for certificated personnel are carried out by the curriculum director, two secretaries to the superintendent and the superintendent. The curriculum director is responsible for recruiting, interviewing and recommending potential candidates for certificated positions to the superintendent. Upon reviewing and approving the curriculum director's recommendations, the superintendent is responsible for recommending the most qualified candidates to the board for final approval. In addition, the curriculum director and the superintendent are responsible for coordinating the teacher evaluation process as well as negotiating and administering the certificated collective bargaining agreement. Two secretaries within the superintendent's office are responsible for locating certificated substitutes as well as maintaining employee information within the district's employee database.

For classified staff, the business manager is responsible for recruiting, interviewing and recommending potential candidates for classified positions to the superintendent. Upon reviewing and approving the business manager's recommendations, the superintendent is responsible for recommending the most qualified candidates to the board for final approval. The business manager is also responsible for coordinating the classified employee evaluation process and assisting the superintendent in negotiating and administering the classified collective bargaining agreement. A secretary within the business manager's office is responsible for locating classified substitutes as well as maintaining classified employee information within the district's employee database.

Currently, benefits administration for all employees (administrators, certificated and classified) is handled by an accounts clerk within the treasurer's office. In addition, this person is responsible for administering the workers' compensation program as well as various other duties assigned by the treasurer.

Performance Measures:

The following is a list of performance measures that were used to review MCSD's human resources coupled with the functionality typically performed by a human resources department (HRD):

- Clearly defined roles, responsibilities, accountabilities and authorities of key participants in the affairs of personnel administration
- Appropriate allocation of resources in relation to workloads
- Assessment of staffing classifications and respective ratio to total full time equivalents
- Assessment of the allocation of the ratio of direct instructional personnel to district educational support personnel
- Appropriateness of staff levels and mix
- Analysis of teachers' work day as defined by the union contract versus actual work day worked
- Assessment of number of instructional minutes taught per teacher, class sizes and staffing ratios
- Assessment of total FTE employees in comparison of the ratio of total salaries per classification to total district salaries
- Assessment of utilization and compensation for supplemental pay and stipends
- Assessment of salary schedule and maximum step structure
- Assessment of W2 wages in correlation to salary schedules
- Assessment of staffing dedicated to the vocational education program
- Assessment of staffing dedicated to the special education program
- Appropriate use of substitute personnel
- Utilization of paid leaves
- Assessment of employee benefit costs and administration including workers' compensation
- Assessment of contract administration (collective bargaining) and contractual issues

Findings/Commendations/Recommendations

Staffing/Compensation Analysis:

F3.1 **Table 3-1** presents the staffing levels of FTEs per 1,000 students enrolled in FY 1998-99 for MCSD and the peer districts. While MCSD's total staffing levels are significantly lower than the individual peers, the district has the highest FTEs classified as laborer-groundskeeping and service work other. See the **Facilities** section of this report for a discussion concerning the district's use of employees classified as laborer-groundskeeping.

Table 3-1: Peer District Staffing Patterns (FTE Staff per 1,000 Students Enrolled)

Category	Massillon	Alliance	Barberton	Mansfield	Peer District Average [1]
ADM	**4,647**	**3,453**	**4,017**	**6,043**	**4,504**
Administrators: **Sub-total**	5.9	7.8	7.2	8.5	7.8
Central	0.9	1.2	0.7	0.5	0.8
Site Based	2.6	3.5	3.5	3.8	3.6
Supervisor/Manager/Dir.	1.3	1.4	2.0	2.2	1.9
Other	1.1	1.7	1.0	2.0	1.6
Professional Education: **Sub-total**	69.1	75.5	79.6	80.6	78.6
Counselors	1.7	1.7	2.5	2.1	2.1
Librarian - Media	0.4	0.9	0.8	0.7	0.8
Remedial Specialists	0.0	0.3	0.7	0.0	0.3
Teachers - Elem and Sec	60.5	70.9	64.9	71.3	69.0
Others	6.5	1.7	10.7	6.5	6.3
Professional - Other	2.7	2.8	2.5	3.8	3.0
Technical: **Sub-total**	0.0	1.5	4.0	1.0	2.2
Computer Operator	0.0	0.9	0.0	0.0	0.3
Computer Programmer/Analyst	0.0	0.0	0.3	0.5	0.3
Others	0.0	0.6	3.7	0.5	1.6
Office/Clerical: **Sub-total**	16.7	12.3	17.7	20.6	16.9
Clerical	6.4	5.8	7.1	8.6	7.2
Teaching Aides	7.8	3.3	7.8	12.0	7.7
Library/Media Aides	1.3	2.9	1.2	0.0	1.4
Others	1.2	0.3	1.6	0.0	0.6
Crafts/Trades	1.3	1.4	1.7	0.3	1.1
Transportation	4.8	6.4	3.0	5.8	5.1
Laborer - Groundskeeping	**0.4**	0.0	0.2	0.3	0.2
Custodial	6.2	9.2	9.4	9.9	9.5
Food Service	4.8	9.0	8.2	9.7	9.0
Service Work - Other	**5.0**	5.0	2.6	0.2	2.6
Total	**116.9**	**130.9**	**136.1**	**140.7**	**135.9**

Source: FY 1998-99 EMIS profile

[1] The peer average does not include Massillon

The district has approximately 5.0 FTEs per 1,000 students in the service work other classification. Included in this category are approximately 23 monitors for MCSD as compared to 16 monitors for Alliance City Schools, eight monitors for Barberton City Schools and one monitor for Mansfield City Schools. The superintendent indicated that the MCSD uses a greater number of monitors in an attempt to maximize the time high school teachers are educating students rather than performing various other duties. An analysis of a typical high school teacher's work day in **Table 3-6** supports the superintendent's assertions indicating that the average high school teacher is educating students for six periods or approximately 282 minutes per day. In contrast, Mansfield City Schools requires its high school teachers to perform one duty period (study hall, hall duty, etc.) and as a result, in July, 1999, the average high school teacher was only educating students five periods or approximately 254 minutes per day.

C3.1 By using lower salaried monitors (average full time salary of $10,000) for duty periods, the district is able to make the best use of its higher salaried teaching resources (average salary of $38,000).

F3.2 **Table 3-2** presents a six-year summary of enrollment and staffing levels for MCSD and illustrates how the district achieved the low staffing levels presented in **Table 3-1**. To explain the fluctuations in staffing levels during the six-year period, the superintendent indicated that in an effort to adjust staffing for a declining enrollment and the financial difficulties, from FY 1995-96 through FY 1997-98, the district offered an Early Retirement Incentive (ERI) which resulted in a net reduction of approximately 26 positions. In FY 1998-99, the staffing increased to accommodate a growth in enrollment and to comply with H.B. 650 by implementing all-day kindergarten. However, the superintendent also indicated that the majority of the staffing increase that occurred in FY 1998-99 is being paid from the additional DPIA monies the state has provided to districts to implement all-day kindergarten. In FY 1998-99, the district offered a second three-year ERI which has currently resulted in a net reduction of 13 positions.

Table 3-2: FTE Staffing Summary - Last Six Years

	Fall Enrollment	Administration	Certificated	Classified Staff	Total Staff	Percentage Change in Staffing
FY 1994-95	4,888	31.0	339.7	198.0	568.7	2.0%
FY 1995-96	4,816	30.0	346.7	188.8	565.5	(.01%)
FY 1996-97	4,862	28.0	324.5	189.7	542.2	(4.1%)
FY 1997-98	4,662	29.0	315.5	172.4	516.9	(4.7%)
FY 1998-99	4,902	27.0	333.5	182.7	543.2	5.1%
FY 1999-00	4,752	22.0	328.0	182.3	532.3	(2.0%)

Source: EMIS Staff Profiles for FY 1994-95 thru FY 1998-99, simulated EMIS Staff Profile for FY 1999-00. Enrollment figures developed from EMIS five-year vital statistics summary, simulated FY 1999-00 enrollment report.

C3.2 As reflected in **Table 3-1** and **Table 3-2**, MCSD has been proactive in adjusting its staffing levels to reflect the district's financial condition as well as fluctuations in enrollment.

F3.3 The district's total FTEs were divided into six classifications of personnel as defined in **Table 3-3.** These classifications are used for further assessments in **F3.4** and **F3.5**.

Table 3-3: Personnel Classifications and Positions Descriptions

Classification	Position Descriptions
Administrative Employees	Superintendent, Assistant Superintendent, Administrative Assistant, Principal, Assistant Principal, Supervisor/Manager/Director, Treasurer, Coordinators, Curriculum Specialists
Teachers	Regular Teachers, Special Education Teachers, Vocational Teacher, Educational Service Personnel (ESP) Teachers, Remedial Specialists
Pupil Services Employees	Counselors, Librarian/Media, Psychologist, Speech and Language Therapists, Physical Therapist, Occupational Therapist, Registered Nurses
Support Services	Operative, Custodians, Food Service, General Maintenance, Mechanics
Other Classified Employees	Monitors, Clerical, Educational Aides, Library/Media Aides, Bookkeepers
Technical	Computer Operator, Computer Programmer

F3.4 **Table 3-4** provides the total number of FTEs and the percentage of total employees in each classification for MCSD and each of the peer districts.

Table 3-4: Breakdown of Total FTE Employees and Percentage of Total Employees Classification

Classification	Massillon		Alliance		Barberton		Mansfield		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Administrative	27.0	5.1%	27.0	6.0%	29.0	5.3%	51.2	6.0%	5.6%
Teachers	311.0	**57.1%**	251.7	55.8%	306.9	56.2%	470.2	55.3%	56.1%
Pupil Services	22.5	4.2%	18.6	4.1%	23.2	4.2%	39.5	4.7%	4.3%
Support Services	81.7	15.0%	89.8	19.9%	91.5	16.6%	157.9	18.6%	17.5%
Other Classified	101.0	**18.6%**	59.4	13.2%	80.9	14.8%	125.5	14.7%	15.3%
Technical	0.0	0.0%	5.0	1.0%	16.0	2.9%	6.0	0.7%	1.2%
Total	**543.2**	**100.0%**	**451.5**	**100.0%**	**547.5**	**100.0%**	**850.3**	**100.0%**	**100.0%**

In comparison to the peer districts, MCSD has the lowest percentage of FTEs categorized as administrative, support services and technical. In contrast, MCSD has the highest percentage of FTEs categorized as teachers and other classified when compared to the peer districts. The high percentage of other classified can be attributed to the MCSD's increased use of monitors to maximize the amount of time high school teachers are educating students (**F3.1**) .

F3.5 **Table 3-5** presents employees categorized as either instructional personnel or educational support personnel. Included in the instructional personnel classification are teachers and pupil services employees. Educational support personnel consist of administrative, support services and other classified positions.

Table 3-5: Ratio of Direct Instructional Personnel to District Educational Support Personnel

Classification	Massillon		Alliance		Barberton		Mansfield		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Direct Instructional Personnel	333.5	61.4%	270.3	59.9%	330.1	60.3%	509.7	59.9%	60.4%
District Educational Support Personnel	209.7	38.6%	181.2	40.1%	217.4	39.7%	340.6	40.1%	39.6%
Total	**543.2**	**100.0%**	**451.5**	**100.0%**	**547.5**	**100.0%**	**850.3**	**100.0%**	**100.0%**

As shown in **Table 3-5**, 333.5 or 61.4 percent of MCSD's total FTEs make up the direct instructional personnel. When compared to the peer districts, MCSD has the highest percentage of direct instructional personnel. Additionally, **Table 3-5** illustrates that 38.6 percent of the district's total employees are categorized as educational support personnel which is the lowest among the peer districts. **Table 2-11** in the **Financial Systems** section of this report further supports **Table 3-5** indicating that the district is allocating 61.4 percent of its governmental funds towards instruction.

F3.6 **Table 3-6** illustrates a traditional teacher's actual day as defined by the average minutes being taught and other variables. While the contract with the Massillon Education Association does not indicate the length of the instructional day for high school teachers, it does specify that the maximum instructional day for middle school teachers is six hours and twenty minutes. The contract further indicates that all secondary teachers are to be in the classroom 15 minutes before and after school as well as be provided with one planning/preparation period and one duty-free lunch period.

Table 3-6: Analysis of Teachers' Work Day FY 1998-99

Description of Activity	Average Middle School	Average High School
Length of Teachers' Day From Contract Defined Reporting and Ending Times	435 minutes or 7 hours/15 minutes	450 minutes or 7 hours/30 minutes
Number of Full Periods in Day	9 periods/Avg. of 41 minutes	8 periods/Avg. of 47 minutes
Breakdown by Minute and/or Period:		
Time prior to start of classes	15 minutes	15 minutes
Home room	10 minutes	15 minutes
Planning/preparation	41 minutes or 1 period	47 minutes or 1 period
Instructional Minutes	205 minutes or 5 periods	282 minutes or 6 periods
Activity period (choir, study hall, student council, academic assistance, etc.)	42 minutes or 1 period	n/a
Team Time	41 minutes or 1 period	n/a
Duty-free lunch	41 minutes or 1 period	47 minutes or 1 period
Time after school	15 minutes	15 minutes
Hall passing	25 minutes	29 minutes
Total Actual Average Minutes	435 minutes	450 minutes
Balance of minutes or Periods not Accounted for	0	0
Average Length of Student Day	377 minutes or 6 hours/17 minutes	380 minutes or 6 hours/20 minutes

Source: MEA contract, bell schedules and master teaching schedules

Table 3-6 indicates that middle school teachers are fulfilling their contractual obligations in terms of the teacher workday. However, **Table 3-6** also indicates that out of a nine period day, middle school teachers are allotted approximately two periods for individual and team planning, one activity period and one lunch period. As a result, the average middle school teacher provides direct academic instruction approximately five periods a day. In contrast, out of an eight period day, the average high school teacher receives one lunch period, one planning period and provides academic instruction for approximately six periods. By providing each middle school teacher with two planning periods, the district is required to employ a greater number of staff in order to teach the required number of minutes during the year. This is evidenced by **Table 3-7** below which indicates that it currently requires 65 middle school teachers to teach approximately 14,000 minutes per day. If the middle school adopted a similar six period teaching schedule as the high school, the district would only need 57 teachers to provide the same 14,000 minutes of daily instruction.

Table 3-7: Teachers per Instructional Minutes - FY 1998-99

Middle School Teachers				High School Teachers			
Teaching Minutes Per Day	**Number of Periods per Day**	**Number of Teachers**	**Total Minutes Taught**	**Teaching Minutes Per Day**	**Number of Periods per Day**	**Number of Teachers**	**Total Minutes Taught**
123	3	1	123	**141**	3	1	141
164	4	0	0	**188**	4	3	564
205	5	46	9,430	**235**	5	7	1,645
246	6	18	4,428	**282**	6	61	17,202
Totals	**n/a**	**65**	**13,981**	**Totals**	**n/a**	**72**	**19,552**

Source: Master teaching schedules
n/a - not applicable

C3.3 MCSD requires roughly 85 percent of its high school teaching staff to educate students approximately six out of eight periods a day. This effectively minimizes the number of staff needed to teach the required number of minutes per year.

R3.1 The district should evaluate the effectiveness of providing the middle school teachers with a team period and an activity period in addition to a planning period. An assessment should be completed to determine if this is the most effective use of teacher resources and whether the team and activity periods are being utilized as intended by district management.

Financial Implication: Because of the district's current financial difficulties, further cuts may be needed in order to reduce operating costs. One possible area MCSD could consider would be to reduce teachers at the middle school level. Requiring middle school teachers to educate students six periods a day could possibly reduce eight teaching positions. Assuming an average salary of $37,480 and benefits equivalent to 30 percent of the salary, this reduction would create an annual savings of approximately $390,000. It should be noted however, that this financial implication does not take into consideration issues concerning areas of teacher certifications and course offerings.

F3.7 **Table 3-8** presents a review of the FY 1998-99 middle school master teaching schedule which revealed 18 traditional periods with 15 or fewer pupils. These classes do not include any special education or vocational classes. Examples of classes with 15 or less pupils include language arts, foreign cultures, art, music appreciation and physical education.

Table 3-8: Middle School Teaching Periods with 15 or less Pupils

Number of Students	5 or less	6	7	8	9	10	11	12	13	14	15
Number of Periods	0	0	2	0	0	1	3	4	3	2	3

Source: Master teaching schedules

Table 3-9 presents a review of the FY 1998-99 high school master teaching schedule, excluding special education and vocational education classes, which revealed 45 periods with 15 or less pupils. Examples of classes with 15 or less pupils include Spanish 3, Physics, Programming, Foods/Home Economics, Sculpture, French 4, Photography as well as German 3 & 4.

Table 3-9: High School Teaching Periods with 15 or less Pupils

Number of Students	5 or less	6	7	8	9	10	11	12	13	14	15
Number of Periods	0	1	0	1	1	6	2	6	9	7	12

Source: Master teaching schedules

F3.8 Minimum standards for elementary and secondary education provide for a ratio of teachers to pupils on a district-wide basis of at least one full-time equivalent classroom teacher per 25 pupils in average daily membership. A building ratio less than 25 to one potentially increases the number of teaching positions.

Table 3-10: Elementary Staffing Levels

Building	**Average Daily Membership (ADM)**	**Non-Special Education Students**	**Non-Special Education Teachers**	**Student/ Teacher Ratio**
Elementary Totals	2,037	1,779	104	17.1

Source: EMIS Class database

As **Table 3-10** illustrates, the student/teacher ratio of traditional students to traditional teachers in the elementary schools is currently 17.1 to one. Although MCSD's student/teacher ratio at the elementary level exceeds state minimum guidelines, Am. Sub. H.B. 650, which went into effect during FY 1998-99, requires each district with a Disadvantaged Pupil Impact Aid (DPIA) index of greater than 1.00 to use a portion of its DPIA money to implement all-day kindergarten. A portion of the remaining DPIA money must be used to implement the "third grade guarantee." The third grade guarantee consists of increasing the instructional attention given to each pupil in kindergarten through third grade by reducing the ratio of students to instructional personnel, extending the length of the school day, or extending the length of the school year. H.B. 650 also specifies that districts must first ensure a ratio of instructional personnel to students of no more than 15 to one (in kindergarten and first grade) in all buildings. In FY 1998-99, the district had a DPIA index of 1.10.

In compliance with H.B. 650, the district implemented all-day kindergarten in FY 1998-99. To accommodate all-day kindergarten and to reduce the student/teacher ratios in the kindergarten and first grades, the district used its additional DPIA monies to hire six kindergarten teachers and 16 aides.

F3.9 Am. Sub. S.B. 55 revises the minimum course requirements necessary for students graduating after September 15, 2001. The total number of units that must be taken in grades nine through 12 increases from 18 to 21 and reduces the number of elective units that count toward the required number for graduation. Furthermore, S.B. 55 increases the required units of English language arts, mathematics, science and social studies. In FY 1998-99, MCSD revised its curriculum to accommodate the 21 unit requirement.

F3.10 **Table 3-11** illustrates the staffing levels at the middle and high school buildings for FY 1998-99. The student/teacher ratios represent the number of traditional students excluding special education, talented, gifted and vocational education students compared to the number of traditional teachers, excluding special education, vocational education and traveling/itinerant teachers.

Table 3-11: Middle School and High School Staffing Levels

Building	Average Daily Membership (ADM)	Non-Special Education Students	Regular Teachers	Student/ Teacher Ratios
Middle Schools	1,076	888	39	22.8
High School	1,534	1,367	50	27.3
Total Secondary	**2,610**	**2,255**	**89**	**25.3**

Source: EMIS class database

Traditional student to traditional teacher class size ratios in the middle and high schools average 22.8 to one and 27.3 to one respectively. Maintaining average class sizes less than minimum standards require more teaching positions for the same number of students. In general, **Table 3-11** indicates that the district's combined secondary student teacher ratios appear to be approximately equal to state minimum standards (25 to one ratio). The lower student/teacher ratios in the middle schools may partially be attributed to the district allowing its teachers to have an activity period, a team period and a planning period. See **F3.6** for a discussion and recommendation concerning the number of planning and activity periods granted to middle school teachers.

F3.11 **Table 3-12** compares the average salary of each employee classification to the peer districts for FY 1998-99. MCSD has the highest average salaries in three of the 11 classifications as indicated by the bolded numbers.

Table 3-12: Average Salary by Classification

	Massillon		Alliance		Barberton		Mansfield		Peer District Average	
	# FTEs	**Avg Salary**	**# FTEs**	**Avg Salary**	**# FTEs**	**Avg Salary**	**# FTEs**	**Avg Salary**	**# FTEs**	**Avg Salary**
Official/Admin.	27.0	$53,180	27.0	$51,955	29.0	$60,262	51.2	$54,568	33.6	$54,991
Prof/Education	321.0	37,480	260.7	39,322	319.9	38,678	486.8	38,842	347.1	38,581
Prof/Other	12.5	32,877	9.6	41,802	10.2	49,661	22.9	43,284	13.8	41,906
Technical	0.0	0	5.0	25,296	16.0	25,827	6.0	24,269	9.0	25,131
Office/Clerical	77.5	9,954	42.3	15,084	71.3	17,611	124.5	15,789	78.9	14,610
Crafts/Trades	6.0	**29,264**	5.0	29,171	7.0	29,002	2.0	27,986	5.0	28,856
Transportation	22.4	**15,443** [1]	22.0	10,419	11.9	12,808	35.0	10,096	22.8	11,108
Laborer	2.0	28,517	0.0	0	1.0	31,048	2.0	26,759	1.3	28,775
Custodians	29.0	**26,620**	31.8	25,560	37.7	19,670	60.0	23,376	39.6	23,807
Food Service	22.3	12,549 [1]	31.0	9,438	32.9	13,509	58.9	11,946	36.3	11,631
Other Service	23.5	1,327	16.1	5,727	10.6	15,775	1.0	2,562	12.8	6,348

Source: FY 1998-99 EMIS Profile

[1] No salary amount was reported in EMIS profile, the amounts presented in table are estimates derived using base salaries and FTE figures for each employee

F3.12 **Table 3-13** illustrates the percentage of employee salaries in proportion to total district salaries and compares the respective employee classifications to the peer districts. The employee groups consist of the six classifications defined in **Table 3-3**.

Table 3-13: Percentage of Total Employees and EMIS Salaries by Classification

Classification	Massillon		Alliance		Barberton		Mansfield		Peer Average [1]	
	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary
Administrative	5.1%	8.8%	6.0%	9.7%	5.3%	9.7%	6.0%	10.2%	5.6%	9.6%
Teachers	57.1%	70.9%	55.8%	68.1%	56.2%	65.1%	55.3%	66.4%	56.1%	67.6%
Pupil Services	4.2%	5.3%	4.1%	5.8%	4.2%	6.3%	4.7%	6.3%	4.3%	5.9%
Support Services	15.0%	10.1% [2]	19.9%	10.3%	16.6%	8.7%	18.6%	9.4%	17.5%	9.6%
Other Classified	18.6%	4.9%	13.2%	5.3%	14.8%	7.9%	14.7%	7.2%	15.3%	6.3%
Technical	0.0%	0.0%	1.0%	0.8%	2.9%	2.3%	0.7%	0.5%	1.2%	1.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Peer average does not include Massillon
[2] No salaries were reported in EMIS profile for transportation or food service employees, amounts presented were estimated based on hourly salaries and FTEs

In comparison to the peers, MCSD has the highest percentage of teachers and other classified employees and the lowest percentage of support services and administrative employees which supports the analysis shown in **Tables 3-4** and **3-5**.

C3.4 Analyses contained in **Tables 3-4**, **3-5** and **3-13** show that MCSD has the highest percentage of direct instructional personnel when compared to the peer districts indicating that the district is directing more of its operating resources toward instruction and less toward supporting services.

F3.13 **Table 3-14** indicates that MCSD's average teachers' salary of $37,480 is the lowest among the peer districts. Average teachers' salary among peer districts will be affected by cost of living adjustments (COLA), experience and educational attainment. **Table 3-14** adjusts the teachers' salary for a cost-of-doing-business factor and provides information concerning educational attainment and total years of experience.

Table 3-14: Average Teachers' Salary

	Massillon	Alliance	Barberton	Mansfield
Average Teaching Salary	$37,480	$39,322	$38,678	$38,842
Adjusted Salary [1]	$35,750	$37,507	$35,348	$37,565
Average years of experience	13.4	14.6	16.3	15.5
% Non-degree	3.4%	4.2%	0.0%	1.0%
% Bachelors Degree	22.7%	21.7%	21.3%	31.1%
% Bachelors Degree + 150 hours	37.1%	44.1%	33.6%	42.0%
% Masters and above	36.7%	30.0%	45.1%	25.9%

Source: FY 1997-98, 1998-99 EMIS Profiles
[1] salary adjusted by the ODE's cost of doing business

Using the salaries adjusted by the applicable ODE cost-of-doing-business factor, the table above indicates that MCSD's teachers are the second lowest paid among the peers. This can be attributed to the fact that the district's teachers have the lowest number of years experience and the fact that the district negotiated collective bargaining agreements which granted no COLA wage increases to certificated staff in FY 1996-97 and FY 1997-98.

C3.5 The willingness of the certificated and classified employees to accept wage freezes has contributed to the creation of an effective partnership aimed at improving the district's financial condition. Additionally, the agreements display a commitment to education and a shared sacrifice among the employees.

F3.14 **Table 3-15** compares MCSD's teacher salary schedule to the peer districts and indicates that the district's salary schedule is approximately equal to the peer averages for all levels shown.

Table 3-15: Teachers Salary Schedule

	Massillon	Alliance	Barberton	Mansfield	Peer Avg.
Bachelors Beginning Salary	$23,902	$23,117	$26,242	$23,900	$24,290
Bachelors Maximum Salary Prior to Longevity Payments	$42,737	$40,917	$43,037	$43,977	$42,667
Masters Beginning Salary	$26,053	$26,238	$29,916	$26,769	$27,244
Masters Maximum Salary Prior to Longevity Payments	$48,569	$46,234	$51,172	$46,606	$48,145
# of Steps in Salary Schedule Prior to Longevity Payments	14	14	12	12	13
# of Longevity Payments	3 payments at the 18th, 22nd & 26th steps	3 payments at the 17th, 20th & 27th steps	4 payments at the 15th, 18th, 21st & 27th steps	2 payments after 20 and 25 years of service	n/a
Average Increase of Longevity Payments	$450	$750	$1,115	$488	$701
Maximum Bachelors Salary After longevity Payments	$44,087	$43,573	$47,498	$44,627	$44,946
Maximum Masters Salary After Longevity Payments	$49,919	$49,721	$55,633	$47,256	$50,632

Source: FY 1998-99 salary schedules

F3.15 **Table 3-16** indicates that gross earnings paid to full-time teachers ranged between $23,902 and $61,743. Although EMIS reports the district's average teacher salary to be $37,480, due to supplemental contracts, the average MCSD teacher is actually earning an average gross salary of approximately $40,161.

Table 3-16: Range of Actual Teacher Gross Earnings for Calendar Year 1998

Salary Ranges Within Bachelors Beginning ($23,902) and Masters Maximum ($49,919)	# of Teachers per 1998 W-2 Report	Salary Ranges in Excess of Masters Maximum ($49,919)	# of Teachers per 1998 W-2 Report
23,902-29,999	31	**50,000-52,000**	4
30,000-39,999	71	**53,000-54,000**	2
40,000-46,999	107	**56,500-58,100**	2
47,000-49,919	32	**60,000-62,000**	1

Source: Treasurer's office - 1998 W-2 report

F3.16 **Table 3-17** identifies the total amount paid for supplemental contracts by MCSD and the peer districts and indicates that MCSD's supplemental costs are similar to the peer districts.

Table 3-17: Total Supplemental Payments

District	Total Supplemental Contract Payments
Massillion [1]	$291,830
Alliance	N/A
Barberton [2]	$297,888
Mansfield [2]	$255,649
Average	$281,789

Source: Treasurer's office
[1] Amount paid during FY 1998-99
[2] Amount paid during FY 1997-98

F3.17 MCSD's salary structure and supplemental contract payment schedule appear to be reasonable based on the following points:

- The district has the lowest average teaching salary when compared to the peer districts (**F3.13**).
- The district's teacher salary schedule is consistent with the peer average (**F3.14**).
- The districts overall supplemental schedule does not appear to be excessive based on comparisons with the peers (**F3.16**).

Vocational Education

F3.18 The district currently operates a vocational education program at Washington High School designed for students in the 11th and 12th grades interested in workforce development. The programs feature 12 areas of study and are primarily supported through general fund monies. The district also receives monies through the state technical funding formula (approximately $420,000) and various state and federal grants such as the Perkins grant (approximately $97,000), the career development grant (approximately $24,000) and the technical preparation grant (approximately $30,000).

In theory, most districts can reduce operating costs by utilizing county joint vocational schools (JVS) to educate their workforce development students. However, the director of vocational education indicated that no studies have been performed recently to assess this option. According to the superintendent, when the high school was being built in FY 1988-89, the issue of including a vocational wing was considered. The district contacted the JVS and was told that MCSD's vocational enrollment was too large for the JVS to accommodate. As a result, the district received a state loan and added the vocational wing to the high school. Since the vocational enrollment has increased substantially from FY 1988-89, no further assessments of using the county JVS have been performed. See the

financial systems section of this report for additional discussions concerning the district's use of a state loan to construct the vocational wing.

Table 3-18 provides a five-year vocational staffing and enrollment summary for the workforce development programs. The data appears to support the superintendent's assertions indicating that with the exception of FY 1999-00, enrollment has increased between eight and fourteen percent each year. Additionally, **Table 3-18** indicates that an average of 47 percent of the district's total 11^{th} and 12^{th} grade students were served during the five-year period by the various vocational education programs.

F3.19 **Table 3-18** also shows the five-year summary of the vocational student/teacher ratios by program. According to the vocational education director, in FY 1997-98, a representative of the vocational department within ODE performed an analysis which indicated that for the district to operate efficiently, it must maintain 15 to one student/teacher ratios in all vocational programs offered. As a result of this analysis, the district eliminated the CBE and marketing programs, both of which had been maintaining student/teacher ratios of less than 15 to one. As illustrated in **Table 3-18**, all vocational programs currently offered by the district are achieving vocational student/teacher ratios in excess of the ODE standard and in total, the district is averaging a vocational student/teacher ratio of approximately 24 to one.

Table 3-18: Vocational Education Staffing & Enrollment Summary-Workforce Development

	FY 1995-96		FY 1996-97		FY 1997-98		FY 1998-99		FY 1999-00	
Workforce Development:	**Teachers**	**Pupils**	**Teachers**	**Pupils**	**Teachers**	**Pupils**	**Teachers**	**Pupils**	**Teachers**	**Pupils**
Accounting	2	28	1	23	1	27	1	35	1	29
Business Mngmt.	2	20	1	23	1	32	1	37	1	33
Office Technology	1	16	1	22	1	36	1	42	1	28
Marketing	2	24	1	19	1	11	1	10	discont.	discont.
CBE Coop. - Sr.	1	12	1	14	discont.	discont.	discont.	discont.	discont.	discont.
Broadcasting TV	2	30	2	33	2	26	2	26	2	31
Automotive Mechanics	1	20	1	21	1	28	1	32	1	30
Athletic Fitness/Training	n/a	n/a	n/a	n/a	1	15	1	25	1	23
Construction Trades	1	20	1	21	1	28	1	32	1	30
Cosmetology	2	33	2	36	2	34	2	33	2	34
Drafting & Design	1	20	1	28	1	17	1	20	1	20
Electrical Trades	1	18	1	22	1	29	1	26	1	28
Machine Trades	2	29	1	27	1	33	1	26	1	20
Networking Tech. Prep	n/a	n/a	1	18	1	28	1	27	1	27
Total	**18**	**270**	**15**	**307**	**15**	**344**	**15**	**371**	**14**	**333**
Average Student/Teacher Ratios	**1**	**15**	**1**	**20.5**	**1**	**22.9**	**1**	**24.7**	**1**	**23.7**
% Total of 11th. & 12th Grade Students Served by Voc. Ed.	**38%**		**45%**		**53%**		**51%**		**46%**	

Source: Director of vocational education

F3.20 **Table 3-19** illustrates a five-year staffing and enrollment summary for the career- based intervention programs (occupational work experience and occupational work applications). These programs are designed to function as dropout prevention mechanisms while providing students with marketable work experiences. In an attempt to reduce operating costs, since FY 1995-96, the district has eliminated three occupational work experience (OWE) programs and two occupational work applications (OWA) programs resulting in a total reduction of five teachers. Currently, the OWE and OWA classes in total, are operating with student/teacher ratios of approximately 24 to one whereas in FY 1995-96, the student/teacher ratios were approximately 16 to one.

Table 3-19: Vocational Education Staffing & Enrollment Summary-Career Based Intervention

	FY 1995-96		FY 1996-97		FY 1997-98		FY 1998-99		FY 1999-00	
Career Based Intervention:	**Teachers**	**Pupils**	**Teachers**	**Pupils**	**Teachers**	**Pupils**	**Teachers**	**Pupils**	**Teachers**	**Pupils**
OWE & OWA -H.S.	6	96	4	74	4	53	4	63	1	38
OWE & OWA - M.S.	2	31	2	30	2	32	2	31	2	35
Total	**8**	**127**	**6**	**104**	**6**	**85**	**6**	**94**	**3**	**73**
Average Student-Teacher Ratios	**1**	**15.9**	**1**	**17.3**	**1**	**14.2**	**1**	**15.7**	**1**	**24.3**

Source: Director of vocational education

F3.21 Although not yet publicly released, ODE is currently compiling statistics which compares the performance of vocational education programs throughout the state to ODE standards as well as state averages. Of the 11 standards for which accurate state averages have been developed, MCSD either exceeded or was within approximately two percent of the state average in seven of the categories.

C3.6 In attempting to reduce operating costs, the district has made significant vocational staffing and program reductions during the past five years. Furthermore, based on MCSD's performance in comparison to state averages, it appears that the district is operating a fairly effective vocational program.

Special Education

F3.22 In general, children are placed in the special education program when they meet various conditions identified through a testing process conducted in accordance with state and federal regulations. Typically, students with severe handicaps and/or mental disorders are identified between the ages of 0-2 ½. Students with less severe disabilities are usually identified during the elementary years when they encounter difficulties in learning basic skills. Once a student is identified as having a handicap, an Individual Education Planning team is formed consisting of a minimum of an administrator, a special education teacher, a regular education teacher and the parent. This team meets annually in the spring and develops an individualized education plan (IEP) identifying the goals for educating the child and specifying how those goals are going to be achieved. Like regular education students, special education students must meet the 21 unit requirement in order to graduate (**F3.9**). However, special education students are given 22 years to achieve this requirement and the intensity of the education each student receives will vary depending on IEP.

According to the director of special education, the district currently has 873 IEPs for resident students between the ages of three and 22 which must be reviewed annually. However, under certain circumstances, MCSD is responsible for developing and maintaining a student's IEP, but another district is responsible for educating the student.

Examples of when this occurs include when the IEP dictates that a student attend school in another district, a student resides in a foster home outside MCSD, a student receives home schooling or various other scenarios. As a result of these scenarios, the district is currently only educating 767 of the 873 students for which it maintains IEPs.

F3.23 Using FY 1997-98 EMIS profiles, **Table 3-20** compares MCSD to the Stark County average as well as to the peers in terms of the ratio of handicapped students it is educating to FTEs devoted to special education.

Table 3-20: Comparison of Special Education Students per Special Education FTE

District	ADM 1997-98	Total Handicapped - 1997-98 EMIS	% Handicapped	FTEs Dedicated to Special Education [2]	# of Special Education Students per FTE
Massillon City Schools	**4,654**	**698**	**15.0%**	**35.5**	**19.7**
Alliance City Schools	3,520	493	14.0%	35.6	13.8
Barberton City Schools	3,994	607	15.2%	35.3	17.2
Mansfield City Schools	6,325	961	15.2%	76.8	12.5
Stark County Average [1]	**3,817**	**483**	**12.7%**	**30.3**	**16.0**
Peer Average [1]	**4,613**	**687**	**14.8%**	**49.2**	**14.0**

Source: Director of special education
[1] County and peer averages do not include MCSD
[2] FTEs consist of psychologists, supervisors, speech & hearing therapists, physical therapists, work study coordinators, handicapped teachers and directors

As illustrated in **Table 3-20**, MCSD maintains a handicapped student to special education FTE ratio of 19.7 which is greater than the county average (16.0), all of the peers (Alliance, Barberton, Mansfield) and the peer average (14.0).

F3.24 ODE publishes a comprehensive manual summarizing rules and regulations with which districts should comply when educating handicapped children. Included in this manual are student/teacher ratios that are required for some districts but are only recommended practices for others. The determination of whether the ODE student/teacher ratios are required or recommended practices is based on the model districts choose to classify their special education programs for funding purposes. Because MCSD chose to classify its special education program as “experimental modeling,” the student/teacher ratios indicated in the ODE manual are considered recommended practices for the district. The director of special education indicated that MCSD classifies its special education program as “experimental modeling” because it affords the district more flexibility in regards to student classifications (disabilities and handicaps) and staffing issues than the traditional models.

Table 3-21 presents MCSD's current special education student/teacher ratios for specific disability and handicap classifications and compares them to the recommended ODE ratios. As **Table 3-21** illustrates, for all disability and handicap classifications, MCSD is maintaining student/teacher ratios which fall within the range of ODE's recommended practices.

Table 3-21: Special Education Student/Teacher Ratios vs. ODE Standards

Student Classification	Special Education Student Enrollment as of 12/1/99	# of Teachers	MCSD's Average Special Education Student/Teacher Ratios	ODE Recommended Student/Teacher Ratios
Learning Disability - Elem. & M.S.	56	4	14 students per teacher	8 to 16 students per teacher
Learning Disability - H.S.	21	1	21 students per teacher	12 to 24 students per teacher
Developmental Handicapped - Elem. & M.S.	115	9	13 students per teacher	8 to 16 students per teacher
Developmental Handicapped - H.S.	56	4	14 students per teacher	12 to 24 students per teacher
Multi handicapped	24	3	8 students per teacher	6 to 8 students per teacher
Severe Behavior Handicap	18	2	9 students per teacher	6 to 12 students per teacher

Source: Director of special education

C3.7 Based on **Table 3-21**, it appears that the district is complying with ODE's recommended special education student/teacher ratios. Additionally, in comparison to the county average, the individual peers and the peer average, it appears that the district is maintaining relatively efficient staffing levels.

Substitutes

F3.25 **Table 3-22** compares MCSD and the peer districts' substitute costs and procedures. This information will be utilized in numerous findings when assessing substitute costs.

Table 3-22: Comparison of Substitute Costs

	Massillon	Alliance	Barberton	Mansfield
Auto/Manual Substitute Placement	Manual	n/a [1]	Manual	Manual
Daily Cost of Teacher Substitutes	0-60 days: $45/day 60 + days: $120/day	n/a [1]	0-5 days: $70/day 5-60 days: $75/day 61+ days: Base teacher rate/ day	0-20 days: $55/day 21-60: $60/day 61+ days: Base teacher rate plus benefits
Hourly Cost of Bus Drivers	$9.96/hr	n/a [1]	$7.67/hr	$9.75/hr
Hourly Cost of Clerical, Aides & Monitors	$7.25/hr - Clerical $6.40/hr - Aides	n/a [1]	$6.00/hr	$5.50/hr
Hourly Cost of Custodial/ Maintenance	$7.50/hr	n/a [1]	$6.00/hr	$6.00/hr non-licensed $7.50/hr licensed
Hourly Cost of Food Service	$5.15/hr	n/a [1]	$6.00/hr	$5.50/hr

Source: Business Manager
[1] no amount reported

F3.26 **Table 3-23** shows the substitute payments made by MCSD and the peer districts for FY 1998-99. As illustrated, teaching substitutes constituted approximately 54 percent of the total substitute costs for the year, which was the lowest among the peers. In contrast, transportation substitutes constituted approximately 20 percent of the total substitute costs, which is the highest among the peers. The higher transportation substitute costs may be attributed to the fact that MCSD pays its substitute bus drivers $9.96 per hour and its transportation employees average approximately 16 sick days and 21 total leave days per year, all of which are the highest among the peers (See **Tables 3-22, 3-27** and **3-28**). For additional discussions concerning leave time among bus drivers, see the **Transportation** section of this report.

Table 3-23: Substitute Payments for FY 1998-99

Classification	Massillon		Alliance		Barberton		Mansfield	
	Amount Paid	Percent of Total	Amount Paid	Percent of Total	Amount Paid	Percent of Total	Amount Paid	Percent of Total
Teachers	$172,449	54.4%	$127,126	63.5%	$257,666	72.4%	$275,388	61.8%
Educ. Assistants	1,789	0.6%	13,356	6.7%	37,729	10.6%	24,905	5.6%
Clerical	13,123	4.1%	4,765	2.4%	8,840	2.5%	27,988	6.3%
Custodians	27,211	8.6%	42,307	21.1%	29,205	8.2%	47,919	10.8%
Bus Drivers	63,684	20.1%	12,553	6.3%	6,431	1.9%	26,833	6.0%
Food Service	38,621	12.2%	n/a [1]	n/a [1]	15,704	4.4%	42,831	9.5%
Total	**$317,057**	**100.0%**	**$200,107**	**100.0%**	**$355,575**	**100.0%**	**$445,864**	**100.0%**

Source: Treasurer's Office
[1] no amount reported

Certificated Substitutes:

F3.27 Teaching positions which require substitutes can be filled by casual/short-term or long-term substitutes. Casual/short-term substitutes are defined as substitutes who work in the district in the same position or varying positions and are paid $45 per day. Long-term substitutes work in the same position for 60 or more days. On the 61st consecutive day in the same position, a substitute is paid $120 per day. Medical benefits are not provided to casual/short-term or long-term substitutes.

F3.28 **Table 3-24** illustrates the average number of sick, personal, professional and other leave days taken per teacher during FY 1998-99 for each of the peer districts.

Table 3-24: Teacher Average Number of Leave Days Taken per Peer District

	Massillon		Alliance		Barberton		Mansfield		
	# Days Taken	**Ave. Per Teacher**	**# Days Taken**	**Ave. Per Teacher**	**# Days Taken**	**Ave. Per Teacher**	**# Days Taken**	**Ave. Per Teacher**	**Peer Average**
SICK LEAVE	2,464.5	7.3	n/a [1]	n/a [1]	2,199.5	7.1	3,614.3	7.1	7.2
PERS. LEAVE	523.5	1.6	n/a [1]	n/a [1]	469.5	1.5	879.5	1.7	1.6
PROF. LEAVE	304.0	0.9	n/a [1]	n/a [1]	885.5	2.9	1,032.0	2.0	1.9
OTHER LEAVE	169.5	0.5	n/a [1]	n/a [1]	37.5	0.1	20.0	0.0	0.2
TOTAL ALL LEAVE	**3,461.5**	**10.3**	**n/a** [1]	**n/a** [1]	**n/a**	**11.6**	**5,546.0**	**10.8**	**10.9**
# of eligible teachers	**337.0**		**n/a** [1]		**310.0**		**512.0**		

Source: Treasurer's office
[1] no amount reported

MCSD's teachers averaged 7.3 sick days per teacher in FY 1998-99 which was approximately equal to the peer districts and the peer average. Data provided by the Bureau of Labor Statistics indicates that full-time governmental workers averaged 4.5 sick days per person in 1998 which is significantly lower than the peer average and MCSD's teachers average of 7.3.

Table 3-24 also indicates that the average teacher requires a substitute approximately ten days a year. While this is the lowest among the peers, it is still burdensome to the district in that it must bear additional costs to provide substitute teachers and excessive leave not only creates interruptions in the flow of teachers' curriculum, but it may also have an impact on the quality of education provided to students. In FY 1998-99, MCSD utilized 337 teachers who were contracted to teach 180 days (school year) for a total of 60,660 school days requiring a teacher. Assuming that all leaves are covered by a substitute teacher and the average teacher takes 10.3 days of leave per year, approximately six percent of the total teaching days were taught by substitutes.

R3.2 MCSD spent $172,449 on substitute teacher payments during FY 1998-99. Contributing to this expense were sick days utilized by teachers. If MCSD would reduce the number of sick leave days taken per teacher, it would eliminate additional administrative time, enhance the quality of education by minimizing the interruptions in the flow of teachers' curriculum and would reduce the overall substitute costs incurred as shown in **Table 3-25**.

Table 3-25: Annual Savings Calculated for Reduction in Usage of Teacher's Sick Leave

Employee Classification	Annual Savings		
	Sick leave reduced by 1 day	Sick leave reduced by 2 days	Sick leave reduced by 3 days
Teachers	$15,165	$30,330	$45,495

Financial Implication: Reducing the number of sick days taken by each teacher by one day would save MCSD approximately $15,000 annually in substitute costs. Reducing the number of sick days taken by each teacher by two days would save approximately $30,000 annually. Reducing the number of sick days taken by three days would bring MCSD in line with the average taken by full-time governmental workers of 4.5 days and would save MCSD approximately $45,000 annually in substitute costs. The actual financial implications may be greater depending on the district's utilization of long-term substitutes whose salaries are considerably higher.

F3.29 **Table 3-26** indicates the amounts paid to teachers by each peer district for substitute services when a standard substitute is not available.

Table 3-26: Rates Paid for Teachers to Fill in for Substitutes

Massillon	Alliance	Barberton	Mansfield
$10.00 per hour	$14.00 per hour	$20.00 per period for high school block schedule $10.00 per period at elementary and middle schools	$13.00 per hour

Source: Teacher contracts

The district indicated that in the past, substitute teachers were difficult to locate and teachers were often asked to cover classes during their free period at the additional rate of $10.00 per hour. The secretary responsible for locating substitutes indicated that these difficulties were the result of a combination of low substitute pay in comparison to other districts within the county and strictly using the county-wide listing of substitutes. To help rectify this in FY 1999-00, the district began recruiting its own pool of substitutes by running advertisements in area newspapers and on televison. These efforts resulted in a pool of approximately 30 substitutes. With the additional substitutes, the secretary indicated that on a daily basis, there usually is a shortage of approximately three to four teachers which the district is able to fill by using teachers aides and if necessary, monitors.

R3.3 Additional strategies MCSD should consider implementing to increase the substitute pool include the following:

- Mailing letters to student teachers
- Placing flyers in university placement offices
- Recruiting recent graduates to serve as substitutes
- Offering flexibility with both a.m. and p.m. or full-day shifts and either day-to-day substitute teaching or guaranteed daily substitute teaching for the school year
- Holding meetings prior to the start of the school year
- Developing a substitute teachers' handbook

Classified Substitutes:

F3.30 Classified positions which require substitutes are only filled by casual/short-term substitutes. Substitutes are paid a hourly rate based upon the classification of employees as shown in **Table 3-22**. Substitutes remain at the same hourly rate regardless of the number of days spent in the same position. Benefits are not provided to classified casual/short-term substitutes.

F3.31 **Table 3-27** illustrates the number of days of leave used by MCSD's classified staff for FY 1998-99 which could have required either a substitute or another staff member to cover for the vacancy.

Table 3-27: Classified Personnel Days Taken FY 1998-99

Classification	# Sick days taken	# Pers. days taken	# Prof. days taken	# Vacation Leave	# Other days	Total days taken	# Empl. per Class	Average # Total Days Taken per Employee
Clerical/Office	221.5	82.0	2.5	239.0	27.5	572.5	35	16.4
Custodian/Maintenance	439.5	97.0	2.0	656.0	54.5	1,249.0	42	29.7
Food Service	409.5	96.0	0.0	0.0	62.5	568.0	44	12.9
Transportation	466.8	66.0	5.5	41.5	50.8	630.6	30	21.0
Aides	215.0	86.5	30.5	0.0	24.0	356.0	40	8.9
Other [1]	437.8	114.0	3.0	5.0	75.0	634.8	61	10.4
Totals	**2,190.1**	**541.5**	**43.5**	**941.5**	**294.3**	**4,010.9**	**252**	**15.9**

Source: Treasurer's office
[1] Other classification consists of employees classified as monitors, security, warehouse and various other designations

F3.32 **Table 3-28** illustrates that on average, MCSD's classified employees took approximately 9.1 days of sick leave. Three classifications (custodial/maintenance, food service, and transportation) averaged an excess of nine days sick leave during FY 1998-99 with transportation employees averaging the most at 15.6 days per person.

Table 3-28: Average Days Leave Taken FY 1998-99 - Classified Personnel

Classification	Avg. # Sick Days Taken	Avg. # Per. Days Taken	Avg. # Prof. Days Taken	Avg. # Vacation Days Taken [1]	Avg. # Other Days Taken
Clerical/Office	6.3	2.3	0.1	6.8	0.8
Custodian/Maintenance	10.5	2.3	0.0	15.6	1.3
Food Service	9.3	2.2	0.0	0.0	1.4
Transportation	15.6	2.2	0.2	1.4	1.7
Aides	5.4	2.2	0.8	0.0	0.6
Other	7.2	1.9	0.0	0.1	1.2
Average Leave for all Classifications	**9.1**	**2.2**	**0.2**	**4.0**	**1.2**

Source: Staff attendance reports
[1] Calculated based on eligible employees

F3.33 **Table 3-29** compares the average number of sick days taken by MCSD's classified staff to the peer districts for FY 1998-99.

Table 3-29: Average Number of Sick Days Taken FY 1998-99

	Massillon		Alliance		Barberton		Mansfield		
	# Sick days taken	Avg. Per Empl.	# Sick days taken	Avg. Per Empl.	# Sick days taken	Avg. Per Empl.	# Sick days taken	Avg. Per Empl.	Peer District Average
Clerical/Office	222	6.3	n/a [1]	n/a [1]	524	5.7	489	11.6	7.9
Custodian/Maintenance	440	10.5	n/a [1]	n/a [1]	142	2.6	547	8.8	7.3
Food Service	410	9.3	n/a [1]	n/a [1]	311	7.1	774	9.2	8.5
Transportation	467	15.6	n/a [1]	n/a [1]	164	9.1	361	10.6	11.8
Aides	215	5.4	n/a [1]	n/a [1]	n/a	n/a	592	7.8	6.6
Other	438	7.2	n/a [1]	n/a [1]	n/a	n/a	176	8.8	8.0
Totals	**2,192**	**9.1**	**n/a [1]**	**n/a [1]**	**1,141**	**5.5**	**2,939**	**9.2**	**7.9**

Source: Peer district bench marking surveys
[1] no amount reported

Table 3-29 indicates that MCSD's classified staff averaged 9.1 sick days during FY 1998-99 which is significantly higher than the peer average of 7.9. Data provided by the Bureau of Labor Statistics indicates that full-time governmental workers averaged 4.5 sick days per person in 1998 which is significantly lower than the peer average and MCSD's classified staff average of 9.1. The classified staff provide critical resources to the educational process by the following:

- Functioning as a support resource to staff and students
- Providing a clean and secure environment
- Ensuring nutritious lunches
- Transporting students in a safe and timely fashion
- Fulfilling additional functions as required by curriculum and/or other district needs

Because excessive sick leave limits the districts' resources, daily routines are disrupted and can weaken the quality of education. In addition, the district incurs significant financial expenditures through the utilization of substitutes.

R3.4 MCSD spent approximately $145,000 on classified employee substitute payments. Contributing to this expense were sick days utilized by these employees. The classified employee population averaged 9.1 sick days per person in FY 1998-99 which is 4.6 days higher than the average taken by full-time governmental workers as reported by the Bureau of Labor Statistics. If MCSD would reduce the amount of sick leave taken, it would eliminate additional administrative time, enhance the quality of education by eliminating interruptions in the flow of work and reduce the overall substitute and overtime cost incurred as shown in **Table 3-30** below.

Table 3-30: Annual Savings Calculated from Reductions in Classified Sick Leave Usage

Employee Classification	Annual Savings		
	Sick leave reduced by 3 days	Sick leave reduced by 4 days	Sick leave reduced by 5 days
Clerical/Office	$5,709	$7,613	$9,516
Custodian/Maintenance	7,560	10,080	12,600
Food Service	4,759	6,345	7,931
Transportation	3,586	4,781	5,976
Totals	**$21,614**	**$28,819**	**$36,023**

Financial Implication: Reducing the number of sick days taken by each employee by three days would save MCSD approximately $22,000 annually. Reducing the number of sick days taken by each employee by four days would increase the savings to approximately $29,000 annually. Furthermore, reducing the number of sick days taken by five days would bring MCSD in line with the full-time governmental worker average of 4.5 and would result in an annual savings of approximately $36,000 in substitute costs.

R3.5 Because of the excessive amount of sick leave taken per employee (between 5.4 and 15.6 days) and the costs associated with obtaining substitutes to cover absences, MCSD should consider implementing additional policies to assist with reducing sick leave usage. Potential policies include:

- Implement a sick leave abuse policy such as a rolling year occurrence policy where employees are held accountable for the number of times taken off rather than the length of time actually taken.

- Implement an attendance incentive where employees are rewarded for perfect attendance. Barberton City Schools has an attendance incentive and their classified employees only averaged 5.5 sick days per person.

- Require sick leave taken to be used as a component of the employee's evaluation.

- Do not include sick leave days in the "active pay status" category when calculating an employee's overtime eligibility.

In order for sick leave management to be effective, all administrators should complete initial and on-going training to ensure complete understanding of the policies and consistent implementation of such policies.

Benefits Administration:

F3.34 The administration of benefits for MCSD is handled by a clerk within the treasurer's office. The clerk is responsible for distributing and explaining benefit packets to new employees, processing enrollment changes, reconciling carrier coverage records and ensuring payroll deductions are processed properly. In addition, the clerk is also responsible for the administration of health, dental and life insurance claims as well as processing workers' compensation claims.

F3.35 MCSD belongs to the Stark County Schools Council of Governments (COG) which is a consortium composed of approximately 30 city and local school districts, universities and educational service centers. The primary purpose of the COG is to provide medical and dental benefits to districts at lower rates than if they acted independently. On an annual basis, the consortium reviews all medical plans and contracts with those providers meeting the COG's requirements at the lowest price.

Through the consortium, MCSD offers four health care plans, Aultcare (a PPO plan), DirectCare America (a PPO plan), SuperMed Plus (a PPO plan) and Medical Mutual (a traditional plan). Because of the consortium, the premiums for the PPO and the traditional plans are exactly the same. However, to discourage employees from enrolling in the traditional plan, the level of coverage offered through the traditional plan is not as extensive as the PPO options. See **Table 3.33** for a comparison of the coverages provided by the various plans.

In order to become a member of the COG, districts are required to offer all four medical plans at the coverage levels negotiated by the COG. Additionally, member districts are also required to adopt standard contract language addressing the COG's role in administering the district's insurance benefits.

F3.36 **Table 3-31** summarizes the number of hours the different classifications of employees are required to work in order to receive board paid benefits. With the exception of transportation employees, the board pays 100 percent of the medical premium costs for all employees. Additionally, with the exception of transportation and custodial employees, the board pays 100 percent of the dental premium costs for all employees. The district does not offer benefits to employees working less than the required number of hours.

Table 3-31: Summary of Eligibility Requirements for Benefits

Employee Classification	Number of Hours Required to Qualify for Full-Time Benefits	Level of Board Paid Medical Benefits	FY 1998-99 Average Number of Medical Enrollments	Level of Board Paid Dental Benefits	FY 1998-99 Average Number of Dental Enrollments
Certificated	7 hrs. per day	100% Single or Family	61 Single 225 Family	100% Single or Family	63 Single 226 Family
Custodial and Maintenance	7 hrs. per day	100% Single or Family	15 Single 29 Family	100% Single Employee pays difference for family coverage	28 Single 15 Family
Transportation	4 hrs. per day or a regular run	75% Single Employee pays difference for family coverage	9 Single 5 Family	100% Single Employee pays difference for family coverage	7 Single 7 Family
Secretaries, Clerks, Health, Speech, Guidance, Psychologists, Social Services & Aides	7 hrs. per day	100% Single or Family	5 Single 42 Family	100% Single or Family	7 Single 40 Family
Principals, Administration & Others	7 hrs. per day	100% Single or Family	25 Single 48 Family	100% Single or Family	35 Single 39 Family

Source: contractual agreements and monthly insurance invoices

C3.8 MCSD has implemented effective practices designed to reduce the cost of providing employees with insurance benefits. These practices are summarized as follows:

- The district does not offer insurance benefits to part-time employees

- The district requires transportation employees to contribute 25 percent of the premium costs for single medical coverage. Furthermore, for those transportation employees wishing to receive family medical and dental coverages, the district requires contributions equaling the difference between the premium costs for the single and family plans.

- The district requires custodial and maintenance employees wishing to receive family dental coverage to contribute the difference between the premium costs for the single and family plans.

F3.37 A report on the *Cost of Health Insurance in Ohio's Public Sector* was completed by SERB. Based on the 1998 study, approximately 60 percent of the responding employers required their employees to pay a portion of the cost of a family premium. Forty-six percent required their employees to share the cost for the single plan. The average monthly employee contribution is $21.44 for single and $61.72 for family. These rates amount to 11.7 percent of the cost of a single plan and 13.1 percent of the monthly family premium. Other findings from the study include the following:

- Estimated cost of medical and other health care benefits will average $5,376 per covered employee in 1998.
- Monthly medical insurance premiums currently average $184.09 for single coverage and $469.17 for a family plan.
- Average total monthly cost of employee health care benefits stands at $223.92 and $536.43 for single and family coverage, respectively.
- Approximately 87 percent of public employers offer some level of dental coverage, 50 percent provide a vision plan and 93 percent offer life insurance.
- Dental coverage costs an average of $26.59 a month for single and $47.16 a month for family. The cost of optical insurance averages $7.40 for single and $13.03 for family coverage.
- Twenty-nine percent of employers offer insurance coverage through an HMO. Forty-three percent contract at least some health services through a provider network.

F3.38 **Table 3-32** provides selected health care information for MCSD and the peers. MCSD does not require employee contributions toward either the single or the family medical premiums. While Alliance City Schools also belongs to the COG insurance consortium, they differ from MCSD in that they require employee contributions of five percent for single and ten percent for family coverage. Both Barberton and Mansfield are self-insured.

Table 3-32: Hospitalization

School	Provider(s)	Monthly Premium For Single Plan	Presc. Plan Included?	Full-Time Emp. Share	Monthly Premium For Family	Presc. Plan Included?	Full-Time Emp. Share	FY 1998-99 Avg. Enrollment per Plan	Self Insured
Massillon	Aultcare (PPO) DirectCareAmerica(PPO) SuperMed Plus (PPO) Mutual Health (Trad.)	$184.91 $184.91 $184.91 $184.91	Yes Yes Yes Yes	$0.00 $0.00 $0.00 $0.00	$449.19 $449.19 $449.19 $449.19	Yes Yes Yes Yes	$0.00 $0.00 $0.00 $0.00	27/91 70/208 8/15 10/35	no no no no
Alliance	Council of Governments (same plans as Massillon)	$184.91	Yes	$10.00	$449.19	Yes	$44.92	114/275	no
Barberton	Klais Health Network	$163.61	No/ $24.12	$0	$404.85	No/ $61.06	$0	115/390	yes
Mansfield	Professional Benefits Administrators	$127.66	No/ $61.68	$15.42	$319.68	No/ $61.68	$15.42	177/571	yes

Source: Schedule of benefits

[1] Through the Stark County Schools Council of Governments insurance consortium, MCSD and Alliance Schools offer four medical plans with prescription coverage included at the same premiums.

In comparison to the SERB study, the cost of MCSD’s single medical plan ($184.91 a month) is approximately equal to the SERB’s reported average monthly medical premium cost of $184.09. The cost of MCSD’s family medical plan ($449.19 a month) is less than SERB’s reported average monthly medical premium cost of $469.17. Furthermore, MCSD does not require employee contributions towards premium costs whereas the SERB report indicated that 46 percent of employers require employee contributions towards single insurance coverage and 60 percent require employee contributions towards family insurance coverage.

F3.39 **Table 3-33** compares certain features which should be considered when comparing benefits to costs when choosing a medical plan.

Table 3-33: Key Medical Plan Benefits

	Massillon Aultcare (PPO) DirectCare America (PPO) SuperMed Plus (PPO) Mutual Health (Traditional)	**Alliance** Aultcare (PPO) DirectCare America (PPO) SuperMed Plus (PPO) Mutual Health (Traditional)	**Barberton** Klais Health Network	**Mansfield** Professional Benefits Administrators
Office Visits	90% 90% 90% 80%	90% 90% 90% 80%	80%	85% / 15% if PPO panel physician 80% / 20% if non-panel physician
Employee Annual Deductible	$100 (S) $200 (F) $100 (S) $200 (F) $100 (S) $200 (F) $100 (S) $200 (F)	$100 (S) $200 (F) $100 (S) $200 (F) $100 (S) $200 (F) $100 (S) $200 (F)	$150 (S) $450 (F)	$200 S/ $400 F (Teachers & Classified) $200 S / $500 F (Admin.) $175 S/ $350 F (Support)
Prescription Plan Included?	Yes Yes Yes Yes	Yes Yes Yes Yes	No	No
Need to Choose Primary Physician	Yes Yes Yes No	Yes Yes Yes No	Yes	No
Maternity	90% 90% 90% 80%	90% 90% 90% 80%	80%	80%
Well Child Care	90% 90% 90% $500 max	90% 90% 90% $500 max	$500 max	100%
Inpatient Hospital Care	90% 90% 90% - 120 days max 80% - 120 days max	90% 90% 90% 120 days max 80% 120 days max	80% - 60 day max	85% / 15% if PPO panel physician 80% / 20% if non-panel physician

Source: Schedule of benefits

An analysis of MCSD's medical plans indicates that although the premium costs of the three PPO plans and the traditional plan are the same, the PPO plans offer more comprehensive coverage levels. For example, for office visits and maternity care, the district's PPO plans cover 90 percent of the cost whereas the traditional plan only covers 80 percent. Additionally, for well child care, the PPO plans cover 90 percent of the costs whereas the traditional plan establishes a $500 maximum. In comparison to the peers, **Table 3-33** indicates that the insurance benefits and levels of coverages MCSD receives through the COG appear to be superior to those offered by Barberton and Mansfield.

F3.40 MCSD pays the entire dental premium for single and family coverage for certificated, administrative, aides and clerical employees. For operations, maintenance and transportation employees, the board pays single coverage and allows those employee wishing to have family coverage to contribute the difference in premium costs. **Table 3-34** shows the average premiums paid for both single and family dental plans. Only Mansfield City Schools requires contributions for both single and family coverage.

Table 3-34: Dental Insurance

School	Provider(s)	Monthly Premium For Single Plan	Full-Time Emp. Share	Monthly Premium For Family	Full-Time Emp. Share	Number Enrolled: Single/Family	Self-Insured
Massillon	Mutual Health	$23.48	$0.00	$57.92	$0.00 - Certified, Administrative, Aides & Clerical Employees $34.44 - Operations, Maintenance & Transportation Employees	140/327	no
Alliance	Mutual Health	$23.48	$0.00	$57.92	$0.00	96/318	no
Barberton	Klais Health Network	$15.14	$0.00	$61.06	$0.00	115/390	yes
Mansfield	Professional Benefits Administrators	$35.16	$17.58	$35.16	$17.58	729 Total	yes

Source: Schedule of benefits

F3.41 **Table 3-35** indicates that MCSD's fringe benefit expenditures for certificated and classified personnel are the highest among the peers districts and higher than the peer and state averages.

Table 3-35: Fringe Benefit Expenditures as a Percentage of Total Operating Expenses

Expenditure Breakdown	Massillon	Alliance	Barberton	Mansfield	Peer Average	State Average
Certificated Benefits	14.0%	12.0%	12.0%	13.0%	12.8%	13.0%
Classified Benefits	5.0%	3.0%	4.0%	5.0%	4.3%	4.2%

Source: FY 1997-98 EMIS profile

Table 3-36 presents the average yearly total cost for certain benefits for FY 1998-99 for all peer districts. Although MCSD's annual cost per employee ($5,245) is lower than the annual cost of health care ($5,376) per covered employee as estimated in the SERB report in 1998, the district's cost per employee ($5,245) is the highest among the peer districts. Factors contributing to MCSD's high annual insurance costs reported in **Tables 3-35** and **3-36** include the following:

- Full-time employees are not required to contribute towards the monthly premiums for medical insurance. Additionally, only some employees are required to contribute towards the family dental plans. (**F3.36**)
- Barberton and Mansfield City School Districts are both self-insured and offer less extensive medical coverages. (**F3.38** & **F3.39**)
- Barberton and Mansfield City Schools require their employees to pay significantly higher annual deductibles. (**F3.39**)

Table 3-36: Yearly Total of All Insurance Costs for FY 1998-99

School	Health Care Costs	Dental Costs	Prescription Costs	Life Insurance Costs	Totals	Annual Health and Dental Insurance Cost per Employee [1]	Annual Health, Dental and Life Insurance Cost per Employee
Massillon	$2,130,677	$260,722	n/a [2]	$45,496	$2,436,895	$5,150	$5,245
Alliance	n/a [3]	n/a [3]	n/a [3]	n/a [3]	n/a [3]	n/a [3]	n/a [3]
Barberton	$1,537,038	$193,418	$370,453	$22,515	$2,123,424	$4,160	$4,205
Mansfield	$2,581,865	$330,504	$511,070	$44,363	$3,467,802	$4,670	$4,721

Source: Treasurer's office
[1] Does not include life insurance costs
[2] Included in health care premiums
[3] no amount reported

R3.6 **Table 3-37** displays the results of a survey of the other school districts and agencies belonging to the COG to see how many required employee contributions towards premium costs. In summary, of the 21 districts and agencies surveyed, 14 indicated that they require their employees to contribute toward the monthly premium costs. Furthermore, the level of contributions ranged from one percent for single and family (Cloverleaf Local) to 20 percent for single and family (Summit County Educational Service Center).

Table 3-37: Contributions Required by Other Districts/Agencies

District/Agency	Contributions Towards Medical Premiums	District/Agency	Contributions Towards Medical Premiums	District/Agency	Contributions Towards Medical Premiums
Alliance City	5% S / 10% F	**Malone College**	10% S/10% F	**Perry Local**	10% S/ 10 % F
Canton City	No	**Marlington Local**	No	**Plain Local**	11% S / 11% F
Claymont City	No	**Medina ESC**	10% S / 10% F	**Ravenna City**	5% S / 5% F
Cloverleaf Local	1% S / 1% F	**Mogadore Local**	20% S / 10 % F	**Sandy Valley Local**	10% S / 10% F
Fairless Local	5% S / 5% F	**Nordonia Hills City**	24% S / 10% F	**Stark State College**	No
Jackson Local	No	**North Canton City**	No	**Summit ESC**	20% S / 20% F
Lake Local	11% S /4.5% F	**Osnaburg Local**	No	**Tuslaw Local**	5% S / 5% F

Source: Survey of school districts belonging to Stark County Council of Governments
Note: ESC = Educational Service Center

In order to reduce the cost of insurance benefits to the district, MCSD should consider requiring full-time employees to contribute towards the monthly premium costs. If MCSD were to require similar contribution percentages as the other districts and agencies in the COG, the overall insurance expenses would be reduced as shown in **Table 3-38**.

Table 3-38: Annual Savings Resulting from Increased Employee Contributions for Insurance

	Annual Savings Calculated at			
	5%	**10%**	**15%**	**20%**
Medical Plan - Single	$12,759	$25,518	$38,276	$51,035
Medical Plan - Family	$94,060	$188,121	$282,181	$376,242
Dental Plan - Single	$1,972	$3,945	$5,917	$7,889
Dental Plan - Family	$2,268	$13,632	$24,996	$36,360
Total Annual Savings	**$111,059**	**$231,216**	**$351,370**	**$471,526**

Financial Implication: Increasing contributions to the rate of five percent used by Fairless Local Schools would save MCSD approximately $111,000 annually. Increasing the contributions to the rate of 10 percent used by Malone College would save MCSD approximately $231,000 annually. Increasing contributions to 15 percent would save MCSD approximately $351,000 annually. Furthermore, increasing the contributions to the rate of 20 percent used by the Summit County ESC would save MCSD approximately $472,000 annually.

Workers' Compensation:

F3.42 Ohio employers who are substantially similar can apply for group workers' compensation coverage and potentially achieve lower premium rates than they could individually. MCSD has participated in a Stark County group experience rating plan for the past three years and based on its claims history, the district should be able to maintain its group status for the next several years. **Table 3-39** illustrates workers' compensation benefits for MCSD and the peer districts for 1998. MCSD had an experience modifier of .50 and a premium cost per employee of $199 both of which are the lowest among the peers. Additionally, MCSD had the second lowest number of claims per employee.

Table 3-39: Peer District Comparison of Workers' Compensation Benefits for FY 1998

District	Total Employees	# Medical Claims Allowed	# Lost Time Claims Allowed	Claims/ Employee	Premium	Premium Cost/ Employee	Experience Modifier Status	Retro Rating
Massillon	516.9	8	5	0.025	$102,780	$199	.50	No
Alliance	474.6	8	3	0.023	$94,412	$199	.53	No
Barberton	537.2	13	2	0.028	$113,132	$211	.53	No
Mansfield	829.1	22	4	0.031	$345,031	$416	1.32	No
Peer Average	589.5	12.8	3.5	0.027	$163,839	$256	.72	n/a

Source: Bureau of Workers' Compensation and total employees provided by EMIS 1997-98 district profiles

F3.43 Although MCSD's medical claims have steadily decreased during the past four years, its lost-time claims have increased slightly during the same time period. Lost-time claims are defined as the number of workers' compensation claims exceeding eight days. Generally, these types of claims are the most taxing on the system and have a greater effect on the experience modifier (EM) and premium costs. The EM status is based upon factors such as the total number of claims in any previous time period, the severity of those claims and the extent to which lost time claims went into effect.

Table 3-40 indicates that with the exception of 1999, as MCSD's total number of medical and lost time claims has decreased, the EM and premium costs have changed accordingly. The increase in MCSD's EM that occurred in 1999 can partially be attributed to the increase in lost time claims.

Table 3-40: Approximate Number of Claims

	# Medical Claims Allowed	# Lost Time Claims Allowed	Experience Premium Costs	Experience Modifier
1996 [1]	14	4	$129,862	.58
1997	10	4	$113,698	.51
1998	8	5	$102,780	.50
1999	5	6	not available	.54

Source: Bureau of Workers' Compensation
[1] In 1998, MCSD received a rebate of $180,332 which is not reflected in the table above

C3.9 Based on the peer comparison of experience modifiers and premium costs per employee as well as the four-year claim history, it appears the district is effectively managing its workers' compensation program. This is important because workers compensation can represent a significant cost to districts if not properly managed.

Contractual Issues:

Certain contractual issues which have been assessed and compared to the peer districts are illustrated in the following pages. Because contractual issues directly affect the district's operating budget, many of the contractual issues have also been assessed to show the financial implication to the district. The implementation of any of the following contractual recommendations would require union negotiations.

The district has four collective bargaining units consisting of the Massillon Education Association (teachers), the Association of Group Teachers (special education teachers and remedial specialists), the Ohio Association of Public School Employees Local 114 (custodians, maintenance, food service, transportation and curriculum support staff) and the Ohio Association of Public School Employees Local 148 (secretaries). All four unions have negotiated agreements which are set to expire on December 31, 1999. This report focuses primarily on the agreements adopted between the district and the Massillon Education Association (MEA) and the Ohio Association of Public School Employees Local 114 (OAPSE).

MEA - Contractual Issues:

F3.44 **Table 3-41** compares some key MEA contractual issues between MCSD and the peer districts.

Table 3-41: MEA Contractual Issues

MEA Article	Description	Massillon	Alliance	Barberton	Mansfield
Articles 11.021 11.022	Length of Work Day	Nothing stated in contract, practice is Elementary: 7 hours/5 minutes Middle School: 7 hours/15 minutes High School: 7 hours/30 minutes	Grades K-12: 7 hours/30 minutes	Elementary: 7 hours/ 15 minutes Secondary Schools: 7 hours/ 15 minutes	Grades K-12: 7 hours/30 minutes
Article 25.01	Maximum Class Size	Grades K-2: 28 students Grades 3-5: 30 students	n/a [1]	Elementary: 30 students Secondary Schools: 30 students	Maintain a ratio that is fiscally feasible ideally around 25:1
Article 11.011	# Contract days # of Instructional Days # of In-service Days # Parent-Teacher Conferences # of Report/Professional Days	184 180 1 1 2	185 179 2 1 3	187 179 4 1 3	183 178 2 2 1
Article 14.011	Maximum # of Sick Days Accrued	240 days	228 days	235 days	Hired before 1/1/96 - 255 days Hired after 1/1/96 - 190 days
	Sick leave incentives?	n/a [1]	yes, $300 bonus for teacher's using no sick or personal days	n/a [1]	n/a [1]
Article 17.051	Maximum # of sick days paid out at retirement/ % of payout.	25% up to a maximum of 160 days and 25% of all days in excess of 200 days for a maximum payout of 50 days	Severance Pay calculated according to following formula: .6%* salary*47 days*accumulated days (max 120) / 120 which equates to a maximum payout of 47 days	25% of accumulated sick leave up to a maximum payout of 46 days	22% of accumulated sick leave or 25% of accumulated sick leave for those retiring by 9/01/01 for a maximum payout of 64 days
Article 17.051	# of years required for severance pay	Eligibility requirements under STRS plus 10 yrs. of service with MCSD	Eligibility requirements under STRS	Eligibility requirements under STRS	Eligibility requirements under STRS
Article 14.021	# of Personal Days, Notice required?	3 days, notice of one week required except in cases of emergencies	3 days, written request submitted to superintendent five days in advance	2 days, notice of one day required except in cases of emergencies	3 days, written request submitted three days in advance

MEA Article	Description	Massillon	Alliance	Barberton	Mansfield
Articles 14.031 & 14.041	# of other leave days	1 to 2 years without pay for illnesses, disabilities and parental leave	1 to 2 years without pay for illnesses, disabilities and parental leave	1 to 2 years without pay for illnesses, disabilities and parental leave	2 to 4 years without pay for illnesses, disabilities and parental leave
Article 14.061	Sabbatical/Professional leave; Requirement to return? Compensated?	Yes n/a [1] n/a [1]	Yes n/a [1] n/a [1]	Yes The board may require the teacher to return for a period of at least one year Teachers salary equals the difference between teacher/substitute salary	Yes Must be employed by district five continuous years as well as agree to return for at least one year in order to receive difference of teacher/sub salary
Article 19.032	# of days to file grievance	30 days	30 days	15 days	25 days
Articles 17.011 17.012 17.013	Cost of Living Increase per each year of contract	1/97 - 0.0% 1/98 - 0.0% 1/99 - 3.0%	7/97 - 2.0% 1/98 - 2.0% 7/98 - 2.0% 7/99 - 2.0%	7/97 - 3.0% 7/98 - 3.0% 7/99 - 3.0%	3/99 - 3.5% 1/00 - 3.0% 1/01 - 3.0%
Article 27.01	Past Practice Clause	no	n/a [1]	no	n/a [1]

Source: Teacher Contracts
[1] n/a - nothing stated in contract

F3.45 The MEA agreement specifies a total of 184 contract days. Of the 184 days, 180 are classified as instructional days, two are classified as report days, one is classified as an in-service day and two half-days (the equivalent of one day) are classified as parent-teacher conference days. In comparison to the peers, MCSD's teachers are contracted for the most instructional days and are given the least amount of report days, in-service days and parent-teacher conference days.

C3.10 The provision within the MEA agreement establishing the teachers' annual contract at 184 days provides the opportunity for additional days which the district is utilizing to increase teacher instructional time. Additionally, 180 instructional days is greater than all the peers as well as ORC requirements (178 days).

F3.46 Full-time teachers are granted three days of non-accumulative personal leave per year. Use of personal leave is subject to the approval of the superintendent and application is required to be made at least one week in advance except in cases of emergency. Furthermore, personal leave for a day immediately preceding or following a holiday or vacation period will only be granted if the use is for an emergency or other such situation approved by the superintendent.

C3.11 To use personal leave, the district requires an advance notice of one week, which is the longest period in comparison to the peers. This provides the district with sufficient time to locate substitutes and adjust the teacher's lesson plans in order to minimize the interruption in the flow of curriculum. Additionally, not allowing the use of personal days immediately preceding or following a holiday period helps reduce substitute costs.

F3.47 MCSD provides seven delegates two days each of release time to conduct association business such as grievance hearings and other matters. However, the MEA does not compensate the district for the attending members' salaries during this time nor do they reimburse the district the cost of providing substitutes. In covering for association leave days in FY 1998-99, the superintendent indicated that the district paid substitute costs for a total of approximately 12 teaching days. Although the contract allows for a maximum substitute exposure of 14 days, the MEA president currently functions as a guidance counselor and therefore, no substitute is needed when this individual performs association business.

In addition, the contract also stipulates that the MEA president will be excused to attend professional meetings or conferences for up to an additional eight days per school year. The MEA does not reimburse the district for this individual's salary and if the president were a teacher, the MEA would not reimburse the district the cost of providing a substitute for the eight additional days.

R3.7 At a minimum, MCSD should require the MEA to reimburse the district for the cost of providing substitute teachers to cover for the association president (if a teacher in the future) and the designees when on association leave. Additionally, MCSD should consider negotiating a provision by which the MEA is responsible for providing for the president's and the designee's salaries and benefits when on association leave.

Financial Implication: Assuming the district is required to provide substitutes for twelve days a year, requiring the MEA to pay this cost would save approximately $540 annually. However, if in the future, a teacher becomes the MEA president, the savings would grow to approximately $1,000 annually. Additionally, if MCSD required the MEA to also pay the daily salaries of those members using association leave, the district could save an additional estimated amount of $5,000 annually (assuming 184 contract days and average teacher salaries of $37,480 and average guidance counselor salaries of $46,581).

F3.48 The MEA contract indicates that in filling vacancies and administering the teacher transfer process, rather than basing decisions strictly on seniority, the administration shall consider areas of certification, experience in the area to be filled, performance evaluations, educational background and training, needs of the school district, seniority and other factors the superintendent deems important.

C3.12 By not basing vacancy and teacher transfer decisions strictly on seniority, the district is attempting to place the most qualified candidates in positions in which not only will they succeed, but the students will also receive the maximum benefit.

F3.49 The MEA and OAPSE contracts contain language which precludes management from implementing reductions in force (RIF) without first offering an early retirement incentive through STRS and SERS. The contract further indicates that the district is required to offer the ERI for a minimum of two years.

As indicated in **F3.2**, in an effort to reduce operating costs, the district offered a three-year ERI from FY 1995-96 through FY 1997-98 which resulted in a net savings of approximately 26 positions or approximately $1.1 million. From FY 1998-99 through FY 2000-01, the district is offering a second ERI which to date, has resulted in a net reduction of 13 positions. The superintendent estimated that the second ERI will cost the district a total of $1.7 million and will ultimately generate savings in excess of this cost ($1.7 million) of approximately $1.5 million.

R3.8 The district should negotiate to remove the provision disallowing RIFs without first offering an ERI from future agreements. Although ERIs may generate savings for districts, they oftentimes require significant cash outlays at times when districts can least afford them. This is evidenced by the fact that while the district is in fiscal emergency, to reduce its current staff, MCSD must incur additional costs of approximately $1.7 million. However, had the ERI provision not been included in the MEA and OAPSE agreements, management could have implemented a RIF and reduced staffing to the current levels at a significantly lower cost. Additionally, to save money through ERIs, the district is forced to not replace employees for long periods of time (MSCD is three years). In contrast, a RIF allows management the flexibility to reinstate employees as soon as the district achieves financial stability or as other factors such as enrollment and building needs dictate.

F3.50 MCSD establishes a fund of $10,000 to provide reimbursement to teachers for the tuition costs of college courses and/or CEU courses approved in advance by the superintendent. The maximum rate of reimbursement for courses is $60.00 per semester hour provided a grade of “B” or better is earned from an accredited institution and the teacher has been employed by MCSD at least three years and agrees to return for a minimum of one year.

C3.13 The initiation of a tuition reimbursement program for certificated staff encourages continued growth and development of employees and benefits the district by pro-actively advancing educational goals and technological skills. In addition, establishing requirements such as advance approval of course work, minimum periods of employment and the attainment of a specific grade level enhances employee accountability and focus toward the purpose of the tuition reimbursement program which is educational growth.

R3.9 MCSD supports and encourages staff development through its tuition reimbursement program. However, the district should work to ensure that the college credit courses taken by the certificated staff are linked with the certificate/license renewal process.

F3.51 Both the MEA and OAPSE contracts indicate that the grievance procedure begins with an informal step in which the member of the bargaining unit discusses the matter with the principal or immediate supervisor in an effort to resolve the problem. If the grievant is not satisfied with the results of the informal problem resolution efforts, then the grievant must file a formal written grievance within 30 days from the date the grievant knew or reasonably should have known of the event or condition giving rise to the grievance.

R3.10 In order to resolve grievance issues in a timely manner, the district should consider requiring all grievances to be filed within five to ten days of the act or condition which is the basis of the grievance. Establishing a maximum of five or ten days to file grievances precludes duplicate grievances from being filed as a result of an unresolved issue. Filing written grievances sooner should initiate prompt responses from all parties and should lead to more timely resolutions.

F3.52 Because the evaluation process and forms are defined in Exhibit C of the MEA agreement, management is precluded from modifying the process and updating the forms without first entering into negotiations. The inability to modify the evaluation process and forms to reflect MCSD's changing needs and requirements potentially limits the district's ability to effectively utilize the evaluation process as a tool for improvement.

R3.11 The district should negotiate to remove Exhibit C and other provisions addressing the evaluation process from the contract. This would provide management with greater flexibility in regards to the format and timeliness of evaluations.

F3.53 Severance pay is granted to MCSD employees who have completed 10 years of service and are eligible to retire under the State Teachers Retirement System (STRS) and all classified employees eligible to retire under the State Employees Retirement System (SERS). However, the union agreements do not specify a date when employees must notify the district that they intend to retire. This prevents the district from accurately identifying staffing needs for the following year.

C3.14 Requiring ten years of service ensures that the district is only liable for severance packages to employees who have served MCSD for an extended period. Considering the fact that most school employees can attain employment at other districts and transfer all leave balances, this provision helps limit MCSD's severance liability.

R3.12 In order to more accurately identify staffing needs for the following school year, MCSD should establish a policy that requires employees to notify the district by a board established date of their intentions to retire for the following school year. A possible option the district could consider would be to reduce the amount of severance pay if the employee does not notify the district by the established date.

F3.54 According to the MEA and OAPSE agreements, severance pay is calculated by multiplying the daily rate of the current contracts by one-fourth of the bargaining unit member's accumulated but unused sick leave at the time of retirement up to a maximum of 160 days. As a sick leave incentive, both contracts stipulate that employees can receive an additional 25 percent of all sick days in excess of 200 but less than 240. As a result, the maximum number of days MCSD can be liable for in terms of severance payout is 50.

R3.13 The payout of severance has a significant effect on the district's overall budget. To lessen the financial burden on the district, MCSD should consider renegotiating its severance policy to standards identified by ORC § 124.39 which provides for a payout of 25 percent of accrued but unused sick leave credit, upon retirement, up to 120 days (30 day payout), for persons with 10 or more years of service. The law permits districts to provide for more than 25 percent (but not less) and the number of years to be less than 10 (but not more).

Financial Implication: In accordance with the vesting method defined by GASB 16, it is assumed that all employees who currently have ten or more years of service with MCSD (district requirement to qualify for severance pay) will ultimately retire from the district and qualify for severance pay. Using this assumption along with current-year salaries, by renegotiating the provisions of the contracts to limit the severance payout to ORC standards, in terms of current-year dollars, MCSD could reduce its future severance liability by an estimated $300,000 to $400,000. However, because a renegotiated severance policy would only apply to newly hired employees, the district would not realize a financial benefit until such time the new employees are eligible for retirement.

OAPSE - Contractual Issues:

F3.55 **Table 3-42** compares some key classified contractual issues between MCSD and the peer districts.

Table 3-42: OAPSE LOCAL 114 (Classified) Contractual Issues

OAPSE Article	Description	Massillon	Alliance	Barberton	Mansfield
	Evaluations required?	n/a [1]	n/a [1]	yes - annually	n/a [1]
Article .810	Minimum call in hours paid to employees for emergencies? (Custodians)	2 hours	2 hours	3 hours	2 hours
Article .520	Vacation time to accumulate	1 year: 10 days 7 years: 15 days 13 years: 20 days 19 years: 21 days 20 years +: one additional day for each year of service to a max of 26 days	1 year: 10 days 7 years: 15 days 15 years +: 20 days	1 year: 10 days 6 years: 15 days 10 years: 20 days 16 years: 25 days 22 years +: 30 days	1 year: 10 days 7 years: 15 days 13 years: 20 days 19 years +: 25 days
	Sick leave incentive?	n/a [1]	yes	yes	n/a [1]
Article .532	Maximum # of sick days to accumulate	240 days	230 days	205 days - 9 month employees 220 days - 12 month employees	255 days for employees hired before 9/1/93 180 days for employees hired after 9/1/93
Article .537	Max # of sick days paid out at retirement/ % of payout.	25% up to a maximum of 160 days and 25% of all days in excess of 200 days	Severance Pay calculated according to following formula: .6%* salary*49 days*accumulated days (max 120) / 120	25% up to a maximum of 46 days	25% of accumulated balance for a maximum payout of 40 days
Article .534	# of Personal Days, Notice required?	3 days Applications for leave will be made in advance	3 days written request submitted to superintendent five days in advance	3 days Must obtain approval beforehand from superintendent or designee	3 days written request submitted to superintendent 3 days in advance
Article .500	# of Holidays Paid-12 month employees # of Holidays Paid- Less than 12 month employees	13 paid holidays 10 paid holidays	12 paid holidays 9 paid holidays	14 paid holidays 12 paid holidays	12 paid holidays 11 paid holidays In addition, secretaries also receive 5.5 days paid during the winter and spring recesses.
Article .420	# of days to file a grievance	30 days	20 days	10 days	10 days
	Labor-Management Committee	n/a [1]	n/a [1]	n/a [1]	yes

OAPSE Article	Description	Massillon	Alliance	Barberton	Mansfield
Article .860	Cost of Living Increase per each year of contract	1/97: 2.0% 1/98: 0.0% 1/99: 2.45%	7/99: 4.0% 7/00: 3.0% 7/01: 3.0%	1/99: 3.0% 1/00: 3.0% 1/01: 3.0%	9/99:3.5% 9/00:3.0% 9/01:3.0%

Source: BEC/OEA/NEA Contract
[1] n/a - Nothing stated in contract

F3.56 The OAPSE contract establishes a probationary period of 60 days to allow the board to determine the fitness and adaptability of any new employee it may hire to complete the work required. Discharge or layoff for any reason during this probationary period is not subject to the established grievance procedures.

R3.14 A probationary period allows management to determine whether a newly hired employee conforms to the requirements of the position and permits release of that employee. MCSD should consider extending the probationary period. A performance audit conducted on Middletown-Monroe City School District indicates that they have successfully negotiated with the classified staff to establish a probationary period of 180 days. By extending its probationary period to a time frame similar to the Middletown-Monroe City School District, MCSD would have additional time to assess the potential employee and enhance the ability of the board to employ qualified, dedicated and hard-working personnel.

F3.57 In filling all vacancies and newly created positions, the contract indicates that positions will be awarded to the applicant with the greatest departmental seniority insofar as is practicable and consistent with the proper ability to perform the services required.

R3.15 The district should either consider removing or further defining this provision from future contracts. Seniority should not be the primary factor in determining an employee's ability to meet the demands of a position. Additional factors should be given additional consideration such as past job performance, past evaluations, applicable training, attendance record and the needs of the school district. By awarding positions based strictly on seniority, MCSD may not necessarily be using the most qualified applicant to meet the district's needs.

F3.58 As indicated in **Table 3-42**, the district provides all-12 month classified employees with 13 paid holidays during the year. In contrast, Alliance and Mansfield City Schools each provide their 12-month classified employees with 12 paid holidays. The additional holiday which MCSD provides its employees is a paid picnic day occurring in July or August.

R3.16 The number of paid holidays provided to 12-month classified employees should be reconsidered in future negotiations. More specifically, MCSD should consider eliminating the paid picnic day.

Financial Implication: By eliminating the paid picnic day, MCSD could achieve an annual cost savings of between $4,000 and $5,000 depending on the exact number of employees within each classification entitled to the holiday.

F3.59 According to the OAPSE agreements, classified sick leave accumulates at a rate of 1 1/4 days per month of service amounting to 15 days for all employees who work nine months or more per calendar year. This indicates that for job classifications which typically consist of nine-month employees such as transportation, food service and some clerical, sick leave is being accrued during the summer months despite the fact that the employees are not working. Under the requirements identified by ORC §124.38, city school districts are only obligated to credit an employee with 4.6 hours of sick leave for every 80 hours of service actually completed. Based on the minimum standards identified by ORC, MCSD could potentially reduce its operating costs by revising the policy of granting nine-month employees sick leave during the summer months.

R3.17 Because of the current financial difficulties as well as the potential abuse of sick leave among transportation and food service employees (See **Table 3-29**), MCSD should consider reducing its sick leave accrual rates for nine-month classified employees to ORC requirements. Implementing this recommendation would not only save the district money associated with absent employee salaries, but because nine-month employees will not have as many paid sick days, it should also aid in reducing the number of sick days taken and as a result, lower the district's substitute costs.

Financial Implication: If MCSD reduced its sick leave accrual rate to ORC standards, the district could save a minimum of approximately $28,000 annually. However, the actual savings should be greater because this figure was calculated assuming that all employees within the transportation, food service and clerical classifications are working eight hours per day and therefore, accruing 4.6 hours of sick leave every two weeks for nine-months a year. In actuality, many employees within the transportation and food service classifications work less than eight hours per day and as a result, would accrue a significantly lower amount of sick leave per year.

F3.60 The OAPSE contract stipulates classified employees receive three personal days per year and the use of personal leave is subject to approval by the personal leave committee. The personal leave committee consists of the administrative assistant and two classified employees. Having more classified employees than administrators on the committee appears to negate the board of education's right to effectively manage the work force as detailed in the OAPSE agreement.

R3.18 In order to enable management to effectively manage the use of personal leave, the district should consider either eliminating the personal leave committee or change the committee to include two administrators and one classified employee representative.

F3.61 The Fair Labor Standards Act (FLSA) sets forth the minimum wage that must be paid to employees covered by the act. In addition, it requires a premium wage (overtime) to be paid for hours worked in excess of forty during a given work week. These requirements are also reflected in Ohio law. For non-teaching employees that are covered under the FLSA, the school district is only required to pay overtime for actual hours worked in excess of forty per week. In determining the total hours worked, the school district is not required to include personal leave, professional leave, compensatory leave or vacation leave used. However, MCSD currently provides more than is required by the FLSA. Specifically, the district pays overtime for hours worked in excess of eight hours per day even if the employee works less than forty total hours per week. Additionally, the district includes holidays, vacation, paid sick leave, personal days and any other time spent in active pay status when calculating the hours worked for overtime pay. Providing overtime provisions which are more generous than those outlined in FLSA and Ohio law is a costly practice for the district.

R3.19 The district should review its current overtime policy and consider negotiating it to be more in line with the guidelines set forth by the FLSA and Ohio law. Furthermore, the district should consider limiting leaves that are included in the "active pay status" category when calculating overtime to include vacation, holidays and bereavement.

F3.62 The OAPSE agreement states the work day for classified employees is eight and one-half hours with one-half hour unpaid time off for lunch. In contrast, many school districts only require classified employees to work seven hours per day.

C3.15 Requiring classified employees to work eight hours per day enables the district to effectively and efficiently manage staffing levels and ultimately increase productivity. Additionally, although **Table 3-12** indicates that MCSD pays its classified employees a higher average annual salary than the peers, these employees are also required to complete a longer work day.

F3.63 Currently, it is the district's practice to compensate employees for a minimum of two hours for all emergency call in situations. The employee is compensated for the full two hours regardless if less than two hours are actually worked. Additional compensation is provided for hours worked in excess of the minimum.

R3.20 Providing a minimum of two hours compensation for all emergency call in situations appears to be consistent with the peer districts. However, in order to further optimize the district's efficiency, the district should consider renegotiating the contract so that, if an employee is called in and paid for two hours of work, the employee is required to work the entire two hours.

F3.64 Ohio Revised Code Section 3317.01 allows the superintendent to declare up to five calamity days for teaching and non-essential employees. Calamity days are defined as days in which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the district. Any calamity days in excess of the five provided by the ORC must be made up by the district and teaching and non-essential employees are not provided with additional compensation. The ORC does not provide for calamity days for essential or 12 month employees. Currently, MCSD provides calamity day compensation for all employees. Classified staff required to work on a calamity day also receive compensatory time off at straight time.

R3.21 During FY 1998-99, MCSD experienced nine calamity days as a result of weather conditions. The district should establish a policy which defines essential employees including administrators, building custodians, assistant custodians, snow plow personnel, 12 month exempt employees and other personnel necessary to prepare the district for re-opening following a calamity day. Additionally, the district should discontinue the practice of granting compensatory time off for classified employees required to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- A compensatory day
- A sick leave day, if ill
- A vacation day
- A personal leave day
- A day without pay

Financial Implication: In FY 1998-99, MCSD had approximately 29 FTE custodians who were required to work nine calamity days and earned an average annual salary $26,620. Using this information, it cost the district approximately $3,000 to provide 29 custodians with one day of compensatory time. In 1998-99, it is estimated that it cost the district approximately $27,000 to provide 29 custodians with nine compensatory days. If MCSD ceased its practice of granting compensatory time off for custodians working on calamity days, the district would save approximately $3,000 for every calamity day declared. Assuming three calamity days per year, the district could save $9,000.

F3.65 The OAPSE agreement stipulates the following staffing requirements when the buildings are in use.

- A paid food service employee must be on duty whenever a cafeteria is used
- A paid fireman/custodian and/or a custodian must be on duty whenever a building is used by the public
- The paid staff, as needed, must be on duty whenever the cafeteria is used. The staff may volunteer their services when working in their own building.

- When multiple activities involving a large number of students are scheduled after hours, a custodian should be on duty with the approval of the administrative assistant.

The superintendent has indicated this clause often times requires the district to pay for two custodians for after school events even though it is not necessary.

R3.22 In order to reduce operating costs, MCSD should consider modifying the building use clause to eliminate language which stipulates the minimum number of employees who must be present when a building is used after school.

Financial Implications Summary

The following table summaries the total estimated savings from the above recommendations. MCSD should consider the potential educational effect certain of the recommendations might cause.

Recommendation	Estimated Annual Cost Savings	Cost Avoidance
R3.1 - Increase number of periods middle school teachers are required to teach	$390,000	
R3.2 - Reduce sick leave usage among certificated staff	$15,165 - $45,495	
R3.4 - Reduce sick leave usage among classified staff	$21,614 - $36,023	
R3.6 - Increase employee contributions towards health care premiums	$111,059 - $471,526	
R3.7 - Require MEA to reimburse the district for costs incurred to accommodate association leave	$540 - $5,000	
R3.13 - Achieve cost avoidance by implementing a reduced payout of sick leave for severance payments to certificated and classified staff		$300,000 - $400,000
R3.16 - Eliminate the paid picnic day for classified employees	$4,000 - $5,000	
R3.17 - Reduce sick leave accrual rate for nine-month classified employees to ORC standards	$28,000	
R3.21 - Discontinue practice of granting compensatory time to classified employees working on a calamity day	$9,000[1]	
Total	**$579,378 - $990,044**	**$300,000 - $400,000**

[1]Assumes three calamity days per year.

Conclusion Statement

Although the district is currently in fiscal emergency, it does not appear that this is because of issues concerning staffing. This is evidenced by the fact that since FY 1994-95, the district has used two ERIs to reduce staff by nearly six percent. Furthermore, in comparison to the peers, BSCD's total staffing per 1,000 students is significantly lower than the individual peers as well as the peer average. Additionally, in the areas of vocational and special education, MCSD's student-teacher ratios are approximately equal to the recommended standards and exceed the peer and county averages. In achieving these low staffing levels, it appears that MCSD has utilized a variety of effective management practices which include reducing the number of higher salaried teachers needed by increasing the use of monitors, adjusting staffing levels based on changes in enrollment and financial necessity, dedicating the majority of district's resources towards direct instructional personnel and requiring high school teachers to educate students six out of eight periods a day. However, because the district only requires middle school teachers to educate students five out of nine periods a day, if it becomes necessary because of financial constraints, MCSD could reduce the number of teachers at the middle school level by adopting a similar teaching schedule as the high school.

Approximately six percent of the total teaching days for FY 1998-99 were taught by a substitute teacher resulting in approximately $172,000 spent on substitutes. While MCSD's total teacher leave days of 10.3 is the lowest among the peers, the teachers averaged 7.3 sick days which is in excess of the Bureau of Labor Statistic's governmental worker average of 4.5 days. Classified employees averaged 9.1 sick days per person which is higher than the peer average of 7.9 days as well as the Bureau of Labor Statistic's governmental worker average of 4.5 days. More specifically, custodial/maintenance employees averaged 10.5 sick days, food service employees averaged 9.3 sick days and transportation employees averaged 15.6 sick days, all of which were the highest among the peers. Because of the significant amount of sick leave used by district employees, MCSD should aggressively manage and monitor the amount of sick leave taken. In addition to the increased substitute and overtime costs, excessive time off creates interruptions in the flow of work and may have an impact on the quality of education provided to students.

Despite belonging to the Stark County Council of Governments insurance consortium, in FY 1998-99, MCSD had the highest annual benefit cost per employee among the peer districts at $5,245. The higher costs can be attributed to MCSD not requiring its employees to contribute towards premium costs, the peers are self-insured and offer less comprehensive medical coverages and the peers require their employees to pay significantly higher annual deductibles. In a survey of other districts and government agencies belonging to the Stark County Council of Governments insurance consortium, 67 percent indicated that they require their employees to pay some medical premium costs with contributions ranging from one to 20 percent. Because of MCSD's financial difficulties, the district should begin requiring all full-time employees to contribute towards premium costs.

MCSD has negotiated collective bargaining agreements containing favorable provisions which provide management with flexibility to effectively manage the work force. The contracts establish the teachers' annual contract at 184 days while classified employees are required to work eight hours per day, a notice of one week is required to use personal leave, teacher transfer decisions are not based strictly on seniority and ten years of service within MCSD is required to be eligible for severance pay.

Provisions within the contracts which should be renegotiated include requiring the district to bear the costs of substitutes and salaries of union delegates who are on association leave, removing the provision which disallows the district from implementing a RIF without first offering an ERI, ceasing the practice of granting a paid picnic day for classified employees, reducing the number of sick days accumulated by less than 12 month classified employees to ORC standards, excluding sick leave from overtime calculations and reviewing the calamity day policy. Additionally, in comparison to ORC standards, MCSD has a generous severance policy which allows for a maximum payout of 50 days.

This page intentionally left blank.

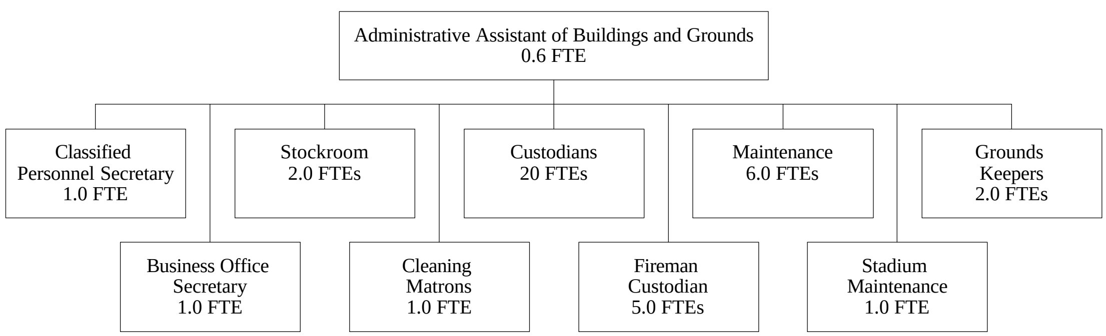
Facilities

Background

Organizational Chart

The building and grounds department is responsible for maintaining Massillon City School District's (MCSD) facilities. The administrative assistant of buildings and grounds is responsible for managing custodial and maintenance operations. The organizational structure and staffing levels of MCSD's operations are depicted in the following chart.

Chart 4-1: Building and Grounds Department



Organizational Function

The building and grounds department is responsible for the operation and upkeep of the district's buildings. The departmental functions and all department employees are managed by the administrative assistant of buildings and grounds. Custodial employees open and close the buildings, complete work orders and provide a clean and attractive environment for the individuals who use the facilities. Maintenance employees perform preventive maintenance tasks, respond to emergency work orders, and ensure that buildings are safe. Grounds employees complete general grounds work, such as mowing and trimming, and complete snow removal during the winter months. The stadium maintenance worker is responsible for maintenance of the stadium and transportation facility, as well as mowing and trimming the stadium grounds and preparing and maintaining the athletic fields.

Summary of Operations

The building and grounds department maintains 15 sites in the district: 10 schools, 1 stadium complex, 1 transportation facility, 1 administrative building, 1 adult basic education building and 1 stockroom. For purposes of this report, the stockroom and the transportation facility have been excluded from custodial square footage calculations as the custodians are not responsible for cleaning these areas.

The building and grounds department is managed by the administrative assistant of building and grounds. His responsibilities include managing custodial and maintenance operations; monitoring the custodial and maintenance budgets; scheduling and managing capital improvement projects; developing energy conservation measures and preventive maintenance programs; ordering materials and supplies; and resolving personnel matters. In addition, the administrative assistant of buildings and grounds serves as the district's discipline administrator which requires approximately 40 percent of his time.

MCSD assigns building and firemen custodians to specific areas in specific buildings, while the maintenance staff and grounds staff operates as mobile crews traveling from building to building. Building custodians open, clean and monitor the facilities; complete work orders and undertake other duties as assigned. On occasion, building custodians are also called on to perform light maintenance duties. The custodians are supervised by the administrative assistant of buildings and grounds and respond to requests from the building principals. The district employs four licensed firemen custodians who are responsible for boiler operation and are assigned to specific buildings.

The maintenance staff consist of six maintenance employees who are responsible for completing repairs and preventive maintenance tasks in the district's facilities. The grounds crew consists of two employees who maintain approximately 39 acres excluding the stadium complex. The stadium maintenance worker maintains the stadium, the surrounding grounds, and the transportation garage and its surrounding grounds.

MCSD also employs two stockroom clerks in the buildings and grounds department. The stockroom clerks maintain the district warehouse, unload delivery vehicles, pick up orders, and deliver supplies and food products to the schools. When day shift custodial employees are absent, one stockroom clerk serves as a substitute custodian during the regular eight hour shift. The district's stockroom clerks are not included in the further analyses of this report because they are not responsible for custodial or maintenance duties as a regular part of their assigned work.

Staffing

The buildings and grounds department consists of 41 people, which equates to 39.6 full-time equivalents (FTEs). The administrative group is made up of 5 employees which equates to 4.6 FTEs. The maintenance staff consists of nine full-time employees which includes two grounds keepers, six tradesmen and a stadium maintenance employee. The custodial staff consists of 26 people, including the two part time matrons. The staffing levels are shown in **Table 4-1**.

Table 4-1: Number of Budgeted Employees (FTEs) for FY 1998-99

Classification	Admin. Office	Mobile Crew	School Based	Total	Actual FTEs
Administrative assistant of building and grounds	1	-	-	1	.6
Secretary	2	-	-	2	2
Stockroom	2	-	-	2	2
Total Administration	**5**	**-**	**-**	**5**	**4.6**
Grounds Keepers	-	2	-	2	2
Stadium Maintenance	-	-	1	1	1
Maintenance	-	6	-	6	6
Total Maintenance and Grounds	**-**	**8**	**1**	**9**	**9**
Cleaning Matrons	2			2	1
Custodian	-	-	25	25	25
Total Custodial	**2**	**-**	**25**	**27**	**26**
Total	**7**	**8**	**26**	**41**	**39.6**

Source: Administrative assistant of buildings and grounds

Key Statistics

Key statistics related to the maintenance and operation of MCSD's facilities are presented in **Table 4-2**. In addition, results from the 1998 American Schools & Universities (AS&U) Maintenance & Operations Cost Study are included in the table and throughout this section. The AS&U study surveyed schools across the country to gather information about their staffing levels, expenditures, and salaries for maintenance and custodial operations. Overall, the AS&U study found that, "current attention being focused on the deteriorating condition of America's school facilities has put the spotlight on past practices that have contributed to the present dilemma. Although poor design and construction decisions made in the 1960's and early 1970's by many school districts that wanted to get buildings up 'fast and cheap' to meet burgeoning enrollments are the primary culprit, decades of deferred maintenance, insufficient building upkeep procedures, and years of siphoning dollars from maintenance budgets have significantly contributed to the current condition." In the study, Region 5 includes the states of Ohio, Indiana, Illinois, Michigan, Minnesota and Wisconsin.

Alliance, Barberton, and Mansfield City School Districts have been identified as the peer group for Massillon City School District. Unless otherwise noted, the peer district averages in **Table 4-2** and all other tables in this section include statistics for Massillon.

Table 4-2: Indicators

Number of Sites	**15**
- Elementary Schools	7
- Middle Schools	2
- High School	1
- Stadium	1
- Transportation Facility	1
- Administrative and Other	3
Total Square Feet Maintained	**782,818**
- Elementary Schools	230,940
- Middle Schools	138,295
- High School	224,340
- Stadium	71,023
- Transportation Facility	14,360
- Administrative and Other	103,860 [1]
Square Feet Per Custodial Staff Member (26)	**26,824** [2]
- Elementary Schools (9)	25,660
- Middle Schools (6)	23,049
- High School (8)	28,043
-Administrative and Other (3)	34,620
AS&U Cost Study Region 5 Average	**23,875**
AS&U Cost Study National Average	**20,612**
Peer District Average	**22,331**
MCSD Square Feet Per Tradesman/Maintenance Employee (6)	**130,470**
AS&U Cost Study Region 5 Average	**75,000**
AS&U Cost Study National Average	**73,245**
Peer District Average	**124,965**
1998-99 Facilities Expenditures Per Square Foot	**$4.41**
- Custodial	$1.88
- Maintenance	$1.12
- Utilities	$1.41
AS&U Cost Study Region 5 Average	**$3.79**
AS&U Cost Study National Average	**$3.64**
Peer District Average	**$4.29**
1998-99 Facilities Expenditures as a % of Total MCSD General Fund Expenditure	**13.1%**
AS&U Cost Study Region 5 Average	**9.2%**
Peer District Average	**11.7%**

Source: Treasurer's office; director of business affairs; peer districts; 1998 AS&U Maintenance & Operations Cost Study

[1] Administrative and Other excludes the stock room (6,625 square feet).

[2] The custodial staff is responsible for maintaining 697,435 total square feet. The stadium (71,023 square feet), the transportation facility (14,360 square feet) and the stockroom (6,625 square feet) have been omitted from the total square footage maintained by the custodial staff.

Financial Data

Actual expenditures for the maintenance and operation MCSD facilities for FY 1997-98 and FY 1998-99 and the budgeted expenditures for FY 1999-2000 are shown in **Tables 4-3 and 4-4**.

Table 4-3: Maintenance and Operations Expenditures: FY 1997-98 vs FY 1998-99

Accounts	FY 1998-99 Maintenance Expenditures	FY 1998-99 Operations Expenditures [1]	FY 1998-99 Total	FY 1997-98 Total	Difference	Percentage Change
Salaries	$226,312	$950,137	$1,216,449	$1,166,550	$49,899	4.3%
Benefits	$81,142	$287,684	$368,826	$438,480	($69,654)	(15.9)%
Purchased Services	$128,583	$64,238	$192,821	$150,682	$42,139	28.0%
Utilities	-	$1,103,971	$1,103,971	$1,011,375	$92,596	9.2%
Supplies/ Materials	$422,990	$79,235	$502,225	$533,219	($30,994)	(5.8)%
Capital Outlay	$41,532	$260	$41,792	$6,862	$34,930	509.0%
Other	$7,578	$26,868	$34,446	$34,906	($460)	(1.3)%
Total	**$908,137**	**$2,512,393**	**$3,460,530**	**$3,342,074**	**$118,456**	**3.5%**

Source: MCSD treasurer's office
[1] Operations includes custodial employees.

Table 4-4: Maintenance and Operations Expenditures: FY 1998-99 vs FY 1999-2000

Accounts	FY 1999-2000 Maintenance Expenditures	FY 1999-2000 Operations Expenditures [1]	FY 1999-2000 Budget	FY 1998-99 Total	Difference	Percentage Change
Salaries	$268,981	$946,857	$1,215,838	$1,216,449	($611)	(0.1)%
Benefits	$81,142	$287,685	$368,827	$368,826	$1	0.0%
Purchased Services	$80,903	$76,651	$157,554	$192,821	($35,267)	(18.3)%
Utilities	-	$1,106,934	$1,106,934	$1,103,971	$2,963	0.3%
Supplies/ Materials	$444,352	$79,360	$523,712	$502,225	$21,487	4.3%
Capital Outlay	$48,774	$260	$49,034	$41,792	$7,242	17.3%
Other	$7,671	$27,198	$34,869	$34,446	$423	1.2%
Total	**$931,823**	**$2,524,945**	**$3,456,768**	**$3,460,530**	**($3,762)**	**(0.1)%**

Source: MCSD treasurer's office
[1] Operations includes custodial employees.

An explanation for some of the more significant variances in **Table 4-3** and **Table 4-4** are as follows.

- *A increase in purchased services for FY 1998-99 and a decrease in purchased services for FY 1999-2000 budget:* The increased costs of purchased services reflects repairs completed in 1998-99. Anticipated reductions in purchased services during FY 1999-2000, through tightening the acquisition process, may not accurately reflect the maintenance needs of the district and may be unrealistically low.

- *An increase in supplies and materials in FY 1999-2000 budget:* Increased budget amounts for FY 1999-2000 in the supplies and materials category reflects spending for repairs and H.B. 412 required set-aside amounts as well as some shifting of expenses from purchased services to this category.

- *An increase in capital outlay expenditures for FY 1998-99 and FY 1999-2000 budget:* The district, under H.B. 412, must increase capital spending. The 509.6 percent increase in FY 1998-99 and 17.3 percent increase in FY 1999-2000 budget in capital expenditures reflects a portion of these spending requirements. Increased capital outlay may also reflect a shift of costs from supplies and materials into this category.

Table 4-5 presents a comparison of the operations and maintenance staffs at MCSD and its peer districts. Since each district's operations and maintenance departments are structured differently, this analysis includes all staff members that perform the same functions as those performed at Massillon City School District.

Table 4-5: Comparison of Facilities Divisions: Maintenance and Custodial Services

Size	Massillon	Alliance	Barberton	Mansfield
Number of Sites	15	11[1]	12[2]	20
Building Sq. Feet:				
Maintained by Custodians	697,435	603,386	580,043	1,344,329
Maintained by Tradesmen	782,818	633,386	580,043	1,377,329
Position by FTE				
Administration	4.6	1	2	3
Maintenance Tradesmen and Supervisors	6	5	10	9
Grounds Workers	3	.75	1[3]	1
Custodians/Laborers	26	32	32.6 [4]	52
Total	39.6	38.75	57.6	65
Comparison				
Sq.Ft. Per Custodial Staff	26,824	18,855	17,793	25,852
Sq.Ft. Per Tradesman	130,470	158,347	58,004	153,037
Average Base Custodial Salary	$27,501	$25,744	$28,202	$23,152
Average Base Tradesmen Salary	$29,593	$33,226	$29,766	$28,294
Characteristics				
Average Age of School Buildings	45	60	57	53
Square Miles in District	20.1	10.4	25	18.5
Preventive Maintenance	No	No	No	Yes
Use of Deregulated (Self-Help) Gas	Yes	Yes	No	Yes
Use of Energy Savings Program	No	Yes	Yes	No
Use of Temporary Employees or Outside Contractors	Yes	Yes	Yes	Yes
Mobile Grounds Crew	Yes	Yes	Yes	No
Weekend Inspections	Yes	No	No	No

Sources: Business office; treasurer's office; peer districts

[1] The high school and middle school are housed in the same building but are counted as separate sites in this anayisis.

[2] Two of the facilities are leased to other organizations and are not maintained by the district staff.

[3] Grounds crew duties in Barberton are shared by custodial and maintenance employees. Custodians undertake trimming and small mowing jobs; maintenance employees are responsible for large mowing tasks. The one grounds keeper shown is responsible for the stadium complex.

[4] The number of custodians include 19 FTEs and 21 part time employees. The 21 part-time employees were converted to 13.6 FTE positions. The conversion calculated the daily hours worked of each custodian as a percentage of 8 hours (ie: 6 hours/8 hours=.75 FTE) then weighted the calculated hours worked for nine month employees (ie: .75 FTE/.75 year=.55 FTE).

Performance Measures

The following is a list of performance measures used in the analysis of MCSD's facilities operations:

- Cost effectiveness of custodial services
- Cost effectiveness of facilities maintenance
- Utilization of staffing resources
- Effectiveness of current needs assessment and prioritization processes and procedures
- Adequacy of preventive maintenance system
- Effectiveness of long range facilities planning
- Utilization of existing facilities
- Effectiveness of energy conservation programs

Findings/Commendations/Recommendations

Staffing and Compensation

F4.1 MCSD custodians are responsible for cleaning the district's facilities and are supervised by both the building principals and the administrative assistant of buildings and grounds. Each school is assigned at least one custodial staff member. In MCSD, the custodial employees are referred to as building custodians or, if they have received their fireman's license, fireman custodians. The building custodians open and close the facilities, maintain the buildings and perform other duties as assigned. In addition to cleaning, the fireman custodians are responsible for operating the heating and ventilation equipment. The following is a brief description of the responsibilities of the building and fireman custodians according to their job descriptions which were updated in June 1997.

- *Building Custodian* - The building custodian is responsible for cleaning classrooms, offices and other areas of the building as assigned. Tasks performed include dusting, sweeping and mopping floors, emptying trash containers and pencil sharpeners, removing snow from entrance ways, cleaning and disinfecting restrooms, and performing other duties and responsibilities as assigned.

- *Fireman-Custodian* - The fireman-custodian is responsible for maintaining the same scope of work as a building custodian. In addition, the fireman-custodian is responsible for firing the boilers, cleaning the filters and lubricating the motors, checking the hot water tank and vacuuming the tanks and air compressors.

The fireman at Longfellow Middle School must attend to the boiler on a constant basis and fire the boiler by hand during the school day. The remaining firemen serve as backups for the Longfellow fireman and monitor the aging boilers in their assigned buildings. The district offers firemen an annual bonus of $100 for maintaining the license and an annual bonus of $125 for firing the district's boilers **(see F4.55, R4.24)**.

F4.2 The administrative assistant of buildings and grounds' divided responsibilities leave a limited amount of time to coordinate and mediate between custodians and building administrators. The high number of employees directly supervised by the administrative assistant of buildings and grounds, 40 total, also decreases his ability to address each employee's needs. Custodians face several challenges within the buildings, generally as a result of past financial constraints and poor facility maintenance that necessitate decision making on the part of management. At the present time, custodians may not receive adequate management support to make repair decisions, contact maintenance workers, or order parts, thereby limiting their ability to effectively maintain the district's facilities.

R4.1 MCSD should consider hiring a custodial supervisor to assist in custodial services management. Also, the district should designate a custodian as head custodian in each middle and high school building. The administrative assistant of buildings and grounds only spends approximately 60 percent of his time on buildings related issues. District custodians are not able to readily contact the administrative assistant of buildings and grounds for decisions on repair and custodial problems. Team managers, such as a custodial supervisor and head custodians, are needed to ensure that staff is properly supervised and decisions on repairs, staffing and parts procurement are made as expeditiously as possible.

The custodial supervisor could also be responsible for making frequent and regular inspections of all physical plants, grounds, and equipment to determine the need for repairs and maintenance; supervising and directing snow removal; assuming responsibility for the safe and efficient operation of boilers and their related equipment; directing and overseeing plans and directives; directing training initiatives; helping in selecting and purchasing custodial and maintenance supplies; and advising employees in carrying out the custodial and maintenance functions of the district.

Financial Implication: Based on the district custodial wages and an additional 30 percent benefits cost, the cost to hire a custodial supervisor would be approximately $37,000 to $39,000. The approximate additional cost to promote three custodians to head custodians, based on a 10 percent wage increase would be $8,000 to $10,000 total.

F4.3 According to the administrative assistant of buildings and grounds, the only building with a specific staffing requirement is Longfellow Middle School which requires a full-time fireman custodian to maintain the boiler. The additional three firemen work in buildings that require some boiler monitoring. **Table 4-6** shows the average square footage per custodial employee for MCSD, the peer districts and the AS&U Region 5 average. MCSD's custodial staffing level results in 1 FTE custodian for every 26,824 square feet. Although the union contract states that custodians will be assigned areas to maintain, the contract does not state the size of the area and, therefore, does not limit or constrain the district in assigning square footage to custodians.

Table 4-6: FY 1997-98 Square Footage per Custodial Employee

Massillon City School District	**26,824**
Peer Districts:	
-Alliance	18,855
-Barberton	17,793
-Mansfield	25,852
Peer District Average	**22,331**
Difference	**4,493**
AS&U Region 5 Average	**23,875**
Difference	**2,949**

Sources: Custodial and maintenance departments; peer districts

C4.1 As indicated in **Table 4-6**, MCSD custodial staff are responsible for 4,493 square feet or 17 percent more per custodian than the peer district average and 2,949 square feet and 11 percent more per custodian than the AS&U Region 5 average. Factors contributing to MCSD's high square footage maintained include the limited use of carpeting in the buildings and the ownership and pride custodians demonstrate toward their work assignments. MCSD's custodians also maintain a higher square footage because the district has not filled vacant custodial positions. The administrative assistant of buildings and grounds indicated that the district does not intend to fill vacant positions in the near future.

F4.4 **Table 4-7** compares the peer districts' school facilities and cleaning staffs. Based on the information in the table, it does not appear that the work is evenly distributed among the custodians in MCSD. The custodians at the administrative and other buildings are responsible for maintaining the most square footage, 34,620 square feet per person. The elementary, middle school and high school custodians maintain smaller areas. The square footage per custodian at the elementary school level and administration building are the highest of the peers. The high school level is the second highest of the peers while the middle school level is marginally lower than the peer districts.

Table 4-7: Comparison of School Facilities and Cleaning Staffs (FTEs)

	Massillon	Alliance	Barberton	Mansfield	Peer Average	Difference Between MCSD and Peer Average
Elementary Buildings	7	6	6	10	7	0
Total Sq. Footage	230,940	218,645	257,734	423,125	282,611	(51,671)
Sq. Footage per Building	32,991	36,441	42,956	42,313	38,675	(5,684)
Number of Custodians	9	12	11	22	14	(5)
Sq. Footage Per Custodian	25,660	18,220	23,430	19,233	21,636	4,024
Middle School Buildings	2	2	2	2	2	0
Total Sq. Footage	138,295	124,078	134,499	370,900	191,943	(53,648)
Sq. Footage per Building	69,148	62,039	67,250	185,450	95,972	(26,824)
Number of Custodians	6	9	5.4	12	8	(2)
Sq. Footage Per Custodian	23,049	13,786	24,907	30,908	23,163	(114)
High School Buildings	1	1	1	2	1	0
Total Sq. Footage	224,340	234,463	132,810	454,200	261,453	(37,113)
Sq. Footage per Building	224,340	234,463	132,810	227,100	204,678	19,662
Number of Custodians	8	9	7.25	14	10	(2)
Sq. Footage Per Custodian	28,043	26,051	18,319	32,443	26,214	1,829
Administrative Buildings	2	1	3	3	2	0
Total Sq. Footage	103,860	26,200	55,000[2]	96,104	194,042	(90,182)
Sq. Footage per Building	51,930	26,200	18,333	32,035	32,125	19,806
Number of Custodians	3	1	4.4	4	3	0
Sq. Footage Per Custodian	34,620	26,200	12,500	24,026	24,337	10,284
Total Sq. for All Buildings	697,435	603,386	580,043	1,344,329	806,298	(108,863)
Total Custodial Staff	26	32	32.6	52	36	(10)
Sq. Footage per Custodian	26,824 [1]	18,855	17,793	25,852	22,331	4,493

Sources: MCSD business office; peer district custodial supervisors

[1] The custodial staff is responsible for maintaining 697,435 square feet. The stadium (71,023 square feet), the transportation facility (14,360 square feet) and the stockroom (6,625 square feet) have been omitted from the total square footage maintained by the custodial staff.

[2] The administration building, Decker Center and Arnold Headstart are not included in the district's facility square footage study and the square footage is approximated based on foundation size.

F4.5 MCSD custodial employees do not receive initial or ongoing training. Several custodial employees expressed an interest in ongoing training as a means to facilitate common and minor building repairs. Neither the union contract or district policy specifies training requirements. Custodians learn their job duties from their peers during the first week of work.

R4.2 MCSD should establish and document specific training requirements by position, including new employee training and the frequency and types of ongoing training. Initial training efforts should be tailored to the needs of the current custodial staff through a survey of employee needs. If the district hired an custodial supervisor, the supervisor could be responsible for the training initiative. Training would allow the district to customize the skills of custodial employees and, through the development of specific skills, allow the district to complete some repairs and permanent improvement projects at a lower cost.

Financial Implication: The cost to develop a training program should be minimal. The cost of implementing a training program will vary on the training provider, and the frequency, length, and quality of the program. Using $200 to $250 as an estimate of the training cost per person, the annual cost to train custodial staff would be between $5,000 and $6,250.

F4.6 **Table 4-8** shows the average base salary for MCSD's custodians for FY 1998-99 as well as their average gross wages for 1998 from district pay records. The base salary weighted average for the custodians is $27,501. The gross salary weighted average is $33,891, or 23.2 percent higher than the weighted average of the base salary. The table also shows the average base salary and gross wages for the peer districts and the AS&U Region 5 average.

Table 4-8: Custodial Salaries

Position	FY 1998-99 Average Base Salary	1998 Average Gross Wages	Difference as a Percentage of Base Salary
Custodian	$27,501	$33,891	23.2%
MCSD Weighted Average	**$27,501**	**$33,891**	**23.2%**
Peer Districts:			
-Alliance[1]	$25,744	$26,282	2.04%
-Barberton	$28,202	$28,151[2]	.002%
-Mansfield	$23,959	$26,709	11.5%
Peer District Average	$26,352	$28,758	9.2%
Difference	$1,149	$5,133	**14.0%**
AS&U Region 5 Average	**$23,717**	**N/A**	**N/A**
Difference	**$3,784**	**N/A**	**N/A**

Sources: MCSD treasurer's office; payroll department; peer districts
[1] The base and gross wages represent an average of custodial salaries.
[2] The gross wages are for 1997.

F4.7 MCSD's custodial base salary is the second highest of the peer districts, which can, in part, be attributed to the longevity of the district's custodial employees. On average, the custodians gross wages are 23.2 percent higher than their base salary amounts indicating a high level of overtime use.

F4.8 In FY 1998-99, MCSD custodians were paid a total of $138,600 in overtime; several areas contributing to high overtime were identified.

- Custodians are paid overtime for all hours worked in excess of 8 hours in one day.

- High overtime expenditures were attributed to the substitute policy in use in FY 1997-98 and FY 1998-99. The district assigned overtime to custodians to complete the essential cleaning tasks of absent custodial workers. Overtime preference was given to the most senior custodians, causing the district to incur greater overtime costs. This practice has been discontinued in FY 1999-2000 and the district expects custodial overtime to decrease.

- A substantial portion of the overtime was attributed to sporting events, such as basketball rentals, which take place at least three times a week at the elementary and middle schools. In addition, the district hosts events which also take place at the high school and the stadium.

! An equally large portion of the overtime was used for building checks on weekends to monitor freezer temperatures and check for broken pipes **(see F4.47, F4.48, F4.49)**.

F4.9 The district charges outside entities a $50 rental fee for use of the facilities after school hours. The rental fee is intended to cover the custodial overtime costs. Usually two custodians are on hand for extra events, a result of the current union contract "area" assignment provision. The rental fee covers the cost of only one custodian's overtime wages. As the district does not track overtime use, the cost of providing custodians during events could not be quantified.

R4.3 The buildings and grounds department should develop a fee schedule for each building to cover all maintenance and operation costs associated with the use of facilities after school hours. The schedule should include fees to cover overhead and salary costs as well as fees for special services. Groups wanting to use the facilities should be required to submit a written application and pay any fees prior to the event. The district should avoid using educational funds to subsidize rental costs.

F4.10 **Table 4-9** compares MCSD's custodial overtime expenditures to its peers for FY 1998-99. MCSD has the highest amount of overtime paid per full-time custodian, over three times as much as the next highest district. The district has not monitored the reasons for overtime usage.

Table 4-9: FY 1998-99 Custodial Overtime Expenditures by District

District	Number of Full-Time Custodians	Total Operations Salaries	Total Custodial Overtime	Amount of Overtime per Full-Time Custodian	Overtime as a Percentage of Total Salaries
Massillon	25	$1,220,664	$138,600	$5,544	16.2%
Alliance	32	$693,997	$17,220	$538	2.5%
Barberton	32.6	$692,126	$21,046	$646	3.0%
Mansfield	53	$1,310,354	$65,093	$1,228	5.0%

Sources: Treasurer's office; peer districts

R4.4 In order to effectively manage custodial operations, MCSD should start monitoring overtime usage and use reasons. Tracking overtime expenditures and documenting the reason for their occurrence will allow the district to identify areas where efficiency improvements need to be made and can help keep the department's operational costs in line with its established budget.

Financial Implication: Reducing overtime expenditures by 50 percent, through eliminating building checks and patrols **(see R4.21)** and raising the rental fee **(R4.3)**, could save MCSD an additional $69,000. By reducing overtime expenditures to be in line with the peer average of 3.5 percent, MCSD could save approximately $133,000.

F4.11 When a custodian is absent, the district uses a substitute from the substitute pool. The substitute pool consists of candidates from the civil service commission. The civil service commission refers candidates who have passed the civil service exam to the district for interviews. The selected candidates must also pass a pre-employment physical and background check. If hired, the substitute's name is placed on an on-call list. When substitutes are needed, the classified secretary contacts the substitutes on the list. The administrative assistant of buildings and grounds indicated the district has a difficult time using substitutes because the substitutes have other jobs and the schedules conflict with the district's needs. The district currently has five substitutes in the substitute pool, but only one is available for day shift work.

F4.12 If a substitute cannot be obtained for a day-time custodian, the district usually uses a maintenance or stock room employee as a substitute. However, if an afternoon custodian is absent, the position is not filled. The classified secretary indicated that, in FY 1998-99, the district used the seniority list to assign four hours of the absent custodian's shift to a day shift employee, allowing only for essential cleaning of the absent custodian's area. In an effort to reduce overtime expenditures, the district discontinued this practice for FY 1999-2000.

F4.13 The maintenance staff consists of six maintenance employees, two grounds employees and one stadium maintenance employee. The maintenance employees are responsible for completing work orders and performing preventive maintenance tasks. The grounds staff operates as a mobile crew and is responsible for completing all the grounds work and removing snow during the winter months. The stadium maintenance employee is responsible for the maintenance and cleanliness of the stadium and transportation garage as well as the maintenance of the grounds surrounding the two facilities.

F4.14 According to the job description for the maintenance mechanic, employees in this position are required to obtain an electrical license and a boiler license within six months from the date of appointment. The job description for the utility person requires the employee to obtain a electrical license one year from the date of appointment. The license enables these positions to perform electrical repair work on the boilers or provide other electrical services to the district.

F4.15 **Table 4-10** shows the average square footage each maintenance employee was responsible for maintaining in FY 1998-99. The grounds and stadium maintenance employees have been omitted from the square footage calculations. In MCSD, each tradesman is responsible for maintaining 130,470 square feet which is slightly above the peer district average and 55,470 square feet more than the AS&U Region 5 average. These differences are shown below.

Table 4-10: FY 1998-99 Square Footage per Maintenance Employee

Massillon City School District	**130,470**
Peer Districts:	
-Alliance	158,347
-Barberton	58,004
-Mansfield	153,037
Average for Peer Districts	**124,965**
Difference	**5,055**
AS&U Region 5 Average	**75,000**
Difference	**55,470**

Sources: Building and grounds department; 1998 AS&U Maintenance & Operations Cost Study

C4.2 MCSD's cost reduction efforts are apparent in the amount of square footage maintained by the maintenance employees. As indicated in **Table 4-10**, MCSD maintenance staff are responsible for maintaining only slightly greater areas of square footage per maintenance employee than the peer district average but 55,470 square feet (43 percent) more per maintenance employee than the AS&U Region 5 average. Factors contributing to MCSD's high square footage maintained include assigning minor repairs to custodians and cross training tradesmen. MCSD's maintenance employees also maintain a higher square footage because the district has not filled vacant maintenance positions.

R4.5 The district should consider adding one maintenance worker to the current maintenance staff to improve the effectiveness of maintenance operations. The addition of one maintenance worker would provide additional manpower for annual and preventative maintenance **(see R4.14)**. An employee could be added to the maintenance function through a reorganization of the grounds crew **(see F4.18, R4.7)**.

Financial Implication: The cost to add an additional maintenance worker, including salary and benefits at 30 percent, would be approximately $38,000.

F4.16 MCSD employs a grounds crew consisting of two grounds keepers and one stadium maintenance worker. According to the 1998 AS & U Maintenance and Operations Cost Study, grounds workers in Region 5 are responsible for an average of 50 acres per grounds worker. The MCSD grounds crew currently maintain 24 acres per grounds keeper, or 52 percent less than the AS&U average. The stadium maintenance worker is responsible for completing grounds work at the stadium, athletic fields and the high school. Custodians are responsible for mowing small areas around their buildings.

F4.17 MCSD's grounds maintenance equipment is outdated and in a poor state of repair, contributing to the need for employees beyond AS&U recommended staffing levels. Inadequate equipment also contributes to the low amount of acreage maintained by each of the district's grounds keepers. Several factors contribute to the inadequacy of the equipment:

- The average age of maintenance vehicles is 19.5 years and the average age of lawn tractors is 23.5 years.
- Maintenance vehicles are not Ohio Department of Transportation certified, nor could they pass inspections for road safety.
- Extensive lawn tractor repairs have been necessary to keep the tractors in operable condition.
- Blowers and trimmers are residential grade rather than commercial grade equipment.
- Grounds equipment is manufactured by different companies and bought from a variety of different vendors.

The district does not use the state contract to purchase lawn equipment. The current state contract vendor also offers a trade-in program which allows school districts to trade-in used equipment for new machines. MCSD also has not investigated vehicle replacement costs based on state contact prices.

R4.6 The district should implement a formal plan to replace old vehicles, mowers and tractors to increase efficiency and reduce the need for excess grounds keepers. In the replacement plan, the district should consider replacing the equipment with machines purchased through the state contract in order to take advantage of the trade-in program for its equipment needs. According to officials in South-Western and Columbus Public Schools, the John Deere state contract dealer's trade-in price is usually close to the discounted price the district receives from using the state contract, which allows their districts to get new machines every year or two for $100 to $600 apiece, depending on how long the equipment was run.

MCSD is an inactive member of the state purchasing cooperative; the district should pay the $125 membership fee to be reinstated as a full member of the cooperative. The district should consider purchasing equipment and vehicles through the cooperative. While equipment discounts vary, the cooperative could provide the district with a 10 to 30 percent savings on commercial lawn equipment and vehicles. By improving the functionality and serviceability of the grounds and maintenance equipment, the district should be able to increase productivity and reduce grounds keeping staffing levels **(see R4.7)**.

Financial Implication: The cost to the district to purchase a new John Deere tractor under the 33 percent discount state contract would be approximately $13,200. Replacement costs through the trade-in program average between $100 and $600. The cost to replace the pick-up truck and jeep snow plow vehicles with a 3/4 ton snow plow ready pick-up truck under the state contract would be approximately $18,000.

F4.18 Based on AS&U recommended staffing levels, MCSD's grounds crew is overstaffed while the district maintenance component is understaffed. The large array of unmet maintenance needs indicates that the district should increase the number of maintenance workers. No preventive maintenance is being completed in the district's facilities and many of the maintenance needs identified in the 1995 buildings and grounds assessment remain unmet **(see F4.31, F4.32)** .

R4.7 After replacing outdated grounds-keeping equipment, the district should consider reorganizing the maintenance division and reducing the size of its grounds crew and reallocating those resources to maintenance activities. By reassigning one grounds keeper to the maintenance staff, the district could increase maintenance operations efficiency and reduce the costs of grounds keeping services.

Financial Implication: The savings generated through reducing the grounds crew by one member would be approximately $36,400 including base salary and benefits calculated at 30 percent.

F4.19 The maintenance staff is not required to complete daily work logs to show the activities accomplished during their work hours. Mobile crews and time constraints severely limit the administrative assistant of buildings and grounds' ability to monitor productivity, isolate areas for improved efficiency or address staffing deficiencies as he does not have a record of daily work completed by maintenance employees.

R4.8 The administrative assistant of buildings and grounds should implement a daily work log system to monitor the productivity of the maintenance employees. An effective daily work log can be produced on a spread sheet and printed for each maintenance worker. The log should include a time line broken into half hour increments where the employee can record their starting and ending time; the location and projects on which they worked; the work order numbers completed; and the amount of time required for each task.

F4.20 The current manual work order processing system effects management's ability to make effective decisions regarding the needs of the maintenance department. The district does not know how many work orders are currently outstanding and has not established a method to monitor worker productivity. Work orders, generated by school staff members, are forwarded to the administrative assistant of buildings and grounds by the building principal.

R4.9 The district should consider purchasing an automated comprehensive work order system. A comprehensive system would allow the district to track work orders, material use figures, personnel information, and productivity statistics with relative ease. Such as system would be less time consuming than the development of an in-house work order tracking database, as planned by the administrative assistant of buildings and grounds.

Using accurate cost data and time-to-completion information will result in improved resource allocation. The department would be able to track the status of outstanding work orders, monitor open work orders, forecast workload and staffing needs, and analyze the cost to do the work. The information provided by the comprehensive work order system would be useful in budgeting and capital planning. The work order system should be used to track material and labor costs and the actual time used to complete work orders in order to better monitor maintenance staff productivity.

The administrative assistant of building and grounds could cross reference work orders produced by the comprehensive work order system with maintenance employee daily work logs. Through cross referencing work orders with the daily work log, the administrative assistant of buildings and grounds would be able to do the following:

- Monitor and confirm the completion of work orders
- Check the length of time required for work order completion
- Ensure that maintenance employees are working the entirety of their shift
- Supervise field employees more closely

Financial Implication: The cost of a comprehensive facility management system which provides modules for tracking work orders, utility costs, preventative maintenance, employee time, key and lock management, and a facility database is approximately $5,000 to $15,000.

F4.21 The following table shows the average base salary for MCSD's maintenance staff for FY 1998-99 as well as the staff's average gross wages for 1998. The base salary weighted average for maintenance is $28,827. The gross wages weighted average is $35,663, which is approximately 23.7 percent higher than the base salary weighted average. The table also shows the average base salary and gross wages for the peer districts and the AS&U Region 5 average.

Table 4-11: Maintenance Department Salaries

Position	FY 1998-99 Average Base Salary	1998 Average Gross Wages	Difference as a Percentage of Base Salary
Grounds	$27,838	$42,415	52.3%
Maintenance	$29,322	$32,288	10.1%
MCSD Weighted Average	**$28,827**	**$35,663**	**23.7%**
Peer Districts:			
-Alliance [1]	$33,226	$33,436	0.6%
-Barberton	$29,766	$32,680 [2]	9.7%
-Mansfield	$30,367	$30,786	1.4%
Peer District Average	**$30,547**	**$33,141**	**8.9%**
Difference	**($1,720)**	**$2,522**	**14.8%**
AS&U Region 5 Average	**$31,221**	**N/A**	**N/A**
Difference	**($2,394)**	**N/A**	**N/A**

Sources: MCSD treasurer's office; payroll department; peer districts
[1] Base and gross wages based the average of all custodial salaries. The information was confirmed by the treasurer.
[2] The gross wages are for 1997.

F4.22 While MCSD's base maintenance salary is the lowest of the peers, excessive overtime has caused the district's gross maintenance salaries to be the highest of the peer districts. The majority of overtime was accrued by grounds keepers and the stadium maintenance worker and can be attributed to snow removal before the school day and stadium cleaning after Friday games. Grounds keepers grossed approximately 1.5 times their base salary in FY 1998-99.

F4.23 District records for FY 1998-99 show maintenance and grounds employees were paid approximately $61,500 in overtime. Maintenance and grounds employees are paid overtime for all hours work in excess of 8 hours in one day. The maintenance employees usually accrue overtime for emergency repairs; grounds employees charge overtime for snow removal before the school day and stadium cleaning on Saturdays. **Table 4-12** contains overtime expenditures for MCSD and the peer districts for FY 1998-99. MCSD's grounds keeping overtime cost are over 15 times higher than the next highest peer district.

Table 4-12: FY 1998-99 Maintenance Overtime Expenditures by District

District	Number of Full-Time Tradesmen	Total Maintenance Salaries	Total Maintenance Overtime	Amount of Overtime per Full-Time Tradesmen	Overtime as a Percentage of Salaries
Massillon	9	$192,340	$61,500	maintenance $2,966 grounds $14,577	maintenance 1.4% grounds 31.9%
Alliance	5	$160,780	$1,049	$209	0.6%
Barberton	10	$192,468	$2,846	$285	1.5%
Mansfield	9	$239,025	$4,666	$518	2.0%

Sources: Treasurer's office; peer districts
[1] The total includes 6 maintenance employees and 3 grounds employees.

R4.10 MCSD should monitor overtime usage and the reasons for its use and consider alternatives to reduce maintenance staff overtime, particularly in the grounds keeping and stadium maintenance functions. Tracking overtime expenditures and documenting the reason for their occurrence will allow the district to identify areas where efficiency improvements can be made and help keep the department's operational costs in line with its established budget. Alternatives to overtime usage include the following:

- The district should consider privatizing the snow removal function of the grounds crew to reduce costs and increase efficiency.

- MCSD should consider an alternative similar to the practices used in Mansfield City School District to reduce overtime expenditures for stadium maintenance. Mansfield City School District has developed a method to avoid the cost of stadium cleaning through using laborers from the juvenile detention center to clean the stadium on Saturday mornings.

- The district should investigate the potential to institute flex-time or altering the days and shifts of grounds keepers during the next round of contract negotiations. Using a more flexible schedule would allow the district to avoid overtime costs for snow removal. Changing the workdays of the stadium caretaker would avoid overtime usage during Saturday stadium cleaning.

Financial Implication: If the district reduced grounds crew overtime expenditures by 50 percent, the district could save approximately $30,000 in annual overtime costs. If the district reduced overtime to levels comparable to the peer districts (1.3 percent), the cost savings would be approximately $60,000.

Contractual Issues

F4.24 The following table compares selected MCSD contractual issues and practices to the peer districts.

Table 4-13: Comparison of Contractual Issues and District Practices

Issue	Massillon	Alliance	Barberton	Mansfield
Length of Scheduled Work Day	8 hours 30 minutes, with a 30 minute unpaid lunch and 2 paid 10 minute breaks	8 hours and 30 minutes, with a 30 minute unpaid lunch and 2 paid 15 minute breaks	8 hours 30 minutes, with a 30 minute unpaid lunch and 2 paid 10 minute breaks	8 hours 30 minutes, with a 30 minute unpaid lunch and 2 paid 10 minute breaks
Actual Work Time	7 hours and 40 minutes	7 hours and 30 minutes	7 hours 40 minutes	7 hours 40 minutes
Staffing Level Determination	The district	The district	The district	The district
Calamity Day Work Requirement	Not specified in contract	Employees required to work are called in as needed by the Operations Supervisor	Workers required to work are called in individually by the Business Manager	Head custodians are required to work. Optional for the rest of the custodial staff
Compensation for Working on a Calamity Day	Employees required to work receive compensatory time off to be taken at the direction of the administration before the beginning of the following school year.	Employees called in to work are paid time and a half for all hours worked.	Employees called in to work are paid double time and a half for all hours worked.	Regular rate of pay for hours worked plus compensatory (comp) time. Employees who work 2-4 hours receive 4 hours comp time. Employees working over 4 hours receive hour for hour comp time. Employees working over 8 hours are eligible for overtime.
Use of Custodial Substitutes	Not specified in contract	Yes, as needed	Yes, when required	Yes, when available
Minimum Call-In Pay	2 hours	Minimum 1 hour	3 hours if custodian is recalled after conclusion of normal work day	2 hours
Evaluation Process and Frequency	Not specified in contract	Not specified in contract	Employee is evaluated by superior on an annual basis.	Principals annually evaluate custodians. Head custodians provide input into the process.
Basis For Promotion	Greatest level of departmental seniority and ability to perform services required as determined by the administration.	Test (if required), efficiency, experience and training, work record and seniority	Seniority, qualifications, and ability to perform the job	Test, interview, experience and training, work record and seniority
Ability to Subcontract	Not specified in contract	Not specified, not permitted under union agreement.	Work normally performed by staff may not be performed by outside contracting, except to the extent such work has been performed in the past.	Permissible after discussion in Labor Management Committee

Source: District labor agreements

F4.25 Current district call in and calamity day policies do not allow opportunities for additional maintenance and repair work during hours when the district's buildings are unoccupied. Custodial and maintenance employees are guaranteed two hours of work when called in for emergencies or after the end of their normal work day. Although two hours of pay is reasonable for emergency call-ins, the district could not demonstrate that two hours of work were available for the employee to perform.

Custodians and maintenance workers are also guaranteed compensatory time if called in to work during calamity days. The union agreement does not specify a calamity day work requirement and the majority of maintenance and custodial employees are not called in to work.

R4.11 The district should ensure that employees called in to work after normal work hours perform at least a full two hours of work. Also, the district should, during the next round of negotiations, seek to change the calamity day policy to a regular work day for maintenance and custodial employees. When employees are called in to work after the end of the normal work day or for emergency repairs, the district should ensure that, during the call in period, the employee performs two full hours of work. The administrative assistant of buildings and grounds or his designee should have available necessary or preventative maintenance tasks that might be completed during the call in period.

Furthermore, by changing calamity days to regular work days for maintenance and custodial employees, the buildings and grounds department workers will be able to perform preventive maintenance and repairs in an uninterrupted setting. Several critical tasks, such as boiler repair and maintenance, could be performed on calamity days during periods when the buildings are not occupied by students and teachers. Considering the condition of several of MCSD's facilities, additional repair work during each call in period and during district calamity days could markedly improve the condition of some buildings.

F4.26 The custodians do not receive performance evaluations on a regular basis. The union contract does not address the topic of evaluations in any form. Though evaluations have been provided to employees in the past on a sporadic basis, the department currently has no plans for annual evaluations.

R4.12 All employees should receive a performance evaluation at least annually. Evaluations provide employees with feedback on areas to bring about professional improvement. MCSD may want to consider having evaluations for custodial personnel conducted, in part, by the building principal. Doing so, would reduce the burden on the administrative assistant of buildings and grounds while retaining the valuable input of building principals. Regular evaluations are important to:

- Ensure employees receive clear feedback on areas for improvement and to identify and document disciplinary problems
- Provide evidence about the quality of the employee's performance
- Improve efficiency and effectiveness of the employees in carrying out the tasks found in the job description
- Improve employee morale
- Monitor an employee's success and progress

F4.27 When a vacancy occurs or a newly created position is established within a classification or assignment, the opening is posted for five days. Any eligible bargaining unit member may apply for the vacancy in writing to the administrative assistant of buildings and grounds. The administration considers the two applicants who have the highest classification seniority and who have the properly ability to perform the services required as determined by the administration. The administration awards the posted position to one of the two individuals within 15 working days following the prescribed posting period. If no one bids on the position, the district hires a person through the Civil Service Commission. The process used by MCSD to fill vacancies limits management's efficiency and flexibility in making staffing decisions.

R4.13 When hiring and promoting classified personnel, MCSD should consider adopting a testing and screening process to identify qualified candidates. Using established testing criteria to hire and promote classified personnel helps ensure that the individuals are qualified and are knowledgeable of the skills required for the position. Individuals should not be promoted solely because of their seniority but rather, for their qualifications and competency.

Facilities Planning and Management

F4.28 MCSD consists of 15 facilities encompassing a total of 782,818 square feet. The average age of the school buildings is about 45 years. The middle school buildings are the oldest at 76 years old, three elementary school buildings are between 60 and 61 years old, and the other four elementary school buildings are between 33 and 44 years old. The high school, which was built in 1990, is the most recently constructed school building in the district.

F4.29 The Ohio Public School Facility Survey of 1990, published by the Ohio Department of Education (ODE), estimated the cost to repair and upgrade MCSD's facilities to state minimum standards and codes for health and safety would be $44.7 million: $11.6 million in repairs, $27.6 million in new buildings and $5.5 million in additions to bring the buildings up to minimum standards and codes.

F4.30 In July 1997, the Ohio Legislative Budget Office (LBO) updated the figures from the 1990 survey. To perform the analysis, LBO used data provided by the ODE. The data included the results of the 1990 survey and an on-site review of seven of the poorer districts in the state used to update the 1990 data for those districts. The review of the seven districts showed the cost to upgrade the facilities in those seven districts had risen by a factor of 1.97 since the 1990 survey was completed. LBO then applied the 1.97 factor to 60 to 70 of the poorer districts in the state. A factor of 1.50 was arbitrarily applied to Massillon and the remaining districts. LBO subtracted the total capital outlay expenditures reported by each district for FY 1989-90 through FY 1995-96 to produce its updated cost estimates. LBO's current cost estimate for MCSD to update the district's facilities is $58.5 million.

F4.31 The district performed a buildings and grounds assessment in 1995 which was revised and updated in February 1999. Although the plan assigns priorities to each task and categorizes projects by type of work and building to ensure the most critical repair work is completed as funds become available, the plan lacks detail and has not been fully implemented.

The 1995 facilities assessment, performed by a variety of private contractors and the Harris Day architectural firm showed several areas in each facility needing major repairs. General repairs and costs are listed below.

- Electrical repairs including rewiring, lighting retrofits, and HVAC wiring: $2.4 million
- Roof improvements at 12 facilities: $1.1 million
- Asphalt resurfacing at 11 facilities: $552,559

These facilities needs were reiterated in a 1997 citizen's report to the Massillon Board of Education which recommended funding the repairs through a set-aside account. Additional facilities needs were highlighted in a 1998 school district planning study conducted by Lesko Associates and Harris Day Architects.

F4.32 Despite the 1995 facilities assessment, the lack of facility maintenance during the past twenty years has dramatically impacted the integrity of district facilities. MCSD has not made timely decisions about facilities needs. Repairs are performed on an ad-hoc basis without a directed plan. Allocations of resources to maintenance repairs have been minimal and have not addressed critical facility needs. Deferred maintenance issues and their corresponding impact include:

- Delayed roof repairs led to damaged ceilings and floors.
- Postponed boiler maintenance has contributed to high cost boiler repairs. For example, the high school boilers, installed in 1990, required door replacements in 1999 due to cracked refractors. Timely boiler maintenance could have prevented the need for new boiler doors and refractors.
- Leaking stem pipes have caused considerable damage to floors and walls in the middle school buildings.

- ! Deferred asphalt repairs caused structural damage in the basement rooms of Longfellow Middle School.
- ! Most recommendations in the facilities assessment have not been addressed.

F4.33 MCSD uses revenue from the general fund to pay for the maintenance and operation of the district's facilities. As shown in **Table 4-14** the general fund provides approximately $3.4 million annually to pay for custodial and maintenance salaries and benefits, supplies and materials, purchased services, and capital outlay. Revenue from the general fund is also used to finance capital improvement projects. An increase in general fund expenditures for capital improvements is necessary to fulfill the critical facility needs of the district as well as the legal requirements of H.B. 412. **Table 4-14** compares MCSD's FY 1998-99 general fund maintenance and operations facilities-related expenditures in terms of cost per square foot.

Table 4-14: 1998-99 General Fund M&O Expenditures per Square Foot

Expenditure	Massillon [1]	Alliance	Barberton	Mansfield	Peer Average	AS&U Region 5 Average
Custodial Salaries and Benefits	$1.55	$1.83	$1.94	$1.34	$1.67	$1.43
Maintenance Salaries and Benefits	$0.47	$0.42	$0.96	$0.33	$0.55	$0.33
Purchased Services	$0.25	$0.18	$0.95	$0.04	$0.35	$0.67
Utilities	$1.41	$1.28	$1.12	$0.81	$1.16	$1.07
Supplies/ Materials	$0.64	$0.20	$0.34	$0.17	$0.34	$0.29
Capital Outlay	$0.05	$0.08	$0.75	$0.00	$0.22	N/A
Other	$0.04	$0.01	$0.00	$0.00	$0.01	N/A
Total M&O Budget	$4.41	$3.99	$5.38	$2.69	$4.12	$3.79
Total M&O Budget as % of District Budget	**13.1%**	**13.2%**	**11.8%**	**8.6%**	**11.7%**	**9.2%**

Sources: MCSD treasurer's office; peer districts; 1998 AS&U Maintenance & Operations Cost Study
[1] Based on total footage of 782,818 square feet.

F4.34 MCSD spends approximately 13 percent of its total budget on maintaining and operating its facilities, which is more than Barberton or Mansfield and approximately equal to Alliance. MCSD's overall expenditures per square foot are the second highest of the peer districts. MCSD has the second lowest custodial salaries and benefits but the highest utility costs and supplies expenditures. However, the district's poor allocation of maintenance and operating resources has limited returns. High utility cost and supplies expenditures are directly related to the poor maintenance practices exhibited in the district **(see F4.32, F4.50)**.

F4.35 H.B. 412 requires school districts to establish financial set-asides for critical educational items including textbooks and capital improvements. In FY 1998-99, districts were to begin phasing in these set-asides with two percent of their general fund revenue dedicated to each set-aside category. General fund revenue is defined as property taxes, other than homestead and rollback, and basic state foundation aid. The required set-aside amount increases to three percent in FY 1999-2000 and beyond. The FY 1999-2000 forecast identifies $1,221,000 in general fund revenue required for capital improvement set-asides. In FY 2000-01, $794,000 is to be set aside. The required set aside increases to $850,000 by FY 2003-04. For further analysis of the capital improvement set asides, see the **financial planning** section of this report.

F4.36 MCSD does not have a comprehensive long-range facilities plan to address its present and future facilities needs. Although the district's 1995 facility assessment and update provides some guidance, the plan has not been translated into a district strategy **(see F4.31)**.

The district has not produced a plan to guide annual and preventive maintenance or articulate long term facilities goals, such as new buildings and additions. Although district administrators have developed some preliminary plans for future facilities, the types and costs of these new buildings or additions have not been investigated or communicated to the community. Annual maintenance efforts continue to be haphazard and generally reflect stop-gap measures in crisis situations. The lack of preventive maintenance has caused district facilities and equipment to exhibit excessive wear and tear uncharacteristic of the age of the buildings and equipment **(see F4.32)**.

R4.14 The district should develop a comprehensive long-range facilities plan to encompass annual and preventive maintenance and long-term facility plans. MCSD should revise the 1995 facilities study to include the most important repairs based on the current condition of the district's buildings. Using the facilities study, the district should develop a comprehensive plan which contains:

- An annual maintenance plan detailing by year the types of work to be performed and the funds allocated to each project. The annual maintenance plan would allow the department to more effectively allocate time and resources to critical areas.

- An ongoing preventive maintenance plan for each of the district's facilities. The plan should identify tasks and stipulate the frequency of projects. An effective preventive maintenance program can reduce overtime, energy consumption, maintenance and capital expenditures, and work orders, and improve worker productivity by maintaining district infrastructure rather than responding to breakdowns and emergencies.

- Facility evaluations, capital improvement needs, enrollment projections, and capacity and space utilization analyses to guide long-term plans and shape the space needs of future generations of students.

- Historical information about the district's demographics and community characteristics to assist in projecting the impact of long term socioeconomic trends.

- Educational programs, goals, and practices to coordinate the needs of educators with the facility plans of the district administration.

- An implementation plan and budget which includes funding sources and an evaluation process to guide facility spending and help anticipate funding needs.

When developing the plan, the district should obtain input from a variety of sources including design professionals, community groups, business representatives, parents, teachers, administrators, and students. The plan should be updated on a regular basis and adjusted for factors such as housing starts and shifts in employment, which could impact the district. The district should use the long range facilities plan to communicate funding requirements to the board and voters.

F4.37 Based on the Ohio School Facilities Commission target date, the district is scheduled to receive School Classroom Assistance Fund funds through the State in 2005. Classroom Assistance Funds, provided through the Ohio School Facilities Commission, require districts to raise matching dollars to fund building operations. In addition, the Commission requires specific planning documents to ensure the district has adequately planned to maintain its facilities long term **(see R.4.14)**.

R4.15 Because the district will receive facility funding in 2005, it should use the facilities plan to determine which buildings require long term repairs versus those that will be replaced after 2005. Since MCSD plans to close at least two of the oldest facilities and replace them with additions or new buildings, the district should exclude major repairs to these buildings from the facilities plan. In addition, the district should develop long range plans based on the anticipated levels of funding to be provided by the state. The district should ensure that all plans are consistent with the expectations and requirements of the Ohio School Facilities Commission.

F4.38 The district does not have a permanent improvement levy to fund capital expenditures. As noted previously, MCSD has deferred maintenance on its facilities and allowed significant deterioration to develop. MCSD passed a bond issue in 1988 to finance the construction of Washington High School. All other capital improvements have been funded through the general fund with some supplemental funding raised through grants. Approximately $41,828 was spent on capital improvements in 1998-99 and an additional $462,375 general fund expenditure is planned for FY 1999-2000. As shown in **Table 4-15**, Massillon is the only peer district that has not passed a permanent improvement levy to help maintain its facilities. While the district spends more general fund maintenance dollars per square foot than the peers, MCSD dedicates only $0.05 per square foot to capital improvements. The prevalence of permanent improvement levies in other districts allows the peers to dedicate a larger portion of funds to capital maintenance and improvements. **Table 4-15** illustrates the districts' total facilities related expenditures per square foot.

Table 4-15: FY 1998-99 Total Facilities Related Expenditures per Square Foot

	Massillon	Alliance	Barberton	Mansfield	Peer District Average [1]
Total permanent improvement levy (PIL) revenue generated in FY 1997-98	$0.00	$328,414	$1,442,175	$1,151,764	$974,118
PIL revenue used to finance facilities related capital improvements	$0.00	$398,612	$1,300,053	$936,120	$878,262
PIL facilities related expenditures per square foot	$0.00	$0.52	$2.45	$0.68	$1.22
Total general fund M&O expenditures per square foot	$4.36	$3.99	$5.38	$2.69	$4.47
Total facilities related expenditures per square foot	**$4.36**	**$4.51**	**$7.83**	**$3.37**	**$5.38**

Sources: BCSD treasurer's office; peer districts
[1] Massillon is not included in the peer averages related to permanent improvement levy expenditures.

R4.16 Facility maintenance and capital repairs must become an immediate priority within the district to provide a safe learning environment for students. The district should begin by allocating sufficient revenue from its general fund to ensure short-term, critical capital needs are addressed as soon as possible.

Because the Ohio School Facilities Commission funding requires matching funds from local dollars, the district should also begin planning how it will establish a dedicated revenue stream to fund long-term capital projects. In addition to the required matching funds, the district must pass a one-half mill levy, the revenue of which must be used for long-term facilities maintenance. One way to provide such funding would be to place on the ballot a permanent improvement levy for maintenance and repairs and a bond issue to generate matching funds for construction. Additional funding, when combined with the capital planning process, would provide both the blueprint for showing how the district plans to spend the permanent improvement funds as well as the means to address the most critical capital needs.

F4.39 The district has received several large donations over the past ten years to support the athletic program. Donations have been used to purchase and install new turf on the football field and to renovate the stadium locker rooms and coaches' offices. These funds are often given to the district through private donors. The donors provide the funds conditionally and require MCSD to spend the funds on specific projects, such as the football stadium renovations. Similarly, the Massillon Tigers Football Boosters have invested sizeable amounts in the district's sports programs and facilities. Though donations have enhanced district sports facilities and will, in the future, allow additions to the sports complex, the funds do not cover upkeep of the structures, maintenance workers' salaries, or maintenance equipment costs.

R4.17 Donations should be considered as a portion of the capital planning process. Before accepting restricted private funds or materials, the district should examine any potential costs associated with the donation. If the district is unable to afford the stipulations of donation agreements, MCSD should consider refusing the donation.

F4.40 In July 1997, the Ohio School Facilities Commission initiated a grant program to make funds available to school districts for emergency repairs to heating systems, floors, roofs, exterior doors, emergency exit lighting, fire alarms systems, water supplies and other critical areas. The maximum grant available per district through this program was $500,000. MCSD received $266,615 to help pay for two projects: fire alarm system improvements and egress lighting at the elementary and middle schools.

F4.41 The district attempted to secure additional alternative facilities funding through the Exceptional Facility Needs Pilot Program in March, 1999. MCSD's application, while meeting the criteria of the program, was not among the small number of districts selected for the program.

R4.18 Given the large volume of capital needs in the district, MCSD should apply for and use the full amount available through all grant programs. By limiting repairs, the district failed to receive approximately $233,400 from the Ohio School Facilities Commission grant program. Failure to apply for all available facilities funds impedes the district's ability to care for its infrastructure **(see F4.32, F4.55, R4.24)**.

F4.42 In the last 10 years, MCSD's student population has increased by 100 students. According to **Table 4-16,** the student population grew annually from the 1990-91 school year until the

1993-94 school year, when enrollment reached its peak. Enrollment has fluctuated in the years since the 1993-94 school year, reversing most of the increase. The head count data in **Table 4-16** contains all students enrolled in MCSD.

Table 4-16: Head Count History

School Year	Head Count	Percent Change From Prior Year
1989-1990	4,729	N/A
1990-1991	4,829	2.11%
1991-1992	4,913	1.74%
1992-1993	4,937	0.49%
1993-1994	4,999	1.26%
1994-1995	4,839	(3.20)%
1995-1996	4,793	(0.93)%
1996-1997	4,923	2.69%
1997-1998	4,807	(2.36)%
1998-1999	4,829	0.46%

Source: EMIS enrollment report

F4.43 While the district uses year end enrollment and ODE projections to determine future student populations, the district has not developed long-range student enrollment projections of its own, a key component of a comprehensive facilities plan **(see R4.14)**. Enrollment projections are essential for determining the appropriate number of school buildings needed and are useful in estimating staffing needs, projecting state funding, and developing five year financial forecasts. Fluctuations in actual enrollment versus ODE projections were attributed to open enrollment. The district benefitted from an influx of students under the open enrollment policy.

Table 4-17: ODE 10-Year Enrollment Projection

School Year	Projection	Percent Change From Prior Year
1999-2000	4,851	N/A
2000-2001	4,787	(1.32)%
2001-2002	4,730	(1.19)%
2002-2003	4,700	(0.63)%
2003-2004	4,641	(1.26)%
2004-2005	4,600	(0.88)%
2005-2006	4,586	(0.30)%
2006-2007	4,538	(1.05)%
2007-2008	4,532	(0.13)%
2008-2009	4,504	(0.62)%

Source: ODE, Division of Information Management Service

F4.44 The difference between MCSD's FY 1999-2000 October head count (4,752 students) and the FY 1999-2000 ODE projection is 99 students or two percent. The two percent difference in the district's October head count and the ODE projection indicate a reliable trend, but a potentially inflated projection. ODE is projecting the district's enrollment to decline by 0.82 percent annually, losing a total of 347 students by FY 2008-09.

R4.19 The district should develop its own enrollment projections as part of the comprehensive facilities plan recommended in **R4.14**. The methodology adopted should factor in live birth data, historical enrollment and a grade-to-grade survival ratio. Enrollment projections are a valuable planning tool and, to ensure accuracy, projections should be updated annually. The district should develop its own projections because the ODE projections do not encompass all potential factors and may be unreliable. District enrollment projections could be used by MCSD to:

- Project the amount of state funding to be received
- Complete financial forecasts
- Determine the number of teachers to hire or retain
- Evaluate building usage and capacity

F4.45 The district has not examined building capacity and utilization. Based on the assessment performed by the Auditor of State's office, MCSD students are currently occupying about 81 percent of the school buildings' capacity, as shown in **Table 4-18**. The district has excess capacity in the elementary, middle and high schools based on the current configuration of the buildings.

The capacity analysis shown in **Table 4-18** was developed using a standard methodology often employed by educational planners and other school districts. The capacity for the elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students and the number of special education classrooms by 10 students. Classrooms used for music, art, and computer labs are excluded from the number of rooms used in the calculation. The capacity in the middle and high schools is calculated by multiplying the number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor. Each school's current capacity is shown in the **Table 4-18.**

Table 4-18: Capacity Analysis

School	Year Built	Building Capacity	1998-99 Headcount	Over/(Under) Capacity	Percent
Elementary School (7):					
Bowers(grades K-5)	1964	295	225	(70)	76.3%
Emerson(grades K-5)	1938	325	250	(75)	76.9%
Franklin(grades K-5)	1955	550	381	(169)	69.3%
Gorrell (grades K-5)	1956	510	450	(60)	88.2%
Smith(grades K-5)	1966	370	328	(42)	88.6%
Whittier (grades K-5)	1939	500	451	(49)	90.2%
York (grades K-5)	1939	310	189	(121)	61.0%
Total Elementary Schools		**2,860**	**2,274**	**(586)**	**79.5%**
Middle School (2):					
Longfellow(grades 6-8)	1925	489	522	33	106.7%
Lorin Andrews(grades 6-8)	1925	659	556	(103)	84.4%
Total Middle School		**1,148**	**1,078**	**(70)**	**93.9%**
High Schools (1):					
Washington High	1990	2,061	1,549	(512)	75.1%
Total High School		**2,061**	**1,549**	**(512)**	**75.1%**
Overall Total		**6,069**	**4,901**	**(1,168)**	**80.8%**

Sources: MCSD business office; EMIS report

F4.46 As **Table 4-18** indicates, the overall capacity of the district's schools was calculated to be 6,069 students: 2,860 in the elementary schools, 1,148 in the middle schools, and 2,061 in the high school. The district is currently operating at 80.8 percent of total capacity. Based on the current district capacity and the 2008-09 enrollment projection, MCSD will be operating at only 74.2 percent of total capacity in 2008-09, a 6.6 percent decrease. Using the highest enrollment projection in **Table 4-17** and the overall capacity shown in **Table 4-18**, Massillon facilities will be under capacity by 1,218 students when enrollment is at its projected peak (FY 1999-2000). Based on the actual FY 1999-2000 headcount, MCSD's facilities are under capacity by 1,317 students or 21.7 percent.

R4.20 The district should consider consolidating the elementary student population into the newer school buildings. Considering the current configuration of the schools and the projected decrease in enrollment, MCSD could potentially close one elementary school. As enrollment declines, additional closures may be possible.

Also, building capacity and utilization should be reviewed periodically in conjunction with enrollment projections to determine the appropriate number of school buildings needed to house current and projected student populations. An enrollment projection methodology that accounts for the district's needs and educational programs should be adopted by the district and used to determine school building capacity at least every two to three years.

Financial Implication: Based on 1998 data, the district has the potential to save up to $175,000 in annual maintenance and utility costs through the closure of one elementary school building. Additional savings of $89,000 may be realized through staffing reductions of one principal, one secretary and one custodian in association with consolidation efforts.

Energy Management and Automated Controls

F4.47 The district's fire alarm and security systems, even in the new high school, are not integrated with the boiler controls or security system. The alarm and security systems do not incorporate cost saving technology to monitor critical building systems. Areas directly impacted by the antiquated security technology are listed below.

- Boiler controls are outdated and require direct monitoring by fireman custodians.
- Security and custodial personnel patrol the high school during the week and on the weekends to monitor freezer temperatures and check for water leaks.
- Custodial employees perform year round building checks on Saturdays, Sundays, and holidays to make sure the equipment is functioning properly and to ensure the building is secure.

F4.48 In addition, security alarms are rarely set as a large portion of the district's employees have key access to the buildings on evenings and weekends. The district has not made attempts to limit building access and records of key holders have not been maintained. According to the administrative assistant of buildings and grounds, security patrols are necessary to ensure the physical security of the schools during business hours.

F4.49 The security personnel work an eight-hour shift Monday through Thursday, two eight-hour shifts on Friday and Sunday, and three eight hour shifts on Saturday. Purchased services costs of security patrols cost the district approximately $55,000 each year. Custodial personnel work two hours of overtime each weekend to perform building checks. Overtime costs for building checks cost the district approximately $36,000 annually. MCSD has substituted personnel costs for more cost effective security system upgrades.

R4.21 The district should consider implementing an integrated fire alarm, boiler control and security system. MCSD should incorporate freezer temperature alarms and motion sensors into an integrated alarm system and restrict the number of people who have access to district buildings during non-business hours. Security patrols should be eliminated and building checks should be reduced to include water pipe checks during only the coldest winter months.

Financial Implication: If the district entered into a five year lease purchase agreement for new security equipment, it would cost approximately $119,000 to $150,000 for five years based on cost estimates in Warren City School District. After the equipment is paid off, it will cost the district approximately $12,000 each year for monitoring fees. The cost of implementing a new system would be offset by a reduction in the annual cost of building checks ($27,000) and security patrols ($52,000). After the initial purchase of the equipment, the district could save $ 79,000 in annual overtime and purchased services costs. Assuming an annual cost of $135,000 for five years, the payback period for a security system upgrade would be approximately 8.4 years.

F4. 50 MCSD spends $1.41 per square foot in utility costs, 18 percent more than the peer average **(see Table 4-14)**. Based on the Commercial Buildings Energy Consumption Survey, a national survey of energy related consumption and expenditure data, the district's total energy costs should range from $0.75 to $1.11 per square foot. Though past neglect of the facilities contributes to the high utility costs, the district has not implemented energy conservation programs, enrolled in an electrical energy cost savings programs, or used H.B. 264 funds to lower energy costs.

F4.51 The district has not implemented an energy conservation program. During the 1970s, Massillon implemented an aggressive educational campaign to reduce energy costs. The program fell into disuse and like programs have not been attempted in the interim.

R4.22 The district should implement an energy management program to lower utility costs in each school building. Energy management programs, such as the one implemented in Middletown-Monroe City School District, have the potential to save the district 10 to 20 percent on annual utility bills. Middletown-Monroe City School District contracted with Energy Education, a management consulting firm from Wichita Falls, Texas, to decrease energy consumption in the district. The contract stipulated that the district will, through utility cost avoidance, refunds or rebates, save an amount equal to or greater than Energy Education's fee. If the target savings were not achieved, Energy Education would reimburse the district the amount of any difference. Middletown-Monroe saved $181,000 in the first seven months of FY 1997-98.

Financial Implication: Through the use of an energy management program, such as the one used in Middletown-Monroe, MCSD has the potential to save between $111,000 and $221,000 annually in utility costs based on FY 1998-99 utility expenditures. The annual cost of Energy for Education's services is approximately $102,000 based on a two year contract.

F4.52 Ohio Edison offered MCSD the opportunity to enter into the Energy for Education Program, a discount electricity program, in FY 1996-97. Ohio Edison estimated the district would save approximately $54,000 in electrical energy costs per year during each year of participation in the program. A representative from Ohio Edison indicated the district declined to participate for several reasons including concerns about the length of the contract and potential savings through deregulation. According to Ohio Edison, the district is still eligible to participate in the program.

R4.23 MCSD should take advantage of the electricity savings program which would increase funding available for educational and facilities-related programs. Though deregulation is anticipated to reduce electrical rates by approximately 5 percent, the Ohio Edison program offers a 10 percent annual savings. The district could anticipate a savings of between $27,000 and $54,000 annually through the Energy for Education program.

Financial Implication: Through the Energy for Education Program, MCSD could save an additional $27,000 to $54,000 annually.

F4.53 Due to deregulation of the gas industry, school districts can purchase gas from any supplier and pay the local utility to transport the gas. Massillon purchases deregulated gas through Power Resources. The district calculated the total gas savings of $45,577 for FY 1995-96 through FY 1997-98.

C4.3 By taking advantage of the deregulation of the gas industry, the district has decreased its utility expenditures and increased funding available to support other educational or facilities-related programs.

F4.54 In 1985, the state legislature passed H.B. 264 which authorizes school districts to issue debt without voter approval to finance capital projects which produce energy savings. The savings generated through the projects should equal or exceed the project cost. The law also states that, as long as H.B. 264 debt remains outstanding, the board of education must monitor the energy consumption for the buildings in which modifications were made. The district must maintain and annually update a report documenting the reductions in energy consumption and the resulting operational and maintenance cost savings. The report is to be certified by an architect or engineer who is independent of the parties which provided the goods or services under the H.B. 264 project. The resultant savings are then to be certified by the school district treasurer.

F4.55 Massillon investigated the potential of using H.B. 264 funds for boiler replacement, roof and insulation replacement and lighting upgrades in FY 1998-99. Ohio Edison was contacted to assess the costs of repairs and to determine funding sources available to the district. After the failure of the May 1998 emergency operating levy, the district discontinued research on the project. Though Ohio Edison remains interested in the project, the district has not developed a time line for implementation. The district's high utility costs are directly related to outdated boilers and lighting equipment.

R4.24 The district should further explore the use of H.B. 264 funds to finance capital improvements that produce energy savings. Through using H.B. 264 funds to finance capital improvements, the district could realize substantial savings in electrical and gas costs. The district should obtain proposals from contractors to identify prospective areas for energy conservation. Some energy conservation measures the district should follow through on include:

- Lighting upgrades
- Boiler replacement
- Roof, door and window replacements

Upgraded equipment and the increased use of technology associated with some H.B. 264 projects has the potential to create savings in personnel and energy costs. The estimated payback for lighting upgrades, calculated through electrical cost savings, is approximately 18 months. Modernization of the heating systems would allow the district to discontinue additional costs for firemen custodians and lower utility costs through improving natural gas consumption levels **(see F4.1, F4.50)**.

Financial Implications Summary

The following table represents a summary of the annual cost savings, annual cost avoidance and implementation costs for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings	Annual Cost Avoidance	Implementation Costs
R4.1 Hire a custodial supervisor and promote three custodians to head custodian			**$45,000 - $49,000 (Annual Cost)**
R4.2 Implement a training program.			**$5,000 - $6,250 (Annual Cost)**
R4.4 Reduce custodial overtime expenditures.	**$69,000 - $133,000**		
R4.5 Hire one additional maintenance employee.			**$38,000 ((Annual Cost)**
R4.6 Purchase a new John Deer tractor and a 3/4 ton snow plow ready pick-up truck under the state contract.			**$31,200**
R4.7 Reduce the grounds crew staff by one employee.	**$36,400**		
R4.9 Purchase automated work order system.			**$5,000 - $15,000**
R4.10 Reduce maintenance overtime expenditures.	**$30,000 - $60,000**		
R4.20 Close one elementary school building.	**$264,000**[1]		
R4.21 Implement a new security system.		**$79,000**	**$131,000 - $162,000 (Annual Cost for 5 Years)**
R4.22 Implement an energy savings program.	**$111,000 - $221,000**		**$102,000**
R4.23 Enroll in the Energy for Education Program.	**$27,000 - $54,000**		
Total	**$537,400 - $768,400**	**$79,000**	**$357,000 - $403,450**

[1] Savings do not include capital costs avoided by closing one school.

Estimates by the Ohio Legislative Budget Office place the capital cost to repair and upgrade MCSD's facilities to the minimum standards and codes for health and safety at $58.5 million.

Conclusion Statement

Although MCSD has invested significant time in assessing the District's critical facility maintenance needs, the absence of a good comprehensive facilities plan has prevented the district from optimizing available resources. The district has not developed an annual maintenance plan to guide day to day activities nor has the district implemented recommendations from its facilities study. Preventive maintenance has not been employed for over a decade and facility infrastructure has suffered as a result. The district also has not developed a long-range facilities plan to address it's future needs. The lack of planning and upkeep has led to increased expenditures and impeded efficiency. The district should develop basic facilities planning documents to guide the expenditures of the limited capital resources available to MCSD at this time.

MCSD custodians maintain 12 percent more average square footage than the peer average. Though the union contract stipulates that custodians are assigned areas to maintain, the size of the area is not indicated and, therefore, the district is not constrained by this provision. Custodial overtime usage is high, in part because of weekend building checks and special events. Custodial workers average $5,544 in overtime each year. The district should curtail overtime expenditures through purchasing an integrated alarm system and implementing higher special event fees to cover overtime. Also, custodians often do not have adequate management support to expedite emergency repairs. The district should consider hiring a custodial supervisor to provide more direct supervision and decision making.

The physical condition of the district's buildings, neglected for several years, poses substantial repair obstacles for the district's maintenance workers. It is unclear how much work the maintenance staff is completing on a daily basis because there is not a system in place to monitor the staff's productivity. The administrative assistant of building and grounds is now developing an database to track productivity. While maintenance employees maintain a high square footage, approximately 73 percent more than the AS&U Region 5 average, high overtime costs negates this savings. MCSD should consider hiring additional maintenance employees to address issues of annual and preventative maintenance if the current staff is unable to complete the necessary maintenance tasks.

A substantial portion of overtime costs are incurred by the grounds workers. MCSD grounds workers currently maintain 52 percent less area than the AS&U Region 5 average. The grounds crew has the potential to be reduced by one employee. In addition, grounds crew workers accrue approximately $14,577 in overtime each year. Overtime costs are attributed to snow removal and stadium cleaning, but should be greatly reduced. Grounds keeping equipment is outdated and in poor repair– the condition of equipment costs the district an appreciable sum in employee time. The district should either invest in new equipment or privatize the grounds keeping function.

The district's union contract with custodial and maintenance workers is comparable to the negotiated contracts of the peer districts. MCSD should ensure that, when employees are called in and paid for two hours of work, the employees perform a full two hours of work. In addition, the administrative assistant of buildings and grounds should perform annual evaluations. During the next round of contract negotiations, the district should attempt to negotiate a change to the union contract allowing the district to promote employees based on skills rather than seniority.

Currently, all of the school buildings are operating under capacity. Based on the Ohio Department of Education's enrollment projections and the current configuration of the schools, the closure of at least one school appears feasible as the student population is projected to decline.

While MCSD has completed some renovation work under the Ohio School Facilities Commission Emergency Repairs Grant, the district has not taken advantage of H.B. 264 funding to reduce energy costs. Energy conservation measures have not been employed to reduce utility usage and lower costs. Although the district is participating in a discounted gas program through Power Resources, MCSD has not enrolled in the Energy for Education program, which provides electricity at a discounted rate. The district's utility costs are approximately 18 percent per square foot over the peer average and, through a conservation program, could become an area of large-scale savings.

MCSD must ensure that facility maintenance becomes a priority in the district. The district's capital needs are as important as the need for teachers and supplies. Facility planning must become a priority to ensure that the district's considerable capital investment are safeguarded against neglect and to demonstrate to the community the district's understanding of the importance of facility maintenance as a component of school district management.

This page intentionally left blank.

Transportation

Background

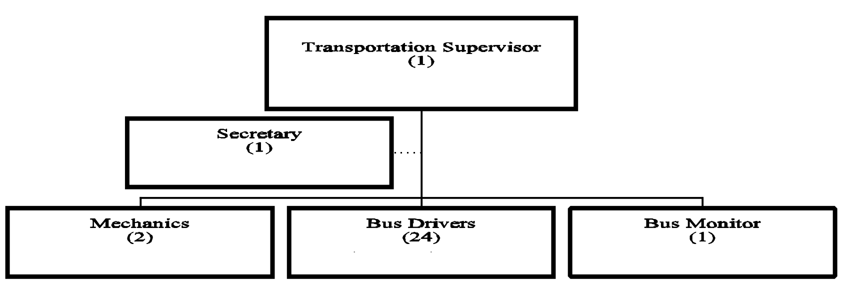
In recent months, the Massillon City School District (MCSD) has made significant revisions to its transportation policy in response to changing financial conditions. In FY 1998-99, MCSD provided transportation to students in grades kindergarten to 8 who resided one or more miles from their designated school of attendance, and to students in grades 9 to 12 who resided one and one-half or more miles from their school of attendance. In August 1999, this policy was changedto reflect state minimum standards. Under this revision, MCSD provided transportation to students in grades kindergarten to eight who resided two or more miles from their school of attendance. No transportation was provided to students in grades 9 to 12. In December 1999, following passage of an operating levy, the transportation policy was changed for a second time. Under the current policy, MCSD provides transportation to students in grades kindergarten to eight who reside one or more miles from their designated school of attendance. No transportation is provided to students in grades 9 to 12.

Because MCSD transportation operations have changes significantly since FY 1998-99 as a result of these policy changes, the analyses in this section of the performance audit are based upon current departmental operations, staffing and service levels.

Organization Chart

Chart 5-1 provides an overview of the organizational structure and current staffing levels for the MCSD's transportation department.

Chart 5-1: Transportation Department



Organization Function

The primary responsibility of the transportation department is to provide a safe, efficient and economical method of transporting students to and from school. MCSD uses the same criteria for providing transportation to students who attend either public or non-public schools. The district's transportation department operates its own fleet of school buses, providing transportation to all students in grade kindergarten through eight who reside one or more miles from their designated school of attendance. MCSD's current practice is consistent with the recently adopted one-mile transportation policy for eligible students in grades kindergarten through eight.

Summary of Operations

MCSD operates its own regular and special education transportation programs, consisting of 22 active buses, 2 vans and 9 spare buses. For FY 1999-00, MCSD vehicles will travel an estimated 198,933 miles and will provide transportation for approximately 2,023 of the district's 4,654 students.

The regular transportation program will carry an estimated 1,700 public and 280 non-public students daily during FY 1999-00. In addition, MCSD has five non-public students whose parents receive payment in lieu of transportation. In total, transportation services will be provided for approximately 1,985 regular needs students, traveling approximately 149,868 miles at a cost of $576,155. This represents approximately 84 percent of the estimated total cost to operate MCSD's transportation department for FY 1999-00.

The special education program will transport approximately 38 students daily in FY 1999-00. District buses will carry 17 of the 38 special education students while the remaining 21 special needs students will be transported by two board-leased vans. The special education buses and vans are estimated to travel 49,065 miles in FY 1999-00 at an estimated cost of $109,470. This represents approximately 16 percent of the estimated total costs to operate MCSD's transportation department for FY 1999-00.

Combining both the regular transportation and special education programs, the district will provide transportation services to approximately 2,023 students at a cost of $685,625 for FY 1999-00. Approximately 43 percent of this total cost, or $293,786, will be funded by the state. State funding is based on complex formulas and the district may or may not receive the total amount of funding to which they are entitled, depending on funding availability at the state level.

Staffing

Table 5-1 indicates the staffing levels for the MCSD transportation department during FY 1999-00.

Table 5-1: Staffing Levels

Position	Number of Employees	Full-Time Equivalents
Transportation Supervisor	1.0	1.0
Bus Drivers	24.0[1]	15.8
Bus Monitor	1.0	0.7
Secretary	1.0	1.0
Mechanics	2.0	2.0
Total	29.0	20.5

Source: MCSD transportation department.
[1]MCSD has six substitute bus drivers who are not guaranteed hours and are not included on this table or in other staffing analyses.

Financial Data

Table 5-2 shows actual transportation expenditures for FY 1998-99 and budgeted expenditures for FY 1999-00.

Table 5-2: Financial Table

Component	Actual FY 1998-99 Expenditures	Budgeted FY 1999-00 Expenditures	Difference, FY 1998-99 and FY 1999-00	% Difference, FY 1998-99 and FY 1999-00
Salaries	$583,340	$436,976	($146,364)	(33.5)%
Benefits	$60,355	$99,463	$39,108	39.3%
Purchased Services	$18,845	$35,894	$17,049	47.5%
Materials & Supplies	$128,039	$56,172	($71,867)	(127.9)%
Miscellaneous	$0	$57,120[1]	$57,120	100%
Subtotal	$790,579	$685,625	($104,954)	(15.3)%
Capital	$28,706	$0	($28,706)	(100)%
Total	$819,285	$685,625	($133,660)	(19.5)%

Source: MCSD 1998-99 4502; FY 1999-00 budget summary; updated department budget.
[1]Miscellaneous includes utilities, drug testing, physicals and general supplies.

The District provided the following explanations for major variances noted above:

- Salaries decreased from FY 1998-99 to budgeted FY 1999-00 due to a reduction in the total number of transportation department staff resulting from a change in the transportation policy.

- Benefit costs increased from FY 1998-99 to FY 1999-00 due to the addition of eligible employees purchasing health insurance and the requirement that back payments of health insurance premiums from FY 1998-99 be made.

- Purchased services increased from FY 1998-99 to budgeted FY 1999-00 due to an increase in bus repairs due to accidents, preparation for bus inspections and replacement of transmissions.

- A general purchasing freeze in the district accounts for the drastic reduction in materials and supplies from FY 1998-99 to budgeted FY 1999-00.

- Miscellaneous expenditures appear to increase from FY 1998-99 to FY 1999-00 as budgeted expenditures were not finalized and placed in either the purchased services or materials and supplies component for FY 1998-99.

- Capital expenditures fluctuate each year, depending on the age and/or mileage of the bus fleet and the services needed to keep the bus fleet operating. Capital revenue to support these expenditures is primarily received from the state as ridership and bus age and mileage reimbursements to be used for the purchase of new buses. This amount is received in the middle of the school year, and changes with the yearly ridership count and the age and mileage of the buses.

Table 5-3 provides basic operating statistics for MCSD and selected peer districts. These statistics will be used as comparative data throughout the transportation section.

Table 5-3: Operational Statistics and Ratios

FY 1998-99	Massillon[1]	Alliance	Barberton	Mansfield
Operational Statistics:				
Eligible Students				
- Regular students	1,985	1,587	1,184	4,899
- Special needs	38	141	134	315
- Total	2,023	1,728	1,318	5,214
Expenditures				
- Regular students	$576,155	$403,020	$380,245	$679,476
- Special needs	$109,470	$90,638	$111,960	$381,823
- Total	$685,625	$493,658	$492,205	1,061299
State Reimbursements				
- Regular students	$218,531	$185,786	$159,890	$434,320
- Special needs	$75,255	$37,144	$48,505	$116,395
- Bus purchase allowance	$0	$39,377	$22,172	$106,277
- Other bus reimbursement	$0	$0	$0	$0
- Total	$293,786	$262,307	$230,567	$656,992
Miles Driven				
- Regular students	149,868	112,860	125,100	318,780
- Special needs	49,065	25,662	24,120	94,320
- Total	198,933	115,422	149,220	413,100
Operational Ratios:				
Regular Students: Yellow Bus				
- Cost per Mile	$3.84	$3.56	$3.03	$2.10
- Cost per Bus	$26,189	$19,134	$23,723	$19,143
- Cost per Student	$291	$255	$321	$147
- Students per Bus	90	75	74	140
- Cost per Student all methods	$290	$255	$321	$137
Special Needs Students:				
- Cost per Student all methods	$2,881	$643	$836	$1,212
School Sites				
- Public	10	9	10	18
- Non-public	9	2	2	3
Active Buses	22[2]	21	16	35
Spare Buses	9	3	5	8
Square Miles in District	20.1	10.4	25	18.5

Source: FY 1998-99 T-1, T-2 and T-11 Forms; FY 1998-99 foundation settlement sheets, revised MCSD budget.
[1]Information for MCSD comes from actual and estimated numbers for FY 1999-00.
[2]Massillon uses an additional two board-leased vans to transport special needs students.

Table 5-4 provides the number of staff and FTEs, by position, for MCSD in FY 1999-00, and each of the peer districts for FY 1998-99.

Table 5-4: Peer District Staffing Level Comparison

Staffing	Massillon[1]		Alliance		Barberton		Mansfield	
Fiscal Year 1998-99	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Transportation Supervisor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Bus Drivers	24.0	15.8	20.0	10.0	20.0	11.2	35.0	16.0
Bus Monitors	1.0	0.7	2.0	1.0	3.0	1.3	4.0	2.0
Mechanics	2.0	2.0	1.0	1.0	0.0[2]	0.0	2.0	2.0
Secretary	1.0	1.0	0.25	0.25	0.0	0.0	1.0	1.0
Mechanic Helpers	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Total	29.0	20.5	24.25	13.25	24.0	13.5	45.0	24.0

Source: Transportation departments.
Note: Massillon's six substitute bus drivers are not guaranteed hours and are not included on this table.
[1]Information for Massillon reflects actual numbers for FY 1999-00.
[2]Barberton purchases all mechanical work from outside vendors.

Performance Measures

The following performance measures were used to conduct the analysis of the transportation department:

- Assessment of district's transportation policies in relationship to state minimum standards
- Adequacy of reporting operational information to secure state transportation aid
- Cost effectiveness of pupil transportation services by type of transportation (regular and special needs transportation):
  - Cost per mile, per bus and per student
  - Bus capacity utilization
  - Comparative bus driver wage rates and benefits
  - Effectiveness of coordination between the special education department and transportation department to assure efficient transportation of special needs students
- Effectiveness and efficiency of transportation routing
  - Manual or computerized routing
  - Use of municipal transportation services
  - Assessment of district's bell schedules to support tiered routing
- Assessment of department staff and personnel matters
  - Review of the collective bargaining agreement
  - Analysis of absenteeism and leave usage

- Assessment of bus fleet
  - Review of bus fleet and required capital investment
  - Review of district's practices regarding school bus replacement
- Assessment of technology
  - Review of routing, scheduling and planning software
  - Review of fleet maintenance software
  - Review of fuel usage and monitoring
- Assessment of privatization
  - High level analysis of opportunities for privatization

Findings / Commendations / Recommendations

Policy

F5.1 During the 1998-99 school year, MCSD provided transportation to students in grades kindergarten through 8 who lived one mile or more from their designated school of attendance, and students in grades 9 to 12 who lived one and one-half miles or more from their designated school of attendance.

F5.2 In August 1999, the transportation policy was changed to transport those students in grades kindergarten through eight who lived two miles or more from their designated school of attendance. This policy change to state minimum standards was made in response to the District's continuing financial problems.

C5.1 MCSD took steps to reduce operational costs in response to financial constraints when the school district changed its transportation policy to state minimum standards in August, 1999. By implementing state minimum standards, the district temporarily eliminated 13.5 buses.

F5.3 In November 1999, the community approved an operating levy and the board adopted an updated policy to provide transportation to students in grades kindergarten to eight who reside one or more miles from their designated school. Students in grades 9 to 12 are not transported. This new policy took effect in December 1999.

The transportation policy extends to resident students with physical or mental disabilities that make walking impractical or unsafe. Exceptions to the policy are determined on a case-by-case basis and students who reside less than one mile from their designated school of attendance may be eligible for transportation under the following conditions:

- When a student suffers a medical disability or temporary physical handicap which makes walking impossible or unsafe,
- When walking conditions to the student's school are deemed hazardous; or when walking conditions are inadequate due to construction or presence of temporary safety hazards,
- When a child's handicapping condition necessitates transportation.

F5.4 MCSD has been requested by the safety service director of the City of Massillon to provide transportation services for public students who either reside closer than one mile to their designated school of attendance or who are in high school, if it is determined that their walk to school poses a threat to their health and safety. MCSD has honored this request by the safety service director, even though the action does not meet the qualifications specified by the transportation policy. For FY 1999-00, 147 students applied and are receiving transportation.

R5.1 The District should consider establishing a safety committee to review exceptions to the transportation policy. The current seven percent exception rate appears to be excessive and contributes to MCSD's relatively high transportation costs. The city's safety service director could be a valuable resource to this committee.

F5.5 State law requires school districts to provide transportation for resident students in grades kindergarten through eight who live two or more miles from their designated school of attendance, or who have physical or mental disabilities that make walking impractical or unsafe. The transportation of high school students and intra-district open enrollment students is optional. In accordance with state law, MCSD must provide transportation for non-public students living within district boundaries based on the same criteria used for transporting public students.

In addition, the board of education has established transportation-related policies in the following areas:

- *School bus driver certification*–all bus drivers are required to obtain and hold proper certification consistent with the Ohio Revised Code; a driver with six (6) or more points shall have his or her bus certification reviewed by the Superintendent and employment will be terminated; a driver involved in a preventable school bus accident, or found guilty in a minor traffic violation shall be subject to disciplinary action.

- *Student safety and welfare*–school bus drivers are responsible for student conduct on district vehicles; problems related to student conduct are to be reported to the building principal.

- *Field trips and other district-sponsored trips*–only district owned or approved vehicles are to be used by approved drivers; exceptions must have approval from the superintendent; transportation may be limited by availability of vehicles, drivers or scheduling.

F5.6 **Table 5-5** shows how the MCSD transportation policy compares to the policies of its peer districts.

Table 5-5: Transportation Policy

Transportation Policy	Massillon	Alliance	Barberton	Mansfield
K-5	1 mile	1 mile	1 mile	1 mile
6	1 mile	1 mile	2 miles	2 miles
7-8	1 mile	1 mile	2 miles	2 miles
9-12	None	1 mile	None	None
Intra-district open enrollment	Yes	Yes	Yes	Yes

Source: District policies

F5.7 MCSD does not provide school guards or safety personnel for students. However, the safety service director for the City of Massillon has placed school guards at designated areas deemed hazardous. While MCSD may recommend locations for placement of school guards, the final decision is at the discretion of the safety service director.

F5.8 MCSD's intra-district open enrollment policy allows students to attend schools within the district other than their designated school of attendance. Special accommodations are not made to transport open enrollment students. However, these students may be transported if they can be accommodated on a bus that transports to their school, if there is room on the bus and if the child can be picked up at an existing bus stop for that school. Of the 186 students attending under the intra-district enrollment option, 51 are transported on district buses.

F5.9 MCSD's inter-district open enrollment policy allows students from other districts to attend schools within the MCSD district. Students attending under inter-district open enrollment are not guaranteed transportation. However, they may be transported if they can be accommodated on a bus that transports to that school, if there is room on the bus and if they can be picked up at an existing bus stop that services that school. 204 students are attending under the inter-district enrollment option. Of that total, 18 students are provided transportation on district buses.

F5.10 MCSD utilizes a variety of starting and ending times in its schools, as indicated in **Table 5-6**. Because MCSD does not provide transportation to students in grades 9 to 12, the high school bell schedule is not considered when designing bus routes. Bus routes are currently developed around the starting and dismissal times for middle and elementary schools only. This is done to facilitate the creation of a multi-tiered routing schedule.

Table 5-6 indicates the bell schedule for FY 1999-00. Times listed are the earliest that any school in each category starts or dismisses students from school.

Table 5-6: Bell Schedules

	Start Time	Dismissal Time
High Schools	7:10 a.m.	2:10 p.m.
Middle Schools	7:55 a.m.	2:40 p.m.
Elementary Schools	8:45 a.m.	3:10 p.m.

Source: MCSD transportation department.

F5.11 **Table 5-7** illustrates how MCSD and its peer districts compare in the use of bell schedules to facilitate the design of transportation routes. The more tiers a school district has, the more students each bus is able to transport, thus increasing bus capacity utilization rates.

Table 5-7: Peer District Bell Schedule Comparison

	Massillon	Alliance	Barberton	Mansfield
Number of Tiers	3 tiers	3 tiers	2 tiers	3 tiers am; 2 tiers pm

Source: transportation departments.

F5.12 **Table 5-8A** indicates the number of runs that MCSD buses took in both their morning and afternoon routes for FY 1998-99. Table **5-8B** indicates the number of runs that MCSD buses make on both their morning and afternoon routes for FY 1999-00.

Table 5-8A: Analysis of Bus Routes, FY 1998-99

FY 1998-99	AM Routes	Percent of Total	PM Routes	Percent of Total
One run	0	0%	1	4%
Two runs	0	0%	0	0%
Three runs	13	57%	13	57%
Four runs	8	35%	8	35%
Five runs	2	9%	1	4%
Total	23	100%	23	100%

Source: MCSD transportation department.

Table 5-8B: Analysis of Bus Routes, FY 1999-00

FY 1999-00	AM Routes	Percent of Total	PM Routes	Percent of Total
One run	1	4%	1	4%
Two runs	21	75%	20	80%
Three runs	6	21%	4	16%
Four runs	0	0%	0	0%
Five runs	0	0%	0	0%
Total	28	100%	25	100%

Source: MCSD transportation department.

F5.13 MCSD's recent transportation policy change has reduced the overall efficiency of the bus fleet as illustrated in **Tables 5-8A and 5-8B.** During FY 1998-99, approximately 98 percent of all routes included three or more runs. Currently, approximately 18 percent of all routes include three or more runs. This reduction in efficiency is further reflected in the fact that ridership has dropped from 140 students per bus in FY 1998-99 to the current level of 90 students per bus.

F5.14 **Table 5-9** shows the number of runs and the percentage of buses in each run category for Massillon and its peers. While Massillon has the second highest percentage of buses with three or more runs per route when compared to the peer districts, efficiency has declined significantly since FY 1998-99

Table 5-9: Peer Analysis of Bus Routing Tiers

	Massillon[1]	Alliance	Barberton	Mansfield
FY 1998-99	**Percent of Total**	**Percent of Total**	**Percent of Total**	**Percent of Total**
One run	4%	N/A[2]	30%	4%
Two runs	77%	N/A[2]	70%	49%
Three runs	19%	N/A[2]	0%	45%
Four runs	0%	N/A[2]	0%	2%
Five runs	0%	N/A[2]	0%	0%
Total	100%	100%	100%	100%

Source: Individual transportation departments.
[1]Information for Massillon comes from actual numbers for FY 1999-00.
[2]Alliance was unable to provide this information.

F5.15 When the district revised its transportation policy in December 1999, it added nine buses to active status in the fleet when compared to the beginning of the 1999-00 school year. Based on the ridership of 1,980 regular students reported by the district, the current active fleet of 22 buses transporting regular students is operating at approximately 67 percent of capacity. This reflects a significant drop in capacity utilization from FY 1998-99 and could represent an opportunity for significant savings and cost avoidance.

R5.2 MCSD should review the current routing structure and capacity utilization of its bus fleet. If the district could operate the fleet at the industry standard of 85 percent, it may be possible to reduce the fleet by up to four buses.

Financial Implication: Reduction of four buses would result in annual operational savings of approximately $104,756. In addition to operational savings, the district would realize a cost avoidance of approximately $220,000 by not having to replace these buses.

F5.16 Because of the city's population density, MCSD uses a cluster or corner stop pick-up system for the majority of its students and does not routinely pick up students at their individual residences. The average distance between bus stops is two to three blocks, and an average of 12 to 15 children are picked up at each stop.

State Funding

F5.17 School districts are required to file annual forms (T-1, T-2 and T-11) with the Ohio Department of Education (ODE) regarding their provision of transportation services. These required forms are used by ODE to determine the amount of reimbursement that school districts will receive for the operation of their regular and special needs transportation programs. A review of MCSD's T forms revealed no significant data or reporting errors.

The state reimbursement for transportation programs is paid to the district with the state foundation payments issued twice each month. The state reimburses school districts based upon prior year information until the T-1 Form is completed and submitted in October. Reimbursement payments are adjusted each January to reflect current year data.

For FY 1999-00, it is estimated that the district will receive approximately $218,531 for the transportation of 1,985 regular education students, which represents approximately 38 percent of the district's total transportation costs for regular education students. The district is estimated to receive approximately $75,255 for the transportation of 38 special needs students. This funding represents approximately 69 percent of the district's total transportation costs for special needs students.

General Operations

F5.18 **Table 5-10** presents actual transportation expenditures for MCSD for FY 1997-98 and FY 1998-99 as well as budgeted expenditures for FY 1999-00.

Table 5-10: Actual Expenditures

	Actual FY 1997-98	Actual FY 1998-99	Dollar Increase	Percent Increase	Budgeted FY 1999-00	Dollar Increase	Percent Increase
Total Cost	$851,481	$819,285	($32,196)	(4%)	$685,902	($133,660)	(19.5)%

Source: FY 1997-98 and 1998-99 4502 report; 1999-00 budget summary.

F5.19 As **Table 5-10** indicates, the budget for the transportation department has decreased over the last three years, ranging from a high of $851,481 in FY 1997-98 to a budgeted low of $685,625 in FY 1999-00. This decrease in funding has been a result of the district being placed in fiscal emergency, and the subsequent reduction in costs due to a reduction in transportation services.

F5.20 Approximately 1,985 regular education public and non-public students are eligible for transportation within MCSD boundaries. Non-public students are those students who live within MCSD boundaries but attend private or parochial schools. The average cost to transport a MCSD regular education student, for all methods of transportation, is $290, based on estimated FY 1999-00 expenditures.

F5.21 As with most school districts, the cost to transport special needs students is much higher than the cost to transport regular education students. For FY 1999-00, an estimated 38 special needs students are eligible for transportation by MCSD, at a cost of $2,881 per special needs student. This cost is $2,591 more than the cost to transport regular education students. The following factors contribute to the higher cost to transport special needs students:

- The small number of special needs students requiring transportation.
- The location of special education classes to which students are assigned.
- The use of bus monitors on the special needs routes. Bus monitors are assigned to special needs routes to help the driver load and unload students, to maintain order on the buses and to attend to the needs of the students. The hourly rate for MCSD bus monitors averages $6.68.
- Special needs students often require door-to-door service that is not provided to regular education students.
- The time required to load and unload special needs students is greater than the time required to load and unload regular needs students.
- Special equipment (lifts, restraints, etc.) needed to transport special needs students makes buses more expensive to purchase and maintain.
- The capacity of special needs buses is usually lower than for buses transporting regular needs students, which is due to the pick-up location of the students, the need to displace many of the regular seats, the need for special equipment, riding time considerations and the individual needs of the students.

F5.22 **Table 5-11** indicates the number of eligible students, total costs associated with transporting these eligible students, and the total cost per student for both regular and special needs students for MCSD. The high cost to transport special needs students contributes to the relatively high per pupil cost for transportation in MCSD.

Table 5-11: Transportation Cost

	Eligible Students	Estimated FY 1999-00 Costs	Cost per Student
Regular Education	1,985	$576,155	$290
Special Needs	38	$109,470	$2,881
Total	2,023	$685,625	$339

Source: MCSD transportation department.

F5.23 MCSD has contracted with the Stark Area Regional Transit Authority (SARTA) to provide transportation services for children who are in need of before and after-school services because their parents are working. MCSD has purchased bus passes for 30 students at a cost of $75 each, for a total cost of $2,250.00. SARTA will refund the costs of those passes not used. The passes are to be used for the period January to June, 2000 and SARTA is to provide morning and afternoon transportation for children from their home and/or school to the YMCA and Little Sprouts Day Care Center. District officials report that although SARTA passes have been purchased, no students are presently utilizing the service.

F5.24 **Table 5-12** presents selected operating ratios for MCSD and the peer districts for the operation of the regular needs student transportation program.

Table 5-12: Peer Comparison of Regular Needs Operational Ratios

Regular Education FY 1998-99	Massillon[1]	Alliance	Barberton	Mansfield	Peer Average
District Buses:					
Operational Data:					
Active Buses	22	22	16	35	24
Average Driver Wage	$11.19	$12.77	$11.70	$14.33	$12.50
Operational Ratios:					
Cost per Mile	$3.84	$3.56	$3.03	$2.10	$12.53
Cost per Bus	$26,189	$19,134	$23,723	$19,143	$22,047
Cost per Student	$291	$255	$321	$276	$286
Students per Bus	90	75	74	140	95
Number of Students	1,980	1,578	1,184	4,899	2,410
Contracted Yellow Buses:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Public Transportation:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Payment In Lieu of Transportation:					
Cost per Student	$172	$134[2]	$24[2]	$201	$133
Number of Students	5	9	28	47	22
Board owned other than school bus:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Contractor owned other than school bus:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
All Modes of Transportation:					
Cost per student	$290	$254	$314	$137	$249
Number of Students	1,985	1,587	1,212	4,946	2,433

Source: FY 1998-99 T-1 and T-2 Forms.
[1]Information for Massillon comes from actual and estimated numbers for FY 1999-00.
[2]Payment in lieu of transportation from the Ohio Department of Education for FY 1998-99 was $172 per student, prorated to reflect partial year payments. As a result, average costs per student may not equal $172.

F5.25 Regular needs operational ratios within the MCSD transportation department do not compare favorably with those of the peer districts. The district has the second highest cost per student on district buses at $291, compared to Alliance, Barberton and Mansfield City School Districts with costs of $255, $321 and $276 respectively. At an annual cost per bus of $26,189, MCSD is higher than the peer average of $22,047 and the highest among the peer districts. One factor which contributes to this high cost per bus is MCSD's capacity utilization rate of 90 students per bus which is second highest among the peers which average 86 students per bus, but significantly lower than Mansfield which carries 140 students per bus. Other contributing factors include the higher cost of maintaining an aging bus fleet, and the high average annual miles per pupil transported (98.3 miles) compared to the peers which average 89.4 miles per pupil.

F5.26 **Table 5-13** presents operational ratios for MCSD and its peer districts for the special needs transportation program. The emphasis of the comparison is on the total cost of transportation per student by the various methods used. In MCSD, transportation is done either by board owned buses or board-leased vans.

Table 5-13: Peer Comparison of Special Needs Operational Ratios

Special Needs Education FY 1998-99	Massillon[1]	Alliance	Barberton	Mansfield	Peer Average
District Buses:					
Operational Data:					
Average Driver Wage	$11.67	$12.77	$11.70	$14.33	$12.62
Average Bus Monitor Wage	$6.68	$5.30	$7.85	$8.08	$6.98
Operational Ratios:					
Cost per Student	$3,099	$641	$829	$1,207	$1,444
Number of Students	17	140	134	315	152
Contracted Yellow Buses:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
District Owned Other Vehicles:					
Cost per Student	$2,718	N/A	N/A	N/A	$2,718
Number of Students	21	N/A	N/A	N/A	21
Contracted Other Vehicles:					
Cost per Student	$2,002	N/A[2]	$1,557	N/A	$1,780
Number of Students	1	1	46	N/A	16
Parent/Guardian Contract:					
Cost per Student	N/A	N/A	N/A[3]	N/A	N/A
Number of Students	N/A	N/A	4	N/A	4
Public Transportation:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Taxi:					
Cost per Student	N/A	N/A	N/A[4]	$698	$698
Number of Students	N/A	N/A	4	5	5
All Modes of Transportation:					
Cost per Student	$2,881	$643	$836	$1,212	$1,395
Number of Students	38	141	134	315	157

Source: T-11 Form; transportation department.
[1]Information for Massillon comes from actual and estimated numbers for FY 1999-00.
[2]Alliance could not provide the total cost per student for transportation by contracted other vehicles.
[3]Barberton could not provide a cost per student for parent/guardian contract.
[4]Barberton could not provide an average cost per student for transportation by taxi.

F5.27 The MCSD transportation department serves special needs students on district operated buses and board-leased vans at a cost of $2,881 per student. This cost is approximately $1,400 higher than the peer average of $1,393. By comparison, Alliance, Barberton and Mansfield City School Districts transport special needs students at $643, $836 and $1,212 respectively. The high cost in MCSD may be due to the relatively small number of handicapped students transported in comparison to peer districts, as well as the lack of utilization of contracted other vehicles, parent/guardian contracts, and public transportation.

R5.3 MCSD should investigate other means of transporting special needs students. By utilizing other means to transport special needs students, including more effective use of contracted service and parental contracts, MCSD should be able to attain the peer average of $1,393 per student.

Financial Implication: If MCSD could decrease special needs transportation costs from the current $2,881 cost per student to the peer district average of $1,393, it could save approximately $56,544 per year.

F5.28 MCSD identifies special needs students as required by federal and state laws and follows the steps outlined in *"Whose IDEA is This?: A Resource Guide for Parents"* published by the Ohio Department of Education. Once MCSD determines that a child has a disability, an individualized education program (IEP) is developed for the child. The IEP includes a statement of specific special education and related services, including transportation. The IEP indicates if specialized busing service is required and the type of service needed. All departments that provide some type of service to the child should be included in the development of the IEP.

Not all special needs students require specialized transportation. Those students who can be accommodated through the regular needs transportation program are classified as regular needs students. In MCSD, only those students whose handicapping condition requires special transportation services are classified as special needs students. Therefore, the number of special needs students found elsewhere in this report may exceed the total number of special needs students indicated in this transportation section.

Ohio Administrative Code, Section 3301-51-10(C)(2), states that "School district transportation personnel shall be consulted in the preparation of the Individualized Education Program (IEP) when transportation is required as a related service and when children's needs are such that information to ensure the safe transportation and well-being of the child is necessary to improve such transportation."

F5.29 The department of pupil services works with the special needs programs located within the various schools to which students are transported. If a student requires a special start and/or end time, a transportation accommodation is made. The department of pupil services, the staff in each school, the special needs student and the student's guardian are involved in the development of the IEP. When a determination is made that a student requires special transportation, the transportation supervisor is consulted for the development of such services.

C5.2 MCSD's transportation supervisor is consulted during the development of IEPs for students who require special transportation services. This involvement allows for the input of someone who is experienced in transporting students with special needs and who can best determine the actual transportation needs of the student, as well as the ability of MCSD to provide the needed transportation services.

F5.30 **Table 5-14** compares non-public student transportation services in both MCSD and the peer districts.

Table 5-14: Peer Comparison of Non-public Student Transportation

FY 1998-99	Massillon[1]	Alliance	Barberton	Mansfield
Non-public Students Eligible to Ride	385	144	254	259
Non-public Students on District Buses	380	135	226	212
% On District Buses	99%	94%	89%	82%
Cost per Student	$291	$255	$321	$276
Non-public Students on Contracted Buses	N/A	N/A	N/A	N/A
% On Contracted Buses	N/A	N/A	N/A	N/A
Cost per Student	N/A	N/A	N/A	N/A
Paid "In Lieu of Being Transported"	5	9	28	47
% Paid "In Lieu of Being Transported"	1.3%	6%	11%	18%
Cost per Student	$172	$134	$24	$201
Non-public Students on Public Transportation	N/A	N/A	N/A	N/A
% On Public Transportation	N/A	N/A	N/A	N/A
Cost per Student	N/A	N/A	N/A	N/A
Average Cost Per Student	$290	$254	$314	$137

Source: T-1 and T-2 Forms; transportation departments.
[1]Information for MCSD comes from actual numbers for FY 1999-00.

F5.31 **Table 5-15** indicates costs related to transporting non-public students. MCSD provides payment to parents of some non-public students in lieu of transportation on district buses. Parents are being paid an average of $172 per child during FY 1999-00 to transport their children. The state advances school districts 100 percent of this annually determined amount based on data reported by the school district to ODE via the required T-1 Form.

Table 5-15: Cost of Transportation for Non-public Students

Non-public Students	Eligible Students	Total Cost	Cost per Student
Bused by MCSD	380	$110,200	$291
Payment In Lieu of Being Transported	5	$860	$172
Total	385	$111,060	$231

Source: MCSD transportation department.

Personnel

F5.32 The MCSD transportation department is managed by a transportation supervisor. The department employs 1 full-time secretary, 2 full-time mechanics, 6 part-time substitute bus drivers, 1 full-time and 23 part-time bus drivers, and one part-time bus monitor, all of whom report to the transportation supervisor. The transportation supervisor reports directly to the superintendent.

The majority of MCSD transportation employees are represented by the Ohio Association of Public School Employees (OAPSE) Local 114. The contract between the board of education and the OAPSE expires at the end of 1999.

F5.33 All full-time bus drivers and bus monitors receive the following benefits:

- Sick leave accumulated at a rate of one and one-fourth days per month
- Three non-cumulative personal days
- Ten paid holidays
- Health care insurance

F5.34 MCSD pays 75 percent of the cost for single coverage health insurance. Those persons wishing to obtain single coverage must pay the remaining 25 percent of the total cost. MCSD does not pay family coverage for transportation employees. If family health insurance is requested, the district pays 75 percent of the cost for single coverage and the employee is responsible for the remaining cost of the family health insurance premium.

F.5.35 MCSD bus drivers are paid a minimum of four hours for driving a regular run and two hours for driving a split run (a partial regular run). The average driver's route time is 5.26 hours and all drivers work more than their guaranteed hours. Substitute drivers are paid for actual hours worked. Once routes are developed, the transportation supervisor drives each to determine its bid length. This allows management to ensure that routes are properly structured to exceed the guaranteed hours and eliminate the possibility of payment for unproductive time.

F5.36 Bus drivers and bus monitors receive overtime at a rate of one and one-half times the employee's regular rate of pay for hours in excess of 40 hours per week and/or hours in excess of 8 hours per day. Overtime is approved by the transportation supervisor by signing off on the payroll sheets. In FY 1998-99, MCSD spent $21,468 in overtime costs.

F5.37 MCSD transportation employees averaged 15.6 days of sick time and 21 days total leave in FY 1998-99. To provide transportation services during this time, MCSD spent $63,684 for substitute bus drivers. At an average hourly rate of $9.96, MCSD paid for 5,762 hours of substitute bus driver service. Currently, the District takes no formal steps to monitor or control the use of sick time.

R5.4 MCSD should take steps to decrease the high level of sick leave usage by transportation department employees. One option would be to implement an attendance incentive program that is similar to the one used by the Mansfield City School District. A second option would be to establish absence abuse criteria which would facilitate disciplinary action for problem employees. For further discussion of sick time and related financial implications, see the **Human Resources section** recommendation **R3.4**.

F5.38 Payroll is processed manually on a bi-weeklybasis. If a bus driver indicates that more hours were worked than the length of the bus route allows, he must indicate this on the payroll sheet which then must be approved by the transportation supervisor. Field trip hours and odometer readings are logged on payroll sheets separately from regular payroll.

F5.39 At least ten days before the start of the school year, available bus routes are posted on the bulletin board in the bus garage. Within two weeks of posting routes, drivers bid on the routes they desire by attending an appointment which is scheduled according to seniority. If drivers fail to bid according to the scheduled appointment, they are moved to the bottom of the seniority list for bidding purposes.

Annual route bidding minimizes disruptions by limiting mid-year driver changes to vacancies which occur after the bid. Other districts such as Mansfield and Barberton further limit the disruptions caused by driver changes by assigning drivers to routes for the entire time of their employment.

F5.40 **Table 5-16** presents information on contractual issues for both MCSD and its peer districts.

Table 5-16: Peer Comparison of Transportation Contractual Issues

	Massillon	Alliance	Barberton	Mansfield
Number of Guaranteed Hours:				
Bus Drivers	4 hours for regular runs, 2 hours for split runs	Not in contract	1.75 hours for a.m. and p.m. runs; 1.5 hours for kindergarten runs	2 hours
Monitors/Aides	4 hours	Not in contract	Not in contract	2 hours
Substitutes	None	Not in contract	Not in contract	None
In-service days	4 hours	Not in contract	Not in contract	Full day off with pay
Pre-trip, fueling and cleaning	15 minutes before each trip	Not in contract	Not in contract	Included in route time
Overtime	1.5 times the regular rate	1.5 times the regular rate	1.5 times the regular rate	1.5 times the regular rate
Route Bidding:				
Annual	Seniority	Not in contract	Maintain route for entire time of employment in district unless route changes by 30 or more minutes	Maintain route for entire time of employment in district
Vacancy	Seniority; however, run must be 15 minutes greater than present run	Not in contract	Seniority	Transportation supervisor makes decision; if all applicants are equal, seniority is deciding factor[1]
Benefits:				
Sick Leave	1.25 days monthly	1.25 days monthly	1.25 days monthly	1.25 days monthly
Attendance Incentive	No	Yes	Yes	Yes

	Massillon	Alliance	Barberton	Mansfield
Number of Guaranteed Hours:				
Vacation	None	None	14 days	None
Personal Leave	3 days	3 days	3 days	3 days
Probation Period	60 days	Not in contract	90 days	30 days
Evaluation Process and Frequency	Not in contract; district policy is if driver does something above/beyond job, supervisor attaches note in file; for non-compliance, progresses from verbal to written warning to time off to termination	Not in contract	Not in contract; district policy is annually; will evaluate work if an incident is reported	2 times per year; standard form used for evaluation which includes attendance, tardiness, vehicle maintenance, interaction with public, accidents
Ability to Sub-contract	Not in contract	Not in contract	Can sub-contract only two outside charters per year; allowed up to four next year unless funded by an outside organization, no drivers available or if drivers refuse to drive	No

Source: Transportation departments.
[1]Posted at bus garage and all interested employees sign up for consideration; based on attendance, tardiness, attitude, care of vehicle, maintenance of bus route sheets, discipline of students then seniority.

F5.41 The MCSD transportation department employee contract includes a provision for guaranteed hours for bus drivers. This provision limits management's flexibility in assigning staff to department duties and routes and may result in added costs if drivers are not driving the entire guaranteed time.

R5.5 MCSD should attempt to renegotiate its contract with drivers to remove the provision for guaranteed hours. This contract renegotiation would align MCSD with other peer district practices which do not provide guaranteed hours for bus drivers.

F5.42 MCSD has a high rate of sick time and leave usage among transportation department employees. The transportation department employee contract does not include an attendance incentive which encourages employee attendance and discourages the inappropriate of sick leave. Each peer district has an attendance incentive plan to aid in controlling the use of sick and leave time. See **R5.3** above, and **Human Resources** section **R3.4** for further discussion and financial implications related to sick leave usage.

F5.43 Regular employee evaluations are an important tool for the effective management of staff in an organization. The MCSD contract does not require nor prohibit regular evaluations of transportation department employees. However, district officials report that regular employee evaluations are not conducted.

R5.6 MCSD should conduct transportation department employee evaluations at least annually. Regular employee evaluations are important for helping to ensure the high performance of transportation department employees, identifying areas of performance in need of improvement and recognizing exemplary performance.

Bus Fleet

F5.44 The MCSD transportation department operates 22 buses and an additional 9 spares (see **Table 5-3**). The age of the buses and the current average mileage for the model year are used to determine eligibility for bus replacement. The MCSD's bus fleet has an average age of 11.3 years.

The state does not have guidelines for bus replacement. A general consensus among the Department of Education, private bus contractors and school transportation departments is that buses should be replaced at approximately 12 years of age, or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. However, regardless of age or mileage, buses that can pass state inspections may continue to be used.

MCSD currently has 17 buses in its fleet that exceed the suggested age for replacement. Of these 17 buses, none exceed the suggested replacement mileage criteria.

F5.45 **Table 5-17** shows the number of district-owned buses by model year, seat capacity and average mileage.

Table 5-17: Bus Fleet Analysis

Model Year	Seating Capacity					Current Average Mileage FY 1998-99
	47	65	71	77	Total	
1981		1			1	167,674
1983	1[1]	7			7	128,751
1985					0	N/A
1986			2		2	133,947
1987		3	2		5	137,663
1990		2	3		5	141,675
1991	1[2]	3			4	124,067
1993		1			1	93,012
1994		1			1	85,680
1995		1			1	71,697
1997				2	2	23,890
1998		2[3]			2	18,554
Total	2	21	7	2	31	36,342

Source: MCSD transportation department.
[1] Modified for handicap student transport; 11 seats available; not functional.
[2] Modified for handicap student transport, 8 seats available.
[3] Two leased vans used for transportation of special needs students.

Table 5-18 illustrates that MCSD would need to spend approximately $940,000 to upgrade its bus fleet in order to remain consistent with generally accepted replacement criteria.

Table 5-18: Estimated Bus Replacement

Current Bus Condition	Regular Bus Estimated Replacement $55,000	Lift/Handicapped Bus Estimated Replacement $60,000	Total Estimated Replacement Cost
200,000+ miles	0	0	0
12+ years	16	1	$940,000
Total	$880,00	$60,000	$940,000

Source: MCSD transportation department.

F5.46 MCSD currently possesses 17 buses that are eligible to be replaced, based on age of the vehicle. The replacement cost of these 16 regular needs buses and one special needs bus is estimated to cost $940,000.

F5.47 Bus replacement is funded both by the state and the individual school district. Each school district is reviewed independently by ODE. This review includes the use of a complex formula to determine the district's bus purchase allowance for regular needs transportation buses.

F5.48 MCSD has a bus replacement plan which has been adjusted to be consistent with the District's five-year financial forecast. The bus replacement plan is scheduled to replace seven public school buses over the next five school years: two in FY1999-00, two in FY 2001-02, one in FY 2002-03, and two in FY 2003-04.

R5.7 While the final bus replacement plan outlines the number of buses to be replaced each fiscal year, the average age at the time of replacement and the estimated cost of replacement should also be included within the replacement plan. Further, MCSD should investigate and analyze various potential funding methods for the purchase of replacement buses. The funding method(s) selected should be included in the final bus replacement plan.

F5.49 The MCSDs transportation department employs two full-time, non-ASE certified mechanics to service the district's 31 buses, 2 special needs transportation vans and an additional 12 district vehicles. **Table 5-19** indicates the number of mechanics and servicemen employed to service district buses and other vehicles for MCSD and its peer districts.

R5.8 As vacancies occur in the mechanic classification, MCSD should consider requiring ASE certification as a condition of employment. Certification helps to ensure that employees have the necessary training and experience to meet the requirements of the position.

Table 5-19: Mechanic Staffing Levels by Peer District

Operational Data	Massillon	Alliance	Barberton	Mansfield	Peer Average
Number of Mechanics /Servicemen	2.0	1.0	1.0[1]	2.0	1.5
Buses per Mechanic/Serviceman	16.0	22.0	20.0	24.5	20.5
All Vehicles per Mechanic/Serviceman	23.0	N/A[2]	40.0	36.0	32.4
Avg. Mechanic's Hourly Wage Rate	$17.31	13.98	$15.00	$13.10	$14.85

Source: transportation departments.
[1]Barberton contracts out all mechanical work and mechanic.
[2]Alliance could not provide this information.

F5.50 MCSD mechanics repair fewer buses and total vehicles than their counterparts in the peer districts. However, they service more than the national average number of 12.8 school buses per mechanic. The service level per mechanic, combined with the age of the district's bus fleet indicate that the current staffing level is appropriate. If new buses are purchased, the district should reassess the current staffing level to determine if reductions can be made in the number of mechanics.

F5.51 MCSD uses inspection sheets and invoices to maintain its inventory of transportation parts. When either an inspection or a repair is performed and a part is used, current inventory is adjusted on either the inspection sheet or invoice. This updated inventory count is then relayed to the buildings and grounds department which tracks parts inventory and usage.

C5.3 MCSD is commended for establishing and maintaining a parts inventory. Such an inventory allows district management to exercise proper control over the purchase and distribution of parts. In addition, it permits greater cost control by minimizing loss, allows management to more accurately track the frequency of repairs, and facilitates the identification of problem maintenance issues within the fleet.

F5.52 Preventive maintenance is performed on transportation vehicles every 3,000 miles. District mechanics manually track vehicle mileage and work with bus drivers to schedule preventive maintenance appointments accordingly. A complete inspection of the vehicle is conducted. Any parts needed, work performed or problems seen are then reported to the transportation supervisor.

F5.53 Fuel bills, oil usage, maintenance repair lists and materials receipts are cross-checked monthly by the transportation supervisor to verify usage of materials, completion of maintenance work and to verify inventory. These bills are then provided to district mechanics to finalize and check-off work completed and materials used.

F5.54 MCSD participates in a consortium for the purchase of diesel fuel and gasoline. The Stark County Schools Consortium, of which MCSD is a member, has contracted with Campbell Oil Company (Fuelman of Eastern Ohio) to purchase diesel fuel and gasoline at a cost of five cents per gallon over cost. Each MCSD driver is responsible for fueling his or her assigned vehicle by using an access card and personal identification number.

MCSD's contract with Campbell Oil Company provides a monthly fuel bill that identifies each employee that obtains fuel, the vehicle number, odometer reading, time and day of receiving fuel, type of fuel and total number of gallons received. The bill also indicates the amount of tax the district would have paid on the amount of fuel purchased, but the tax is removed from the bill. The transportation supervisor monitors and records fuel information and submits fuel receipts to the office of the treasurer once each month. Payment to Campbell Oil Company is due seven days after receipt of monthly invoice.

C5.4 MCSD is commended for participating in the Stark County Schools Consortium. The consortium provides a centralized, safeguarded and monitored means of providing fuel to the district. In addition to cost savings of approximately $29,442, MCSD has avoided the costs associated with securing and storing fuel on district property.

Technology

F5.55 MCSD currently does not utilize computerized routing software. Bus routes are manually designed from the transportation supervisor's knowledge of the district and by taking into account historically developed cluster or corner bus stops. The transportation supervisor estimated that approximately 60 administrative hours were used to manually develop bus routes to transport students who attend schools in MCSD for FY 1999-00.

F5.56 The MCSD transportation supervisor has researched the possibility of purchasing and implementing transportation software. Research included talking to school districts about their use of transportation software, researching options available in software packages and obtaining information at transportation seminars. After researching the option, the decision to buy was postponed due to the district's financial condition.

R5.9 The district should consider the use of automated routing software to better manage its resources and increase the productivity of its transportation department. Reasons for consideration include the following:

! Transportation routing software uses technology to consider and evaluate many alternatives for scheduling bus routes; more than can be accomplished manually. The efficiencies gained through the use of transportation routing software include the use of interactive updating capabilities of a student data base and the ability to evaluate "what if" scenarios. Several alternative runs and/or routes can be produced and evaluated to help transportation management select the best routes consistent with district policies. Route optimization software is widely used to increase student capacity and create more efficient run times, resulting in the ability to reduce bus fleet needs. The software also allows for the generation of both standard and custom reports.

! Boundary planning and enrollment analysis can locate and account for students within an area specified by the district, and has the capability of simulating school district boundary changes which could directly impact the closing or opening of schools. Another software resource includes a custom report writer which allows the user to generate reports based on key enrollment and transportation statistics.

! Fleet maintenance software would allow the district to better manage its bus fleet by monitoring equipment histories, preventive maintenance programs, work order reports and expense data, productivity and inventory levels.

Financial Implication: The cost for transportation routing software averages approximately $15,000. In addition, it is suggested that $5,000 be budgeted for implementation. While not quantifiable, the costs associated with yearly service calls and upgrades will need to be anticipated. See **R5.1** for the financial implications associated with an improvement in fleet capacity utilization.

Privatization

Major transportation functions and activities, which are important to consider when assessing privatization opportunities were evaluated based on eight criteria. **Table 5-20** outlines the assessment criteria and provides a description of key issues**.**

Table 5-20: Privatization Opportunities Assessment Criteria

Assessment Criteria	**Description / Key Issues**
Sufficient Volume	Is the volume of work associated with function/activity sufficient to justify internal performance? Does the function/activity require a sufficient "critical mass" of resources to enable operations?
Prohibitive control requirements	Are the management, oversight and control requirements associated with external performance of the functions excessive? - Would management time requirements increase as a result of external performance of the function/activity? - Would standardization of work methods and service levels be difficult to achieve?
Complexity	Is the function/activity too complex to be performed by external resources? - Are the technical skill requirements of the activity excessive? - Are the workload requirements associated with the function/activity difficult to predict? - Does performance of the function/activity involve coordination requirements among multiple MCSD departments?
Influenced by regulatory/compliance environment	Is the performance of the function/activity regulated? - Are regulatory issues complex? - Are non-compliance liabilities significant? - Are documentation and reporting requirements significant?
Significant capital investment	Are significant capital investments required in association with the internal performance of the function/activity?
Procurable services	Are high quality, external service providers available to perform the function/activity? - Do a number of alternative service providers exist? - Is the performance of the functions/activity unique? - Are high quality resources available?
Significant operating cost	Will the potential benefits of utilizing external resources likely offset/exceed the potential costs?
Quality	Is there a high probability that external performance of the function/activity would reduce quality and service levels? - Would customers' complaints likely increase? - Would responsiveness decline? - Would the quality of workmanship decrease?

Based on listed criteria, MCSD student transportation has a low to moderate potential for privatization. However, key areas of service within the MCSD transportation department require a more detailed evaluation and possible change before a truly accurate assessment of privatization can be completed.

Table 5-21: Initial Privatization Assessment

Assessment Criteria	Regular Transportation Services	Special Needs Transportation Services
Sufficient Volume	Yes	No
Prohibitive Control Requirements	No	No
Complexity	No	No
Regulatory Influence	No	No
Capital Investments	Yes	Yes
Procurable Services	Yes	Yes
Operating Costs	No	Yes
Quality	No	No
Potential Privatization Opportunity	Low/moderate	Low/moderate

While the opportunity for privatization exists, two considerations should be addressed prior to pursuing privatization:

- Significant internal improvements can likely be realized without privatization.
- Assessing privatization from only a cost perspective would ignore important subjective costs such as loss of control and potential lack of responsiveness.

Contracting for transportation services could relieve MCSD of administrative tasks such as department supervision, payroll processing and maintenance of the transportation department. MCSD may contract its entire bus fleet by owning, leasing, sharing or selling capital assets. Contracted services could also bring added flexibility to school district operations. Changes in staffing levels, enrollment and school schedules could all impact service levels which can be met by contractors on an as needed basis. In contrast, the district may need to over-staff in order to meet periodic surges in demand for busing. This action could lead to higher overall expenditures of the district. Regardless, all options have positive and negative implications that require evaluation.

Privatization can take at least two forms:

- The district could sign a short-term contract with a private vendor to provide transportation services; this contract would allow the district to reserve the right to change vendors after a specified time. The district would retain ownership of its assets in this form of privatization.

- The district could sell its bus fleet to a private contractor. The contractor(s) would lease assets back to the district and provide staff for maintenance and upkeep. This option could also allow the district to rent its transportation facilities to the contractor.

Initially, privatization when compared to current operations may appear to offer an opportunity for cost savings. However, private vendors have a financial incentive to achieve cost savings at a level somewhat below the district's current operations, but not necessarily at the lowest cost. By further improving internal operations before pursuing privatization, MCSD has an opportunity to realistically assess the advantages and disadvantages of privatization. Once a district has reduced its current operating costs, the district has the opportunity to negotiate with vendors to determine whether more efficient and lower cost operations can be provided by privatization.

Finally, to assess the total cost of contractor services, contract administration costs must be included. Contract administration costs typically include procurement, contract negotiations, contract award, the processing of amendments and change orders, the resolution of disputes, the processing of contractor invoices, and contract monitoring and evaluation. In addition, a more accurate cost of transportation should be calculated to include value of land, value of facilities, maintenance of the facilities, utilities and insurance premiums.

Financial Implications Summary

The following table represents a summary of annual cost savings, cost avoidance and implementation costs. Only recommendations with quantifiable financial impacts are listed below.

Summary of Financial Implications for Transportation

Recommendations	Annual Cost Savings	Cost Avoidance	Implementation Cost
R5.2 Consider reducing bus fleet by four buses	$104,756	$220,000	
R5.3 Consider using other forms of transportation for special needs students	$56,544		
R5.9 Consider the purchase and use of routing software			$20,000
Total	$161,300	$220,000	$20,000

Actual versus estimated annual cost savings could vary greatly depending on the total number of buses reduced due to changes in transportation policies and efficiencies in routing. In addition, the magnitude of the cost savings associated with some recommendations will be greatly affected by the implementation of other interrelated recommendations. The estimated cost for bus replacement addressed in **Table 5-18** is not included in the above table; however, the capital outlay required for the bus replacement plan is estimated at $720,000 to $940,000, based on the possible reduction of up to four buses.

Conclusion Statement

MCSD has been pro-active in reducing its transportation costs in response to its fiscal emergency status. Prior to passage of the operating levy in November 1999, the district reduced transportation services to the state's two mile minimum standard. However, since passage of the levy and the reinstatement of additional transportation services in December 1999, the efficiency level of the transportation department has declined. Cost per student, per mile and per bus are among the highest of the peer districts. While MCSD explores and utilizes other means of transporting regular needs students, it does not consider similar options for the transportation of special needs students. The District should vigorously explore all available options for transporting its students.

MCSD should attempt to reduce the total number of sick days taken per year by transportation department employees. By analyzing the frequency and duration of leave time used by employees, the District may be able to identify practices to limit sick leave use and reduce the related transportation costs. In addition, MCSD should consider the development of an attendance incentive plan to aid in the reduction of absenteeism.

Overall staffing in the transportation department is reasonable. However, MCSD should continue to monitor staffing levels. As older vehicles are replaced, and as routing efficiency is improved, staffing reductions should become feasible.

MCSD should also consider the purchase of transportation routing software. By purchasing and implementing this software, the District may be able to reduce the number of buses needed to transport all eligible students. The transportation routing software would allow the district to evaluate reductions in the number of buses needed. Additional available options would facilitate implementation of a parts inventory to replace the manual inventory, and would permit the tracking and scheduling of preventive maintenance for district transportation vehicles.

Finally, MCSD should continue working with the Stark County Schools Consortium for the purchase of fuel for transportation vehicles. By doing so, MCSD reduces not only administrative and storage costs, but also reduces overall fuel costs by having the opportunity to purchase fuel at five cents over cost versus paying commercial costs.

Although MCSD has done a good job in adjusting transportation services and in managing its current transportation services to meet a changing financial situation, it should continue to consider options to increase departmental efficiency. Opportunities exist to increase fleet efficiency by increasing capacity utilization rates and improving operations through better management of current resources.