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STATE OF OHIO

OLMSTED FALLS CITY SCHOOL DISTRICT PERFORMANCE AUDIT

FEBRUARY 1, 2000

EXECUTIVE SUMMARY

Project History

Pursuant to Ohio Rev. 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 Auditor of State Local Government Services Division (LGS) declared a \$2,157,000 deficit for fiscal year ending June 30, 1999 and the Auditor of State placed Olmsted Falls City School District (OFSD) in fiscal emergency on March 22, 1999. Under Ohio Rev. Code Section 3316.03, the Auditor of State is required to declare that a school district is in a state of **fiscal emergency** if the Auditor of State determines that: (1) under the law relating to potentially insolvent school districts, the Auditor has certified an operating deficit for the school district for the current fiscal year that exceeds eight percent of the district's General Fund revenue from the preceding year, (2) the unencumbered cash balance in the district's General Fund at the end of the prior fiscal year, less any advances of property taxes, was less than eight percent of the district's General Fund expenditures for such prior year, and (3) the district voters have not passed a levy that the Auditor of State expects to raise enough additional money in the next fiscal year so that the conditions described above in (1) and (2) will not exist in the next fiscal year.

The analysis conducted of the Olmsted Falls City School District, by the Auditor of State (LGS), for the purpose of determining whether the district met the conditions outlined above disclosed the following:

1. An operating deficit of the General Fund, at June 30, 1999, in the amount of \$2,157,000. This amount exceeds eight percent of the general fund revenues for the prior fiscal year;
2. The district's unencumbered cash balance for the preceding fiscal year was a deficit of \$1,192,000. This amount is less than eight percent of the preceding fiscal year expenditures; and
3. The district has passed a levy, but the levy will not eliminate the first two conditions.

Accordingly, on March 22, 1999, the Auditor of State declared the Olmsted Falls City School District to be in a state of fiscal emergency as defined by Ohio Rev. Code Section 3316.03(B). Pursuant to Ohio Rev. Code Section 3316.041, the Auditor of State's Office agreed to conduct a performance audit of the Olmsted Falls City School District.

The goal of the performance audit 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. Another objective of the performance audit is to perform an independent assessment of the district's financial situation, including developing a framework of a financial recovery plan. The recommendations contained within the performance audit will provide one major resource to the district and Commission in developing their financial recovery plan. However, the district and Commission are encouraged to assess their overall operations to develop other recommendations not contained within the performance audit.

The planning for the performance audit began in April 1999, and the actual performance audit was conducted primarily between the months of May and July 1999.

Based upon the review of OFSD 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

Financial Planning and Supervision Commission

As a result of the Auditor of State declaring OFSD in a state of fiscal emergency, and in accordance with Ohio Rev. Code Section 3316.05, a Financial Planning and Supervision Commission was created. This Commission, by law, is given broad fiscal and management authority to deal with OFSD's financial problems.

The Commission membership is as follows:

- ! The Director of Budget and Management or designee
- ! The Superintendent of Public Instruction or designee
- ! The Superintendent of Olmsted Falls City School District
- ! The County Auditor
- ! An appointment of the County Auditor
- ! An appointment of the Superintendent of Public Instruction, who shall be a parent of a child attending school in the District
- ! An appointment of the Governor

Ohio Rev. Code Section 3316.06 requires the Financial Planning and Supervision Commission to adopt a financial recovery plan within 60 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; and
- ! 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 OFSD 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; and
- ! Implement cost reductions and revenue increases to achieve balanced budgets and carry out financial recovery plan.

The Commission is currently reviewing all monthly financial reports, and is monitoring the processes followed by OFSD for all expenditures. The Commission will continue in existence until the Auditor of State or the Commission itself determines that:

- ! 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; and
- ! The OFSD 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 Olmsted Falls School District (OFSD) is located in Cuyahoga and Lorain Counties with the majority of the district located in Cuyahoga County. OFSD's boundaries cover approximately 16 square miles and include the City of Olmsted Falls, a small portion of the City of Berea, Olmsted Township and a small portion of Columbia Hills Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Hills Township, which is located in Lorain County. The City of Olmsted Falls and Olmsted Township have populations of approximately 6,741 and 8,380, respectively.

The district's average daily membership (ADM), per the October 1998 ADM count is 2,889, up from the previous fiscal year's ADM of 2,851. Over the past five years, OFSD has exhibited a nearly 5 percent growth in ADM. OFSD's student attendance rate is 96.3 percent as compared to the peer group average of 95.8 percent and the statewide average of 93.9 percent. The district's ninth grade proficiency passage rate is 79 percent which is significantly higher than the peer group average of 55 percent. OFSD met 27 of the 27 standards on the recently issued student performance report card.

Because of a lack of accurate financial forecasting and historical spending which exceeded revenues, OFSD is facing increasing fund balance deficits for the next four years. The fiscal year 2002-03 deficit fund balance is projected at \$1.3 million even after incorporating the impact of the recent levy. During FY 1996 through FY 1998, expenditures per pupil rose by almost 18 percent, to a rate of \$6,768 per pupil for FY 1998. During this same period, revenues per pupil rose by a little over 16 percent to a rate of \$6,283 per pupil for FY 1998. This differential of expenditures exceeding

revenue has contributed to the General Fund ending balance continually decreasing from a FY 1996 high of \$48,000 to a FY 1998 low of a deficit of \$1,299,000, and also caused the district to receive various Ohio Revised Code citations concerning budgetary requirements. The deficit balance is projected to grow to \$1,320,000 in FY 2003 even though the district passed the aforementioned operating levy. This deficit is projected if current expenditure patterns are maintained. The financial systems section highlights the need for OFSD to strengthen their internal financial operations and reduce discretionary expenses.

Expenditure cost-patterns at a school district are not difficult to monitor and ultimately reduce. In a labor intensive industry, OFSD uses about 81 percent of their operating expenditures to fund payroll and fringe benefits. During FY 1998, the average contract teacher salary was \$44,383 yet over 46 percent of the FY 1998 teaching staff earned over \$50,000 during FY 1998. This shows that incentives and supplemental contracts increased salary expenditures by an average of 13 percent. As a result, OFSD is encouraged to reassess their entire supplemental contracts for reasonableness and necessity. During FY 1998, the custodial staff also showed a similar earning pattern to that of the teaching staff. The average base salary for the custodians was \$28,425, however the average gross wage was \$31,227, an increase of over 9 percent.

The district will benefit from the 12.9 mill continuing operating levy passed February 2, 1999. The levy will generate approximately \$3.8 million per year, but the district will not begin to realize the benefits of this additional millage until the second half of FY 2000 when it will receive one half of the yearly revenue. FY 2001 will be the first year where the full benefit of the levy will be realized. Some of the revenue generated by the levy will be required to repay the State Solvency Fund loan in FY 2000 and FY 2001 and to pay the interest and principal on the June 17, 1999 \$1.9 million Tax Anticipation Notes from FY 2001 through FY 2005. When this levy is fully collected by the district in FY 2001, the district's effective millage rate will be approximately 50 mills which is significantly higher than either the peer or state-wide average.

In FY 1998, the district employed approximately 294 full-time equivalent (FTEs) employees including approximately 157 teachers. The total number of employees has increased 17.76 percent since FY 1995. Generally, staffing levels in most categories of employees appear to be comparable to the peer district average, except for the classification-support services in which the district exceeds the peer district average by over 3 percent. The district has hired two teachers for FY 2000.

An analysis of average salaries for OFSD shows that starting salaries for certified employees is the second highest among the peer districts, and that OFSD certified employees have the highest salary after five years for teachers with a bachelors degree. When comparing the custodial salaries to the peer districts, OFSD exceeds the peer average by approximately 2 percent and the maintenance salary exceeds the peer average by approximately 6 percent.

OFSD operates two elementary schools, one middle school, one high school, one administrative building, and one transportation-bus garage. The average age of the four school buildings is 28 years. In 1997, the Ohio Legislative Budget Office estimated that building renovation would cost

approximately \$9.4 million. The majority of the cost will be to the two elementary schools which are both over 40 years old. The middle school is 3 years old and the high school underwent a major renovation and expansion in FY 1996. OFSD funded the FY 1996 construction and renovation with two levies that were approved by the voters in November of 1994. To further defray the cost of the construction, the district was successful in obtaining a grant from the state for approximately 45 percent of the total project cost. The district has been aggressive in addressing the cost savings needed to operate the buildings in an economically efficient manner. Since implementing House Bill 264 conservation measures, the district has presented savings of approximately \$274,000.

In regards to facilities, the district needs to formally adopt a methodology to assess educational needs and space availability in line with expected increases in enrollment. Secondly, the district must focus on care and maintenance of existing buildings. The custodians are currently maintaining 16,410 square feet per employee compared to the peer average of 18,670 square feet. The district should consider staff reductions in this area.

OFSD transportation of regular and special needs students when compared to operating ratios of the peer districts appears to be costly. The district transports approximately 93 percent of the students eligible to receive transportation, using 26 regular and three spare buses. Approximately 90 percent of the routes are regular routes and 10 percent are special needs routes. The district has six buses older than 12 years; however, none of the buses have mileage near or in excess of 200,000 miles. Over the next five fiscal years, the district's goal is to replace 5 buses at a cost of approximately \$275,000. However, the district does not have a long-term plan which addresses the replacement of the aging bus fleet. Operationally, the regular per student transportation costs exceeded the peer districts' average by approximately 10 percent and the special needs student costs exceeded the peer district average by 54 percent. Reductions in these transportation costs can be achieved through increasing student capacity per bus and implementing a system whereby the district could better promote the possibility of paying parents of special needs students for transportation costs in lieu of providing busing. Reductions by the district may also come in the form of school bus transportation routing optimization software. If successful, this software could potentially reduce the bus fleet by 10 percent.

In order to achieve financial stability, OFSD faces several difficult challenges, such as curbing payroll and benefits, and meeting statutory requirements established by House Bill 412, while maintaining the highest standard of education. The districts most recent educational "benchmark survey" placed it in the upper 5 percent of the state's 611 school systems.

The district has upcoming negotiations with its classified employees and is currently negotiating with its certified employees. Equitable negotiations by both unions, along with some structural changes by the district are necessary to help resolve the district's financial situation. Additional revenue from the passage of the tax levy and the settlement on the Eliza Jennings Foundation will not provide enough additional revenue for the district to meet all normal operating expenses. At a minimum, the district must examine and consider restructuring the supplemental pay policies, staffing in support

service areas, the severance payout policy, administrative salaries, and the cost-of-living increases negotiated with both bargaining units.

This performance audit provides a series of recommendations with possible cost reductions, revenue enhancements, redirected services or efficiency improvements which management should consider when making the important decisions necessary to maintain educational standards, while exhibiting fiscal responsibility.

Summary Result

The summary result of the performance audit is contained within pages 1-8 through 1-18. The summary result is followed by overall performance audit information including a definition of performance audits, objective and methodology of performance audits, and peer district comparisons of key information.

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

The results of this performance audit should not be construed as criticisms of OFSD management. The performance audit should be used as a management tool by OFSD, the Commission and the community to improve operations within OFSD operations. Also, OFSD is facing a number of new issues as a result of recently passed legislation which must be implemented and which could have financial implications. As OFSD is considering these issues while trying to achieve financial stability, the performance audit provides a series of ideas which OFSD should consider in its 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 financial implications of the recommendations is presented on pages 1-18 and 1-19. However, the performance audit also contains a number of recommendations which may not generate cost savings, but will result in enhanced service delivery within district operations which should not be diminished. If implemented, these recommendations would improve the operational efficiency of OFSD and its effectiveness in achieving 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 OFSD'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 financial systems within Olmsted Falls City School District (OFSD or the district). The objective was to analyze the current financial condition of the district, including an evaluation of the internal controls and develop recommendations for improvements and efficiencies. Within this section, the district's five year financial forecast was assessed for reasonableness. An additional forecast is presented representing the Auditor of State's assessment of the district's financial condition. Cost saving recommendations are presented to aid the Commission in their duty to implement a financial recovery plan for the district.

Background: Ohio Rev. Code Section 3316.03 requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Ohio Rev. Code Section 3316.04 to submit a financial plan acceptable to the State Superintendent of Public Instruction within 60 days of the Auditor's declaration of fiscal watch.

On December 17, 1998, the Olmsted Falls City School District Board of Education adopted a resolution stating they would not be able to submit a financial plan acceptable to the Superintendent of Public Instruction within 60 days of the Auditor's declaration of fiscal watch, pursuant to Ohio Rev. Code Section 3316.04. The Office of the Auditor of State, Local Government Services Division (LGS), performed an examination of the financial forecast of the General Fund of the district as required under Ohio Rev. Code Section 3316.03. In conjunction with this review of the financial forecast, the Auditor determined and certified an estimated operating deficit for the year ending June 30, 1999 to the State Department of Education on March 18, 1999 in the amount of \$2,157,000. The district received this amount on June 19, 1999. A Fiscal Planning and Supervision Commission was formed under Ohio Rev. Code Section 3316 and held its first meeting on April 23, 1999.

The district's primary funding sources are state foundation support, local property taxes and federal programs. To increase the local contribution, the OFSD has two tax options, and both require voter approval: a property tax levy or a school district income tax. The district is not eligible to collect revenue through a joint city/school district income tax levy. 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 in the district. Based on the property values in the OFSD, one mill generates about \$296,000 of revenue for the district. The district passed a 12.9 mill continuing operating levy on February 2, 1999. This was the first continuing levy passed for the district since November 1994. The levy should generate \$3.8 million annually for the district with the first full year of revenue being FY 2001. All of the districts operating levies are continuing.

The district used the spending reserve borrowing process in FY 1997 and FY 1998. The Ohio Supreme Court decision in the case of *DeRolph vs. State of Ohio* struck down the spending reserve borrowing process. It will be phased out over a five-year period beginning July 1, 1998. For FY 1997 and FY 1998, the district borrowed \$275,000 in anticipation of the collection of property taxes

(Spending Reserve). For FY 1999, the district borrowed \$3,763,000 under the 1998B Cash Flow Borrowing Program which was required to be paid back by June 30, 1999. Additionally, the district issued \$1.9 million in Tax Anticipation Notes against the 12.9 mill continuing operating levy and received \$2.157 million from the State Solvency Assistance Fund.

Findings: The district created two distinctively different five-year forecasts. The first forecast in February 1999 showed considerable revenue and culminated with a FY 2003 ending fund balance of nearly \$6.9 million. The second forecast, prepared on June 15, 1999, appears to be more realistic, especially in H.B. 412 expenditures, but still projects a positive ending General Fund balance for all five years in the forecast.

When the 12.9 mill continuing operating levy passed by the district in February 1999 is fully collected by the district in FY 2001, the district's effective millage rate will be approximately 50 mills which is significantly higher than either the peer or state-wide average. Furthermore, the percentage of total revenue collected from local sources will be approximately 62 percent as compared to the current percentage of approximately 59 percent. If the 12.9 mill continuing operating levy is incorporated into the EMIS data reported for FY 1997-98, the district's effective and total millage rates would be the 4th and 6th highest among the 611 school districts in Ohio. During the course of this audit, factors such as the district's high voted effective millage rates and the limited number of substantial commercial enterprises within the district's boundaries bring into question the district's ability to continue to support operations through tax levy increases.

Significant increases in expenditures under the categories of professional and technical, property services, general supplies, and maintenance and repair to fleet from FY 1997 to FY 1998 were attributable to the district not paying FY 1997 invoices until FY 1998 due to cash flow problems. The significant decrease in tuition expenditures was due to timing of invoices received from billing districts. Further, in the FY 1997 and FY 1998 financial audits, the district received various Ohio Revised Code budgetary compliance violations which significantly limited the district's ability to adequately monitor their expenditure activity.

The district is self-insured for the health, dental, vision and prescription plans. In February 1997, the district stopped funding the self insurance fund due to their financial situation and paid claims from their self-insurance fund using only the remaining balance in the fund and employee contributions. The ending fund deficit for the self-insurance fund for FY 1997 was \$92,527. In FY 1998, the district paid off the back claims and also reached an agreement with the Third Party Administrator (TPA) to institute a "pay-as-you-go" program to handle claims payments. The district has remained current with its claims payments in FY 1999 but has not built any reserve.

The district had planned on the hiring of seventeen additional teachers from FY 2000 through FY 2003. Expenditure projections made as part of this performance audit demonstrated that the funding to support the additional staffing is not available. The Commission was also aware that sufficient funding was not available to support the additional teachers and authorized the district to hire two of the four additional teachers planned for FY 2000.

The district did not completely and accurately update its required Annual Financial Report of the Board of Education (AUD/ODE 4502) for all of the supplemental schedules to the combined and combining statements for FY 1996 through 1998. Additionally, during this time period, there were numerous mis-classifications of revenues and expenditures and the district did not fully post all debt activity associated with the refinancing of notes and bonded indebtedness. The incomplete posting of debt activity did not have an effect on ending fund balances, but did not accurately reflect the true debt activity during the periods.

Recommendations: The district must continue to enhance their forecasting techniques and continually monitor actual results in comparison to the forecasted amounts in order to insure financial recovery and future stability in their financial position. The financial recovery plan included in **Appendix B**, incorporates cost savings associated with maintaining the certified employees at the FY 2000 level. The recommendations contained within this performance audit are being presented to provide the district and Commission with tangible financial data to assist in their efforts to develop a financial recovery plan which will allow the district to regain financial stability. The recommendations are broken down into those which can be enacted immediately by the district and those that will require management intervention, such as renegotiating certain items contained within union agreements or implementing advanced technology to reduce district cost of operations. Also, included is a summary of commission recommendations that have been enacted in FY 1999-00, and a table of implementation costs associated with performance audit recommendations.

Because of the magnitude of expenditures that are fixed by negotiated contracts, debt service agreements, utility costs and certain fees, it is important that the district diligently monitor those spending areas over which it can exercise discretion. Comparison to peer districts indicates that OFSD is spending a significantly higher percentage of its General Fund revenues for professional and technical services than two of the three districts. District management should closely review these costs to identify possible opportunities for reductions and savings.

The district should take steps to insure that all invoices are paid in a timely manner. This will provide a more accurate accounting of district expenditure requirements, help prevent strained vendor relations, and aid in increasing the accuracy of future projections. The district should also establish a health care benefits reserve, prepare the required report and secure the services of an actuary to certify that the amounts reserved conform with the law, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles. The district should determine proper premium amounts, properly fund the self insurance plans, and obtain an actuarial study to determine a proper level of reserves to be in line with industry standards.

The district should begin to fully complete the supplemental schedules in the Annual Financial Report of the Board of Education, properly classify revenues and expenditures, and completely report all transactions involved in debt refinancing activities rather than just the net effect of these transactions to their revenue and expenditure ledgers. This report is an important tool for monitoring the effectiveness and efficiency of the approximately \$19 million spent by the district each year and allow outside agencies to effectively understand and monitor the district's financial activity.

The board should take a more active role in monitoring the expenditures of the district. The board approved appropriations represent the district's spending plan. Any appropriation modification at the district's legal level of budgetary control (fund, function, object) should be approved by the board and not routinely handled by the treasurer as part of daily fiscal operations.

Financial Implications: It is estimated that the implementation of all the recommendations in this section of the report would result in an annual savings of approximately \$68,000 in FY 2000, \$249,000 in FY 2001, \$410,000 in FY 2002, and \$586,000 in FY 2003. The implementation costs of all the recommendations in this section would be approximately \$100,000 annually from FY 2000 through FY 2003.

Human Resources

Background: The human resources section evaluates the number, makeup and compensation of OFSD employees, contractual issues, benefits administration and other organizational issues. The primary functions of the human resources function are recruiting and selecting employees, monitoring compliance with employment standards, facilitating employee performance evaluations, administering and monitoring the district's grievance policies and procedures, conducting disciplinary hearings, negotiating and administering labor contracts, placing substitutes and maintaining job descriptions.

Findings: OFSD has approximately 7.1 FTEs per 1,000 students enrolled in the transportation classification. Additionally, OFSD has 8.0 FTEs per 1,000 students enrolled in the custodial classification. An assessment indicated the district may be overstaffed in the custodian/cleaner categories. OFSD has the highest percentage of total employees in the pupil services and support services classifications when compared to the peer districts. OFSD has the lowest percentage of direct instructional personnel and the highest percentage of support personnel when compared to the peer districts. Approximately 100 percent of traditional high school teachers and 92 percent of middle school teachers teach a minimum of five periods per day. The district currently has 31 traditional high school classes with 15 or less students. OFSD maintains a 24.0:1 student/teacher ratio in elementary schools, a 27.8:1 student/teacher ratio in the middle school and a 22.4:1 student/teacher ratio in the high school. OFSD has the highest average salary for the administrator, clerical, transportation and laborer classifications when compared to the peer districts. In addition, the district pays the employee's portion of retirement for administrators. OFSD teachers have the second lowest average teaching salaries when compared to the peer districts. However, the district has the second lowest average years experience and the highest percentage of teachers with a bachelors degree which correlates to the lower average teaching salaries. The union agreement provides teachers with compensation beyond a salary level for "blocks of credit" related to elementary or secondary education or for approved degree programs related to the teacher's contract. Currently, it does not appear the block payments substantially increase teachers salaries. However, as less experienced teachers begin to increase their levels of education, the district could be exposed to larger increases.

OFSD spent \$116,677 on substitute teachers in FY 1997-98. The district required a substitute teacher for approximately 5.2 percent of the total teaching days for FY 1997-98. OFSD's teachers averaged 4.2 sick days per teacher in FY 1997-98 and classified employees averaged between 2.5 to 14.2 sick days per employee while all classified employees averaged 8.2 sick days per employee. The district currently offers two medical plans to district employees: Medical Mutual which is a traditional plan and Super Med Select which is a PPO plan. Full-time certificated bargaining unit employees are eligible for full benefits. Certificated employees are considered full-time if they work thirty eight hours or more per week. Classified employees working assigned hours of 1,086 or more per year are considered full-time and are eligible for full benefits. Employees who are considered full-time contribute 10 percent towards the health care premiums. Part-time certificated and classified employees are required to contribute towards monthly premiums on a prorated basis. OFSD has implemented a graduated benefits scale designed to prorate the contributions required by part-time classified employees. The union agreements have established an insurance committee. The primary responsibility of the committee is to oversee the operation of the existing health insurance plans and recommend changes to the board.

The union contracts contain a clause allowing full-time bargaining unit members to receive a \$1,000 "waiver bonus" for waiving the right to health care coverage. Although the district requires employees to contribute a minimum of 10 percent toward benefits, the district's annual insurance cost is affected by the fact that the district offers a costly traditional plan and the district's premium rates for health, dental and prescription plans are higher than the peer districts. Also, OFSD is the only district to offer a vision plan. The district's fringe benefits expenditures for certificated personnel are the lowest when compared to the peer districts for benefits in proportion to total operating expenditures. However, they are the highest for classified personnel when compared to the peer districts for benefits in proportion to total operating expenditures. The district pays each administrator's portion of retirement which cost the district approximately \$90,535 in FY 1997-98. Severance pay, up to a maximum payout of 80 days, is granted to OFEA members eligible to retire under STRS. The union agreements require employees to request personal leave at least five days in advance. OFSD provides all classified 11-12 month employees with 13 paid holidays during the year which is greater than the peer district average. The district has implemented an early retirement incentive plan effective for FY 1999-00 for all certificated employees. The board will pay the cost of a maximum of one year of eligible service credit.

Commendations: Having a graduated benefits scale designed to prorate contributions for part-time employees, requiring all full-time employees to contribute 10 percent towards benefit costs and providing an annual cash option in lieu of health coverage reduces overall benefit costs to the district. Requiring a five day notice to use personal leave and having an attendance incentive policy reduces the number of leave days taken by teachers. Also, the OFEA union agreement shows that there are 184 contract days for the teachers. Of these 184 days, 180 days are instructional days. OFSD recognized the benefits of instructional days to its students which may have a positive impact on the quality of education provided. The early retirement incentive plan is a way to reduce the overall salary and fringe benefit costs to the district. Considering factors other than seniority when deciding

whether to transfer or promote an employee provides administrators and supervisors with a valuable management tool.

Recommendations: Because of OFSD's pending financial situation, the district may need to consider staff reductions in order to reduce operating costs. The performance audit revealed that a reduction of two to eight custodians would generate a savings between \$78,000 and \$291,000 (see the **facilities section** of the report for more detail). OFSD should develop procedures to monitor and improve productivity to offset the operational impact of staff reductions.

Consideration in controlling payroll costs of the district must include limiting cost of living adjustments for the next four fiscal years, beginning in FY 1999-00. This could potentially result in a cost avoidance of \$1,370,306 for certified employees and \$650,365 for classified employees. Requiring administrators to pay their own employee retirement contribution would result in an annual savings in fringe benefit costs of approximately \$90,535 based on FY 1998 total administrator salaries. Reducing sick leave taken by the custodial, food service and transportation employee classifications by one to five days could save OFSD approximately \$4,624 to \$14,456 annually in substitute costs.

The district's insurance committee should become more involved in its benefit administration and should meet on a regular basis. The committee should request and obtain appropriate information that would best determine possible cost containment strategies. The district would save approximately \$69,805 if the traditional plan was eliminated or by requiring employees to pay the difference between the traditional plan and the PPO plan. In addition, OFSD could save \$63,248 by requiring a 15 percent employee contribution for health benefits instead of the current 10 percent. The district's severance policies are generous. The district should consider re-negotiating the policy to lessen the financial impact to the district. The district should consider having a maximum sick leave accrual and also cap the payout at either 30 or 42 days.

Financial Implications: It is estimated that the implementation of all the recommendations in this section of the report would result in an annual savings of approximately \$228,212 to \$301,292. The cost avoidance over four years that could be achieved would be \$2,020,671.

Facilities

Background: Custodial services and the maintenance department are responsible for maintaining OFSD facilities. The two departments service two elementary schools, one middle school, one high school, one administrative building, and one transportation garage. The average age of the four school buildings is 28 years. OFSD's maintenance department consists of two employees (2 FTEs) who maintain 434,622 square feet of inside building space. OFSD's custodial department consists of 34 employees (27.6 FTEs) who maintain 452,928 square feet of inside building space. In 1997, the Ohio Legislative Budget Office estimated that building renovation would cost approximately \$9.4 million.

Findings: OFSD, like other school districts, has ongoing capital needs. Unlike some other school districts, it has shown a commitment to facilities by spending a higher percentage of its general fund revenue on maintenance and operations as compared to the AS&U Region 5 and peer averages. In the last ten years, the district has passed two bond issues for building improvements and used the proceeds to update its two elementary schools, build a new middle school, and make additions and improvements to the high school. The most recent project, which included the construction of the new middle school and the improvements to the high school, was partly financed through a state grant. In the last ten years, OFSD has spent over \$25 million in construction costs for said improvements. Like all schools, the district must evaluate the adequacy of funding for future improvements. While H.B. 412 set-asides for improvements should generate almost \$2.9 million in the next four years, this will not meet the aforementioned \$9.4 million anticipated costs.

The district has been aggressive in addressing the cost savings needed to operate the buildings efficiently. Since implementing H.B. 264 conservation measures, the district has provided documentation reflecting savings of approximately \$274,000. However, the district has not been compliant in issuing the required report documenting the reductions in energy consumption and having the report certified by an independent architect or engineer.

While the district has made significant efficiency changes to its educational facilities, an energy management program is needed. The district has saved over \$78,000 through group purchasing of natural gas and electricity since 1996 but continues to have the highest utility costs when compared to the peer districts. OFSD spent \$1.40 per square foot for utilities compared to the peer district average of \$1.10 per square foot in FY 1998.

The 1998-99 head count is approximately 2,969 and the district projects an average increase of about 35 students per year for the next four years. This increase in population should not require any new construction since each building is presently using about 89 percent of its capacity.

The district's custodial staff maintained the lowest square footage per FTE employee compared to the peer districts. OFSD custodial staff maintains 16,410 square feet per employee compared to the peer average of 18,670 square feet.

Finally, during FY 1998, the maintenance department staff handled 217,311 square feet per FTE which is extremely high when compared to the peer district average of 90,000 square feet per FTE. This ratio does not reflect the district's use of summer help which is more cost effective than employing additional full-time employees.

Commendations: OFSD effectively obtained and utilized monies available from the state, receiving approximately 45 percent of the 1996 cost for the middle school replacement and a portion of the high school renovation. The district has developed and annually updated a comprehensive maintenance plan that both prioritizes and details cost projections for district needs. Also, the district

has saved approximately \$68,000 and \$10,000 respectively by joining natural gas and electricity consortiums. The district has also saved money by utilizing several part-time summer employees to aid the two full-time maintenance workers in performing maintenance procedures that were not completed during the school year and by using student workers and existing nine month employees during the summer to augment the custodial staff. Finally, the district conducts yearly evaluations for the custodial staff.

Recommendations: The district should formally adopt a standard methodology for projecting enrollment. The plan should be regularly updated to reflect actual enrollments and should be used to monitor functional capacity in the schools. Enrollment projections help determine state funding, building usage, staffing needs, and ultimately facilitate the effective use of levies and the projection of future needs.

An energy management program should be initiated. A potential savings of between \$44,265 and \$63,235 could be obtained if the district's utility expenditures were more in line with the peer average.

The district should review the custodial square footage maintained and specifically review the role of the building manager and head custodian at the high school. Reducing the number of custodians and increasing the square footage maintained per FTE could generate savings of between \$78,000 and \$291,000 annually, including benefits. Also, eliminating custodial weekend inspections during the non-heating season (approximately eight months) would save over \$7,800 annually.

The district should begin to evaluate the adequacy of its maintenance department staff based on the total square footage maintained, the age of the buildings, and the projects and repairs expected to be performed in the future. The current staff size of two full-time employees may be sufficient to adequately maintain the newly constructed and renovated buildings but may not be sufficient in the future as the buildings age and more maintenance work is required.

Other significant recommendations include the following:

- ! Identification of a capital revenue stream sufficient to meet projected needs
- ! Completion of energy consumption and savings reports required by H.B. 264
- ! Proper allocation of all personnel costs for custodial services
- ! Elimination of weekend inspections during non-heating seasons
- ! Development and implementation of a preventive maintenance plan and schedule.

Financial Implications: It is estimated that through the implementation of the recommendations suggested by this report, the district could save between \$130,000 and \$362,000, with an implementation cost of \$6,000.

Transportation

Background: In FY 1997-98, OFSD provided transportation services to approximately 3,109 students utilizing various means of transportation. On a daily basis, district buses for the regular transportation program carried an estimated 2,744 public and 295 non-public students. In addition, there were 23 students whose parents received payment “in lieu of transportation” and 6 students who were transported on contracted other vehicles. Special transportation services were required for 41 students, of which 6 were transported by contracted other vehicles and 7 were transported by taxi. In total, OFSD’s vehicles traveled approximately 262,620 miles using 26 buses and 3 spare buses. Approximately 98.6 percent of all OFSD students received transportation services. The transportation department is staffed with 34 district employees (24.1 FTE’s) and had approximately \$1.1 million in expenditures for home-to-school transportation. Approximately 30 percent, or \$305,399 of the transportation expenditures, were funded through the state.

Findings: OFSD transports students grades K-5, whose residence is more than one mile from their assigned school. The district also transports middle and high school students, whose residence is more than one and one half miles from their assigned school. This transportation policy is above the state’s minimum which requires transportation for students in grades K-8 who live more than two miles from their assigned school. The district’s average cost to transport a regular transportation student, including all modes of transportation, is \$280, while the cost to transport a special needs student is \$3,790. OFSD’s regular transportation cost per student on a district bus (\$280), cost per bus (\$32,772), and cost per student for all modes of transportation (\$280) were higher than the peer average. The peer district averages were \$255, \$28,379 and \$249, respectively. Although the district has a reasonable number of students per bus, the transportation department is not fully utilizing the technology available to maximize efficiency of its bus routes. In special needs transportation, OFSD had the highest cost per student (\$3,790) for all modes of transportation. The peer district average is \$2,814.

Commendations: OFSD has negotiated a favorable provision in the OAPSE agreement whereby classified employees who work less than eleven months are not granted vacation leave. This provision saves the district \$10,000 annually based on two weeks of vacation per year for each employee. Also, OFSD appears to be properly staffed in the number mechanics employed based on the results of recent performance audits of high performing districts that reflect a ratio of 20 buses per mechanic and 30 total vehicles per mechanic.

Recommendations: OFSD should thoroughly examine possibilities to implement any options and tools that could incrementally increase bus capacity levels for regular education students transported on district-owned yellow buses. Additional efficiencies may not be possible using the current manual process. Although the district has a student per bus ratio of 117, further increases of the number of students per bus could generate a cost savings of between \$29,344 and \$264,096 and a cost

avoidance up to \$495,000 for not having to replace buses. Also, OFSD’s cost per student on district buses for regular transportation is \$280, as compared to special needs transportation which is \$3,715. Since the cost of regular transportation is less than the cost of special needs transportation, the district would benefit by ensuring all students requiring special needs actually need the additional service. Other significant recommendations include the following:

- ! The district should explore competitive bids for special needs transportation to ensure that the district is receiving contracted transportation services for the lowest possible cost.
- ! The district should promote the use of “in lieu of being transported” payments to the parents and guardians of students.
- ! The district should renegotiate its sick leave policy for requiring a medical certificate after being off for more than ten consecutive days to three consecutive days. In addition, the district should consider requiring sick leave taken to be a component of the employee’s evaluation while ensuring compliance with the Americans With Disabilities Act and may want to exclude sick leave days when calculating an employee’s overtime eligibility. Also, the district may want to consider implementing a rolling occurrence policy where employees are held accountable for the number of days taken off.
- ! In future agreements with OAPSE, the district should negotiate a clause that would provide for disciplinary action for the abuse of sick leave.
- ! The district should prepare a formal bus replacement plan which would include the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement

Financial Implication: It is estimated that implementation of the recommendations in this section of the report would result in annual cost reductions of \$59,014 to \$293,766 with minimal implementation costs. In addition, there are associated cost avoidances of not having to replace buses totaling an estimated \$55,000 to \$495,000. The actual, versus the estimated, annual costs 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.

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 the OFSD and the Fiscal 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. OFSD should consider the potential educational effect which certain of the recommendations might cause.

Estimated Cost Savings, Cost Avoidance and Implementation Costs				
Ref. No.	Recommendations From All Sections	Cost Savings	Cost Avoidance	Implementation Costs
	<i>Financial Systems</i>			
R2.7	Establishing self insurance health insurance reserve			\$100,000 (annual)
R2.3	Not hiring an additional 15 proposed teachers from FY 2000 through FY 2003		\$68,583 to \$585,783 (annual)	
	<i>Human Resources</i>			
R3.1	Cost avoidance achieved by limiting COLA increases for certified staff		\$190,349 to \$331,508 (annual)	
R3.1	Cost avoidance achieved by limiting COLA increases for classified staff		\$45,022 to \$252,024 (annual)	
R3.2	Administrators pay their own retirement contributions	\$90,535 (annual)		
R3.5	Reduction in sick leave usage - classified employees	\$4,624 to \$14,456 (annual)		
R3.9	Requiring employees to contribute the difference between the Medical Mutual and Super Med Select health care plans	\$69,805 (annual)		
R3.10	Increasing percentage of employee contribution toward fringe benefit premiums to 15 percent	\$63,248 to \$126,496 (annual)		
	<i>Facilities</i>			
R4.4	Implementation of energy management program	\$44,265 to \$63,235 (annual)		
R4.8	Increase square footage of custodial employee by reducing staff	\$78,000 to \$291,000 (annual)		
R4.9	Eliminate weekend inspections during non-heating season	\$7,800 (annual)		
R4.11	Purchase and Implement Preventive Maintenance Software			\$6,000
	<i>Transportation</i>			
R5.1	Increase student capacity per bus	\$29,344 to \$264,096 (annual)	\$55,000 to \$495,000 (annual)	
R5.2	Change transportation method of special needs students from contracted vehicles to taxis and parental contracts	\$29,670 (annual)		
R5.9	Use of routing software			\$15,000 to \$20,000 (FY 2000 only)

Estimated Cost Savings, Cost Avoidance and Implementation Costs				
Ref. No.	Recommendations From All Sections	Cost Savings	Cost Avoidance	Implementation Costs
	Total Annual Range	\$417,291 to \$957,093	\$358,954 to \$1,664,315	\$121,000 to \$126,000

The above financial implications 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 verses the estimated cost savings noted above could vary depending on the implementation of the various recommendations. For example, a benefit of automated routing is to optimize routes and bell schedules. Therefore, the financial implications associated with the automated routing recommendation would be decreased by optimizing routes and bell schedules.

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.

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 are to:

- ! 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.
- ! Develop recommendations for the district and the Financial Planning and Supervision Commission to consider in the development 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 district covers the following areas of operations:

- ! Financial Systems
- ! Human Resources
- ! Facilities
- ! Transportation

These particular subject areas were decided upon pursuant to discussions with the district and the Department of Education. Within school district operations, these areas are important to assess because they normally are of concern in school districts, have historically been a problem or could create a significant financial or operational risk to district operations.

Methodology

To complete the performance audit, auditors gathered and assessed a significant amount of data pertaining to OFSD, conducted interviews with various groups associated with OFSD 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, OFSD 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:

- ! OFSD’s annual reports of FY 1995-96, FY 1996-97, FY 1997-98 and general ledger for the period July 1998 through June 1999
- ! Actual taxes received for June 1999
- ! Board Policy Manual
- ! 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, various policy and procedure manuals and departmental handbooks
- ! Various reports provided by the Department of Education and Educational Management Information System (EMIS)
- ! Prior studies conducted on the district, including the staffing service study performed by the Ohio Department of Education - 1998; the Ohio Public School Facility Survey performed by the Ohio Department of Education - 1990, updated 1997; and the Financial Accounting Report performed by Auditor of State’s Local Government Services - 1999
- ! American School and University’s 1998 Maintenance and Operating Cost Study
- ! Financial forecasts
- ! 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 OFSD. These interviews were invaluable in developing the overall understanding of OFSD operations, and in some cases, were useful sources in identifying concerns with OFSD 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 two unions
- ! The Ohio Department of Education
- ! Representatives of the Cuyahoga County Auditor’s Office
- ! Representative of the Ohio School Council
- ! Representatives from other school districts including Amherst EVSD, Maumee CSD, and North Olmsted CSD

Benchmark Comparisons with Other Districts

Three other school districts, Amherst Exempted Village School District, Maumee City School District and the North Olmsted City School District, were selected to provide benchmark comparisons with OFSD. Performance indicators were established for the various performance audit areas to develop

a mechanism to compare how effectively and efficiently OFSD 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 drawn from their reports where applicable. These suggested procedures were selected to provide certain benchmark comparisons with OFSD regarding employees wages and benefits and transportation.

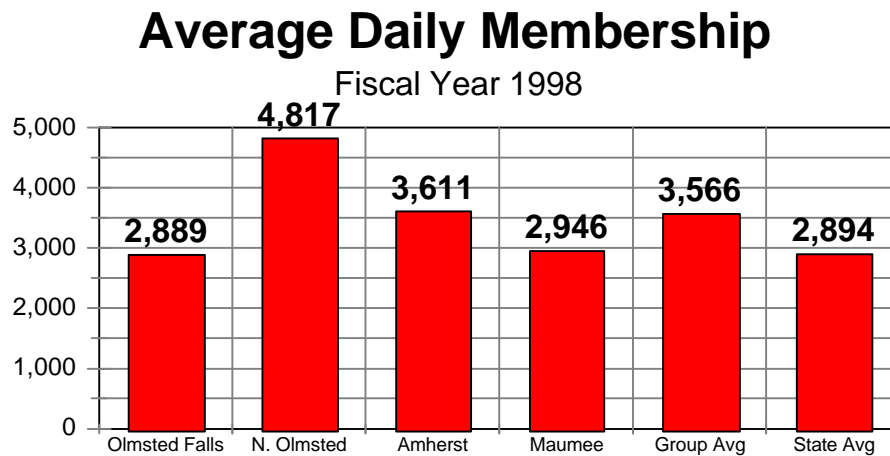
Comparative Districts

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 bench marking data. The peer group selection for this performance audit includes North Olmsted City School District, Amherst Exempted Village School District and Maumee City School District. These districts were selected as peer districts because of similar demographic statistics. The peer district average includes Olmsted Falls City School District. 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.

Olmsted Falls City School District (OFSD) exhibited a nearly five percent increase in Average Daily Membership (ADM) over the four year trend period. OFSD had the smallest ADM of the four peer districts and the district was nearly equal to the state average in FY 1998 but slightly less in FY 1995 through FY 1997. ADM differs from standard enrollment in that it makes adjustments for Kindergarten and Special Education students.

Average Daily Membership					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	2,757	2,796	2,851	2,889	4.79%
North Olmsted	4,787	4,962	4,997	4,817	0.63%
Amherst	3,418	3,420	3,514	3,611	5.65%
Maumee	3,009	2,969	2,985	2,946	-2.09%
Group Avg.	3,493	3,537	3,587	3,566	2.09%
State Avg.	2,870	2,876	2,920	2,894	0.84%

Source: Educational Management Information System (EMIS) final FY 1997-98 data



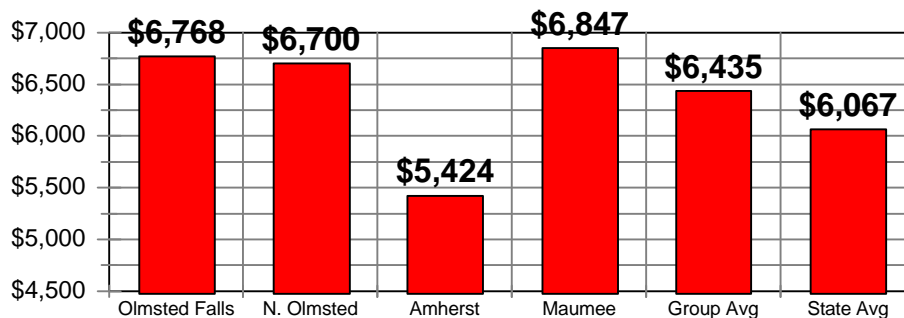
OFSD spent \$6,768 per student during FY 1998 which was the second highest of the four peer districts. Expenditures for OFSD increased by 25.06 percent over the four year period. The increase was significantly higher than the next highest increase and the state average. OFSD was spending nearly the state average per pupil in FY 1995 but steadily climbed above the state average from FY 1996 through FY 1998. In FY 1998, OFSD spending per pupil was nearly twelve percent above the state average.

Expenditures Per Pupil					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	\$5,412	\$5,750	\$6,397	\$6,768	25.06%
North Olmsted	\$6,364	\$6,104	\$6,470	\$6,700	5.28%
Amherst	\$4,836	\$5,064	\$5,373	\$5,424	12.16%
Maumee	\$6,020	\$6,338	\$6,681	\$6,847	13.74%
Group Avg.	\$5,658	\$5,814	\$6,230	\$6,435	13.73%
State Avg.	\$5,391	\$5,446	\$5,939	\$6,067	12.54%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Expenditures Per Pupil

Fiscal Year 1998



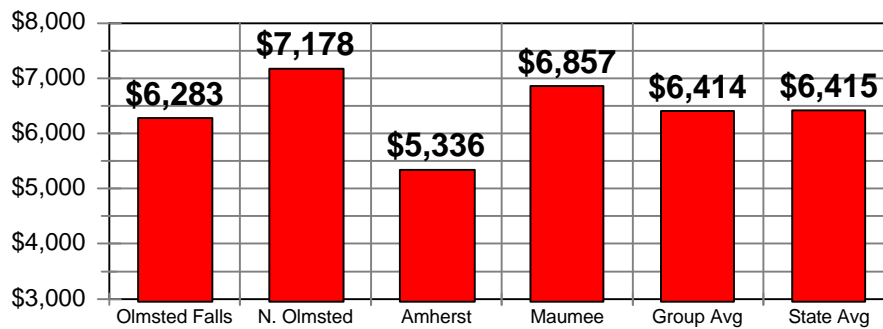
OFSD’s revenue per pupil in FY 1998 was \$6,283 which was the second lowest per pupil spending when compared to the peer districts for the same year and was below the state average. This scenario was the same for FY 1995 through FY 1997. OFSD has seen substantial increases in revenues over the five year trend period, but expenditures have grown at a greater rate. When spending outpaces revenue, deficits increase.

Revenue Per Pupil					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	\$5,164	\$5,411	\$5,861	\$6,283	21.67%
North Olmsted	\$5,887	\$6,085	\$6,835	\$7,178	21.93%
Amherst	\$4,439	\$4,542	\$5,037	\$5,336	20.21%
Maumee	\$5,606	\$6,096	\$6,622	\$6,857	22.32%
Group Avg.	\$5,274	\$5,534	\$6,089	\$6,414	21.61%
State Avg.	\$5,403	\$5,612	\$5,995	\$6,415	18.73%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Revenues Per Pupil

Fiscal Year 1998



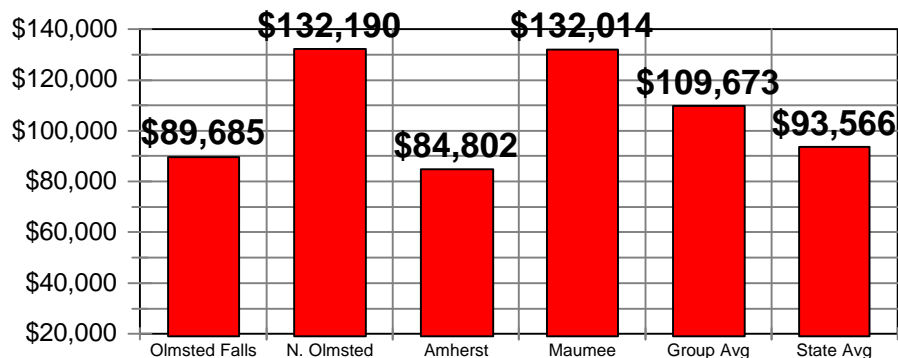
The average assessed property valuation per pupil is an important component in a school district’s funding. Average property valuation is a significant factor in determining the ability of the school district to remain financially viable. The higher the average property valuation, the greater the potential income source available to the district. School district funding in the state of Ohio is primarily local property tax driven, therefore a higher valuation per pupil has the potential to generate greater amounts of local property taxes, everything else being equal. OFSD’s average valuation per pupil in FY 1998 was \$89,685 which was 18.2 percent lower than the group average and 4.1 percent less than the state average. The district exhibited the highest gains in property valuation over the 4 year trend period, increasing by 20.87 percent. The average valuation per pupil will be negatively effected by the loss of any business interests.

Average Valuation Per Pupil					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	\$74,198	\$83,826	\$87,020	\$89,685	20.87%
North Olmsted	\$116,183	\$127,390	\$127,703	\$132,190	13.78%
Amherst	\$75,029	\$84,436	\$84,101	\$84,802	13.03%
Maumee	\$117,921	\$128,821	\$130,857	\$132,014	11.95%
Group Avg.	\$95,833	\$106,118	\$107,420	\$109,673	14.44%
State Avg.	\$82,315	\$86,027	\$87,754	\$93,566	13.67%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Average Valuation Per Pupil

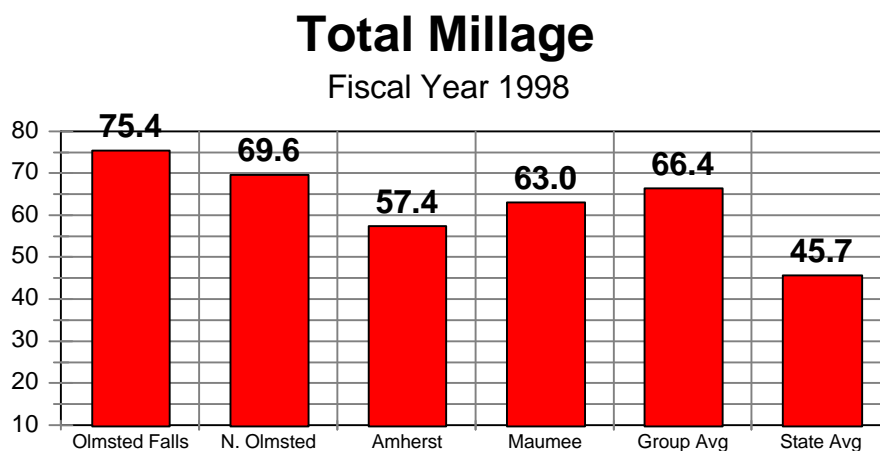
Fiscal Year 1998



Both effective millage and total millage are the measurement units of assessed local property taxes. A 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 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. Total millage increased over the four year trend period by 13.04 percent which was a higher increase than any of the peer districts and the state average. OFSD total millage for FY 1998 was 13.6 percent higher than the peer district average and 65.0 percent higher than the state average.

Total Millage					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	66.7	69.4	72.5	75.4	13.04%
North Olmsted	63.7	63.7	69.6	69.6	9.26%
Amherst	52.5	52.5	57.4	57.4	9.33%
Maumee	58.1	58.1	58.1	63.0	8.43%
Group Avg.	60.3	60.9	64.4	66.4	10.12%
State Avg.	45.9	44.5	45.0	45.7	-0.44%

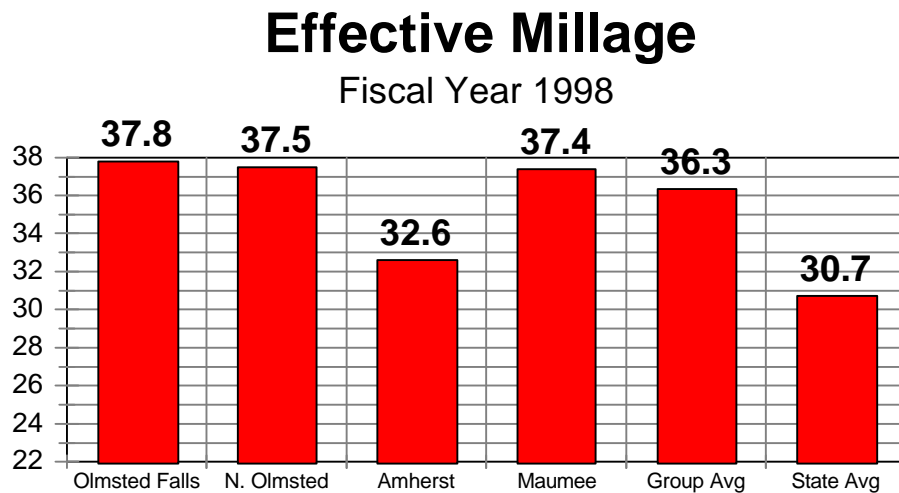
Source: Educational Management Information System (EMIS) final FY 1997-98 data



Because of the impact of House Bill 920, the effective millage is a more accurate gauge in assessing the amounts of money school districts generate from property taxes. The effective millage rate for OFSD was 37.8 in FY 1998 which was the highest among the peer districts and higher than the state average. The peer group was 5.6 mills above the state average and OFSD was 7.1 mills above the state average for the same year.

Effective Millage					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	33.7	32.5	35.2	37.8	12.17%
North Olmsted	35.2	31.6	37.5	37.5	6.53%
Amherst	31.0	28.1	32.7	32.6	5.16%
Maumee	34.3	32.5	32.6	37.4	9.04%
Group Avg.	33.6	31.2	34.5	36.3	8.27%
State Avg.	30.2	30.4	30.9	30.7	1.66%

Source: Educational Management Information System (EMIS) final FY 1997-98 data



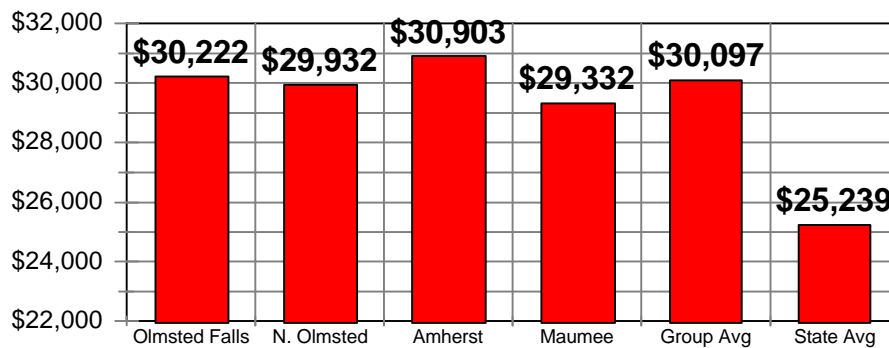
The median income for OFSD in FY 1998 was \$30,222, slightly higher than the peer district average, but well above the state average. Over the four year trend period, OFSD's median income increase by 4.7 percent, which was the lowest increase of the four districts and well below the state average.

State Median Income					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	\$28,866	\$28,471	\$29,313	\$30,222	4.70%
North Olmsted	\$26,906	\$27,201	\$28,698	\$29,932	11.25%
Amherst	\$27,526	\$27,802	\$29,838	\$30,903	12.27%
Maumee	\$27,604	\$26,710	\$28,321	\$29,332	6.26%
Group Avg.	\$27,726	\$27,546	\$29,043	\$30,097	8.55%
State Avg.	\$23,361	\$23,478	\$24,588	\$25,239	8.04%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

State Median Income

Fiscal Year 1998



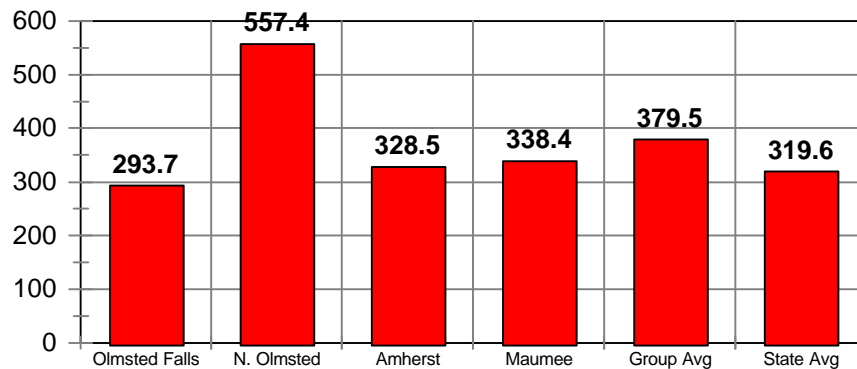
At 293.7, OFSD’s total number of employees was 8.8 percent below the state average and 29.2 percent below the group average. Nevertheless, its employee growth rate over the five-year period was more than twice the group average and more than four times the state average.

Total Employees					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	249.4	262.8	276.1	293.7	17.76%
North Olmsted	537.9	520.1	531.6	557.4	3.63%
Amherst	304.7	312.3	321.7	328.5	7.81%
Maumee	321.0	336.7	338.3	338.4	5.42%
Group Avg.	353.3	358.0	366.9	379.5	7.43%
State Avg.	306.9	306.6	310.8	319.6	4.14%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Total Employees

Fiscal Year 1998



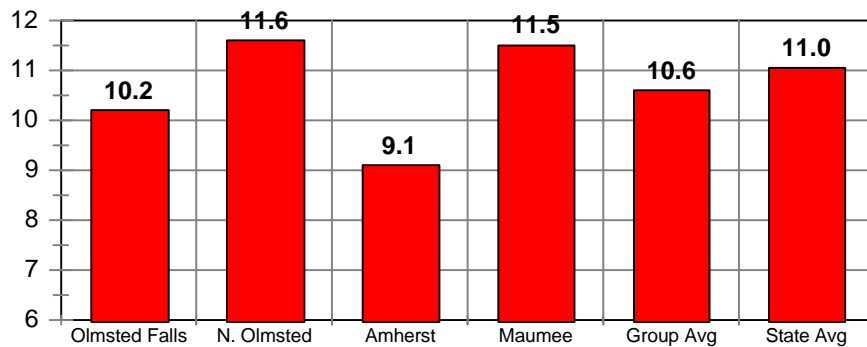
In FY 1998, OFSD had an approximately four percent less number of employees per 100 student than its peer districts and 9.8 percent less than the state average. From FY 1995 to FY 1998, though, its employee/student ratio grew by almost 12.4 percent, while the group and state averages grew at a much lower rate.

Employees per 100 Students					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	9.1	9.4	9.7	10.2	12.38%
North Olmsted	11.2	10.5	10.6	11.6	2.94%
Amherst	8.9	9.1	9.2	9.1	2.13%
Maumee	10.7	11.3	11.3	11.5	7.69%
Group Avg.	10.0	10.1	10.2	10.6	6.17%
State Avg.	10.7	10.7	10.6	11.0	2.80%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Employees per 100 Students

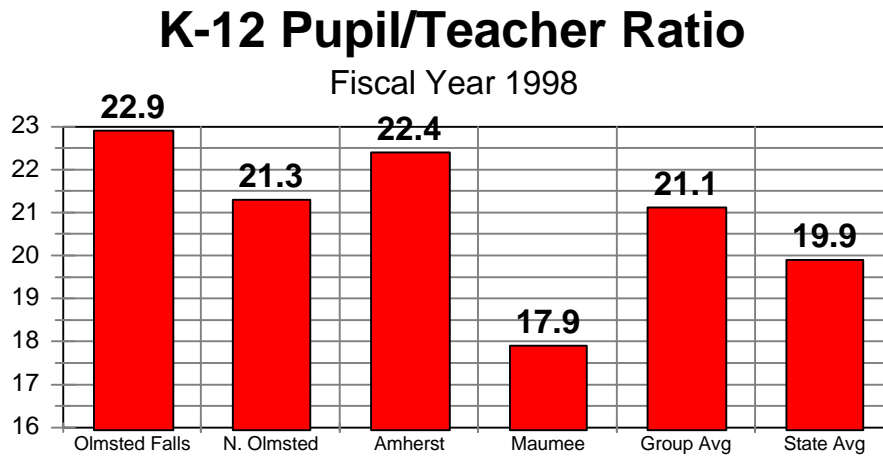
Fiscal Year 1998



OFSD’s K-12 Pupil/Teacher ratio was the highest in the peer group in FY 1998 at 22.9. Over the four year trend period, the ratio improved by over 6 percent. The district had three more students per classroom than the state average. A detailed analysis of the K-12 Pupil/Teacher ratio is contained in the Human Resources section of the performance audit.

K-12 Pupil/Teacher Ratio					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	24.4	24.0	22.5	22.9	-6.15%
North Olmsted	20.1	21.3	21.8	21.3	5.97%
Amherst	21.1	21.6	21.7	22.4	6.16%
Maumee	18.8	18.1	17.5	17.9	-4.79%
Group Avg.	21.1	21.3	20.9	21.1	0.12%
State Avg.	20.8	20.8	20.7	19.9	-4.33%

Source: Educational Management Information System (EMIS) final FY 1997-98 data



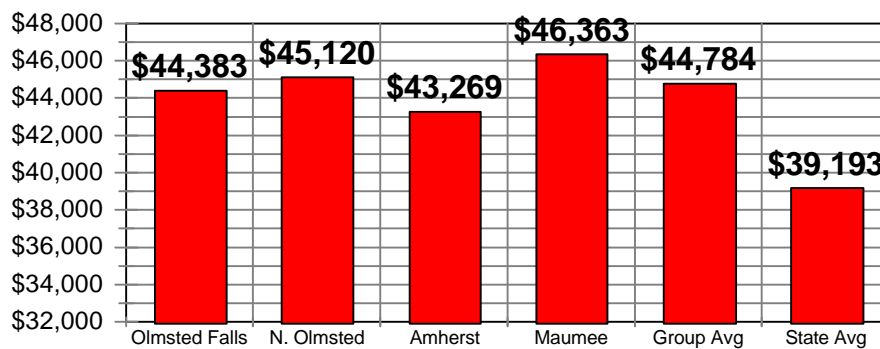
Average teacher salary for OFSD teachers was \$44,383 in fiscal year 1998. Over the four year trend period, the district experienced a 9.28 percent increase in teacher salary. OFSD's average teacher salary was significantly higher than the average teacher salary in the state of Ohio, and slightly less than the peer group average.

Average Teacher Salary					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	\$40,615	\$41,866	\$43,122	\$44,383	9.28%
North Olmsted	\$42,778	\$44,780	\$45,614	\$45,120	5.47%
Amherst	\$40,234	\$40,127	\$42,001	\$43,269	7.54%
Maumee	\$41,462	\$42,605	\$43,674	\$46,363	11.82%
Group Avg.	\$41,272	\$42,345	\$43,603	\$44,784	8.51%
State Avg.	\$36,973	\$38,064	\$38,914	\$39,193	6.00%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Average Teacher Salary

Fiscal Year 1998



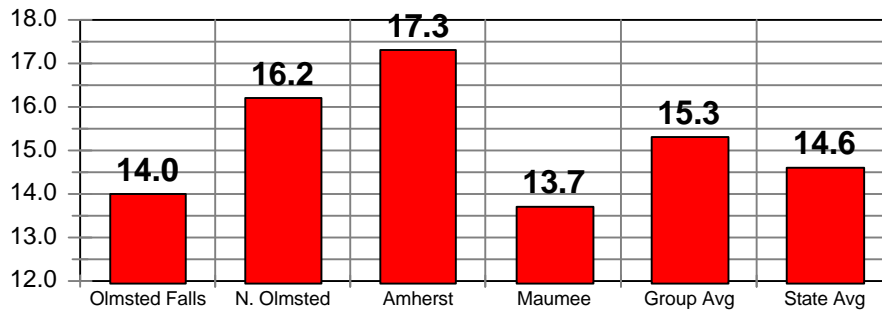
Average teaching experience normally correlates to average teacher salary. OFSD’s teachers averaged 14 years of experience which is the second lowest of the peer districts. Over the four year trend period, the average teaching experience increased by nearly 6.9 percent. OFSD’s average teaching experience was slightly lower than the state average and nearly 1.3 years fewer than the group average.

Average Teaching Experience					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Olmsted Falls	13.1	13.9	13.9	14.0	6.87%
North Olmsted	16.3	17.4	17.4	16.2	-0.61%
Amherst	16.8	17.4	17.6	17.3	2.98%
Maumee	16.2	14.2	13.3	13.7	-15.43%
Group Avg.	15.6	15.7	15.6	15.3	-1.92%
State Avg.	14.8	14.8	15.0	14.6	-1.35%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Average Teacher Experience

Fiscal Year 1998

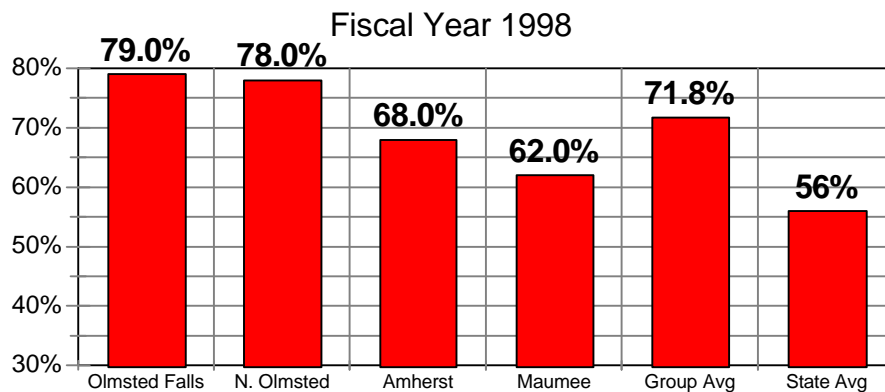


OFSD’s ninth grade proficiency test passage rate was 79 percent in FY 1998, a decrease of approximately 4.8 percentage points over the four year trend period. Through fiscal year 1997, OFSD’s passage rate increased steadily, but fell by more than 9 percent in FY 1998. Of the four districts, OFSD had the highest ninth grade proficiency test passage rate. OFSD surpassed the state average passage rate by 23 percentage points.

Nine Grade Proficiency Test Passage Rate						
	Fiscal Year 95	Fiscal Year 96	Fiscal Year 97	Fiscal Year 98	% Point Change 1995-98	% Change 1995-98
Olmsted Falls	83%	87%	87%	79%	-4%	-4.82%
North Olmsted	60%	59%	75%	78%	18%	30.00%
Amherst	79%	67%	72%	68%	-11%	-13.92%
Maumee	69%	59%	75%	62%	-7%	-10.14%
Group Avg.	73%	68%	77%	72%	-1%	-1.37%
State Avg.	55%	54%	56%	56%	1%	1.82%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Ninth Grade Proficiency Test Pass Rate



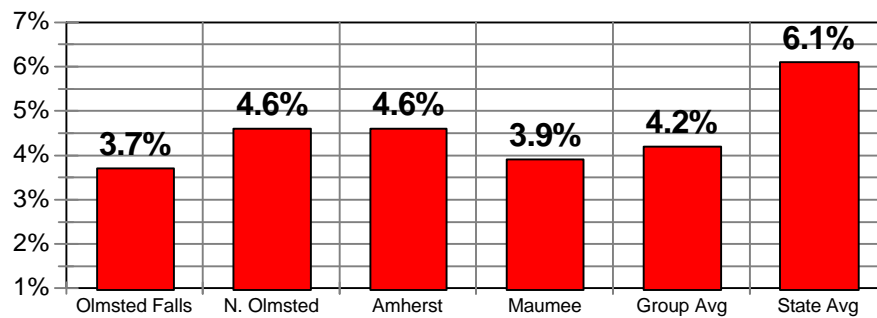
The absentee rate for OFSD decreased from FY 1995 to FY 1998 by approximately 17.8 percent. OFSD’s absentee rate was significantly lower than the state average and was lower than all members of the peer group in FY 1998.

Absentee Rate						
	Fiscal Year 95	Fiscal Year 96	Fiscal Year 97	Fiscal Year 98	% Point Change 1995-98	% Change 1995-98
Olmsted Falls	4.5%	4.5%	3.8%	3.7%	-0.8%	-17.78%
North Olmsted	5.5%	5.0%	5.2%	4.6%	-0.9%	-16.36%
Amherst	5.0%	5.2%	4.7%	4.6%	-0.4%	-8.00%
Maumee	5.0%	4.4%	4.0%	3.9%	-1.1%	-22.00%
Group Avg.	5.0%	4.8%	4.4%	4.2%	-0.8%	-16.00%
State Avg.	6.6%	7.0%	6.4%	6.1%	-0.5%	-7.58%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Absentee Rate

Fiscal Year 1998



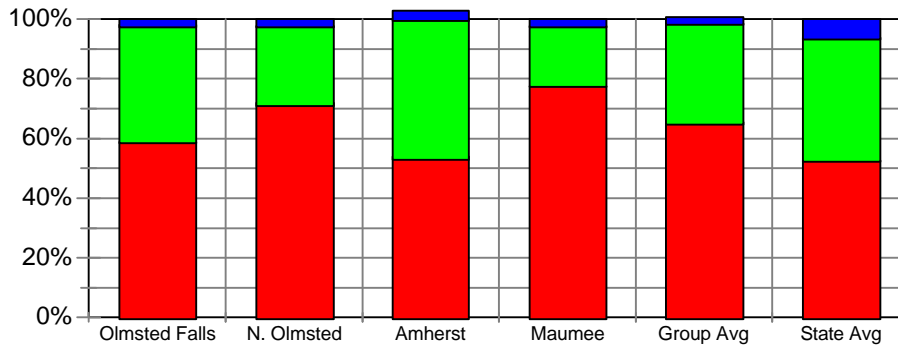
OFSD received the second lowest local support of the four peer districts at 58.9 percent. This figure is 6.4 percentage points higher than the state average for local revenues. OFSD is above the group average for state revenues and below the group average for federal revenues at 39.3 percent and 1.8 percent respectively.

1998 Revenue Breakdown by Source			
	Local	State	Federal
Olmsted Falls	58.9%	39.3%	1.8%
North Olmsted	71.9%	25.8%	2.3%
Amherst	53.9%	46.3%	2.5%
Maumee	77.5%	20.2%	2.3%
Group Avg	65.6%	32.9%	2.2%
State Avg	52.5%	41.3%	6.2%

Source: Educational Management Information System (EMIS) final FY 1997-98 data

Percentage of Revenues by Source

Fiscal Year 1998



Financial Systems

Introduction

This section focuses on financial systems within Olmsted Falls City School District (OFSD 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. Within this section, the district's five year financial forecast will be assessed for reasonableness, an additional forecast will be presented representing the Auditor of State's assessment of the district's financial condition, and cost savings recommendations will be presented to aide the Financial Planning and Supervision Commission (the commission) in their duty to produce a financial recovery plan for the district.

This section focuses on the General Fund, which accounts for approximately 77 percent of the monies collected in the district's 25 funds. The General Fund is the district's general operating fund 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.

Background

At the request of the Olmsted Falls City School District Board of Education dated August 20, 1998, the Office of the Auditor of State, Local Government Services Division (LGS), performed an examination of the financial forecast of the general fund of the district as required under Ohio Rev. Code Section 3316.03. In conjunction with this review of the financial forecast, the Auditor determined and certified an estimated operating deficit for the year ending June 30, 1999 to the State Department of Education on March 18, 1999 in the amount of \$2,157,000. The district received \$2,157,000 on June 19, 1999.

Ohio Rev. Code Section 3316.03 requires the Auditor of State to declare a school district to be in a state of fiscal watch if the Auditor of State determines that the district has met all of the conditions prescribed in Section 3316.03(A). The conditions are summarized as follows:

- ! An operating deficit has been certified by the Auditor of State that exceeds eight percent of the district's General Fund revenue for the preceding fiscal year;

- ! The unencumbered cash balance of the district, reduced by any advance of property taxes, was less than eight percent of the district's General Fund expenditures for the preceding fiscal year; and
- ! A levy has not been passed by the voters that will raise enough additional revenue in the succeeding fiscal year that will result in the first two conditions not being met in the succeeding year.

The analysis conducted of the Olmsted Falls City School District by the Auditor of State (LGS) for the purpose of determining whether the district met the conditions outlined above disclosed the following:

- ! The Auditor of State certified an operating deficit of the General Fund in the amount of \$2,157,000. This amount exceeds eight percent of the General Fund revenues for the prior fiscal year;
- ! The Olmsted Falls City School District's unencumbered cash balance for the preceding fiscal year was a deficit of \$1,192,000. This amount is less than eight percent of the preceding fiscal year expenditures; and
- ! The district has passed a levy, but the levy will not eliminate the first two conditions.

Ohio Rev. Code Section 3316.03 requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Ohio Rev. Code Section 3316.04 to submit a financial plan acceptable to the State Superintendent of Public Instruction within 60 days of the Auditor's declaration of fiscal watch.

On December 17, 1998, the Olmsted Falls City School District Board of Education adopted a resolution stating they would not be able to submit a financial plan acceptable to the Superintendent of Public Instruction within 60 days of the Auditor's declaration of fiscal watch. Accordingly, on March 22, 1999, the Auditor of State declared the Olmsted Falls City School District to be in a state of fiscal emergency.

While in fiscal emergency, the 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. Once financial stability is restored and the district can offer a credible five-year plan to maintain that stability, the commission will be disbanded. The commission consists of a designee of the director of the state office of budget and management, a designee of the state superintendent of public instruction, the superintendent of OFSD, the county auditor and a designee, a district parent appointed by the superintendent of public instruction and a designee appointed by the governor.

The district's current financial condition is attributed to expenditures exceeding revenues for several years. This pattern of overspending resulted in the district utilizing spending reserve borrowing in FY 1996-97 and FY 1997-98 to avoid year end deficits. In FY 1998-99, the district issued \$1.9 million in tax anticipation notes associated with the passage of a levy in February 1999 and was still forced to borrow an additional \$2.16 million from the state solvency assistance fund to avoid a potential year end deficit. These debt instruments require repayment, therefore, the district has been borrowing against future year's revenues to pay current operating costs.

The district's primary funding sources are state foundation support, local property taxes and federal programs. To increase the local contribution, the OFSD has two tax options, and both require voter approval: a property tax levy or a school district income tax. 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 in the district. Based on the property values in the OFSD, one mill generates about \$296,000 of revenue for the district. The district placed an 9.8 mill, continuing operating levy on the ballot in November 1998 which failed by 595 votes with 3,100 for the tax levy and 3,695 against the levy. The district placed a 12.9 mill, continuing operating levy on the ballot in February 1999 which passed by 223 votes with 2,440 for the tax levy and 2,217 against the levy. This was the first continuing levy passed for the district since November 1994 (See **Table 2-5** for ten year levy history). The 12.9 mill levy will generate over \$3.8 million yearly for the district. The district will receive one half of yearly levy proceeds in FY 1999-00 and begin receiving the full levy amount in FY 2000-01.

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.

Federal monies are awarded primarily through grant programs directed at helping economically disadvantaged students or those with special educational needs. Federal budget balancing is expected to negatively impact grant awards. However, to maximize revenue, the district intends to closely examine and evaluate all restricted state and federal grants as potential funding sources. See **Table 2-2** for percentage breakdown of district funding by sources compared to the peer districts and state averages.

Organization Function

Under the current organizational structure, the board of education'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 scope of the fiscal recovery plan are required to be made by the commission. See the financial organizational chart in **Table 2-1**.

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 district superintendent, treasurer, and assistant superintendent prepared the district’s first financial forecast in January 1999 in conjunction with the projected five-year financial forecast required under H.B. 412, with amendments in February through June 1999. The district was declared to be in a state of fiscal emergency on March 22, 1999. The financial forecast includes projections of estimated revenues and expenditures for the General and Textbook Subsidy Funds, as well as the assumptions used to develop the projections. The district secured the services of an outside consultant to assist in the development of the state foundation revenues for FY 1998-99 through FY 2002-03. All other projections for this period were based on future district needs, prior period performance, and historical trends.

Table 2-1: Financial Organizational Chart

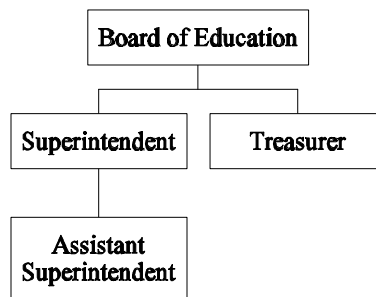


Table 2-2 shows the distribution of revenue by funding source (all funds on a cash basis) for the three most recent fiscal years for OFSD, its peer districts and the peer and state averages.

Table 2-2: Percent of Revenue by Funding Source

	Olmsted Falls	Amherst	North Olmsted	Maumee	Peer Average ¹	State Average
FY 1995-96:						
Local	57.7%	52.9%	69.2%	76.1%	64.0%	50.2%
State	40.5%	44.3%	28.9%	21.9%	33.9%	43.3%
Federal	1.8%	2.8%	1.9%	2.0%	2.1%	6.1%
FY 1996-97:						
Local	60.9%	54.6%	71.1%	77.6%	66.1%	51.2%
State	37.2%	42.7%	26.7%	19.3%	31.5%	42.3%
Federal	1.9%	2.7%	2.2%	3.1%	2.4%	6.0%
FY 1997-98:						
Local	58.9%	53.9%	71.9%	77.5%	65.6%	51.7%
State	39.3%	43.6%	25.8%	20.2%	32.2%	42.6%
Federal	1.8%	2.5%	2.3%	2.3%	2.2%	5.7%

Source: EMIS information.

¹ Olmsted Falls is included in the Peer Average.

Table 2-2 does not include the 12.9 mill continuing operating levy passed by the community on February 2, 1999. See finding **F2.9** for additional discussion regarding the district’s funding sources.

Table 2-3 presents statistics which impact a district's ability to raise local revenue. OFSD is compared with its peer districts and state averages.

Table 2-3: Local Statistics - Last Three Years

	Olmsted Falls	North Olmsted	Maumee	Amherst	Peer Average	State Average
FY 1995-96:						
Effective Millage	32.5	31.6	32.5	28.1	31.2	30.4
Average Valuation ¹	\$ 83,826	\$ 127,390	\$ 128,821	\$ 84,436	\$ 106,118	\$ 86,027
Area Median Income	\$ 28,471	\$ 27,201	\$ 26,710	\$ 27,802	\$ 27,546	\$ 23,478
FY 1996-97:						
Effective Millage	35.2	37.5	32.6	32.7	34.5	30.9
Average Valuation ¹	\$ 87,020	\$ 127,703	\$ 130,857	\$ 84,101	\$ 107,420	\$ 87,754
Area Median Income	\$ 29,313	\$ 28,698	\$ 28,321	\$ 29,838	\$ 29,043	\$ 24,588
FY 1997-98:						
Effective Millage	37.8	37.5	37.4	32.6	36.3	30.7
Average Valuation ¹	\$ 89,685	\$ 132,190	\$ 132,014	\$ 84,802	\$ 109,673	\$ 93,566
Area Median Income	\$ 30,222	\$ 29,932	\$ 29,332	\$ 30,903	\$ 30,097	\$ 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.

The effective millage rate presented in **Table 2-3** does not include the 12.9 mill continuing operating levy passed by the community on February 2, 1999. See finding **F2.9** for additional discussion regarding the district's funding sources.

Table 2-4 presents information regarding OFSD's long term indebtedness as of June 30, 1999.

Table 2-4: Long Term Indebtedness as of June 30, 1999

Description	Fund Revenues Servicing Debt	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
Classroom Facilities Improvement Bonds, Series 1995	Debt Service	Varying	12/15/95	12/15/17	\$7,340,000
School Improvement Refunding Bonds, Series 1997	Debt Service	Varying	12/3/97	12/15/17	\$8,337,606
Total Debt Service Fund Debt					\$15,677,606
State Solvency Fund Loan	General Fund	N/A	6/20/99	6/30/99	\$2,157,000
Tax Anticipation Note	General Fund	5.50%	6/17/99	12/1/04	\$1,900,000
Energy Conservation Improvement Bonds, Series 1995	General Fund	Varying	6/15/95	12/15/05	\$870,000
Various Purpose Improvement Bonds, Series 1998	General Fund	4.60%	2/15/98	12/15/06	\$250,000
High School Property Bonds	General Fund	5.00%	2/1/96	12/1/99	\$37,500
Energy Conservation Improvement Note, Series 1992	General Fund	5.75%	10/15/92	9/1/02	\$68,594
Total General Fund Debt					\$5,283,094
Total Debt					\$20,960,700

Source: Treasurer's Office.

During FY 1998-99, the district issued \$1.9 million in tax anticipation notes associated with the passage of the 12.9 mill continuing operating levy in February 1999 and \$2,157,000 from the State Solvency Assistance Fund. During FY 1998-99, the district paid \$469,649 in principal on general fund debt outstanding at June 30, 1998. At June 30, 1999, the total general fund debt outstanding was \$5,283,094. See **Table B-15** and **Table B-16** which shows outstanding general fund debt and required debt service payments for the projected periods.

The 1995 Classroom Facilities Improvement bonds were issued in the amount of \$10,500,000 as a partial cash match for the district's \$8,654,439 school facilities loan through the State Department of Education. As a requirement of the loan, the district passed a 0.5 mill levy. Of the 0.5 mill levy, half is used for the retirement of the loan, and the other half is for facilities maintenance. The district is projected to pay \$1,460,293 towards the school facilities loan principal over the twenty-three year life of the levy. The unpaid balance on the loan remaining at the end of the twenty-three year period will be forgiven. The bonds and loans will be repaid with tax revenue. \$63,491 in principal was paid in FY 1999 on the school facilities loan and the amount outstanding at June 30, 1999 was \$8,216,000. Due to the nature of this loan, it has not been noted in the above table.

Table 2-5 details the election results for the past ten years for various levies the district placed on the ballot.

Table 2-5: Ten-Year Levy History

Date	Type of Levy	Amount	Term	Election Results
November 1990	Bond Issue ⁴	\$8,200,000	21 Years	Passed
November 1990	Operating	7.9 mills	Continuing	Failed
February 1991	Operating	8.4 mills	Continuing	Passed
November 1992	Bond Issue	\$10,500,000	24 Years	Failed
February 1993	Bond Issue	\$10,500,000	24 Years	Failed
November 1994	Bond Issue ³	\$10,500,000	23 Years	Passed
November 1994	Classroom Facilities ¹	0.5 mills	23 Years	Passed
November 1994	Operating ²	8.7 mills	Continuing	Passed
November 1998	Operating	9.8 mills	Continuing	Failed
February 1999	Operating	12.9 mills	Continuing	Passed

Source: FY 1999 Financial Forecast prepared by the Local Government Services Division of the Auditor of State's Office and district records.

¹ This millage was passed as part of the November, 1994 \$10,500,000 bond issue for the purpose of paying the cost of the purchase of classroom facilities from the state. In October 1997, an agreement was signed with the state under Amended H.B. 748 allowing the district to maintain one half of this millage for the purpose of maintaining the classroom facilities constructed or renovated through building assistance.

² This was an incremental levy phased in at 2.9 mills per year from 1994 through 1996.

³ This bond issue was used for the construction of the new middle school and high school additions and renovation.

⁴ This bond issue was used for the elementary and intermediate school renovations.

Table 2-6 depicts General Fund FY 1997-98 revenues by source and expenditures by object as a percent of total general fund revenues and expenditures for OFSD and its peer districts.

Table 2-6: Revenues by Source and Expenditures by Object

	Olmsted Falls	North Olmsted	Maumee	Amherst
Property Taxes	56.1%	69.0%	76.0%	52.7%
Intergovernmental Revenues	39.3%	26.2%	20.3%	44.5%
Other Revenues	4.6%	4.8%	3.7%	2.8%
TOTAL REVENUES	\$18,461,783	\$35,289,085	\$20,029,430	\$18,745,784
Wages	62.8%	69.9%	67.5%	68.3%
Fringe Benefits	18.1%	16.7%	17.2%	20.8%
Purchased Services	9.3%	8.1%	6.4%	5.2%
Supplies & Textbooks	4.1%	2.6%	2.9%	2.8%
Capital Outlays	1.6%	0.3%	0.9%	0.0%
Debt Service	2.6%	<0.1%	0.0%	0.0%
Miscellaneous	1.5%	1.8%	2.0%	1.8%
Other Financing Uses	0.0%	0.6%	3.1%	1.1%
TOTAL EXPENDITURES	\$19,156,064	\$30,939,598	\$18,721,687	\$17,352,145

Source: FY 1998 District 4502 Reports, Exhibit 2 and statement P.

Table 2-7 shows FY 1997-98 purchased items, excluding utilities and insurance, by category within the General Fund and the textbook subsidy fund as compared with FY 1996-97.

Table 2-7: District Purchases

	FY 1996-97	FY 1997-98	Increase (Decrease)
PURCHASED SERVICES:			
Professional and Technical Services	\$391,981	\$464,553	18.51%
Property Services	228,147	390,242	71.05%
Mileage/Meeting Expense	104,889	115,092	9.73%
Communications	95,430	111,913	17.27%
Contract Craft or Trade Service	26,243	28,573	8.88%
Tuition	309,645	45,930	(85.17)%
Pupil Transportation Services	11,679	8,776	(24.86)%
Other Purchased Services	0	0	
Total Purchased Services	\$1,168,014	\$1,165,079	(0.25)%
MATERIALS AND SUPPLIES:			
General Supplies	\$213,224	\$305,611	43.33%
Textbooks	124,567	38,122	(69.40)%
Library Books	13,687	11,789	(13.87)%
Periodicals and Films	1,619	3,560	119.89%
Food and Related	0	245	100.00%
Maintenance and Repair to Plant	141,002	169,924	20.51%
Maintenance and Repair to Fleet	130,050	203,914	56.80%
Other Supplies and Materials	0	0	
Total Materials and Supplies	\$624,149	\$733,165	17.47%

Source: FY 1997 and FY 1998 4502 Reports, Statement P.

Table 2-8 shows selected discretionary expenditures by account from OFSD’s FY 1997-98 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 2-8: Discretionary Expenditures

	Olmsted Falls	Olmsted Falls	North Olmsted	Maumee	Amherst	Peer Avg
Prof. and Technical Services	\$553,885	2.9%	2.4%	1.5%	0.7%	1.9%
Property Services	\$450,216	2.4%	2.0%	1.2%	1.1%	1.7%
Mileage/Meeting Expense	\$50,919	0.3%	0.6%	0.2%	0.1%	0.3%
Communications	\$151,605	0.8%	0.6%	0.5%	0.2%	0.5%
Contract. Craft or Trade Svcs.	\$3,816	<0.1%	0.2%	0.1%	0.0%	0.1%
Pupil Transportation Services	\$177,983	0.9%	<0.1%	0.2%	<0.1%	0.3%
Other Purchased Services	\$1,487	<0.1%	0.0%	0.1%	0.1%	0.1%
General Supplies	\$371,384	1.9%	1.8%	1.1%	1.0%	1.5%
Textbooks/Reference Materials	\$152,717	0.8%	0.5%	0.7%	0.8%	0.7%
Supplies/Materials for Resale	\$0	0.0%	0.0%	0.0%	<0.1%	0.0%
Food & Related Supplies/Materials	\$5,264	<0.1%	<0.1%	<0.1%	0.0%	0.1%
Plant Maintenance and Repair	\$111,886	0.6%	0.8%	0.7%	0.5%	0.7%
Fleet Maintenance and Repair	\$146,289	0.7%	1.0%	0.3%	0.5%	0.6%
Other Supplies and Materials	\$0	0.0%	0.0%	0.1%	<0.1%	0.1%
Land, Buildings & Improvements	\$0	0.0%	0.2%	0.0%	0.0%	0.1%
Equipment	\$90,927	0.5%	1.3%	0.4%	0.0%	0.6%
Buses/Vehicles	\$0	0.0%	<0.1%	0.5%	0.0%	0.2%
Dues and Fees ¹	\$472,664	2.5%	1.4%	1.9%	1.7%	1.9%
Insurance	\$20,502	<0.1%	<0.1%	<0.1%	<0.1%	0.1%
Awards and Prizes	\$0	0.0%	<0.1%	0.0%	0.0%	0.0%
Miscellaneous	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OF THIS TABLE	\$2,761,544	14.4%	12.9%	9.6%	6.8%	10.9%

Source: FY 1998 4502 Reports, Statement P

¹Excludes county auditor and treasurer fees.

Tables 2-9 and 2-10 show the amount of expenditures posted to the various USAS function codes for OFSD and for the peer districts. Function codes are designed to report expenditures by their nature or purpose. Table 2-9 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 2-10 shows the total expenditures of the governmental funds, including facilities acquisition and construction, and debt service.

**Table 2-9: Governmental Funds Operational Expenditures By Function
(Amounts in Thousands)**

USAS Function Classification	Olmsted Falls		North Olmsted		Maumee		Amherst		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures	\$3,741	57.6%	\$4,053	59.5%	\$4,033	60.2%	\$3,311	63.0%	\$3,784	60.0%
Regular Instruction	3,226	49.7%	3,222	47.3%	3,391	50.6%	2,843	54.1%	3,171	49.9%
Special Instruction	411	6.3%	598	8.8%	499	7.4%	388	7.4%	474	7.7%
Vocational Instruction	88	1.4%	144	2.1%	128	1.9%	79	1.5%	110	1.7%
Adult/Continuing Inst.	5	<0.1%	12	0.2%	0	0.0%	0	0.0%	4	<0.1%
Other Instruction	11	0.2%	77	1.1%	16	0.2%	0	0.0%	26	0.5%
Support Services Exp.	\$2,459	37.9%	\$2,514	36.9%	\$2,304	34.4%	\$1,752	33.4%	\$2,257	35.8%
Pupil Support	322	5.0%	374	5.5%	302	4.5%	174	3.3%	293	4.7%
Instructional Support	215	3.3%	235	3.5%	359	5.4%	236	4.5%	261	4.1%
Board of Education	51	0.8%	33	0.5%	10	0.1%	3	<0.1%	24	0.4%
Administration	484	7.5%	447	6.6%	566	8.5%	460	8.8%	489	7.6%
Fiscal Services	165	2.6%	132	1.9%	153	2.3%	119	2.3%	142	2.2%
Business Services	0	0.0%	48	0.7%	60	0.9%	0	0.0%	27	0.5%
Plant Operation/Maint.	753	11.6%	791	11.6%	631	9.4%	548	10.4%	681	10.9%
Pupil Transportation	428	6.6%	279	4.1%	190	2.8%	212	4.0%	277	4.3%
Central Support Services	40	0.6%	175	2.6%	34	0.5%	0	0.0%	62	1.2%
Non-Instructional Services Expenditures	\$31	0.5%	\$79	1.2%	\$153	2.3%	\$60	1.1%	\$81	1.3%
Extracurricular Activities Expenditures	\$261	4.0%	\$162	2.4%	\$213	3.2%	\$132	2.5%	\$192	2.9%
Total Governmental Fund Operational Expenditures	\$6,491	100%	\$6,808	100%	\$6,704	100%	\$5,323	100%	\$6,314	100%

Source: FY 1998 4502 Reports

**Table 2-10: Total Governmental Fund Expenditures By Function
(Amounts in Thousands)**

USAS Function Classification	Olmsted Falls		North Olmsted		Maumee		Amherst		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Governmental Funds Operational Expenditures	\$6,491	87.3%	\$6,808	91.5%	\$6,704	96.6%	5,254	98.7%	\$6,314	93.0%
Facilities Acquisition & Construction Expenditures	\$277	3.7%	\$1	<0.1%	\$224	3.2%	\$68	1.3%	\$142	1.8%
Debt Service Expenditures	\$672	9.0%	\$631	8.5%	\$15	0.2%	\$0	0.0%	\$329	5.2%
Total Governmental Funds Operational Expenditures	\$7,440	100%	\$7,439	100%	\$6,944	100%	\$5,323	100%	\$6,786	100%

Source: FY 1998 4502 reports

Performance Measures

The following performance measures were used to analyze OFSD’s financial planning process:

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

Findings / Commendations / Recommendations

Financial Planning

- F2.1 To meet the filing requirements of House Bill (H.B.) 412, the superintendent, treasurer and assistant superintendent prepared the district's first five-year financial forecast in January 1999. Prior to the district's development of the five-year forecast under the requirements of H.B. 412, the Olmsted Falls City School District Board of Education adopted a resolution stating they would not be able to submit a financial plan acceptable to the Superintendent of Public Instruction within 60 days of the Auditor's declaration of fiscal watch.

The district developed a revised forecast in February 1999 to reflect the effect of the 12.9 mill continuing operating levy passed in February 1999. The February forecast also included a \$2 million loan from the state solvency assistance fund the district anticipated receiving, although this had yet to be approved by the Ohio Department of Education. This forecast showed the district having a positive ending General Fund cash balance throughout the projected period of FY 1998-99 through FY 2002-03 with FY 2002-03's ending General Fund balance projected to be approximately \$6.9 million. The spreadsheet used to prepare this forecast contained formula errors which resulted in the ending fund balances being overstated. For the five years forecasted, this formula error resulted in a cumulative overstatement of approximately \$6.4 million in the ending fund balance for FY 2002-03. Furthermore, certain projections of revenue and expenditure accounts were unreasonable which further inflated the ending fund balance in the projected years. The accompanying notes to the forecast provided little explanations of the methodology and assumptions used to develop the projections.

Since being placed in a state of fiscal emergency in March 1999, the district has revised their financial forecast several times in an effort to develop an accurate representation of the district's financial condition. The last forecast was completed on June 15, 1999 and still showed positive variances from FY 1999 through FY 2003; however, the magnitude of the ending balance is substantially lower than original projections.

- F2.2 The financial forecast presented in **Appendix A** represents the Auditor of State's projection of the district's present and future financial condition assuming no material changes in operating expenditures or revenues occur. The results reported in **Appendix A** indicates that the district is likely to incur a negative ending balance beginning in FY 1999-00 and continuing throughout the projected period. The projected ending balance for FY 2002-03 is expected to be a deficit of approximately \$1.3 as compared to the \$2.6 million positive ending balance reported by the district.

The difference between the two forecasts can be attributed to the forecast contained in **Appendix A** projecting slightly lower revenue amounts and higher expenditure projections for the salaries and wages, materials and supplies, and capital outlays accounts. In addition, the forecast presented in **Appendix A** includes the anticipated costs the district will likely incur to provide the educational enhancements required by S.B. 55 and the budget reserve requirement of H.B. 412.

R2.1 The financial forecasts prepared by the district do not properly present the financial condition the district is likely to incur during the projected period. In addition the level of detail and information contained within the assumptions is not adequate to properly convey the thought process or estimates used to develop the projections contained within the forecast. Given the significant financial issues facing the district, a properly developed, detailed financial forecast is essential in the district's attempt to regain financial solvency. To this extent, the district should use the format of the financial forecast presented in **Appendix B** and update the information and projections as financial issues change or materialize. Such a forecast ensures members of the district and commission are provided sound and detailed information on which to base their decisions.

F2.3 Ohio Rev. Code Section 3316.06 states that "(w)ithin 60 days after the first meeting of a school district financial planning and supervision commission, the commission shall adopt a financial recovery plan regarding the school district for which the commission was created. During the formulation of the plan, the commission shall seek appropriate input from the school district board and from the community."

The Auditor of State declared the district in a state of fiscal emergency on March 22, 1999. A Financial Planning and Supervision Commission was established and given the authority to assume control of the district. The Commission had its first meeting on April 23, 1999 and had 60 days from its first meeting to adopt a financial recovery plan for the district. An initial financial recovery plan was adopted by the Commission on June 29, 1999. As stated in the introduction to the financial recovery plan adopted by the Commission on June 29, 1999, "The Commission will seek community input and will gather additional financial and operational data that will allow for the development of a Financial Recovery Plan to ensure the financial integrity of the Olmsted Falls City School District." The Commission will continue to make adjustments to the financial recovery plan as needed.

R2.2 **Appendix B** is being presented to provide the commission a proposed financial recovery plan in it's efforts to adopt a plan which will allow the district to regain financial stability. The commission should utilize this financial recovery plan to evaluate the recommendations presented within this performance audit and determine the impact of the related cost savings on the district's financial condition. The recommendations are broken down into those which can be enacted immediately by the district and those that will require further management actions, such as renegotiating certain items within union agreements.

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.

F2.4 OFSD, 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 OFSD. 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. The provisions of Am. Sub. S.B. 55 include many programmatic changes for school districts, many of which will have financial implications. Certain 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 program and the increase in the number of units offered to high school students.

The Superintendent and his staff are currently studying the effects of these pieces of legislation to plan for the district's future. Estimates of OFSD's school foundation monies under Am. Sub. H.B. 650 have been developed by the district for FY 1998-99. The Superintendent has estimated the potential costs that will be incurred by the district because of the new educational requirements under Am. Sub. S.B. 55. See **Appendix B** of this **Financial Planning** section for the estimates of school foundation monies under Am. Sub. H.B. 650, educational enhancement costs under Am. Sub. S.B. 55 and the state required set-asides for textbooks and instructional materials, capital improvements and maintenance, and a budget reserve under Sub. H.B. 412.

- F2.5 The Local Government Services Division (LGS) of the Auditor of State's office prepared a one-year financial forecast for FY 1998-99 upon request from the district's Board of Education for the purpose of enabling the district to enter into fiscal emergency and obtain authorization to borrow funds under the State Solvency Fund to finance current operations of the general fund and textbook subsidy fund. The financial forecast prepared by LGS on February 11, 1999 projected a general fund unencumbered cash deficit at June 30, 1999 of \$2,157,000.
- F2.6 The district had planned on hiring seventeen additional teachers from FY 1999-00 through FY 2002-03 to decrease student teacher ratios. Four teachers were to be hired in FY 1999-00, five in FY 2000-01, four in FY 2001-02 and four in FY 2002-03. Financial projections made as part of this performance audit (see financial forecast in **Appendix A**) demonstrated funding to support the additional staffing is not available. The district realized, prior to the Commissions formation, that funding would not be available to support these additional teaching positions and began to develop plans to limit additional hiring based on need and available funding. The commission was also aware that sufficient funding was not available to support the additional teaching staff positions and only allowed the district to hire two of the four additional teachers planned for FY 1999-00.

R2.3 The district should ensure all increases in staff fall within the parameters of the financial recovery plan adopted by the commission. In addition, accurate financial projections are needed to properly demonstrate the effects on the district's financial condition concerning any planned increases in staffing positions. Given the current and projected financial condition of the district, there will not be adequate resources available to support the planned increases in the teaching staffing positions.

Financial Implication: By maintaining FY 1999-00 teaching staff level through FY 2002-03, the district will experience a cost avoidance of approximately \$1.3 million in salaries and benefits. The financial implications of this recommendation has been incorporated into the financial forecast presented in **Appendix B** as both the commission and district have indicated these additional positions will not be added as originally planned.

Revenue Assessment

- F2.7 **Table 2-3** indicates that while OFSD receives a smaller percentage of their total revenue from local sources than the peer district average, this percentage is still higher than the state-wide average for all districts. A school district's local revenue sources are primarily 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. Based on a State

Department of Taxation report, OFSD is not eligible to collect revenue through a joint city/school district income tax levy.

Under Ohio law, property values are adjusted (updated) every three years, and a complete recalculation (reappraisal) is performed every six years. The 1998 assessment of property values within the district totaled approximately \$296 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 revenue sources is presented below:

- ! Based on assessed valuation as of December 9, 1998, **Schedule A**, one mill of property tax would generate \$296,000 of additional revenue for OFSD.
- ! Based on Ohio Department of Taxation estimates for 1998, a one-half percent school district income tax would raise approximately \$1.68 million of additional revenue for OFSD.

F2.8 Effective mills are the rate at which property is taxed in the district. Property values also affect how much revenue a district receives. Real property is reappraised for tax purposes every six years and updated every three years.

As noted in **Table 2-3**, OFSD has a higher effective millage (37.8 mills) when compared with its peers and with the state average. However, because OFSD property value is lower than the average for its peer districts, the percent of revenue provided by local sources is lower than the peer district average. When analyzing these statistics, it is also important to note that the 58.9 percent contribution made by OFSD's local revenues in FY 1998 is well above the state average of 51.7 percent. Tax reform legislation was passed in 1976 (H.B. 920), which effectively eliminated inflationary effects upon property taxes. Therefore, school districts need to pass operating levies about once every three years to keep up with inflation. Although the district has a total millage of 75.4 mills, due to H.B. 920, the district is collecting revenue from the 37.8 effective millage rate. It should be noted that OFSD's effective and total millage rates are the 36th and 15th highest amounts among the 611 school districts in Ohio based on FY 1998 EMIS data.

- F2.9 Not included in the statistics presented in **Table 2-2** and **Table 2-3** is the 12.9 mill continuing operating levy passed by the community in February 1999. When this levy is fully collected by the district in FY 2001, the district's effective millage rate will be approximately 50 mills which is significantly higher than either the peer or state-wide average. Furthermore, the percentage of total revenue collected from local sources will be approximately 62 percent as compared to the current percentage of approximately 59 percent. If the 12.9 mill continuing operating levy is incorporated into the EMIS data reported for **FY 1998**, the district's effective and total millage rates would be the 4th and 6th highest among the 611 school districts in Ohio. During the course of this audit, factors such as the district's high voted effective millage rates and the limited number of substantial commercial enterprises within the district's boundaries bring into question the district's ability to continue to support operations through tax levy increases.
- F2.10 Although not General Fund money, the district can help maintain and improve student levels of learning and nutrition through applying for various state and federal grants for specific programs such as Title I, Title VI-B, and National School Lunch. The district finds out about grant opportunities through direct mailings from the Ohio Department of Education. The district employs a full-time Director of Special Services who prepares and monitors federal grants with the Ohio Department of Education. The Superintendent and his staff review Ohio Department of Education information pertaining to state grants. The Superintendent keeps information on federal, state and operational resources which is available to use in applying for grant opportunities. Federal and state grant applications are reviewed by the Superintendent before submission, and program expenditures are tracked by the applicable Director to comply with reporting requirements, once the grant has been awarded. The Board approves participation in the various grant programs.

District Expenditures

- F2.11 A factor limiting administrators and staff in effectively controlling their allocations is the high percentage of expenditures that are fixed by negotiated employment contracts, utility costs and debt service payments. As shown in **Table 2-6**, wages and employee benefits account for approximately 81 percent of total budgeted expenditures for the General Fund, which is the lowest among the peer districts. When the debt service requirement of the district is not included, the percentage of wages and employee benefits account for approximately 83 percent of general fund expenditures. 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. Debt service payments, tuition, utility costs and county auditor fees account for another six percent of the budgeted expenditures. Therefore, approximately 14 percent of the total budgeted General Fund dollars are available for discretionary spending, such as textbooks, professional and technical services, property services, transportation services, dues and fees,

capital purchases, and educational supplies. The district discretionary expenditures, as a percent of total General Fund expenditures, are approximately 3.5 percentage points higher than the peer district average as shown in **Table 2-8**.

R2.4 Because of the magnitude of expenditures that are fixed by negotiated contracts, debt service agreements, utility costs and certain fees, it is important that the district diligently monitor those spending areas over which it can exercise discretion. **Table 2-8** indicates that OFSD is spending a significantly higher percentage of its General Fund revenues for professional and technical services than two of the three districts. District management should closely review these costs to identify possible opportunities for reductions and savings.

F2.12 Significant increases in expenditures under the categories of professional and technical, property services, general supplies, and maintenance and repair to fleet from FY 1996-97 to FY 1997-98 were attributable to the district not paying FY 1996-97 invoices until FY 1997-98 due to cash flow problems. The significant decrease in tuition expenditures was due to the timing of invoices received from billing districts.

R2.5 Failure to pay invoices in a timely manner could result in strained vendor relations and an inaccurate picture of fiscal period expenditure requirements of the district. The district should take steps to insure that all invoices are paid in a timely manner. This will provide a more accurate accounting of district expenditure requirements and aid in increasing the accuracy of future projections.

F2.13 In FY 1996-97 and FY 1997-98, the district received various Ohio Rev. Code budgetary compliance violations both as management letter comments and reportable conditions. These included the following violations:

- ! Expenditures plus encumbrances exceeding appropriations which is contrary to the provisions of Ohio Rev. Code Sections 5705.41 (B) & (D);
- ! Appropriations in excess of the amount certified as available by the county budget commission which is contrary to Ohio Rev. Code Section 5705.39;
- ! Failing to pass a permanent appropriation measure by October 1 as required by Ohio Rev. Code Section 5705.38; and
- ! Negative fund cash balances which is contrary to Ohio Rev. Code Section 5705.10.

The poor budgeting practices have significantly contributed to the district's current poor financial condition. An effectively developed and monitored budget should serve as the spending plan for the district from which no deviation should occur. The planned expenditures

should not exceed the resources available. Given the current and projected financial condition of the district, the district can not allow expenditures to exceed the resources available to them.

R2.6 The district needs to develop and adopt an annual budget which is within the resources available to them. The budget should be consistent with the financial recovery plan adopted by the commission. The financial goals and objectives of the district should be set forth in the budget adopted. Once adopted, the budget should be loaded into the accounting system to serve as the spending plan for the district and no deviation should occur. Properly monitoring the budget would help ensure the financial goals and objectives are attained. Properly developing, implementing and monitoring an annual budget is a major step in regaining financial solvency.

F2.14 The district built a new middle school and built an addition to and renovated the high school. The project was started in 1995 and the new middle school was occupied in November 1996. The project was funded with \$10.5 million in local funds and \$8,638,780 in state funds. The district incurred cost over runs on the project of \$577,000 and legal fees to date of \$150,000 relating to unsettled legal disputes with contractors on the project. Recently, a settlement was reached reducing the General Fund liability to \$50,000.

F2.15 The district was involved in ongoing litigation with the Eliza Jennings Home, a not-for-profit corporation, over the tax exempt status of their property, The Renaissance, which is a retirement village located in Olmsted Township, Ohio. A settlement was reached in May, 1998 with the Eliza Jennings Home where they agreed to pay \$3.6 million in back property taxes in increasing semi-annual installments through 2007. The district incurred approximately \$292,000 in legal fees associated with this litigation from FY 1996 through FY 1998.

F2.16 The district is self-insured for the health, dental, vision and prescription plans. In February 1997, the district stopped funding the self insurance fund due to their financial problems and paid claims from their self-insurance fund using only the remaining balance in the fund and employee contributions. The aggregate liability for the district's health insurance self insurance program at June 30, 1997 was \$508,133. This consisted of a deficit ending fund balance for the self-insurance fund for FY 1997 (excluding a reserve maintained by the insurance company) of \$92,527, claims payable of \$212,501, and an IBNR of \$203,105. During the early part of FY 1997-98, the district paid off the back claims and also reached an agreement with the Third Party Administrator (TPA) to institute a "pay-as-you-go" program to handle claims payments. The district receives and pays claims invoices weekly. At June 30, 1998, the district had claims payable of \$3,103 and an IBNR of \$147,532. The ending fund balance in the self-insurance fund for FY 1998 was \$381. The district has remained current with its claims payments in FY 1999 but has not built any reserve.

Ohio Rev. Code Section 9.833 requires individual self insurance programs providing health care benefits to reserve amounts to cover potential costs of those health care benefits. It also requires that the program prepare a report, to be issued within 90 days after the program's fiscal year-end, reflecting those reserves and the disbursements made from the reserved funds during the preceding fiscal year. The program is to secure the services of an actuary to certify that the amounts reserved conform with the law, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles.

The district has not maintained adequate reserves to cover the potential cost of those health care benefits nor did the program issue the required report within 90 days of the program's fiscal year end.

- R2.7** The district should establish a health care benefits reserve, prepare the required report and secure the services of an actuary to certify that the amounts reserved conform with the law, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles. The district should determine proper premium amounts, properly fund the self insurance plans and obtain an actuarial study to determine a proper level of reserves to be in line with industry standards.

Financial Implication: The district should begin to build adequate reserves in its self-insurance health insurance program. In the absence of an actuarial study, a conservative estimate of required reserves for FY 2002-03 based on claims payment history from FY 1995-96 through FY 1998-99 would be \$400,000. The district should begin building this reserve in FY 1999-00. Additional yearly benefit contributions from the general fund of \$100,000 per year could build adequate reserves by FY 2002-03. The \$100,000 per year implementation cost is included in the financial forecast presented in **Appendix B**.

Allocation of Resources

- F2.17 Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending pattern between the various functions should indicate the priorities of the board and management. **Table 2-9** details the district's governmental funds' operational expenditures for FY 1998 by function as captured and reported by the accounting system. OFSD's per pupil expenditures were the second lowest among the peer districts and approximately \$200 lower than the peer average of \$6,314. The district's percentage of governmental fund operational expenditures spent on instruction (57.6 percent) was the lowest among the individual peer districts and lower than the peer average of 60 percent. The district's support services expenditures (37.9 percent) were the highest among the peer districts and also higher than the peer average by approximately two percent. Specifically, the percentage of expenditures attributed to plant operation and maintenance and pupil

transportation were significantly higher than the peer average for those two functions. See the **Facilities** and **Transportation** sections for additional discussions in these areas.

Table 2-10 shows the per-pupil operational expenditures, facilities acquisition and construction, and debt service for all governmental funds, as well as the percentage of these categories to total governmental fund expenditures. OFSD's operational expenditure percentage of 87.3 percent is approximately six percent less than the peer average of 93.0 percent. Although OFSD had a higher percentage of expenditures related to facilities acquisition and construction than the peer districts, the district had the largest debt service expenditure percentage of the peer districts. It should be noted that the majority of the overall debt is funded through separate levies approved by the community.

R2.8 As represented by **Table 2-9**, the district has the lowest percentage of expenditures attributed to instructional related functions. In addition, the district has the highest percentage of expenditures for support services functions. OFSD should utilize the recommendations contained in this performance audit and identify other areas to reduce the percentage of revenues being spent on support services and reallocate these resources towards functions directly related to student instruction.

Management and Financial Reports

F2.18 The district did not completely and accurately update its Annual Financial Report of the Board of Education (AUD/ODE 4502) for all of the supplemental schedules to the combined and combining statements for FY 1996 through 1998. These schedules included: Schedule of Indebtedness - Bonds; Schedule of Indebtedness - Note Long Term; Schedule of Debt Service Requirements to Maturity; and Memorandum Data. Additionally, during this time period, there were numerous mis-classifications of revenues and expenditures and the district did not fully post all debt activity associated with the refinancing of notes and bonded indebtedness. Although the incomplete posting of debt activity did not have an effect on ending fund balances, the true debt activity during the periods was incorrectly reported.

R2.9 The district should begin to fully complete the supplemental schedules in the Annual Financial Report of the Board of Education (AUD/ODE 4502), properly classify revenues and expenditures, and completely report all transactions involved in debt refinancing activities. Full completion of the Annual Financial Report of the Board of Education (AUD/ODE 4502), proper classification of revenues and expenditures, and complete reporting of transaction activity are an important means for monitoring the effectiveness and efficiency of the approximately \$19 million spent by the district each year and allow outside agencies to effectively understand and monitor the district's financial activity.

F2.19 Historically, the district has had numerous Ohio Rev. Code budgetary violations as described in **F2.13** and has not passed their permanent appropriation measure until January or February of the fiscal year. Prior financial audits have revealed the budgeted amounts posted to the district's appropriation ledger do not always agree, by function and object, to the amounts the board approved. This is the result of the board passing a yearly resolution authorizing the Treasurer to make any necessary line item transfers, within funds, as the Treasurer deems necessary. Allowing the Treasurer to make these functions and object level appropriation amendments without board approval severely limits the board's ability to adequately monitor the district's expenditure activity.

R2.10 The district should alter their budgetary procedures to comply with the Ohio Rev. Code. The board should exercise its control over the budget at the legal level established by the appropriation measure. Requests for budgetary transfers or increases should be prepared by the affected operational unit and presented for approval before the purchase is authorized. The legal authority over appropriations cannot be ceded to the treasurer, but must be retained and utilized by the board as part of their fiduciary responsibility.

Appendix A

The financial forecast presented in **Table A-1** represents the Auditor of State's more realistic projection of the district's present and future financial condition. The detailed assumptions and projections developed in the notes to the financial forecast presented in **Appendix B** were used to determine projected revenues and expenditures presented. This table projects the financial condition the district is likely to encounter without significant changes in revenues or reductions in expenditures. The results of this performance audit are not included in this forecast. They are presented for consideration in **Appendix B**.

The Commission adopted a five-year forecast on June 29, 1999 that differs from **Table A-1**. The primary reasons are in the areas of staffing at both certified positions and expected cost of living increases. Minor reasons for differences occurred in the areas of interest, foundation and property tax.

Auditor of State support is presented on pages 2-28 to 2-54 and supported by **Tables B-2** through **B-16**.

Table A-1: Four-Year Forecast with Four Years' Historical Data
(Amounts in Thousands)

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03
Real Property Taxes	\$7,444	\$8,650	\$9,221	\$8,620	\$10,951	\$12,851	\$13,304	\$13,835
Personal Property Taxes	596	652	785	806	833	864	897	931
Investment Earnings	124	99	97	226	218	225	231	239
Other Local	572	758	832	838	890	952	1,014	1,077
State Foundation	4,895	4,975	5,897	6,494	6,955	7,567	7,962	7,962
Homestead & Rollback	1,161	1,131	1,218	1,211	1,438	1,709	1,773	1,848
Other State	73	118	178	241	129	129	129	129
Total Operating Revenues	14,865	16,383	18,228	18,436	21,414	24,297	25,310	26,021
Salaries & Wages	9,844	11,276	12,036	12,689	13,443	14,722	15,628	16,523
Fringe Benefits	2,493	2,567	3,462	3,288	3,627	3,780	4,012	4,242
Purchased Services	1,855	1,687	1,783	2,997	2,362	2,401	2,488	2,581
Material, Suppl. & Textbooks	637	625	834	714	1,000	1,154	1,218	1,261
Capital Outlays	8	206	256	214	288	411	457	483
Other	216	255	280	326	282	239	246	253
Interest and Fiscal Charges	8	71	98	187	156	143	115	86
Add. Educ. Enhanc. - S.B. 55	0	0	0	104	142	135	140	145
Total Operating Expenditures	15,061	16,687	18,749	20,519	21,300	22,985	24,304	25,574
Spending Reserve	0	275	275	0	0	0	0	0
State Solvency Fund Loan	0	0	0	2,157	0	0	0	0
H.B. 264 Debt Proceeds	0	0	120	0	0	0	0	0
Tax Anticipation Notes	0	0	0	1,900	0	0	0	0
Cash Flow Borrowing Program	0	0	0	3,763	0	0	0	0
Spending Reserve Repay.	0	0	(275)	(275)	0	0	0	0
State Solvency Repayment	0	0	0	0	(1,079)	(1,078)	0	0
H.B. 264 Repayment	(17)	(137)	(257)	(146)	(148)	(155)	(155)	(155)
Cash Flow Prog. Repayment	0	0	0	(3,763)	0	0	0	0
Tax Anticipation Repayment	0	0	0	0	0	(345)	(360)	(380)
Other Debt Repayment	0	(38)	(37)	(49)	(51)	(17)	(17)	(17)
Transfers/Advances In/Out	(106)	5	0	(32)	0	0	0	0
Refunds/Other	3	2	1	0	0	0	0	0
Net Financing	(120)	107	(173)	3,555	(1,278)	(1,595)	(532)	(552)
Results of Operations (Net)	(316)	(197)	(694)	1,472	(1,164)	(283)	474	(105)
Bus and Textbook Reserve	0	0	0	53	0	0	0	0
Beginning Cash Balance	514	198	1	(693)	726	(438)	(721)	(247)
Ending Cash Balance	198	1	(693)	726	(438)	(721)	(247)	(352)
H.B. 412 Budget Reserve	0	0	107	107	107	291	500	718
Outstanding Encumbrances	150	505	499	351	250	250	250	250
Ending Fund Balance	\$48	(\$504)	(\$1,299)	\$268	(\$795)	(\$1,262)	(\$997)	(\$1,320)

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

The following is a highlight of assumptions used in preparing the financial projection for the General Fund and Textbook Subsidy in Table A-1 for the OFSD:

- ! The new 12.9 mill, continuing levy was passed by the voters in February 1999 for which the district will begin receiving a half years' collection of the tax revenue in FY 1999-00 and full years' collection of the revenues beginning in FY 2000-01. The impact of the new levy is reflected in Real Property Taxes, Personal Property Taxes and Homestead and Rollback.
- ! The State Foundation - Basic Aid increases based on the formula amounts of \$3,851 (FY 1998-99), \$4,038 (FY 1999-00), \$4,226 (FY 2000-01), \$4,414 (FY 2001-02) and \$4,538 (FY 2002-03), as outlined in Am. Sub. H.B. 282. The amounts for FY 2001-02 and thereafter is not guaranteed. The same basic aid projection for FY 2002 was used for FY 2003.
- ! The State Foundation monies include equity aid beginning in FY 1998-99. The equity aid for prior years is included in other state revenue.
- ! Based on negotiated agreements and the district's expected results of future negotiated agreements, increases for certified employees for FY 1999-00 through FY 2002-03 are 5.8 percent, 6.9 percent, 6.4 percent, and 6.5 percent respectively. These percentages include contractual, step, and educational credit increases. Increases for classified employees for FY 1999-00 through FY 2002-03 are estimated at five percent each year. These percentages include both actual and proposed contractual and step increases for both certified and classified employees. Board Member compensation for FY 1999-00 through FY 2002-03 is expected to remain consistent with the FY 1998-99 estimate. The forecast also includes the district's initial plan to hire seventeen additional teachers from FY 1999-00 through FY 2002-03.
- ! Set-asides as required by Sub. H.B. 412 are included in the projection for capital outlay, textbooks/instructional materials, general supplies, maintenance materials and purchased services. Set asides for capital outlay and textbook/instructional materials were 2 percent for FY 1998-99 and capped at 3 percent thereafter.
- ! County Board deductions are being made directly from the state foundation monies for excess costs. This is reflected in other expenditures.
- ! Additional Educational Enhancements have been estimated by the district based on Am. Sub. S.B. 55 which goes into effect for FY 1999.

Appendix B

Table B-1 is being presented as a potential financial forecast for district management and the commission. It is a management tool to be utilized by district management and the commission 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 A-1** with additional lines to include the financial implications associated with the performance audit recommendations, implementation costs for performance audit recommendations and commission recommendations. Detailed notes regarding information and assumptions used to develop the projected amounts are also provided. Contained within the notes are tables (**Table B-17** through **Table B-19**) which summarizes 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 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. This breakdown can be seen in **Table B-17**. **Table B-18** summarizes commission recommendations, while **Table B-19** 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/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 B-1: Proposed Financial Recovery Plan (Amounts in Thousands)

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03
Real Property Taxes	\$7,444	\$8,650	\$9,221	\$8,620	\$10,951	\$12,851	\$13,304	\$13,835
Personal Property Taxes	596	652	785	806	833	864	897	931
Investment Earnings	124	99	97	226	218	225	231	239
Other Local	572	758	832	838	890	952	1,014	1,077
State Foundation	4,895	4,975	5,897	6,494	6,955	7,567	7,962	7,962
Homestead & Rollback	1,161	1,131	1,218	1,211	1,438	1,709	1,773	1,848
Other State	73	118	178	241	129	129	129	129
Total Operating Revenues	14,865	16,383	18,228	18,436	21,414	24,297	25,310	26,021
Salaries & Wages	9,844	11,276	12,036	12,689	13,443	14,722	15,628	16,523
Fringe Benefits	2,493	2,567	3,462	3,288	3,627	3,780	4,012	4,242
Purchased Services	1,855	1,687	1,783	2,997	2,362	2,401	2,488	2,581
Material, Suppl. & Textbooks	637	625	834	714	1,000	1,154	1,218	1,261
Capital Outlay	8	206	256	214	288	411	457	483
Other	216	255	280	326	282	239	246	253
Interest and Fiscal Charges	8	71	98	187	156	143	115	86
Add. Educ. Enhanc. - S.B. 55	0	0	0	104	142	135	140	145
Performance Audit Rec. (Table B-17)	0	0	0	0	(378)	(1,248)	(1,422)	(1,577)
Commission Recommendations (Table B-18)	0	0	0	0	(110)	(110)	(110)	(110)
Implementation Costs (Table B-19)	0	0	0	0	123	100	100	100
Total Operating Expenditures	15,061	16,687	18,749	20,519	20,935	21,727	22,872	23,987
Spending Reserve	0	275	275	0	0	0	0	0
State Solvency Fund Loan	0	0	0	2,157	0	0	0	0
H.B. 264 Debt Proceeds	0	0	120	0	0	0	0	0
Tax Anticipation Notes	0	0	0	1,900	0	0	0	0
Cash Flow Borrowing Program	0	0	0	3,763	0	0	0	0
Spending Reserve Repay.	0	0	(275)	(275)	0	0	0	0
State Solvency Fund Repayment	0	0	0	0	(1,079)	(1,078)	0	0
H.B. 264 Repayment	(17)	(137)	(257)	(146)	(148)	(155)	(155)	(155)
Cash Flow Prog. Repayment	0	0	0	(3,763)	0	0	0	0
Tax Anticipation Repayment	0	0	0	0	0	(345)	(360)	(380)
Other Debt Repayment	0	(38)	(37)	(49)	(51)	(17)	(17)	(17)
Transfers/Advances In/Out	(106)	5	0	(32)	0	0	0	0
Refunds/Other	3	2	1	0	0	0	0	0
Net Financing	(120)	107	(173)	3,555	(1,278)	(1,595)	(532)	(552)
Results of Operations (Net)	(316)	(197)	(694)	1,472	(799)	975	1,906	1,482
Bus and Textbook Reserve	0	0	0	53	0	0	0	0
Beginning Cash Balance	514	198	1	(693)	726	(73)	902	2,808
Ending Cash Balance	198	1	(693)	726	(73)	902	2,808	4,290
Budget Reserve	0	0	107	107	107	291	500	718
Outstanding Encumbrances	150	505	499	351	250	250	250	250
Ending Fund Balance	\$48	(\$504)	(\$1,299)	\$268	(\$430)	\$361	\$2,058	\$3,322

Source: District records; Performance Audit projections and estimated; and Financial Implications throughout this Performance Audit Report.

Notes to Financial Recovery Plan

I. Nature and Purpose of Presentation

This financial projection presents the expected revenues, expenditures and fund balance of the General Fund and Textbook Subsidy Fund of the Olmsted Falls City School District for each of the fiscal years including June 30, 2000 through June 30, 2003, with historical (unaudited) information presented for the fiscal year ended June 30, 1996, 1997, 1998 and 1999.

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.

This projection includes 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 Superintendent of the district determined the financial implications of H.B. 650 and S.B. 55 for this projection.

The requirement under H.B. 412 for textbooks and instructional materials is satisfied in the proposed financial recovery plan through the Textbooks and Instructional Materials account within the Materials, Supplies and Textbooks line item. The requirement under H.B. 412 for capital improvements and maintenance is satisfied in this proposed financial recovery plan 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. Set asides of one percent for the budget reserve will not be implemented until FY 2000-01 when fiscal emergency may be eliminated. The performance audit projections assume that the district will begin contributing to the budget stabilization reserve in FY 2000-01. Contribution may not be required if base revenues have not increased more than three percent in the prior two fiscal periods or if the ADM increased by a greater percentage than their base revenues.

II. Description of the School District

Under normal circumstances, the district operates under a locally-elected five-member Board form of government. Each member is elected to a four-year term. The district provides educational services as authorized by state statute and/or federal guidelines.

Annually, the district serves approximately 2,900 students, who are enrolled in one elementary school, one intermediate school, one middle school and one high school. In addition, the district also operates one administrative office and a bus garage. The district employs 306 individuals.

A. Financial Planning and Supervision Commission

On March 22, 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 60 days of its first meeting. 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 projection 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 system, 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 are presented for the district’s General Fund and textbook subsidy fund only. 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. The textbook subsidy fund is a fund used to account for monies received for textbook purchases.

III. General Assumptions

Summarized below are the significant general assumptions underlying the financial projection. See sections IV through VII for further detail on the assumptions.

A. Enrollment/ Average Daily Membership (ADM):

Based on the October ADM counts, enrollment has increased from FY 1995-96 to FY 1998-99 by an average of 1.3 percent as summarized below:

Table B-2: ADM Counts

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00
ADM	2,779	2,796	2,851	2,889	2,924

Source: EMIS District Profiles; EMIS Report for FY 1998 and FY 1999 and Projected EMIS Report for FY 2000.

These total ADM counts include kindergarten students at 50 percent. Under current State Foundation funding standards, kindergarten students are only counted at 50 percent of a full-time equivalent (FTE) in determining average daily membership (ADM). Under H.B. 650's new DPIA provision, additional state foundation monies will be provided to school districts with above-average levels of poverty which provide full-day kindergarten. However, the district does not expect to change to all-day, every-day kindergarten based on the success of their current program, below average level of poverty in the district, and the additional cost potentially outweighing the additional funding for all-day kindergarten.

B. Staffing

Table B-3 shows the district’s staffing levels for FY 1997-98 and FY 1998-99 and cumulative proposed staffing changes and adjusted staffing levels for FY 1999-00 through FY 2002-03. The staffing levels for each category are shown in full-time equivalents (FTE). From FY 1997-98 to FY 1998-99, FTE staffing levels increased 3.4 percent. The majority of the increases from FY 1997-98 to FY 1998-99 were in classified employees under the categories of Custodial/Maintenance, Bus Drivers/Mechanic, and Other. The number of FTE employees for FY 1997-98 and FY 1998-99 and cumulative proposed staffing changes and adjusted staffing levels for FY 1999-00 through FY 2002-03 is summarized in **Table B-3**.

Table B-3: Staffing

POSITION	FY 1998	FY 1999	Cumulative Proposed Staffing Changes ¹ FY 2000	Adjusted Staffing for FY 2000	Cumulative Proposed Staffing Changes ¹ FY 2001	Adjusted Staffing for FY 2001	Cumulative Proposed Staffing Changes ¹ FY 2002	Adjusted Staffing for FY 2002	Cumulative Proposed Staffing Changes ¹ FY 2003	Adjusted Staffing for FY 2003
Administrators/ Directors/Supervisors	13	13	(1) ²	12	0	12	0	12	0	12
Clerical/Support	30	30	0	30	0	30	0	30	0	30
Teachers	152	153	2 ²	155	0	155	0	155	0	155
Professional	24	25	0	25	0	25	0	25	0	25
Custodial/Maintenance	26	29	(5)	24	0	24	0	24	0	24
Bus Drivers/Mechanic	19	22	0	22	0	22	0	22	0	22
Food Service	19	19	0	19	0	19	0	19	0	19
Other	13	15	0	15	0	15	0	15	0	15
Total Full-Time Equivalent Employees	296	306	(4)	302	0	302	0	302	0	302

Source: Treasurer’s Office; Performance Audit Recommendations, and Am. Sub. S.B. 55 Educational Enhancements.

¹ These changes represent the net effect of staffing changes based on the performance audit recommendations, Am. Sub. S.B. 55 Educational Enhancements, and requirements of the Fiscal Planning and Supervision Commission.

² The Fiscal Planning and Supervision Commission disallowed the hiring of a Director of Curriculum and Instruction which effectively reduced the number of administrators for FY 2000 to 12. Also, 2 of the 4 additional teachers planned by the district were hired.

Central office personnel: Although positions and duties of the district’s administrative positions were reorganized by the district for FY 2000 due to the administrative assistant’s retirement, total administrative positions were to remain the same. The Commission disallowed the proposed hiring of a curriculum director to replace the administrative assistant. This reduced the number of administrators from 13 to 12 for FY 2000.

Teaching Staff and Building Administration Personnel: The district had planned to hire 17 additional teachers from FY 1999-00 through FY 2002-03 to decrease student/teacher ratios.

Four teachers were to be hired in FY 1999-00, five in FY 2000-01, four in FY 2001-02 and four in FY 2002-03. This additional staffing was included in the projection of the district's salary and fringe benefit costs for the fiscal years 1999-00 through 2002-03. Funding to support the additional staffing was not available and a recommendation was made to not hire the additional staffing. The Fiscal Planning and Supervision Commission also recognized that the funding was not available to support the additional teaching staff and limited the district to hiring two additional teachers in FY 1999-00.

Support Staff: The majority of district support staff is covered by union contracts. Included in the **Transportation and Facilities** sections of this report are two recommendations which impact the current staffing levels of the district. The recommendations include increasing the capacity of buses and using routing software to increase efficiency which may impact the number of drivers required and decreasing the number of custodians through increasing the square footage which each custodian maintains.

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 are from the State of Ohio through the State Foundation Program and through the levying of property taxes on real and personal property located within the District boundaries.

A. Local Sources

(1) Real Estate Taxes and Tangible Personal Property Taxes: Property taxes which are levied and assessed on a calendar year basis include amounts levied against all 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.

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

- ! Actual FY 1998-99 Real Estate Taxes (residential, agricultural and public utility tangible), Tangible Personal Property Taxes and Rollback and Homestead are based on property valuation and effective millage amounts certified by the county auditor;
- ! An annual growth of approximately 4.5 percent in property value and 1 percent drop in effective millage for agricultural/residential property in non-revaluation years from FY 1999-00 through FY 2002-03 based on historical trends;
- ! An annual growth of approximately 9.0 percent in other real property values for FY 1999-00 through FY 2002-03 and a 5.2 percent drop in effective millage for other real property in non-revaluation years from FY 1999-00 through FY 2002-03 based on historical trends;
- ! An annual growth of approximately 18.0 percent in property value and 14.0 percent drop in effective millage for agricultural/residential property in full-revaluation year from FY 1999-00 through FY 2002-03 based on historical trends;
- ! A 5.2 percent drop in effective millage for other real property in full-revaluation year from FY 1999-00 through FY 2002-03 based on historical trends;
- ! A 0.3 percent annual growth in public utility tangible personal property tax for FY 1999-00 through FY 2002-03 based on historical trends;
- ! A 3.8 percent annual growth in tangible personal property tax for FY 1999-00 through FY 2002-03 based on historical trends;

- ! 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;
- ! The projection for Real Estate Taxes (residential, agricultural and public utility tangible), Tangible Personal Property Taxes and Rollback and Homestead has been reduced 95.37 percent which reflects the current collection rate; and
- ! The inclusion of a 12.9 mill continuing operating levy passed by the district in February 1999.

These financial line items included the projected tax revenue from the new 12.9 mill, continuing operating levy for current operating expenses which was approved by the district voters in February 1999. The revenue will begin to be collected in 2000. The district will receive a half year collection in FY 1999-00 and will begin receiving full collection of the levy in FY 2000-01. The new levy should generate approximately \$1.9 million in FY 1999-00 and approximately \$3.8 million for each year thereafter based on the 1998 county auditor property valuations.

(2) Investment Earnings: Investment earnings will fluctuate based on the level of available cash during the forecast period. Investment earnings are based on the assumption that interest rates will remain fairly stable over the period covered by the projection. The projection approximates a three percent annual growth from the FY 1998-99 projection due to enhanced revenue streams and growth in fund balance through FY 2002-03.

(3) Other Local: The main components of Other Local Revenue and a detail projection by component are as follows:

Table B-4: Other Local Revenues

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Tuition	79,867	247,287	99,334	136,781	86,520	89,116	91,789	94,543
Excess Cost Reimbursements	109,860	167,434	142,857	136,407	125,600	129,429	133,312	137,312
Rentals	34,066	38,070	27,560	30,842	28,438	29,291	30,170	31,075
Trailer Tax	298,435	305,141	355,858	408,631	409,000	409,000	409,000	409,000
Non-recurring	50,000	0	206,632	125,703	240,000	295,000	350,000	405,000
Total Other Local	572,228	757,932	832,241	838,364	889,558	951,836	1,014,271	1,076,930

Tuition revenue collections for FY 1998-99 were based on actual tuition collections made by the district. Projected amounts for FY 1999-00 through FY 2002-03 were based on the FY 1998-99 results, historical trends and the assumption that inflationary pressures would be approximately 3 percent per year through FY 2002-03.

Excess Cost Reimbursements collections for FY 1998-99 were based on the actual collections already made by the district. Projections for the FY 1999-00 through FY 2002-03 were based on the FY 1998-99 collections and the assumption that inflationary pressures would be approximately 3 percent per year through FY 2002-03. Due to the erratic historical data, these amounts were not considered in the projected amounts even though their average was substantially higher.

Rental revenue collections for FY 1998-99 were based on actual tuition collections already made by the district. Projected amounts for FY 1999-00 through FY 2002-03 were based on the FY 1998-99 collections, historical trends, and the assumption that inflationary pressures would be approximately three percent per year through FY 2002-03.

The Trailer Tax revenue for FY 1998-99 reflects actual collection based on the two Trailer Tax settlements received by the district. Projections for Trailer Tax revenues for FY 1999-00 through FY 2002-03 were maintained at the same level as FY 1998-99.

Non-recurring local revenues were projected based on the settlement of litigation concerning tax exempt status of the Renaissance Retirement Facility with Eliza Jennings Inc. In the settlement, Eliza Jennings Inc./Renaissance Retirement Facility agreed to pay \$3.6 million in back property taxes. The \$3.6 million will be paid in increasing semiannual installments from the May 13, 1998 settlement date through July 1, 2007. Table B-4 shows this stream of revenue from FY 1997-98 through FY 2002-03. The amount of the settlement received in

FY 1997-98 was \$100,000. The remaining \$106,632 was a workers compensation rebate which was set aside as part of the H.B. 412 Budget Stabilization Reserve for FY 1997-98. Estimated revenues for this line item for FY 1999-00 through FY 2002-03 are comprised solely of the semiannual payments from the settlement.

B. State Sources

(1) Foundation Program: State Foundation payments under the Ohio Revised Code are calculated by the State Department of Education 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 rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the school district.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the school district to borrow against amounts anticipated to be collected from tangible personal property taxes after the school district's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the school district did not borrow under this program. However, they repaid \$275,000 borrowed in fiscal year 1998. Historically, the school district has relied on this borrowing to meet their cash flow needs at the end of the fiscal year.

Since the Supreme Court 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 has reviewed the new laws 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 Ohio Supreme Court. The Ohio Supreme Court has not yet rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

The school district is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations. Therefore, State foundation revenue is projected under current laws and regulations in place.

The main components of Foundation Program revenue and the projection by component are as follows (in thousands):

Table B-5: State Foundation Revenues (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Basic Aid	4,001	4,012	4,794	6,005	6,364	6,929	7,324	7,324
Special Education	456	532	589	260	260	260	260	260
Vocational Units ²	165	166	209	0	0	0	0	0
Transport.	273	265	305	378	378	378	378	378
Reduced by Cap ¹	0	0	0	(149)	(47)	0	0	0
Total Foundation	4,895	4,975	5,897	6,494	6,955	7,567	7,962	7,962

¹ Under Am. Sub. H.B. 650, the State Foundation Program now has a cap on the total amount of Foundation monies that a school district can receive.

² Under Am. Sub. H.B. 650, District projections do not include receipt of funds under Vocational Units. Starting in FY 1999, the amount is included under Basic Aid.

Basic Aid - The projections for Basic Aid prepared by the district for FY 1999-00 through FY 2002-03 are based on the formula amounts as outlined in H.B. 650. The district projection assumed ADM counts will increase by 35 students each year. The FY 2002-03 revenue was maintained at the FY 2001-02 level because H.B. 650 has not finalized the ADM spending per pupil.

Other State Foundation - The projection assumes these revenues will not increase for FY 1999-00 through FY 2002-03 from the district developed amount for FY 1998-99.

(2) 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. The State reimburses the school district for the loss of real property taxes as a result of the above. Rollback and homestead exemption revenues are included within the assumptions of the Real Estate Taxes and Tangible Personal Property Taxes.

(3) **Other State:** The main components of Other State Revenue and a detailed projection by component are as follows:

Table B-6: Other State Revenues

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Equity Aid Distribution	35,548	9,165	17,832	0	0	0	0	0
Drivers Ed. Reimb.	(645)	11,450	10,800	26,206	11,953	11,953	11,953	11,953
Bus Purchase Subsidy	38,341	97,653	106,749	109,889	50,000	50,000	50,000	50,000
Textbook Subsidy	0	0	42,191	43,950	0	0	0	0
State Found. Rev. Outside of Cap or Guarantee	0	0	0	60,877	67,328	67,328	67,328	67,328
Total Other State	73,244	118,268	177,572	240,922	129,281	129,281	129,281	129,281

Equity Aid will be phased out over the time period FY 1999 through FY 2001 reducing the number of eligible school districts and the number of mills to be equalized. Because of this phase out, projections for FY 1999 through FY 2003 do not include Equity Aid revenues.

The Drivers Education Reimbursement appeared to be inflated when compared to historical data. Therefore, the projected Drivers Education Reimbursement for FY 1999-00 through FY 2002-03 was based on an average of the previous four years and inflationary increases were not considered.

Based on the district's projection of state funding under H.B. 650, the Textbook Subsidy and Bus Purchase Subsidy received \$43,950 and \$109,899, respectively for FY 1998-99. The projected revenues for the Textbook Subsidy for FY 1999-00 through FY 2002-03 is zero because the state legislature eliminated this subsidy.

The Bus Purchase Subsidy projected revenues for FY 1999-00 through FY 2002-03 are \$50,000 per year. This projection is based on the historical trend of the subsidy portion for the purchase of regular buses. Additional subsidy amounts were received in FY 1996-97 through FY 1998-99 for the purchase of non-public and special need buses. The district does not expect to receive the non-public/special needs portion of this subsidy in FY 1999-00 through FY 2002-03.

State Foundation Revenues Outside of Cap or Guarantees is based on the district’s projection of state funding under H.B. 650 which does not fall under the total SF-3 calculation. These amounts represent the net of these adjustments which do not fall under the total SF-3 calculation.

V. Expenditures

A. Operating Expenditures

(1) Salaries and Wages: The projected salaries for FY 1999-00 through 2002-03 for classified employees are based on the terms of the existing union contract for classified employees which expires on December 31, 1999 and the district’s expected yearly increases of 3 percent when a new agreement is reached with the classified employees. The projected salaries for certified employees is based on an agreement negotiated with the union in May 1999. Although this agreement has been ratified by the union and approved by the Board of Education at their June 3, 1999 meeting, the agreement was rejected by the commission in August 1999. Although not approved, terms of the negotiated agreement were used in **Table B-8** as projected increases. These projected increases are in line with prior district agreements and original projections by the district. Actual and projected percentage increases for classified employees are also listed in **Table B-8**. Board Member compensation is expected to remain the same as in FY 1998–99. The projections also include a \$182,000 payout. The following is a breakdown of salaries, wages and compensation by certified employees, and non-certified employees and Board Members (in thousands):

Table B-7: Salaries and Wages (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Salaries & Wages - Certified	\$7,779	\$8,744	\$9,217	\$9,402	\$10,284	\$11,405	\$12,146	\$12,867
Salaries & Wages - Classified	\$2,059	\$2,527	\$2,811	\$3,279	\$3,151	\$3,309	\$3,474	\$3,648
Board Member Compensation	\$6	\$5	\$8	\$8	\$8	\$8	\$8	\$8
Total	\$9,844	\$11,276	\$12,036	\$12,689	\$13,443	\$14,722	\$15,628	\$16,523

Table B-8: Contractual and Step Increases

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Contractual % Increase - Certified	3.0%	0.0%	N/A	N/A	N/A	N/A
Projected % Increase - Certified	N/A	N/A	1.5%	2.6%	2.0%	2.0%
Educational Credit Increase	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Step Increase - Certified	3.8%	3.8%	3.8%	3.8%	3.9%	4.0%
Total % Increase - Certified	7.3%	4.3%	5.8%	6.9%	6.4%	6.5%
Contractual % Increase - Classified	3.0%	3.0%	1.5%	N/A	N/A	N/A
Projected % Increase - Classified	N/A	N/A	1.5%	3.0%	3.0%	3.0%
Step Increase - Classified	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total % Increase - Classified	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

The step increase percentage used above is a blended percentage of the annual salary step and education credit increases required by union contracts, as well as the impact of new employees, retirements and job vacancies and is based upon historical experience.

The above table reflects projected percentage increases in salaries and wages of the classified employees for FY 1999-00 through FY 2002-03 which were proposed by the district as a target for upcoming negotiations. Classified salary and wage projections for FY 1999-00 through FY 2002-03 were performed based on this assumption.

(2) Fringe Benefits: The main components of Fringe Benefits and a detailed projection by component are as follows (in thousands):

Table B-9: Fringe Benefits (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Retirement Contributions	1,463	1,659	1,841	1,986	2,037	2,231	2,368	2,503
Health Care Costs	853	740	1,418	1,084	1,190	1,303	1,383	1,462
Workers Comp.	80	52	69	73	80	88	93	99
Medicare Tax	65	80	94	98	99	108	115	122
Unemploy.	0	0	0	4	1	1	1	1
Life Insurance	32	36	40	43	44	49	52	55
Early Retirement Incentive	0	0	0	0	176	0	0	0
Total Benefits	2,493	2,567	3,462	3,288	3,627	3,780	4,012	4,242

Through historical analysis, the district has traditionally expended \$1 in fringe benefits for every \$3.90 in gross payroll (salaries and wages) expenditures. This ratio was applied to the projected gross payroll (salaries and wages) amounts for FY 1999-00 through FY 2002-03 in order to determine total fringe benefit expenditures for these years. With the exception of the Early Retirement Incentive, all individual fringe benefit categories have been projected for FY 1999-00 through FY 2002-03 based on their historical percentage of total fringe benefit expenditures.

Early Retirement Incentive: The district approved an Early Retirement Incentive Plan for employees who were members of the State Teachers Retirement System (STRS) and were eligible to retire between June 30, 1999 and June 30, 2000. The plan will provide for the purchase of one year of service credit. Eight employees of the district participated in the plan. The cost for the district to purchase eight years of service credit was projected to be \$176,095. The actual cost in September 1999 was \$161,500. By paying in full, the district was able to save approximately \$12,000 in interest expense.

(3) Purchased Services: The main components of Purchased Services and a detail projection by component are as follows (in thousands):

Table B-10: Purchased Services (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Maintenance	206	52	196	288	232	239	246	253
Electricity	288	334	455	463	459	473	487	501
Gas	118	156	133	124	123	127	131	135
Water/Sewer	18	29	30	33	38	39	40	41
Prof./ Tech./ Consultant Services	194	154	138	509	255	263	271	279
Property Ins.	39	67	70	62	69	72	74	76
Lease of Equipment and Property	124	109	124	107	100	100	100	100
Telephone	60	67	83	66	69	71	73	75
Printing	25	26	29	37	30	31	32	33
Travel and Meetings	126	105	115	171	142	146	150	155
Tuition	416	309	46	890	610	646	685	727
Postage, etc.	31	29	29	36	38	39	40	41
Legal Svcs.	181	238	326	205	192	150	154	159
Pupil Trans.	29	12	9	6	5	5	5	6
Total Purchased Services	1,855	1,687	1,783	2,997	2,362	2,401	2,488	2,581

The projections from FY 1999-00 through FY 2002-03 assumes all components of purchased services, with the exception of those explained below, will increase three percent per year based upon inflation.

Maintenance, Printing and Travel/Meetings: Expenditures for FY 1996-97 through FY 1998-99 were skewed due to cash flow problems. The district was holding invoices past year-end until cash was available to pay them. The average of FY 1996-97 through FY 1998-99 expenditures appeared to be comparable to FY 1995-96 expenditures, therefore expenditures for FY 1999-00 through FY 2002-03 were based on FY 1995-96 expenditures increased yearly by three percent for inflation.

Legal Services: The district has had unusually high legal expenses from FY 1995-96 through FY 1998-99 due to ongoing litigation concerning the tax-exempt status of the Renaissance Retirement Community and contract disputes over the FY 1994-95 through FY 1996-97 middle school construction and high school renovation. The Renaissance Retirement Community litigation was settled in FY 1997-98 with the district receiving a \$3.6 million settlement for back taxes to be paid to the district over an eight year period. The construction contract disputes reached a final settlement in FY 1999-00. The FY 1999-00 projected cost for legal services is expected to be lower than FY 1998-99 due to the anticipated settlement of the construction litigation. For FY 2000-01 through FY 2002-03, legal expenses are expected to stay relatively consistent with the FY 1999-00 projection increasing only due to inflation.

Lease of Equipment and Property: This expenditure is expected to remain stable. The district has several capital leases for equipment which will come to full term during FY 1999-00 through FY 2002-03. The district has indicated that they will be limiting their capital leasing activity in future periods. For FY 1999-00 through FY 2002-03, the lease of equipment and property expenditures are expected to remain consistent with the FY 1998-99 level.

Tuition: FY 1999-00 includes \$303,000 in tuition payments which were invoiced and payable in FY 1997-98 but were not paid by the district due to cash flow problems. The district appears to be up to date on their tuition payments for FY 1998-99. Projected tuition expenditures for FY 1999-00 through FY 2002-03 will be based on total FY 1998-99 expenditures less the amount attributable to FY 1997-98 increased annually by six percent.

(4) Materials, Supplies and Textbooks: The main components of materials, supplies and textbooks and a detailed projection by component are as follows:

Table B-11: Materials, Supplies and Textbooks (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-01	FY 2002-03
Transportation Fuel & Supplies	192	130	198	204	199	205	211	218
Maintenance Materials	85	141	146	170	164	169	174	179
General Supplies	230	159	301	250	251	259	266	274
Office Supplies	42	54	44	56	60	62	64	65
Textbooks & Instructional Materials	69	125	126	18	310	442	485	507
Library Books	16	14	15	12	13	14	14	14
Newspapers, Periodicals and Films	3	2	4	4	3	3	4	4
Other	0	0	0	0	0	0	0	0
Total Materials, Supplies & Textbooks	637	625	834	714	1,000	1,154	1,218	1,261

The projections from FY 1999-00 through FY 2002-03 assumes all components of materials, supplies and textbooks, with the exception of those explained below, will increase three percent per year based on inflation.

Maintenance Materials: See the description of Maintenance expenditures under Purchased Services for information concerning the required set-asides under H.B. 412 for capital improvements and maintenance.

Textbooks and Instructional Materials: These expenditures make up the majority of the required set-asides under H.B. 412 for textbooks and instructional materials. The base revenues for which the set-asides were calculated were based on the prior fiscal year's estimate for state foundation basic aid and property taxes. The set-asides included in these accounts amount to at least two percent for FY 1998-99 and three percent for FY 1999-00 and thereafter. Textbooks and instructional materials includes expenditures for textbooks,

instructional materials, instructional supplies, instructional software and equipment of an educational nature including computers. Although this projection does not specifically include the replacement of textbooks and classroom computers, the possible expenditures for these purchases are allowable under H.B. 412.

(5) Capital Outlay: The district expects capital outlay expenditures for FY 1999-00 through FY 2002-03 to remain consistent with FY 1998-99 expenditures. Qualifying expenditures under H.B. 412 Capital Improvements and Maintenance Set-Aside are expected to be made from salaries and wages, fringe benefits, purchased services and the permanent improvement fund in addition to the capital outlay line in the general fund.

(6) Other Expenditures: Other main components of Other Expenditures and a detailed projection by component are as follows:

Table B-12: Other Expenditures

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
County Auditor/Treas. Fees	120,960	156,124	180,872	196,296	121,749	125,402	129,164	133,039
Membership Dues	12,946	10,161	18,359	16,824	18,604	19,162	19,737	20,329
Bonds and Insurance	20,683	20,906	7,641	7,357	8,273	8,521	8,777	9,040
Awards/ Prizes	4,823	791	315	1,555	1,726	1,778	1,831	1,886
Judgements	0	0	10,000	8,000	50,000	0	0	0
Other	34,543	33,080	37,242	68,218	52,412	53,984	55,603	57,272
Taxes and Assessments	894	13,454	4,339	6,664	7,493	7,718	7,950	8,188
County Board Deductions	20,578	20,552	21,418	21,076	21,583	22,230	22,897	23,584
Total Other Expenditures	215,427	255,068	280,186	325,990	281,840	238,795	245,959	253,338

The district is currently involved in legal disputes. The district expects the disputes to be settled in FY 1999-00 and the General Fund may be responsible for up to \$100,000 of the settlements.

The projections from FY 1999-00 through FY 2002-03 assumes all components of other expenditures with the exception of those explained below, will increase three percent per year based on inflation.

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

Under S.B. 55, the district will be required to incur additional expenditures due to the educational requirements outlined in this bill. The following table lists the estimated costs which the district expects to incur beginning in FY 1998-99 due to the requirements under S.B. 55:

Table B-13: Educational Enhancements - S.B. 55

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Increase Graduation Requirements and Curriculum Offerings	48,577	86,906	79,598	84,363	89,636
Fourth Grade Guarantee - Increase Reading Intervention	9,352	9,352	9,352	9,352	9,352
Fourth Grade Guarantee - Summer Remediation Program	46,000	46,000	46,000	46,000	46,000
Continuous Improvement Plan	0	0	0	0	0
Total	103,929	142,258	134,950	139,715	144,988

Source: Assistant Superintendent's Estimates

The additional educational enhancements required by S.B. 55 as presented in **Table B-13** include the hiring of a science teacher in FY 1998-99 and a social studies teacher in FY 1999-00. The district estimates the cost of summer school remediation for FY 1998-99 through 2002-03 to be \$46,000 per year. Science textbooks were purchased in FY 1998-99 and social studies textbooks will be purchased in FY 1999-00. These educational enhancements are classified in the following categories:

Table B-14: Educational Enhancements by Category

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Salaries & Fringes	38,227	74,906	79,598	84,363	89,636
Testing	9,352	9,352	9,352	9,352	9,352
Text Books	10,350	12,000	0	0	0
Summer School	46,000	46,000	46,000	46,000	46,000
Total	103,929	142,258	134,950	139,715	144,988

Source: Superintendent's Estimates

IV. Debt Service

The outstanding balances before debt restructuring on general fund debt at the end of each fiscal year in the projection period would be as follows (in thousands):

Table B-15: Outstanding Debt (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Spending Reserve	0	275	275	0	0	0	0	0
Tax Anticipation	0	0	0	1,900	1,900	1,555	1,195	815
Cash Flow Borrowing Program	0	0	0	0	0	0	0	0
High School Property Acquisition*	0	112	75	38	37	0	0	0
Athletic Field*	0	150	150	139	125	108	92	75
Energy Conservation	1,350	1,333	1,196	1,050	901	746	590	435
State Solvency Fund Loans	0	0	0	2,157	1,079	0	0	0
Total	1,350	1,870	1,696	5,284	4,042	2,409	1,877	1,325

Source: District Debt Schedules.

* Classified as Other General Fund Debt

Table B-16 assumes debt service requirements as follows during the projection period:

Table B-16: General Fund - Debt Service Requirements

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
State Solvency Fund Loans	\$0	\$1,078,500	\$1,078,500	\$0	\$0
Spending Reserve	275,000	0	0	0	0
Tax Anticipation Notes	0	0	345,000	360,000	380,000
Energy Conservation	146,038	148,260	155,482	155,482	155,482
Cash Flow Borrowing Program	3,763,000	0	0	0	0
Other General Fund Debt	48,611	51,389	16,667	16,667	16,667
Total Principal	4,232,649	1,278,149	1,595,649	532,149	552,149
Interest - State Solvency Fund Loans	0	0	0	0	0
Interest - Spending Reserve	9,333	0	0	0	0
Interest - Tax Anticipation Notes	0	99,886	95,150	75,900	55,550
Interest - Energy Conservation	56,219	49,373	42,229	34,464	26,678
Interest - Cash Flow Borrowing Program	112,938	0	0	0	0
Interest - Other General Fund Debt	9,121	7,007	5,233	4,600	3,833
Total Interest	187,611	156,266	142,612	114,964	86,061
Total Debt Service	\$4,420,260	\$1,434,415	\$1,738,261	\$647,113	\$638,210

Source: District Debt Schedules.

Under the Spending Reserve borrowing, the district is permitted to borrow one-half of the October personal property tax settlement over the fiscal year-end. The Ohio Supreme Court decision in the *DeRolph vs. State of Ohio* case struck down this type of borrowing. It will be phased out over a five-year period beginning July 1, 1998.

H.B. 412 eliminates the State Emergency Loan Fund and replaces it with the Solvency Assistance Fund. After March 24, 1998, school districts are no longer being approved for borrowing under the State Emergency Loan Fund and must borrow from the State Solvency Assistance Fund. The OFSD did not have any borrowing under the State Emergency Loan Fund.

The district borrowed \$2,157,000 from the State Solvency Assistance Fund which is the amount the Auditor of State determined and certified to be the operating deficit at June 30, 1999. Additionally, the district borrowed \$1,900,000 in anticipation of taxes which will be generated by the 12.9 mill levy passed by the district in February 1999. These Tax Anticipation Notes will be paid back over a five-year period with the first principal payment due in FY 2000-01.

At June 30, 1999, the district has outstanding \$5,283,094 in General Fund Debt, see **Table 2-4**.

At June 30, 1999, the district also had outstanding \$15,677,606 of School Improvement Bonds and School Improvement Refunding Bonds. These bonds are being repaid from the Debt Service Fund through revenues generated from their respective bond levies.

VII. Other

A. Transfers and Advances In/Out

The projection assumes that there will not be any transfers or advances out for years FY 1999-00 through FY 2002-03. There was a \$30,000 transfer to the Cafeteria Fund at June 30, 1999. This transfer was due to the Cafeteria Fund losing revenues due to an excessive number of snow days. The Cafeteria Fund has historically been self-supporting and should generate sufficient revenues in FY 1999-00 to eliminate the need for future General Fund support.

B. Refunds/Other

Refunds/Other revenue for the district was insignificant from FY 1995-96 through FY 1998-99. Due to the insignificant amounts historically received by the district, no projections are included for this revenue.

C. Encumbrances

The district uses the encumbrance 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.

Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid by year-end. The projection assumes \$250,000 in outstanding encumbrances at year end for the period FY 1999-00 through FY 2002-03.

D. Budget Reserve

Under H.B. 412, if the 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 budget reserve equals or exceeds five percent of the revenue received for current expenses for the preceding fiscal year. However, school districts in fiscal emergency may receive authorization from the State to use the budget reserve for current operating expenses. Therefore, a budget reserve was not projected for FY 1998-99 through FY 1999-00, which corresponds to the period that the district is projected to be in fiscal emergency. This projection will include the budget reserve of one percent for FY 2000-01 and an additional one percent thereafter.

Included in the budget reserve line item for FY 1997-98 is the rebate of \$106,632 from the Bureau of Workers Compensation received by the district.

VIII. Performance Audit Recommendations

With the current financial situation, the district will be required to implement changes to recover from their fiscal emergency status. This performance audit report provides recommendations to consider to enhance revenues, implement cost savings, and shows cost saving of actions already taken by the commission. The recommendations have been categorized as to those which require negotiation and those which do not.

Table B-17 is further divided into categories included in the forecast, and those not included in the forecast.

Table B-17: Summary of Performance Audit Recommendations

Recommendations	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
RECOMMENDATIONS INCLUDED IN FORECAST (Table B-1):				
Recommendations Subject to Negotiation:				
R3.1 Limiting COLA Certificated - 0% in FY 2000, 1% in FY 2001, 2% in FY 2002, 3% in FY 2003	\$190,349	\$452,790	\$395,659	\$331,508
R3.1 Limiting COLA Classified - 1.5% in FY 2000, 0% in FY 2001 1% in FY 2002, 2% in FY 2003	\$45,022	\$140,463	\$210,856	\$254,024
R3.2 Administrators pay retirement contribution	\$0	\$90,535	\$90,535	\$90,535
R3.9 Require employees to contribute cost difference between two health plans offered	\$0	\$69,805	\$69,805	\$69,805
Total Recommendations Subject to Negotiation	\$235,371	\$753,593	\$766,855	\$745,872
Recommendations Not Subject to Negotiation:				
R2.3 Maintain current teaching staff level	\$68,583	\$249,053	\$409,874	\$585,783
R4.4 Implement energy management program	\$53,700	\$53,700	\$53,700	\$53,700
R4.8 Reduce custodial staff	\$20,000	\$184,500	\$184,500	\$184,500
R4.9 Eliminate weekend inspections during non-heating season	\$0	\$7,800	\$7,800	\$7,800
Total Recommendations Not Subject to Negotiation	\$142,283	\$495,053	\$655,874	\$831,783
Total Recommendations Included in Forecast	\$377,654	\$1,248,646	\$1,422,729	\$1,577,655
RECOMMENDATIONS NOT INCLUDED IN FORECAST:				
Recommendations Subject to Negotiation:				
R3.10 Increase employee health care contribution	\$0	\$63,248	\$63,248	\$63,248
Total Recommendations Subject to Negotiation	\$0	\$63,248	\$63,248	\$63,248
Recommendations Not Subject to Negotiation:				
R3.5 Reduction of sick leave usage - classified	\$0	\$9,248	\$9,248	\$9,248
R5.1 Increase number of students per bus	\$0	\$146,720	\$146,720	\$146,720
R5.2 Revise method of transporting special needs students	\$0	\$29,670	\$29,670	\$29,670
Total Recommendations Not Subject to Negotiation	\$0	\$185,638	\$185,638	\$185,638
Total Recommendations Not Included in Forecast	\$0	\$248,886	\$248,886	\$248,886

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

Table B-18 summarizes the various recommendations the commission made and the district implemented for FY 1999-00. These cost savings are maintained at the FY 1999-00 level.

Table B-18: Summary of Commission Recommendation/Reductions

Recommendations/Reductions	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Eliminate one district wide administrator	\$70,000	\$70,000	\$70,000	\$70,000
Eliminate one secretary through attrition and reassignment	\$20,000	\$20,000	\$20,000	\$20,000
Eliminate utility driver through attrition	\$20,000	\$20,000	\$20,000	\$20,000
Total Commission Recommendations/Reductions	\$110,000	\$110,000	\$110,000	\$110,000

Source: Commission's June 29, 1999 Financial Recovery Plan.

Table B-19 summarizes the implementation costs associated with various recommendations contained within this performance audit. These costs are dependent on the implementation of the associated recommendation and the period in which the recommendation is implemented. **Table B-19** also contains the establishment of a health care reserve independent of any previous recommendation.

Table B-19: Implementation Costs

Recommendation Implementation Costs	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
R2.7 Establish health care benefits reserve	\$100,000	\$100,000	\$100,000	\$100,000
R5.9 Purchase and implement routing software	\$17,500	\$0	\$0	\$0
R4.11 Purchase preventative maintenance software	\$6,000	\$0	\$0	\$0
Total Commission Recommendations/Reductions	\$123,500	\$100,000	\$100,000	\$100,000

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

IX. Future Capital and Operating Requirements

The proposed financial recovery plan presented in **Table B-1** provides the Financial Planning and Supervision Commission with the effects of performance audit recommendations. The Financial Planning and Supervision Commission is responsible for adopting a financial recovery plan and implementing the items proposed in this plan.

Even with the passage of the 12.9 mill continuing operating levy, the district will continue to encounter financial difficulties. The financial plan presented in **Table B-1** does not include a projection for additional property tax levies. By increasing efficiencies and making difficult decisions to recover from fiscal emergency, the district may gain support from the local community to continue to pass future operating tax levies.

The financial plan does not specifically include projections associated with the replacement of district computers, emergency capital needs or facility needs. However, with the implementation of H.B. 412 included in the financial plan, sufficient amounts appear to be set aside in future years for instructional materials to cover the costs to replace the district's computers. In addition, the required set-asides for capital improvements and maintenance have been included in this financial plan which will allow the district to make needed capital improvements in future years.

X. Commission Considerations

- A.** Legislation has been passed which raises per pupil spending in the second year of the biennium to a base level of \$4,414, which would put the state one year ahead of schedule on the phase-in established in 1998 by H.B. 650. This new version also would raise the caps established in H.B. 650 for state funding increases for school districts to 8.5 percent per pupil or 10.5 percent overall in FY 1999-00, and to 9 percent per pupil and 11 percent overall in FY 2000-01. The caps would be removed in FY 2002-03.
- B.** State Foundation payments under the Ohio Rev. Code are calculated by the State Department of Education 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. Performance audit projections conservatively projected student enrollment increases for FY 1999-00 through FY 2002-03 at 35 students per year based on historical data. District studies based on the number of housing starts, historical data, and amount of undeveloped land within the district suggest student growth at over 50 students per year for FY 1999-00 through FY 2002-03. This could increase state foundation funding above projected levels and may have an affect on the budget stabilization set-aside requirement if percentage growth in ADM exceeds base revenue percentage increases.
- C.** The district is currently self-insured for their employee's health insurance benefits. It was noted in the Human Resources section of the performance audit that all of the peer districts had lower premium costs for the medical portion of their employee health insurance than OFSD. The district could experience a cost savings and a lower risk exposure by returning to conventional health insurance coverage.
- D.** The district's teacher contract expired December 31, 1998 and the teachers received their last negotiated cost of living increase in January 1998. The teachers are currently still receiving their step and educational block salary increases as prescribed under the expired contract. A contract was negotiated with the teachers union in May 1999 which included cost of living increases and additional per diem teacher days which the district did not have the resources to honor. The negotiated contract was ratified by the union and approved by the OFSD Board of Education. Because the district was in fiscal emergency, the contract required the

Fiscal Planning and Supervision Commission approval which it did not receive due to the current financial condition of the district. Consideration should be given to renegotiating this agreement with terms which would be more in-line with the districts' financial condition and financial recovery plans.

- E.** The district's classified employee contract is due to expire at December 31, 1999. The agreement included yearly cost of living increases of three percent. The district has indicated they anticipate negotiating a new agreement which will include a similar cost of living increase as the current contract.

- F.** After the passage of the 12.9 mill continuing operating levy in February 1999, the district developed plans to hire 17 additional teachers to reduce class sizes and fulfill S.B. 55 educational enhancements. Four were to be hired for FY 1999-00, five for FY 2000-01, and four additional teachers in both FY 2001-02 and FY 2002-03. The district had hired two of the four additional teachers prior to the first meeting of the Financial Planning and Supervision Commission. The Commission allowed the district to retain the two teachers hired but suspended any additional hiring. A recommendation was made as part of this performance audit to alleviate the class size situation through the transfer of teachers. The Commission must weigh the district's financial condition against educational needs before authorizing the district to hire any additional teachers before financial recovery is achieved.

- G.** During FY 1997-98, the district expended nearly \$465,000 in supplemental pay and supplemental contracts for athletics, directors and department heads, extended service contracts, coordinators/advisors, and other supplemental pay and contracts. Because of the district's current financial situation, the district and the Commission should review and assess the supplemental pay schedule and the number of supplemental contracts issued to determine if costs savings can be derived without affecting the quality of education.

Conclusion Statement

The historical pattern of operating expenditures exceeding operating revenues has led to the district incurring significant operating deficits. These deficits have eliminated the General Fund balance and forced the district to borrow against future year's revenues to balance current year operations. Once a district enters this cycle, it becomes difficult to achieve financial solvency without the infusion of additional revenue or drastic reductions in operating costs. Even with the additional revenue generated through the 12.9 mill continuing operating levy passed by the community in February 1999, financial projections indicate that OFSD is likely to continue encountering financial difficulties without significant changes in how the district is fiscally managed.

Although the district has enjoyed good community support regarding operating levies in the past, the high effective and total millage rates brings into question the district's ability to continue gaining approval of tax issues. When the operating levy passed in February 1999 is taken into consideration, the district's effective and total millage rates will be the fourth and sixth highest among all 611 school districts in the State of Ohio. In addressing the current and future financial condition of the district, the district should consider alternatives not directly associated with new tax revenues.

In their attempt to regain financial stability, the district must improve the financial planning and budgeting processes. The current level of financial planning has not allowed the board or district management to adequately assess the current financial condition of the district. Planned staff additions or other increases in expenditures need to be evaluated against the district's financial condition. A well developed and accurate financial forecast would provide managers with the means to make such a determination. The current budgeting process does not ensure the district goals and objectives are met while maintaining a level of financial responsibility. The district must ensure future budgets are developed within the available resources. The budget should then be used as the district's spending plan to control expenditures and help ensure goals and objectives are met. No deviations from the adopted budget should occur without prior consent of the board.

In general, the present financial condition of OFSD does not appear to be due to a lack of available resources, rather the manner in which available resources have been managed. The district needs to take immediate action to control and where possible, reduce operating expenditures of the district. Developing and maintaining a balanced budget will require important management decisions be made to ensure available resources are allocated and accounted for in a manner which supports educational goals and established objectives. The district and the commission are encouraged to evaluate the recommendations contained within this performance audit, as well as other cost savings possibilities, as they formulate a financial recovery plan for the district.

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Human Resources

Background

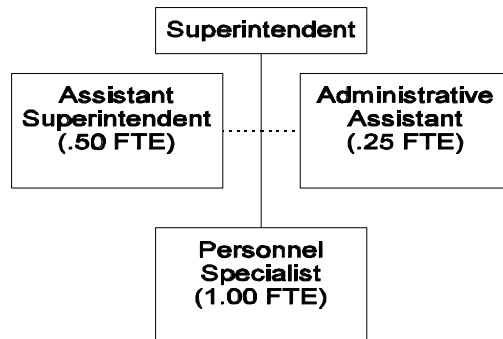
The Olmsted Falls City School District (OFSD) does not have a separate department dedicated to performing Human Resources functions. The personnel responsible for coordinating human resources functions are referred to as HRD for the purposes of the performance audit.

Organizational Chart

The following section summarizes the performance review of the Human Resources Department (HRD).

- ! The chart below provides an overview of the HRD’s organizational structure and staffing levels. The personnel specialist reports equally to both the assistant superintendent and the administrative assistant.

Human Resources Department



In FY 1999-00, the position of Administrative Assistant was merged with the Transportation Director. The new position is called Director of Business Affairs. This merger reduced the amount of administrators to twelve.

Organization Function

The human resources department (HRD) is responsible for coordinating the activities and programs for the recruitment and selection of employees, conducting employee orientation for all new employees and substitute teachers, administering benefits, monitoring compliance with employment standards (criminal record background check and teacher certification requirements), facilitating employee performance evaluations, administering and monitoring the district's grievance policies and procedures, conducting disciplinary hearings, negotiating and administering labor contracts, maintaining job descriptions, maintaining employees' personnel files and placing substitute teachers and selected substitute classified employees.

Summary of Operations

All Olmsted Falls City School District (OFSD) employees are categorized as either certificated or classified staff. Certificated staff includes principals, teachers, counselors, therapists, librarians and psychologists. Classified staff includes educational assistants, secretaries, maintenance and custodial employees, bus drivers, food service employees and other miscellaneous employees.

The assistant superintendent reports to the superintendent and manages all of the primary functions for the certificated staff. These functions include negotiating and administering certificated union contracts, administering benefits, recruiting and hiring employees, developing and administering personnel policies, maintaining personnel records, researching state and federal employment laws to ensure compliance, preparing and maintaining job descriptions, ensuring timely completion of evaluations and managing the employee transfer process.

The administrative assistant is responsible for managing human resources issues pertaining to classified employees. These functions include recruiting and hiring employees, administering employee benefits, negotiating and administering classified union contracts, maintaining employee records, ensuring timely completion of evaluations, providing salary and wage data for annual budget preparation, managing and responding to requests for information about unemployment and workers' compensation and handling disciplinary and grievance issues as needed.

The personnel specialist works directly with the assistant superintendent and the administrative assistant and is responsible for maintaining all staff related EMIS data, maintaining the human resources database, notifying certificated employees of expiring certificates, preparing board agenda for personnel issues, maintaining and updating job descriptions, compiling teacher preferences for use in staffing for the coming school year, maintaining staff personnel records, processing paperwork for classified employees, handling paperwork for transfers, retirements, resignations and terminations and other miscellaneous responsibilities as needed.

Staffing

Table 3-1 represents current HRD staffing for OFSD.

Table 3-1: Human Resources Staffing

Position	# Staff	# of FTEs
Assistant Superintendent	1	0.50
Administrative Assistant	1	0.25
Personnel Specialist	1	1.00
Total	3	1.75

Source: HRD

Financial Data

Table 3-2 presents the HRD's actual expenditures for FY 1996-97 and FY 1997-98 and the budget for FY 1998-99. The HRD budget is incorporated into certificated and classified personnel appropriations.

Table 3-2: Budget - Human Resources Department

Appropriation Account	Actual 1996-97	Actual 1997-98	Budgeted 1998-99
Salaries	\$96,275	\$94,911	\$96,700
Fringe Benefits	29,772	26,962	28,250
Substitute Teachers	174,968	116,677	120,298
Total	\$301,015	\$238,550	\$245,248

Source: Treasurer's office

Performance Measures

The following is a list of performance measures that were used to review OFSD's human resources coupled with the functions 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
- ! Appropriateness of human resources system for retention and utilization of critical personnel data
- ! 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 in practice
- ! 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 salary schedule and maximum step structure
- ! Assessment of W-2 wages in correlation to salary schedules
- ! Assessment of utilization and compensation for supplemental pay and stipends
- ! 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

Organizational Issues

F3.1 **Table 3-3** illustrates that OFSD’s human resources FTE staffing levels are the second lowest when compared to the peer districts.

Table 3-3: Comparison of HRD Staff by Position - FTEs

	OFSD	Amherst ¹	Maumee	North Olmsted
Administrators	0.75	1.50	.60	1.00
HRD Staff Member	1.00	.35	1.10	2.00
Total	1.75	1.85	1.70	3.00
FTE Regular Employees	295.6	329.9	339.4	560.5

Source: Preliminary FY 1997-98 EMIS Profile

¹ FTEs derived by site-based management.

F3.2 **Table 3-4** presents the ratio of full-time equivalent (FTE) employees per HRD staff. The ratio of OFSD employees assigned to the HRD staff is 168.9:1. This ranks OFSD as servicing the lowest number of employees per personnel staff member when compared to peer districts.

Table 3-4: FTE Employees Per HRD Staff

	OFSD	Amherst	Maumee	North Olmsted
Total HRD FTE Employees	1.75	1.85	1.70	3.0
FTE Regular Employees	295.6	329.9	339.4	560.5
Ratio	168.9:1	178.3:1	199.6:1	186.8:1

Source: Preliminary FY 1997-98 EMIS Profile

Staffing/Compensation Analysis

F3.3 **Table 3-5** presents the staffing levels of FTEs per 1,000 students enrolled for OFSD and the peer districts. OFSD has the highest FTEs in six categories, as indicated by the bolded numbers below, when compared to the peer districts and the second lowest FTEs at 100.1.

Table 3-5: FTE Staff per 1,000 Students Enrolled

Category	OFSD	Amherst	Maumee	North Olmsted	Peer District Average	21 District Average
ADM	2,954	3,622	2,990	4,985	3,638	20,098
Administrators: Sub-Total	4.3	3.4	5.7	5.2	4.7	7.2
Central	1.0	0.6	1.0	0.4	0.7	0.2
Site Based	2.7	1.9	3.0	3.0	2.7	3.1
Supervisor/Manager/Dir.	0.3	0.3	1.0	1.4	0.8	2.8
Other	0.3	0.6	0.7	0.4	0.5	1.1
Professional Education: Sub-Total	57.7	54.9	68.4	66.5	61.9	69.6
Curriculum Specialists	0.0	0.0	0.0	0.0	0.0	0.2
Counselors	2.1	1.7	2.7	2.4	2.2	1.7
Librarian - Media	0.7	0.6	1.0	0.4	0.7	0.8
Remedial Specialists	0.0	0.0	1.7	0.8	0.6	1.6
Teachers - Elem and Sec	50.5	49.5	62.0	59.0	55.3	62.8
Others	4.4	3.1	1.0	3.9	3.1	2.5
Professional - Other	2.5	1.7	1.7	1.4	1.825	3.9
Technical: Sub-Total	4.1	0.0	0.3	0.6	1.3	1.2
Computer Operator	0.3	0.0	0.0	0.2	0.1	0.2
Computer Programmer/Analyst	0.0	0.0	0.0	0.2	0.1	0.3
Others	3.8	0.0	0.3	0.2	1.1	0.7
Office/Clerical: Sub-Total	8.5	12.7	11.7	14.3	11.8	18.7
Clerical	5.4	3.9	5.4	8.2	5.7	7.3
Teaching Aides	1.4	6.4	2.0	3.5	3.3	7.7
Library/Media Aides	0.0	1.8	2.3	2.6	1.7	0.6
Others	1.7	0.6	2.0	0.0	1.1	3.1
Crafts/Trades	0.7	1.1	1.7	1.8	1.3	2.0
Transportation	7.1	5.9	5.4	6.0	6.1	4.6
Laborer - Grounds keeping	0.3	0.6	0.0	0.0	0.2	0.1
Custodial	8.0	5.2	6.0	7.4	6.6	7.0
Food Service	6.5	4.0	8.0	5.0	5.9	4.9
Service Work - Other	0.4	1.7	4.7	4.1	2.7	7.8
Total	100.1	91.2	113.6	112.3	104.3	127.0

Source: Preliminary FY 1997-98 EMIS Profile

F3.4 OFSD has approximately 4.4 FTEs per 1,000 students enrolled in the professional education - other classification. This classification represents tutors. However, of the district's 13

- FTEs, nine are federally funded. When an analysis of only general fund professional education - others FTEs is completed, OFSD's FTEs average per 1,000 students enrolled is reduced to 1.4 FTEs and the peer district average is reduced to 1.7 FTEs. Therefore, no reductions are recommended.
- F3.5 OFSD has approximately 2.5 FTEs per 1,000 students enrolled in the professional - other classification. OFSD ranks highest in this classification when compared to the peer districts. This category includes psychologists, therapists and interpreters. However, of the seven FTEs, three are federally funded. When an analysis of general fund professional - other FTEs is completed, OFSD's FTEs average per 1,000 students enrolled is reduced to 1.4 FTEs and the peer district average is reduced to 1.6 FTEs. Therefore, no reductions are recommended.
- F3.6 OFSD has approximately 3.8 FTEs per 1,000 students in the technical - others classification. OFSD ranks highest when compared to the peer district average of 1.1 FTEs per 1,000 students. The employees included in this classification are library aides and technicians which are typically coded under the library/media aides classification. Because EMIS guidelines pertaining to the coding of some classifications are non-specific, school districts often are required to make decisions regarding coding which results in districts coding the same types of employees in different categories. Analysis of staffing has indicated that many school districts include clerical staff in both the technical-others and the office/clerical classifications. Reclassifying the 3.8 FTEs to the library/media aides classification reduces OFSD's technical - others classification to zero. When the technical-others classification is combined with the office/clerical classification for the peer districts, OFSD's average becomes 12.3 FTEs per 1,000 students and is the second lowest when compared to the peer districts. OFSD 12.3 FTEs is also lower than the peer district average for office/clerical staff of approximately 12.9 FTEs. Therefore, no reductions are recommended.
- F3.7 OFSD has approximately 7.1 FTEs per 1,000 students in the transportation classification which is the highest when compared to the peer district average of 6.1 FTEs. See the **transportation section** of the performance audit report where a more detailed assessment of the OFSD transportation department was conducted.
- F3.8 OFSD has approximately 8.0 FTEs per 1,000 students in the custodial classification which is the highest when compared to the peer district average of 6.6 FTEs. See the **facilities section** of the performance audit report where a more detailed assessment of the OFSD custodial staff and responsibilities was conducted.
- F3.9 The district's total FTEs were divided into six classifications of personnel as defined in **Table 3-6**. These classifications are used for further assessments in **F3.10** and **F3.11**.

Table 3-6: Personnel Classifications and Positions Descriptions

Classification	Position Descriptions
Administrative Employees	Superintendent, Assistant Superintendent, Administrative Assistant, Principal, Assistant Principal, Treasurer, Supervisor/Manager/Director
Teachers	Teachers, Tutors, Remedial Specialists
Pupil Services Employees	Counselors, Librarian/Media, Psychologist, Speech Language Therapists, Interpreters
Support Services	Vehicle Operators, Laborer, Custodians, Food Service, Mechanics
Other Classified Employees	Clerical, Teaching Aides, Messenger, Library Aides, Bookkeepers, Telephone Operator, Library Technicians
Technical	Computer Operator

F3.10 **Table 3-7** illustrates the ratio of six classifications of personnel to the district’s total number of FTE employees and the percentage of total employees in each classification for each of the peer districts. OFSD has the highest percentage of pupil services and support services FTEs as indicated by the bolded numbers when compared to the peer districts which is consistent with the higher number of FTEs included in the transportation and custodial classifications as reflected in **Table 3-5**.

Table 3-7: Breakdown of Total FTE Employees and Percentage of Total Employees Classification

Classification	OFSD		Amherst		Maumee		North Olmsted		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	13.0	4.4%	12.0	3.6%	17.0	5.0%	26.0	4.6%	4.4%
Teachers	162.1	54.9%	190.8	57.8%	193.4	57.0%	313.8	56.0%	56.4%
Pupil Services	15.4	5.2%	14.3	4.3%	16.0	4.7%	25.0	4.5%	4.7%
Support Services	68.1	23.0%	60.7	18.5%	63.0	18.6%	100.7	18.0%	19.5%
Other Classified	36.0	12.2%	52.1	15.8%	49.0	14.4%	93.0	16.5%	14.7%
Technical	1.0	0.3%	0.0	0.0%	1.0	0.3%	2.0	0.4%	0.3%
Total	295.6	100.0%	329.9	100.0%	339.4	100.0%	560.5	100.0%	100.0%

F3.11 **Table 3-8** presents employees categorized by instructional personnel as compared to educational support personnel. Included in the instructional personnel classification are teachers and pupil services employees, while educational support personnel include administrative, support services, other classified and technical employees.

Table 3-8: Ratio of Direct Instructional Personnel to District Educational Support Personnel

Classification	OFSD		Amherst		Maumee		North Olmsted		Peer Average
	# of Emp.	% of Total Emp.	# of Emp.	% of Total Emp.	# of Emp.	% of Total Emp.	# of Emp.	% of Total Emp.	% of Total Employees
Direct Instructional Personnel	177.5	60.1%	205.1	62.2%	209.4	61.7%	338.8	60.4%	61.1%
District Educational Support Personnel	118.1	39.9%	124.8	37.8%	130.0	38.3%	221.7	39.6%	38.9%
Total	295.6	100.0%	329.9	100.0%	339.4	100.0%	560.5	100.0%	100.0%

As illustrated in **Table 3-8**, 177.5 or 60.1 percent of OFSD’s total FTEs make up direct instructional personnel. When compared to the peer districts, OFSD has the lowest percentage of direct instructional personnel. Although **Table 3-8** indicates that more than 60 percent of total employees are categorized as direct instructional personnel, **Table 3-7** illustrates only 54.9 percent of total employees are actually teachers. Additionally, **Table 3-13** and **Table 3-14** indicate a high student/teacher ratio which correlates to the lower percentage of teachers as reflected in **Table 3-7**. Furthermore, **Table 3-8** illustrates that 39.9 percent of total employees are categorized in the district educational support personnel category which is the highest among the peer districts and is consistent with **F3.7** and **F3.8**.

F3.12 **Table 3-9** compares the number of FTEs as classified in **Table 3-6** to the number of administrators responsible for supervising and coordinating the staff for OFSD to the peer districts. The table also indicates OFSD has approximately 21.7 FTEs per administrator which is the second highest when compared to the peer district average of 21.4.

Table 3-9: Comparison of FTEs to Administrators

	OFSD	Amherst	Maumee	North Olmsted	Peer Average
Administrators	13.0	12.0	17.0	26.0	17.0
TOTAL FTEs (Excluding Administrators)	282.6	317.9	322.4	534.5	364.4
FTE per Administrator	21.7	26.5	19.0	20.6	21.4

Source: Preliminary FY 1997-98 EMIS Profile

F3.13 **Table 3-10** illustrates a traditional middle school and high school teacher’s day as defined by the Olmsted Falls Education Association (OFEA) contract and a teacher’s actual day as defined by the average minutes being taught and other variables as defined below. The OFEA contract states that the maximum work day for high school and middle school teachers is to be seven and two-thirds hours per day including a duty-free lunch period.

Table 3-10: Analysis of Teachers’ Work Day

Description of Activity	Middle School per Contract	High School per Contract	Average Middle School	Average High School ³
Length of Regular Teaching Day as Defined by Contract	7 hours/40 minutes or 460 minutes	7 hours/40 minutes or 460 minutes	7 hours/40 minutes or 460 minutes	7 hours/40 minutes or 460 minutes
Pre-defined Periods Specified in Contract				
Regular class periods	5 periods or approximately 220 minutes	5 periods or approximately 250 minutes	5 periods or approximately 220 minutes	5 periods or approximately 250 minutes
Duty-free lunch	1 period or approximately 30 minutes	1 period or approximately 30 minutes	1 period or approximately 30 minutes	1 period or approximately 30 minutes
Duty Free Preparation Time	1 period or approximately 44 minutes	1 period or approximately 50 minutes	1 period or approximately 44 minutes	1 period or approximately 50 minutes
Grade Level Meetings (team planning)	1 period or approximately 44 minutes	N*	1 period or approximately 44 minutes	N/A
Duty period	N*	1 period or approximately 50 minutes	N/A	1 period or approximately 50 minutes
Home Base	1 period or approximately 44 minutes	N*	1 period or approximately 44 minutes	N/A
Hall passing time	N*	N*	32 minutes	40 minutes
Home room	N*	N*	11 minutes	5 minutes
Before &after school	N*	N*	35 minutes ¹	35 minutes ²
Total Pre-defined Minutes Specified or Actual Average Minutes	382 minutes	380 minutes	460 minutes	460 minutes
Balance of Minutes Not Defined	78 minutes	80 minutes	0 minutes	0 minutes
Length of Student Day	7 hours/5 minutes or 425 minutes	7 hours/20 minutes or 440 minutes	7 hours/5 minutes or 425 minutes	7 hours/20 minutes or 440 minutes

Source: OFEA contract and master teaching schedules

¹ Used for supervision, planning, meetings and preparation.

² Includes Channel One and end of day announcements.

³ Length of teachers’ day minus before and after school time does not equate to the student day. The district was unable to provide an explanation for the discrepancy.

N* Nothing stated in the contract.

F3.14 **Table 3-11** illustrates the number of traditional middle and high school teachers and the number of instructional minutes taught and periods per day spent teaching for FY 1998-99. The following high level analysis does not take into consideration the curriculum provided by the district.

Table 3-11: Teachers per Instructional Period - FY 1998-99

Middle School Teachers			High School Teachers		
Teaching Minutes per Day	# of Periods per Day	# of Teachers	Teaching Minutes per Day	# of Periods per Day	# of Teachers
176	4	2	200	4	0
220	5	20	250	5	38
264	6	3	300	6	4
Total		25	Total		42

Source: 1998-99 Master teaching schedules

F3.15 **Table 3-11** reflects that 23 or 92 percent of middle school and 42 or 100 percent of high school teachers teach five or more periods per day. Most teachers at the middle schools teach five periods and have one duty period or home base period. They also receive one duty free preparation time period, have one grade level meeting period and receive a duty free lunch period. Additionally, middle school teachers have approximately 35 minutes before and after school which is used for supervision, planning, meetings and preparation.

The high school currently has 38 teachers who teach five periods per day, have one duty period, have one duty free preparation time period and receive a duty free lunch period. Additionally, high school teachers have approximately 35 minutes before and after school which is used for supervision, planning, meetings and preparation.

F3.16 Ohio Admin. Code (OAC) Section 3301-35-02 provides guidelines for educational programs. The OAC provides general guidance for topics of study including career education, citizenship and human relations. Because Am. Sub. S.B. 55 revises the minimum course requirements necessary for graduation for students graduating after September 15, 2001, increasing the total number of units that must be taken in grades nine through twelve from 18 to 21 units, the district has revised its graduation requirements to be in accordance with Am. Sub. S.B. 55. Am. Sub. S.B. 55 reduces the number of elective units that count toward the required number for graduation and increases the required units of English language arts, mathematics, science and social studies. In line with these legislative mandates, the district has increased the required units of study for graduation to 21 units for students graduating in 2002.

F3.17 A review of the middle school FY 1998-99 master teaching schedules revealed no traditional periods with 15 or less pupils. The classes reviewed did not include any special education or vocational classes.

Table 3-12 presents a review of the high school’s FY 1998-99 master teaching schedules which revealed 31 traditional periods with 15 or less pupils. These classes do not include any special education or vocational classes. Examples of classes with 15 or less pupils include language arts, biology, advanced algebra I & II, publications, introduction to math I, physical education, introduction to business, advanced biology, French, product manufacturing, Spanish, project physics and chemistry.

Table 3-12: 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	1	1	0	1	2	3	3	3	4	5	8

Source: FY 1998-99 Master teaching schedule - HRD

F3.18 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 twenty-five pupils in average daily membership. A building ratio less than twenty-five to one potentially increases the number of teaching positions. **Table 3-13** illustrates the student/teacher ratio of traditional students to traditional teachers in the elementary schools is 24.0:1

Table 3-13: Elementary Staffing Levels

Building	Average Daily Membership (ADM)	Non-Special Education Students	Non-Special Education Teachers	Student/Teacher Ratio
Elementary Totals	1,179	1,106	46	24.0

Source: EMIS class database

F3.19 **Table 3-14** illustrates the staffing levels at the middle and high school buildings for FY 1998-99. The student/teacher ratios are representative of the number of traditional students which excludes special education students to the number of traditional teachers which exclude special education, vocational education and traveling/itinerant teachers.

Table 3-14: Middle School and High School Staffing Levels

Building	Average Daily Membership (ADM)	Non-Special Education Students	Non-Special Education Teachers	Student/Teacher Ratio
Middle School	733	696	25	27.8
High School	963	941	42	22.4

Source: EMIS class database

F3.20 Traditional student to traditional teacher class size ratios in the middle and high schools average 27.8:1 and 22.4:1 respectively as illustrated in **Table 3-14**. Average class sizes less than minimum standards will require more teaching positions for the same number of students. Currently, OFSD maintains a 22.4 student/teacher ratio at the high school level which results in four additional high school teaching positions which could be utilized at the middle school level currently maintaining a 27.8 student/teacher ratio. Continuing to maintain levels which exceed minimum standards will cost OFSD approximately \$230,792 annually in teachers' salaries and fringe benefits.

F3.21 **Table 3-15** compares the average salary of each classification to the peer districts for FY 1997-98. **Table 3-15** indicates that OFSD has the highest average salaries in the administrator, office/clerical, transportation and laborer categories when compared to the peer districts. Before the establishment of the Financial Planning and Supervision Commission (the Commission) (see the **financial section** of the performance audit report), the district and the OFEA initially ratified a new teachers' contract in May, 1999. However, the Commission rejected the contract stating the contract was too costly to the district. The initial contract included cost of living increases as follows:

- ! One and one-half percent effective January 1, 2000
- ! One and one-half percent effective September 1, 2000
- ! Two percent effective January 1, 2001
- ! One percent effective September 1, 2001 with an enhancement in the index steps 16, 18, 21, 24 and half of an enhancement at step 27
- ! Two percent effective January 1, 2002
- ! One percent effective September 1, 2002 with the full value of the enhanced 27th step

In addition to the salary increases, the initial contract provided teachers with an additional contract day in FY 1999-00 and one more additional contract day in FY 2000-01 to be used for "self-directed preparation time." Because the initial contract was rejected by the Commission, teachers are currently working under the terms and conditions of the expired contract. A time frame has not been established to review the negotiated agreement that was rejected by the Commission.

Table 3-15: Average Salary by Classification

	OFSD		Amherst		Maumee		North Olmsted		Peer Average	
	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary
Official/Admin.	13.0	\$69,070 ¹	12.0	\$65,358 ¹	17.0	\$60,131 ^{1,2}	26.0	\$62,844 ¹	17.0	\$64,351
Prof/ Education	170.3	42,966	199.8	42,871	204.4	46,346	331.8	43,816	226.6	44,000
Prof/Other	7.2	41,576	6.3	46,500	5.0	39,653	7.0	39,094	6.4	41,706
Technical	3.8	23,897	0.0	0	1.0	33,634	3.0	33,531	2.0	22,766
Office/Clerical	33.2	21,430	46.1	17,143	35.0	17,781	71.6	20,389	46.5	19,186
Crafts/Trades	2.0	34,715	4.0	37,924	5.0	25,290	9.0	34,160	5.0	33,022
Transportation	21.1	18,964	21.3	9,992	16.0	10,765	30.0	16,696	22.1	14,104
Laborer	1.0	31,491	2.0	29,755	0.0	0	0.0	0	0.8	15,312
Custodian	23.5	28,699	18.9	30,749	18.0	24,747	36.9	28,640	24.3	28,209
Food Service	19.2	12,955	14.5	14,712	24.0	5,960	24.8	11,406	20.6	11,258
Other Service	1.3	11,725	6.0	13,553	14.0	2,715	20.4	9,849	10.4	9,461

Source: Preliminary 1997-98 EMIS Profile

¹ Average salary does not include STRS and SERS picked up by the district.

² The percentage of pickup varies by position within the classification.

R3.1 **Table 3-15** indicates that OFSD has the highest average salaries among the peer districts in four of eleven classifications. In addition, the district's adjusted financial forecast projects a deficit of approximately \$795,000 by the end of FY 1999-00 (see the **financial section, Table A-1**, of the performance audit for more detail). Because of the district's current financial situation, the district will continue to need reductions in operating costs. The district should consider limiting cost of living adjustments (COLA), effective FY 1999-00, for certificated and classified employees. **Tables 3-16** and **3-17** indicate the total cost avoidances which could be achieved if the district were to implement the proposed COLA for certified and classified staff, respectively.

Table 3-16: Estimated Cost Avoidance from Limiting COLA Increases - Certified Staff

Fiscal Year	Proposed Cost of Living Adjustment	Cost Avoidance - Increase Without Additional Contract Days ¹
FY 2000	0 Percent	\$190,349
FY 2001	1.0 Percent	452,790
FY 2002	2.0 Percent	395,659
FY 2003	3.0 Percent	331,508
Total		\$1,370,306

¹ The negotiated agreement which was rejected by the Financial Planning and Supervision Commission provided teachers with an additional contract day in FY 1999-00 and two additional contract days in FY 2000-01.

Table 3-17: Estimated Cost Avoidance from Limiting COLA Increases - Classified Staff

Fiscal Year	Proposed Cost of Living Adjustment	Cost Avoidance
FY 2000	1.5 Percent	\$45,022
FY 2001	0 Percent	140,463
FY 2002	1.0 Percent	210,856
FY 2003	2.0 Percent	254,024
Total		\$650,365

Financial Implications: Limiting the COLA increase to for certificated employees to 0 percent in FY 1999-00, 1.0 percent in FY 2000-01, 2.0 percent in FY 2001-02, and 3.0 percent in FY 2002-03 could potentially result in a cost avoidance of \$1,370,306. Limiting the COLA increase for classified staff to 1.5 percent in FY 1999-00, which is required per the classified employee contract which expires December 31, 1999, 0 percent in FY 2000-01, 1.0 percent in FY 2001-02, and 2.0 percent in FY 2002-03 could potentially result in a cost avoidance of \$650,365.

F3.22 The district currently pays the employee portion of STRS and SERS for all of its administrators. The employee portion of retirement is based on the salary plus the amount that would have been paid by the administrator for their portion of retirement. This increases the district payment for the employees' portion of retirement from 9.3 percent to 10.2 percent of the administrator's salary for those covered under STRS and 9.0 percent to 9.8 percent of the administrator's salary for those covered under SERS.

R3.2 The district has the highest average salary for administrators among the peer districts as reflected in **Table 3-15**. In addition to having the highest average salary, the district also pays the employee portion of the administrator’s retirement contribution to STRS or SERS. Fringe benefit savings could be achieved by eliminating payment for the administrators’ portion of retirement when each administrator’s contract is subject to renewal. This elimination would have to be done in line within STRS three-tier guidelines.

Financial Implication: By requiring administrators to pay their own employee portion of the retirement contribution to STRS and SERS, the district would realize an annual savings in fringe benefit costs of approximately \$90,535 based on FY 1998 total administrator salaries.

F3.23 **Table 3-18** illustrates total FTEs and salaries presented in **Table 3-15** but have been re-categorized into the ratio of six classifications of personnel as defined in **Table 3-6** and further compares the ratio of total salaries per classification to total district salaries.

Table 3-18: Breakdown of Total FTE Employees and Percentage of Total EMIS Salaries by Classification

Classification	# of Employees	% of Total Employees	Total Salaries	% of Total Salaries
Administrative	13.0	4.4%	\$897,911	8.3%
Teachers	162.1	54.9%	6,885,384	64.1%
Pupil Services	15.4	5.2%	731,068	6.8%
Support Services	68.1	23.0%	1,439,465	13.4%
Other Classified	36.0	12.2%	776,904	7.2%
Technical	1.0	0.3%	25,388	0.2%
Total	295.6	100.0%	\$10,756,120	100.0%

Source: Preliminary FY 1997-98 EMIS Profile

When OFSD’s ratio of administrators to total FTEs is compared to total FTEs, administrators make up 4.4 percent. However, administrators’ salaries account for approximately 8.3 percent of total salaries.

F3.24 **Table 3-19** illustrates OFSD’s percentage of employee salaries in proportion to total district salaries and compares the respective employee classifications to the peer districts. OFSD has the highest percentage in three out of the six classifications as indicated by the bolded numbers.

Table 3-19: Percentage of Total Employees and EMIS Salaries by Classification

Classification	OFSD		Amherst		Maumee		North Olmsted		Peer Average	
	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salaries	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary
Administrative	4.4%	8.3%	3.6%	6.7%	5.0%	8.3%	4.6%	8.0%	4.4%	7.8%
Teachers	54.9%	64.1%	57.8%	69.2%	57.0%	72.5%	56.0%	67.2%	56.4%	68.3%
Pupil Services	5.2%	6.8%	4.3%	6.2%	4.7%	6.3%	4.5%	5.6%	4.7%	6.2%
Support Services	23.0%	13.4%	18.5%	10.4%	18.6%	7.2%	18.0%	10.5%	19.5%	10.4%
Other Classified	12.2%	7.2%	15.8%	7.5%	14.4%	5.4%	16.5%	8.3%	14.7%	7.1%
Technical	0.3%	0.2%	0.0%	0.0%	0.3%	0.3%	0.4%	0.4%	0.3%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

F3.25 **Table 3-20** indicates that OFSD’s average teacher salary of \$44,383 is the second lowest among the peer districts. **Table 3-20** also provides information concerning educational attainment and total years of experience. OFSD teachers have the second lowest average years of experience and the second lowest number of teachers with a masters degree which may correlate with the district having the second lowest average teaching salary.

Table 3-20: Average Teachers’ Salary

	OFSD	Amherst	Maumee	North Olmsted
Average Teaching Salary	\$44,383	\$43,270	\$46,364	\$45,121
Average Years of Experience	14.0	17.3	13.7	16.2
% Non-Degree	0.0	0.6	0.5	0.0
% Bachelors Degree	16.5	15.3	11.9	15.4
% Bachelors Degree +150	31.6	47.6	33.4	24.3
% Masters and Above	51.9	36.5	54.2	60.3

Source: Preliminary FY 1997-98 EMIS Profile

F3.26 The OFEA union agreement provides teachers with compensation beyond a salary level for “blocks of credits” related to elementary or secondary education or for approved degree programs related to the teacher’s content area as follows:

- ! Bachelor’s Degree - \$200 per five semester hour blocks of credit to a maximum of six blocks.
- ! V Level on Salary Schedule - \$300 per 5 semester hour blocks of credit to a maximum of six blocks. To reach the V level on the salary schedule, a teacher must have completed a Bachelors degree (120 semester hours) plus an additional 30 semester hours.
- ! Master’s Degree - \$400 per 5 semester hour blocks of credit to a maximum of 13 blocks.

While most school districts incorporate blocks of credit into their salary schedules for Bachelor’s and Master’s degrees, the V level of OFSD’s salary schedule and the number of block payments available appear to be unique to OFSD. **Table 3-21** indicates OFSD’s maximum V salary exceeds the equivalent peer district salaries by approximately seven to ten percent suggesting that the V schedule could substantially increase teacher salaries. However, it does not appear the district has many teachers at the V level as **Table 3-20** indicates. OFSD’s average teacher’s salary, inclusive of all block payments, was \$44,383 which was the second lowest when compared to the peer districts.

F3.27 **Table 3-21** compares various levels of OFSD’s teacher salary schedule to the comparable peer district levels. OFSD has the second highest Bachelor’s beginning salary and the second highest Master’s maximum salary when compared to the peer districts. **Table 3-21** also indicates that OFSD teachers with a Bachelor’s degree reach the maximum step on the salary schedule after 24 years and 27 years are needed to reach the maximum step on the V and Master’s degree salary schedules.

Table 3-21: Teachers' Salary Schedule

District	Bachelors Beginning Salary	Bachelors Maximum Salary ⁶	V Beginning Salary ¹	V Maximum Salary ^{1,6}	Masters Beginning Salary	Masters Maximum Salary ⁶	Ph.D. or Doctorate Maximum Salary ⁶	# of Steps in Salary Step Schedule
OFSD ²	\$26,890	\$50,288	\$28,269	\$55,432	\$29,825	\$63,563	\$ N/A	20 steps ³
Amherst	26,331	51,662	27,753	51,662	28,043	56,586	N/A	27 steps
Maumee	26,449	50,454	29,686	50,454	30,853	61,129	N/A	18 steps ⁴
North Olmsted	27,288	50,666	29,496	50,666	30,421	63,617	68,340	15 steps
Average	\$26,740	\$50,643	\$28,801	\$51,929	\$29,786	\$61,099	N/A ⁵	19.5 steps

Source: FY 1998-99 salary schedules

¹ See **F3.26** for definition of V salary schedule. OFSD's V salary schedule was compared to the equivalent bachelor's salary at the peer districts.

² OFSD's numbers are as of 1/1/98. The contract expired at 12/31/98 and a new one is currently being negotiated.

³ A review of the contract shows that several steps require more than one year to advance to the next step. The Bachelors' degree schedule has 19 steps and the V and Masters' degree schedules have 20 steps. Twenty-four years are required to reach the 19 steps on the Bachelors' salary schedule and 27 years are needed to reach the 20th step on the V and Masters' degree salary schedules. Also, no longevity payments are provided.

⁴ A review of the contract shows that several steps require more than one year to advance to the next step. Twenty-five years are needed to reach the 18th step.

⁵ Not calculated due to only one peer district having this category.

⁶ Maximum salaries calculated after longevity increments have been applied.

N/A - The district does not have a salary step above the Masters' maximum salary.

F3.28 Although OFSD's average teaching salary per EMIS for FY 1997-98 was \$44,383, a review of the 1998 calendar year W-2 report for full-time teachers reflected actual salaries paid to teachers ranged from \$26,890 to \$76,482 with approximately 22 percent of teachers receiving more than \$60,000 for the year. **Table 3-22** represents the range of actual teacher salaries based on the W-2 report for 1998. The salary category includes blocks of credit, supplemental contracts, extended time credit, etc.

Table 3-22: Range of Teacher Salaries per 1998 W-2 Report

Salary Range	# of Teachers per 1998 W-2 Report
\$70,000-79,999	5
60,000-69,999	27
50,000-59,999	37
40,000-49,999	34
30,000-39,999	31
26,890-29,999	14
Total	148

Source: Payroll department - 1998 W-2 pay report

F3.29 **Table 3-23** illustrates the types of supplemental contracts outlined in the OFEA contract that impact the average salary.

Table 3-23: Supplemental Pay for FY 1997-98

Supplemental Type	Amount Paid
Athletic	\$211,566
Directors and Department Heads	73,416
IAT Members	9,902
Extended Service Contracts	65,142
Coordinators/Advisors	65,094
Other ¹	39,529
Total	\$464,649

Source: HRD

¹ Includes traffic controls and miscellaneous

R3.3 Because of the district's current financial situation, the district should review and assess their supplemental pay schedule and the number of supplemental contracts issued to determine if costs savings can be derived without affecting the quality of education.

Substitutes

F3.30 **Table 3-24** shows the overall substitute payments made by the district for FY 1997-98. Of the \$203,066 spent, teacher substitutes made up approximately 57 percent of the total.

Table 3-24: Substitute Payments for FY 1997-98

Classification	Amount Paid
Teachers	\$116,677
Clerical/Office	5,012
Other¹	11,612
Custodial/Maintenance	23,014
Transportation	30,633
Food Service	16,118
Total	\$203,066

Source: Treasurer's Office

¹ Includes interpreters, librarians, adult education and educational aides.

F3.31 **Table 3-25** compares OFSD and the peer districts’ substitute costs and procedures. This information will be used in numerous findings when assessing substitute costs.

Table 3-25: Comparison of Substitute Costs

	OFSD	Amherst	Maumee	North Olmsted
Auto/Manual Substitute Placement	Manual	Manual	Manual	Manual
Daily Cost of Teacher Substitutes	0-10 days - \$65/day 11 or more days - \$70/day 20-59 days - may be paid B-0 per diem on current salary schedule 60+ days in the same position - per diem B-0 of current salary schedule (\$146/day) plus sick leave benefits permanent substitutes - \$80/day plus sick leave benefits	1-15 days - \$65/day 16-45 days - \$75/day 46+ days - \$95/day 60+ days in the same position - per diem B-0 of current salary schedule (\$143/day) plus benefits	0-10 days - \$70/day 11-20 days - \$75/day 21-59 days - \$80/day 60+ days - base salary (\$143/day)	0-15 days - \$65/day 16-60 days - \$84/day 60+ days - Teacher Salary Step 1 - Appropriate Education Credit (\$147/day)
Hourly Rate for Bus Drivers & Assistants	\$11.91/hr - bus driver \$11.00/hr - charter rate \$8.93/hr - transportation attendant	\$12.36/hr	\$9.84/hr - regular routes \$9.45/hr - field trip	\$10.00/hr
Hourly Rate for Clerical & Aides	\$6.50/hr	\$6.80/hr	\$7.45/hr - clerical \$6.20/hr - monitor/aides	\$7.00/hr - Clerical \$6.75/hr - Aides
Hourly Rate for Maintenance	\$6.50/hr - cleaners \$9.00/hr - utility/custodian	\$9.95/hr	\$7.45/hr	\$7.00/hr - maintenance \$7.00/hr - custodial
Hourly Rate for Food Service	\$6.50/hr	\$6.50/hr	\$6.25/hr	\$6.50/hr

Source: HRD

Certificated Substitutes

F3.32 OFSD uses permanent and daily substitute teachers to cover for teacher absences. Permanent substitutes are guaranteed work every day and are paid \$80 per day plus sick leave benefits. Daily substitutes are paid \$65 per day. After 10 days in the same position, the daily rate increases to \$70 per day. After 20 days in the same position, a substitute teacher may receive per diem at the B-0 level of the current salary schedule. A long-term substitute is defined as a substitute who works in the same position for 61 or more days. On the 61st day, the substitute receives the per diem at the B-0 level of the salary schedule plus sick leave benefits. At no point are certificated substitutes provided with medical, dental, vision and life insurance benefits.

F3.33 In FY 1997-98, OFSD used 149.1 FTE teachers who were contracted to teach 180 days (school year) for a total of 26,839 school days requiring a teacher. **Table 3-26** shows approximately 5.2 percent of total teaching days for FY 1997-98 were taught by a substitute teacher. The table also illustrates that, of the eleven periods defined, two periods had six percent or more of available teaching days taught by a substitute teacher which is indicated by the bolded numbers.

Table 3-26: Substitute Teachers Report for FY 1997-98

Month	Teaching Days Per Month	Total Teaching Days ¹	Total Substitute Days	% of Total Teaching Days Requiring Substitutes
August 1997	5	746	15.5	2.1%
September 1997	21	3,131	96.5	3.1%
October 1997	22	3,280	204.0	6.2%
November 1997	17	2,535	124.5	4.9%
December 1997	15	2,237	126.5	5.7%
January 1998	19	2,833	162.0	5.7%
February 1998	18	2,684	94.5	3.5%
March 1998	22	3,280	272.0	8.3%
April 1998	16	2,386	120.5	5.1%
May 1998	20	2,982	165.5	5.6%
June 1998	5	746	14.0	1.9%
Total	180	26,839	1,395.5	5.2%

Source: HRD

¹ Number of teachers multiplied by number of teaching days per period.

C3.1 The OFEA union agreement shows that there are 184 contract days for the teachers. Of these 184 days, 180 days are instructional days in class with students. OFSD recognizes the benefits of instructional days to its students which may have a positive impact on the quality of education provided.

F3.34 **Table 3-27** illustrates the number of leave days used by teachers for FY 1997-98 thus requiring either a substitute or another staff member to cover for the absence.

Table 3-27: Teachers’ Leave Days Taken - FY 1997-98

	# Sick Days Taken	# Personal Days Taken	# Prof. Days Taken	# Other Days Taken ¹	Total Leave Days Taken	Number of Teachers	Average # of Days per Teacher
Teachers	641	88	398	127	1,253	154	8.1

Source: Treasurer’s office

¹ Other days include jury duty, inclusion days, IEPs, planning meetings and field trips.

F3.35 **Table 3-28** illustrates the average number of sick, personal, professional and other leave days taken, per teacher, for FY 1997-98.

Table 3-28: Average Number of Leave Days Taken per Teacher

	OFSD		Amherst		Maumee		North Olmsted		Peer District Average
	# of Days Taken	Average Per Teacher	# of Days Taken	Average Per Teacher	# of Days Taken	Average Per Teacher	# of Days Taken	Average Per Teacher	
Sick Leave	641	4.2	1,172	5.5	1,389	7.0	1,894	6.9	5.9
Personal Leave	88	0.6	193	0.9	325	1.6	336	1.2	1.1
Prof. Leave	398	2.5	339	1.6	406	2.0	N/A ²	N/A ²	2.2
Other Days ¹	127	0.8	8	0.1	24	0.1	51	0.2	0.3
Total	1,140	8.1	1,712	8.1	2,144	10.7	2,281	8.3 ³	8.8
# of Eligible Teachers	154.0		212.0		199.0		276.0		210.3

Source: Treasurer’s office

¹ Other days include jury duty, inclusion days, IEPs, planning meetings and field trips.

² Record of leave information not provided by district.

³ North Olmsted’s total does not take into account professional leave since that category of leave taken was not easily obtainable by the district.

The peer average would also be higher than the current 8.8 if North Olmsted’s professional leave taken were included.

As evidenced by the amount of professional leave taken by OFSD’s teachers at 2.5 days per year, the management of the district encourages professional growth and development of its staff. According to the assistant superintendent, there are numerous grant programs which provide funds for staff training and development as part of the grant requirements. The following state and federal grants provide funding for the cost of staff training and development resulting in increased use of professional leave days:

- ! Drug Free Grant
- ! Martha Holden Jennings Grant
- ! S.M.A.R.T.
- ! Eisenhower/Title II Grant
- ! Teacher Development Grant

F3.36 The assumptions used for the following statistics are based on the average daily substitute rate of \$72 per day. OFSD teachers, who are provided 15 days of sick leave per year, averaged 4.2 days of sick leave per teacher or approximately \$46,569 for total substitute salaries in FY 1997-98. In FY 1997-98, teachers averaged 0.6 days of personal leave per teacher or approximately \$6,652 for total substitute salaries. In FY 1997-98, OFSD's teachers averaged 2.5 days of professional leave or \$27,720 for total substitute salaries. OFSD teachers averaged 0.8 days of other leave or approximately \$8,870 for substitute salaries. Using the leave as defined above, OFSD had a maximum exposure for teacher substitute costs of \$89,811. This estimate is conservative because it does not consider the increased rate for long-term substitute teachers. The district indicated \$116,677 was actually spent on substitute teachers in FY 1997-98.

F3.37 The OFEA and the Ohio Association of Public School Employees (OAPSE) contracts establish perfect attendance policies and also offer members a cash conversion option for unused personal days. The policies are as follows:

- ! Under the OFEA contract, the attendance policy states that a member who has not been absent for any sick leave, personal leave and/or any unpaid leave for an entire quarter of a school year, shall receive a bonus equal to one-half day's pay.
- ! Also under the OFEA contract, for unused personal leave, the employee may elect a cash sum for each unused leave day calculated based upon the BA-0 salary divided by 184.
- ! Under the OAPSE agreement, the attendance policy states that the district will pay any employee who has not been absent for any cause other than a funeral for the immediate family for an entire quarter of a school year a bonus equal to one-half day's base pay.
- ! Also under the OAPSE agreement, for unused personal leave, the employee may elect a cash sum calculated based upon 50 percent of the employee's regularly scheduled hours in a work day.

For FY 1997-98, the district paid \$113,000 to certified staff and \$22,000 to classified staff for the incentives. It appears the incentives are effective as indicated by the low average

number of 4.2 sick leave days and 0.6 personal leave days taken per teacher as shown in **Table 3-28**. Additionally **F3.42** shows that classified employees averaged 6.1 sick leave and 1.2 personal leave days per employee.

C3.2 The district has established an effective perfect attendance incentive policy. The low usage of sick leave taken by teachers limits the need for substitute teachers which causes minimal interruptions in the flow of teachers' curriculum and may have a positive impact on the quality of education provided to the students.

F3.38 The district has indicated substitute teachers are difficult to find. OFSD uses the following approaches to find substitutes:

- ! Placing advertisements in local newspapers
- ! Questioning applicants for full-time teaching positions if they are willing to substitute
- ! Sending notices to local colleges

R3.4 The district has indicated substitute teachers are difficult to find and at times the need for substitute teachers is higher than the substitute pool can provide. In order to find more qualified and effective substitute teachers, OFSD could incorporate the following strategies into their current program:

- ! Implement a guaranteed substitute pool establishing a maximum number of teachers
- ! Recruit recent graduates to serve as substitutes
- ! Advertise on the local television channel
- ! Mail letters to retirees stating re-employment standards
- ! Mail letters to student teachers
- ! Place flyers in university placement offices
- ! Hold a meeting for interested substitutes prior to the start of the school year
- ! Develop a substitute teachers' handbook
- ! Propose an increased rate of compensation for substitutes
- ! Use para-professional with the approval of ODE

F3.39 When a qualified substitute is not available to cover for an absent teacher, the principal will ask another teacher to cover the class and the teacher is compensated at a rate of \$15 or \$10 per period depending on if it would normally have been a planning or duty assignment period for the teacher. **Table 3-29** compares the rate OFSD pays for teachers to fill in when a standard substitute is not available to the rate paid by the peer districts. During FY 1997-98, the district paid \$3,725 to teachers for substituting at the high school and middle school.

Table 3-29: Rates Paid for Teachers to Fill in for Substitutes

OFSD	Amherst	Maumee	North Olmsted
\$15.00 - planning period \$10.00 - duty assignment	\$22.38/hr	\$19.00/hr - 1/99 \$19.50/hr - 1/00 \$20.00/hr - 1/01	\$24.00/hour - elementary school \$16.00/period - middle school \$20.00/period - high school

Classified Substitutes

F3.40 Classified positions that require substitutes are typically filled by casual/short-term substitutes. Casual/short-term substitutes are paid an hourly wage based upon the classification of employees as shown in **Table 3-25**. Classified substitutes receive the same hourly rate regardless of the number of days worked in the same position. Benefits are not provided to casual/short-term substitutes at any time.

F3.41 **Table 3-30** illustrates the number of days of leave used by OFSD's classified staff for FY 1997-98 which could have required either a substitute or another staff member to cover for the vacancy.

Table 3-30: Classified Personnel Days Taken FY 1997-98

Classification	# of Sick Days Taken	# of Vac Days Taken	# of Personal Days Taken	# of Prof. Days Taken	# of Other Days Taken ¹	Total Leave Taken	# of Emp. per Class.	Average # Total Days Taken per Employee
Clerical/Office	57	106	22	5	6	196	23	8.5
Custodial/Maintenance	228	185	50	0	3	466	33	14.1
Food Service	370	0	24	0	0	394	26	15.2
Transportation	340	0	39	0	2	381	31	12.3
Other ²	131	43	31	11	3	219	25	8.8
Total	1,126	334	166	16	14	1,656	138	12.0

Source: Staff Attendance Reports

¹ Other days include jury duty and planning days.

² Other classified employees include computer operator, teaching aides, library technicians/aides, messenger, telephone operator, mechanics, grounds keeper and service workers.

F3.42 **Table 3-31** illustrates the average number of leave days taken per employee category for FY 1997-98. OFSD classified employees averaged 8.2 sick days during FY 1997-98 with food service and transportation employees utilizing eleven or more days of sick leave.

Table 3-31: Average Days Leave Taken FY 1997-98 - Classified Personnel

Classification	Average # Sick Days Taken	Average # Vacation Days Taken ¹	Average # Personal Days Taken	Average # Professional Days Taken	Average # Other Days Taken ²
Clerical/Office	2.5	13.3	1.0	0.2	0.3
Custodial/Maintenance	6.9	14.2	1.5	0.0	0.1
Food Service	14.2	N/A	0.9	0.0	0.0
Transportation	11.0	N/A	1.3	0.0	0.1
Other	5.2	14.3	1.2	0.4	0.1
Total	8.2	13.9	1.2	0.1	0.1

Source: HRD

¹ Calculated based on eligible employees.

² Other days taken includes jury duty and planning days.

N/A - not eligible for vacation.

During FY 1997-98, the district had three food service workers and one transportation worker who used a total of 457 sick days due to extended illnesses. When these days are excluded from the total number of sick days used, the district's average sick days taken for food service workers becomes 3.2 days. Also, the average sick leave days taken for all classified staff would become 4.9 days.

F3.43 **Table 3-32** presents cost information for FY 1997-98 substitute costs for classified employees assuming an average daily substitute rate as defined in **Table 3-25** and an average number of total leave days taken per employee as established in **Table 3-31** for each employee classification.

Table 3-32: Classified Personnel Substitute Costs FY 1997-98

Classification	Avg # Total Days Taken per Employee	Hours per Day	Substitute Rate per Hour	# of Employees Included in Group	Estimated Substitute Cost	Actual Substitute Cost
Clerical/Office	8.5	8.0	\$6.50	23	\$10,166	\$5,012
Custodial/Maintenance	14.1	7.0	\$7.50	33	24,428	23,014
Food Service	15.2	4.0	\$6.50	26	10,275	16,118
Transportation	12.3	6.0	\$11.91	31	27,248	30,633
Other Classified	8.8	N/A ¹	N/A ¹	25	N/A ¹	11,612
Total					\$72,117	\$86,389

Source: HRD and Treasurer's Office

¹ Multiple employee classifications are included in the other classified group.

F3.44 Using the assumptions above, OFSD had a maximum exposure for classified substitute services of \$72,117. The district indicated that \$86,389 was actually spent on classified substitute services. The difference can be associated with the lack of an estimated substitute cost for the other classified employee group.

F3.45 **Table 3-33** compares the average number of sick days taken by OFSD’s classified staff to the peer districts for FY 1997-98.

Table 3-33: Average Number of Sick Days Taken FY 1997-98

	OFSD		Amherst		Maumee		North Olmsted		
	# Sick Days Taken	Average Per Employee	# Sick Days Taken	Average Per Employee	# Sick Days Taken	Average Per Employee	# Sick Days Taken	Average Per Employee	Peer Average
Clerical	57	2.5	131	7.7	154	8.5	207	5.2	6.0
Cust/Maint	228	6.9	299	13.6	193	6.9	312	7.4	8.7
Food Service	370	14.2	238	9.1	170	6.3	281	6.8	9.1
Transportation	340	11.0	195	10.3	106	5.9	311	7.4	8.6
Other Classified ¹	131	5.2	493	10.5	103	5.7	539	8.1	7.4
Total	1,126	8.2	1,356	10.4	726	6.7	1,650	7.1	8.1

¹ Other classified employees include educational assistants, lunchroom aides, early childhood employees and classified administrators.

F3.46 **Table 3-33** indicates that OFSD classified employees averaged 8.2 sick days during FY 1997-98. Food service and transportation employees utilized eleven or more days of sick leave in FY 1997-98. OFSD’s classified staff used the second highest average number of sick days when compared to the peer districts. The classified staff provides critical resources to the educational process by providing the following services:

- ! Functioning as a support resource for 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 district’s resources, daily routines are disrupted and can weaken the quality of education. In addition, the district incurs significant financial expenditures through the use of substitutes or overtime.

R3.5 The classified employee population averaged 8.2 sick days per person in FY 1997-98 which is higher than the peer district average and substantially higher than the average taken by 12 month government workers for 4.7 days as reported by the Bureau of Labor Statistics. Assuming full utilization of substitutes by the district, if OFSD would reduce the amount of sick leave taken, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the flow of work and reduce the overall substitute costs incurred as shown in **Table 3-34**.

Table 3-34: Annual Savings Calculated From Reductions in Classified Sick Leave Usage

Employee Classification	Annual Savings Calculated at		
	Sick leave reduced by 1 day	Sick leave reduced by 2 days	Sick leave reduced by 5 days
Custodians	\$1,733	\$3,465	\$ ¹
Food Service	676	1,352	3,380
Transportation	2,215	4,431	11,076
Total Savings	\$4,624	\$9,248	\$14,456

¹ Not calculated for this classification because custodians only averaged 6.9 days of sick leave taken.

Reducing sick leave by two days would bring the average in line with the average taken by 12 month government workers.

Financial Implication: Reducing the number of sick days taken by each employee classification identified in **Table 3-34** by one day would save OFSD approximately \$4,624 annually in substitute costs. Reducing the number of sick days taken by employees by two days would save OFSD approximately \$9,248 annually in substitute costs. If OFSD could further reduce sick leave taken by five days for classified employees, the district would save approximately \$14,456 annually in substitute costs.

R3.6 OFSD’s sick leave taken per classified employee is currently ranging between 2.5 and 14.2 days. Specifically, transportation and food service employees averaged 11.0 and 14.2 days respectively. Although the district did have a high amount of severe illnesses, the district must continue to make managing and reducing the amount of sick leave taken a high level priority among the district’s administration. The HRD should provide departmental management with sick leave reports containing no less than, the amount of leave taken by employees, leave balances by employee, reasons for absences and any additional information regarding sick leave taken. Management, in turn, should actively counsel employees with excessive sick leave usage and/or abuse.

Additionally, because of the excessive amount of sick leave taken per employee and the costs associated with obtaining substitutes to cover for absences, OFSD may need to implement policies to assist with the reduction of sick leave which may include:

- ! Implementing 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 each time taken off.
- ! Requiring a certified statement from the employee’s physician if the employee is off sick for three or more consecutive days as opposed to the current policy of ten days.
- ! Requiring sick leave to be a component of the employee’s evaluation.
- ! Excluding 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, the district needs to review and implement policies throughout the district. Additionally, all administrators should go through initial and on-going training to ensure complete understanding of the policies and consistent implementation of such policies.

Benefits Administration

F3.47 The administration of benefits is a responsibility of the HRD which includes conducting new employee orientation, distributing benefit information packets to employees and processing enrollment additions and changes. The HRD is also responsible for reconciling carrier coverage records and ensuring corresponding payroll deductions are processed properly.

F3.48 The teachers’ union agreement contains a clause establishing an insurance committee that consists of members representing the board of education and members representing each of the unions. The primary responsibility of the insurance committee is to oversee the operation of the existing health insurance plans and to recommend to the board changes which will provide the most appropriate health insurance coverage for employees at the lowest cost. However, the district has indicated the insurance committee is not active and the district has not performed an analysis of benefit costs in recent years.

R3.7 The district’s insurance committee should become more involved in its benefit administration and should meet on a regular basis. The committee should request comparative information from the health care plan administrator and through surveys of other jurisdictions in order to determine possible cost containment strategies. The information could include:

- ! Complete description of health plans offered
- ! Complete description of ancillary benefits offered, such as dental, vision and prescription drugs

- ! Enrollment in each plan, broken down between family and single coverage
- ! Last year, current year and projected monthly rates with comparisons to the rates of other jurisdictions
- ! Employer and employee contribution to each plan and method of determination (percentage of cost or flat dollar)
- ! Financing information on each plan
- ! Experience statements
- ! Information on any cost containment efforts to date and any identified cost savings
- ! Utilization data on each plan (including inpatient, outpatient, professional, major medical and prescription drugs)
- ! Employer practice for continuing coverage to retirees
- ! Labor or management proposals

F3.49 The district currently utilizes two healthcare plans: Medical Mutual of Ohio which is a traditional plan and a Super Med Select which is a point of service (POS) plan. All full-time certificated employees are eligible to receive health care benefits. Certificated employees are considered full-time if they work thirty eight hours or more per week. Of the certified staff participating in the district’s health care plans, 98 percent are considered full-time. All full-time classified employees are eligible to receive health care benefits. To be considered full-time, a classified employee must work at least 1,086 hours a year. Of the classified staff participating in the district’s health care plans, 91 percent are considered full-time. Full-time certified and classified employees are required to contribute ten percent towards the cost of the monthly premiums.

Part-time certificated and classified employees are required to contribute towards the monthly premium on a prorated basis. OFSD has implemented a graduated benefits scale designed to prorate the contributions required by part-time classified employees. Those part-time employees who wish to have medical coverage are required to contribute towards the premium costs based on the percentage of a full-time schedule that each employee works as shown in **Table 3-35**.

Table 3-35: Graduated Benefits Scale

Hours Worked	Percentage of Employee Contribution Required
1,086 or more	10%
720 to 1,085	52%
less than 720	100%

Source: HRD

C3.3 OFSD has successfully implemented a graduated benefit scale designed to prorate the contributions required by part-time employees. Additionally, all full time employees are required to contribute 10 percent toward the benefit costs. Requiring employee contributions towards benefits provides a significant cost savings to the district.

F3.50 All bargaining unit employees who are currently enrolled or otherwise eligible for health care coverage can waive, in writing, the right to such insurance. Those who voluntarily choose to forfeit any insurance coverage shall receive an annual payment in lieu of the insurance. For those employees covered by the OFEA agreement, the “in lieu of payment” equates to \$1,000 per year for full-time employees. Part-time employees receive a pro-rata sum determined by the percentage equivalent to a full-time position. Tutors who waive coverage receive \$500 per year. Under the OAPSE agreement, employees working assigned hours of 1,086 or more receive an annual payment of \$1,000. Employees working regularly assigned hours of 720 to 1,086 who waive insurance coverage receive an annual payment of \$500. For FY 1997-98, the district expended \$49,870 to employees who utilized the cash option plan.

C3.4 An annual cash option in lieu of medical, dental and prescription coverages provided to district employees decreases benefit costs to the district.

R3.8 Providing employees an annual cash option in lieu of medical, dental and prescription coverages is favorable to the district’s operating costs. However, in the best interest of the employees’ well being which potentially impacts the district’s amount of sick leave taken, personal leave taken and workers’ compensation benefits, OFSD should require proof of other insurance taken by the employee prior to approving payment in lieu of benefits.

F3.51 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 proportion of the cost of a family premium. Forty-six percent required their employees to share the cost for the single plan. The SERB study also identified the average monthly medical premium for single and family coverage as \$184.09 and \$469.17 respectively. The single and family premiums for the district’s traditional medical plan is higher than the averages identified in the SERB study. For the POS plan, the district’ single

and family premium amounts are lower than the averages identified in the SERB study. 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.

F3.52 **Table 3-36** provides certain details about health care information. OFSD is the only district of the peer districts requiring contributions from all employees. However, Amherst School District requires contributions for family coverage only.

Table 3-36: Health Care Costs

School	Provider(s)	Monthly Premium For Single Plan	Full Time Emp. Share	Monthly Premium For Emp. + one	Full Time Emp. Share	Monthly Premium For Family Plan	Full-Time Emp. Share	# of Employees In Each Plan	Self-Insured
OFSD	Medical Mutual	\$214.95 ¹	\$18.54	N/A	N/A	\$563.68 ³	\$48.92	34/99	Yes
	Super Med Select	\$195.24 ¹	\$16.56	N/A	N/A	\$511.69 ³	\$43.72	24/74	Yes
Amherst	L.E.R.C. ²	\$149.37	\$0	N/A	N/A	\$395.83	\$39.58	101/160	Yes
Maumee	Paramount ³								
	PPO	\$168.00	\$0	N/A	N/A	\$428.40	\$0	0/9	No
	HMO	\$151.29	\$0	N/A	N/A	\$385.80	\$0	38/157	No
	HMO	\$151.29	\$0	N/A	N/A	\$385.80	\$0	31/22	No
North Olmsted	Medical Mutual	\$168.97 ⁴	\$0	N/A	N/A	\$431.90 ⁴	\$0	38/74	Yes
	Super Med	\$147.90 ⁴	\$0	N/A	N/A	\$377.79 ⁴	\$0	73/291	Yes
	Kaiser	\$163.79 ⁴	\$0	N/A	N/A	\$428.41 ⁴	\$0	11/17	No

Source: Schedule of benefits

¹ Includes \$29.59 for single and \$74.58 for family prescription plans.

² Amherst has contracted with the Lake Erie Regional Council (LERC), a jointly governed organization, to provide health and dental benefits.

³ Prescription plan is included in medical benefits premium costs.

⁴ Includes \$27.26 for single and \$67.99 for family prescription plans.

F3.53 Certain benefits affect the overall cost of medical plans. **Table 3-37** compares some key benefits that are considered when comparing benefits to cost when choosing a medical plan.

Table 3-37: Key Medical Plan Benefits

	<u>OFSD</u>	<u>Amherst</u>	<u>Maumee</u>	<u>North Olmsted</u>
	Medical Mutual of Ohio Super Med Select	L.E.R.C. ¹	Paramount	Medical Mutual of Ohio Super Med Select Kaiser
Office Visits	single - 80%/20% , family - 80%/20% network - 100% non-network - 70%/30%	90%/10%	HMO: \$10 co-pay PPO: network - 90%/10% non-network 70%/30%	80%/20% 80%/20%, after deductible reached, 100% if network No
Employee Annual Deductible	\$100 single/ \$200 family network - None non-network - \$250	\$50 single/\$100 family	HMO: no deductible PPO: \$400 single/\$800 family if network \$200 single/\$400 family if non-network	\$200 single/\$400 family \$200 single/\$400 family No
Prescription Plan Included?	No No	Yes	Yes	No No No
Need to Choose Primary Physician	No Yes	No	Yes	No Yes No
Maternity	100% network - 100% non-network - 70%/30%	100%	100%	100% 100% 100%
Well Child Care	single - 80%/20% , family - 80%/20% , for 9 years and older, routine/annual physicals are not covered network - 100% non-network - 70%/30%	0 - 1 yrs - \$500 1 -9 yrs - \$150	HMO: \$10 co-pay per visit PPO: network - 90%/10% non-network 70%/30%	unlimited to age 16 unlimited to age 16 No
Inpatient Hospital Care	100% - 730 days max network - 100% non-network - 70%/30%	100%	HMO: 100% PPO: network - 90%/10 non-network - 70%/30%	unlimited unlimited No

¹ Amherst has contracted with the Lake Erie Regional Council (LERC), a jointly governed organization, to provide health and dental benefits.

F3.54 **Table 3-38** shows the average premiums paid for both single and family dental plans. OFSD and Amherst are the only districts requiring contributions from all employees. Maumee school district is the only district that has an employee plus one plan.

Table 3-38: Dental Insurance

School	Provider(s)	Monthly Premium for Single Plan	Full Time Emp. Share	Monthly Premium for Emp. + one	Full Time Emp. Share	Monthly Premium for Family Plan	Full-Time Emp. Share	Number Enrolled: Single/Family	Self Insured
OFSD	Mutual Health ¹	\$52.52	\$5.25	N/A	N/A	\$52.52	\$5.25	45/201	Yes
	Mutual Health ²	\$58.41	\$5.84	N/A	N/A	\$58.41	\$5.84	45/201	Yes
Amherst	L.E.R.C. ³	\$48.07	\$16.01	N/A	N/A	\$48.07	\$16.01	42/202	Yes
Maumee	Delta Dental	\$19.10	\$0	\$36.94	\$0	\$65.70	\$0	35/53/135	Yes
		\$18.05	\$0	\$34.86	\$0	\$61.13	\$0	15/23/11	
North Olmsted	Medical Mutual	\$18.45	\$0	N/A	N/A	\$49.17	\$0	124/397	Yes

¹ Information in effect from July to September 1997.

² Information in effect from October 1997 to June 1998.

³ Amherst has contracted with the Lake Erie Regional Council (LERC), a jointly governed organization, to provide health and dental benefits.

F3.55 **Table 3-39** shows the average premiums paid for both single and family vision plans. OFSD is the only district that offers vision insurance to employees. OFSD requires employee contributions for both single and family coverage.

Table 3-39: Vision Insurance

School	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-Time Employee Share	Number Enrolled: Single/Family	Self Insured
OFSD	Mutual Health ¹	\$13.05	\$1.31	\$13.05	\$1.31	43/206	Yes
	Mutual Health ²	\$17.64	\$1.76	\$17.64	\$1.76	43/206	Yes
Amherst	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maumee	N/A	N/A	N/A	N/A	N/A	N/A	N/A
North Olmsted	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹ Information in effect from July to September 1997.

² Information in effect from October 1997 to June 1998.

F3.56 **Table 3-40** shows the average premiums paid for both single and family prescription insurance plans. Currently, none of the districts require employee contributions towards prescription insurance.

Table 3-40: Prescription Insurance

School	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-Time Employee Share	Number Enrolled: Single/Family	Self Insured
OFSD	Medical Mutual	\$29.59	\$0	\$74.58	\$0	47/174	Yes
Amherst	L.E.R.C. ¹	Included in health plan	N/A	N/A	N/A	N/A	Yes
Maumee	Paramount	Included in health plan	N/A	N/A	N/A	N/A	N/A
North Olmsted	Medical Mutual	\$27.26	\$0	\$67.99	\$0	122/382	Yes

¹ Amherst has contracted with the Lake Erie Regional Council (LERC), a jointly governed organization, to provide health and dental benefits.

F3.57 **Table 3-41** presents the average yearly total costs for certain benefits for the FY 1997-98 for all peer districts. The table indicates that OFSD’s average insurance cost per employee of \$3,996 is the second highest when compared to the peer districts and is lower than the annual cost of health care of \$5,376 per covered employee in 1998 as estimated in the SERB report. Although the district requires employees to contribute a minimum of 10 percent toward benefits, the district’s annual insurance cost is affected by the fact that the district offers a costly traditional plan and the district’s premium rates for health, dental and prescription plans are higher than the peer districts as indicated in **Tables 3-36, 3-38 and 3-40**. Also, OFSD is the only district to offer a vision plan.

Table 3-41: Yearly Total of All Insurance Costs - FY 1997-98

School	Health Care Costs	Dental Costs	Prescription Costs	Vision Costs	Life Insurance Costs	Totals	Annual Cost per Employee ¹
OFSD	\$710,181	\$139,618	\$55,886	\$40,296	\$41,740	\$987,721	\$3,996
Amherst	\$907,895	\$98,967	N/A ²	N/A	\$21,428	\$1,028,290	\$3,885
Maumee	\$1,013,230	\$204,082	N/A ²	N/A	\$33,550	\$1,250,862	\$4,693
North Olmsted	\$1,312,178	\$255,404	\$378,657	N/A	\$37,368	\$1,983,607	\$3,845

¹ Does not include life insurance costs.

² Included in health care premiums.

F3.58 **Table 3-42** indicates OFSD’s fringe benefit expenditures for certificated personnel are lower than the peer district average and greater than the statewide average for benefits in proportion to total operating expenditures. Fringe benefit expenditures for classified personnel are greater than the statewide and peer district averages for benefits in proportion to total operating expenditures.

Table 3-42: Fringe Benefit Expenditures as a Percentage of Total Operating Expenses

Expenditure Breakdown	OFSD	Amherst	Maumee	North Olmsted	Peer Average	State Average
Certificated Benefits	13.2%	14.8%	14.0%	13.9%	14.0%	13.0%
Classified Benefits	4.9%	4.4%	2.8%	1.7%	3.4%	4.2%

Source: Preliminary FY 1997-98 EMIS Profile

R3.9 As indicated in **Table 3-14**, OFSD's annual average benefit cost per employee is \$3,996 which is the second highest when compared to the peer districts. Although the district requires employees to contribute a minimum of 10 percent toward benefits, the district's annual insurance cost is affected by the fact that the district offers a costly traditional plan and the district's premium rates for health, dental and prescription plans are higher than the peer districts. Because of the district's current financial situation, the district should consider ways to reduce benefit costs. Several options the district could consider would be:

- ! Eliminating the costly traditional plan.
- ! Requiring employees to contribute the difference between the traditional plan and the less costly plan Super Med Select.
- ! Increasing employee annual deductibles for all medical, dental, vision and prescription plans offered.
- ! Increasing the employee contribution for single and family coverage

Implementing this recommendation would require future negotiations.

Financial Implications: Assuming employees enrolled in the traditional plan (Medical Mutual) contributed the difference between the traditional plan and the Super Med Select plan, OFSD would save approximately \$69,805.

R3.10 OFSD does require full-time certificated and classified employees to contribute towards the monthly premium for benefits. Part-time employees are required to contribute towards the monthly premiums on a prorated basis. In addition to **R3.9**, if OFSD would require greater employee contributions for full-time employees enrolled in all health and dental plans, the overall insurance expenses would be reduced as shown in **Table 3-43**. **Table 3-43** takes into account the current premium amounts and enrollment numbers. Implementing this recommendation would require future negotiations.

Table 3-43: Annual Savings Resulting from Increased Employee Contributions for Insurance

	Annual Savings Calculated at	
	15%	20%
Single Plan - Health - Medical Mutual	\$3,781	\$7,562
Single Plan - Health - Super Med Select	2,385	4,770
Family Plan - Health - Medical Mutual	29,053	58,106
Family Plan - Health - Super Med Select	19,408	38,816
Single Plan - Dental - Mutual Health	1,577	3,154
Family Plan - Dental - Mutual Health	7,044	14,088
Total Annual Savings	\$63,248	\$126,496

Financial Implication: Requiring a 15 percent contribution from all employees for health and dental benefits would save OFSD approximately \$63,248 annually. Increasing the contributions to 20 percent would save OFSD approximately \$126,496 annually.

Workers' Compensation

F3.59 **Table 3-44** illustrates workers' compensation benefits for the four peer districts for 1998. The district filed six medical claims which was the second lowest number when compared to the peer districts. OFSD had no lost time claims, defined as the number of workers' compensation claims exceeding eight days, which was the lowest number among the peer districts. OFSD had the highest premium cost per employee among the peer districts.

Table 3-44: Peer District Comparison of Workers' Compensation Benefits for 1998

	Total Employees	# Medical Claims Allowed	Lost Time Claims Allowed	Claims/Employee	Premium ¹	Premium Cost/Employee	Experience Modifier ²	Retro Rating
OFSD	295.6	6	0	0.020	\$79,287	\$268	0.53	No
Amherst	329.9	4	2	0.018	\$79,140	\$240	0.53	Yes
Maumee	339.4	18	2	0.059	\$83,704	\$247	0.53	No
North Olmsted	560.5	15	2	0.030	\$139,336	\$249	0.53	No
Group Avg	381.4	10.75	1.5	0.032	\$95,367	\$251	0.53	N/A

Source: Bureau of Workers' Compensation

¹ Does not take into account any rebate received.

² All four districts participate in the same group rating program.

F3.60 **Table 3-45** indicates that OFSD's medical and lost time claims have fluctuated over the last three years. The experience modifier is based upon factors such as the number of total claims in any previous time period, the severity of those claims and the extent to which lost time claims went into effect.

Table 3-45: Workers' Compensation Statistics

	Medical Claims Allowed	Lost Time Claims Allowed	Experience Premium Costs	Actual Premiums Paid	Experience Modifier
1996 ¹	3	0	\$85,306	\$68,245	0.65
1997 ²	8	1	\$71,406	\$17,852	0.48
1998 ³	6	0	\$79,287	(\$27,373)	0.53

Source: Bureau of Workers' Compensation

¹ In 1996, OFSD received a dividend credit of 25 percent.

² In 1997, OFSD received a dividend credit of 75 percent.

³ In 1998, OFSD received a BWC rebate in the amount of \$106,632.

F3.61 Sources at the BWC indicate the single most effective method of controlling workers' compensation costs is to prevent claims from the outset. Moreover, the best way to prevent claims and thus increase safety, is through training and awareness programs. Managers should be made aware of safety problems and informed of equipment designed to reduce strain.

F3.62 Successful workers' compensation programs have established close relationships with BWC business consultants to assist in accident prevention through orientation and training. Effective safety and health training must include hazard communication, specific job/task safe work practices and hazard recognition.

R3.11 The district should establish a close, working relationship with the BWC business consultants in its region. All business consultants services are available upon request at no additional costs to the employer. Services provided by the business consultants include:

- ! Safety consultations
- ! Ergonomic analysis
- ! Industrial hygiene and engineering
- ! resources for employees—safety training, publications, a videotape library and a reference library

The BWC offers a wide range of safety and training programs for local government entities, free of charge, of which the district should take advantage. By implementing a successful monitoring system, the district can effectively meet the specific training needs of its employees with empirical evidence to support each course or program. Measuring program results against established safety program targets can further assist the district in determining the most efficient means of addressing safety and training needs.

F3.63 The district does not have a formal board approved job transition program which would identify less physically demanding jobs for injured workers to perform while they recover from work related injuries. A pro-active modified duty program may allow many potential lost time claims to become simply “medical only” claims, thereby significantly decreasing the experience modifier. Benefits of a return to work, or modified duty program include:

- ! Reduced workers’ compensation costs
- ! Faster recoveries of employees in appropriate light duty jobs
- ! Physicians accelerating employees’ return to work when they are aware that the entity offers such programs
- ! A net gain for the district of the productive work of employees who otherwise would have been off duty

R3.12 OFSD should create and provide a formal job transition program. Furthermore, this program should be board approved and should be implemented district-wide. The program should identify less physically demanding jobs for injured employees to perform while they recover from injuries. In addition, OFSD should actively promote early return to work practices which is an effort to keep employees from being absent from the workplace for extended time periods. By reducing the number of workers' compensation claims and the corresponding length of claims, the district could effectively decrease its premium amounts.

Contractual Issues

Certain major 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 major 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.

F3.64 **Table 3-46** compares the number of bargaining groups for each of the peer districts.

Table 3-46: Comparison of Organized Labor Environment

	OFSD	Amherst	Maumee	North Olmsted
# of Bargaining Groups	2	2	2	2

F3.65 **Table 3-47** shows that OFSD has two primary collective bargaining units.

Table 3-47: Union Membership

Classification	Union Affiliation	# of Members
Teachers	Olmsted Falls Education Association (OFEA)	114
Tutors	OFEA	3
Counselors, librarian/media specialist, therapists	OFEA	11
Custodians, Maintenance, Operations & Transportation	Ohio Association of Public School Employees (OAPSE) Local 361	43
Secretary/Clerical, Aides, Technician, Messenger, Computer Operator & Food Service	OAPSE - Local 361	29
Total Union Employees		200

Source: HRD

F3.66 Teachers and classified employees hired by the district are not required to join the union or pay a fair share fee. Of the district’s 345 employees, 58 percent of OFSD employees have chosen to join their respective union for FY 1998-99. The other 42 percent include administrators and the certified and classified employees who have chosen not to join the union. All eligible employees, whether a member of their respective union affiliation, are included in their respective bargaining unit.

F3.67 The OFEA union agreement expired December 31, 1998 and the OAPSE agreement expires on December 31, 1999. OFEA members are currently working under the terms and conditions of the expired contract.

OFEA - Contractual Issues

F3.68 **Table 3-48** compares some key OFEA contractual issues between OFSD and the peer districts.

Table 3-48: OFEA Contractual Issues

OFEA Section	Description	OFSD	Amherst	Maumee	North Olmsted
Article 7	Academic Instructional Minutes ¹	Middle School - 5 periods per day or approximately 220 minutes High School - 5 periods per day or approximately 250 minutes. A teacher may be assigned a 6th teaching assignment in place of a duty period.	N*	N*	High School - 5 periods per day
Article 7	Length of Work Day	Grades K-12: 7 hours and 40 minutes or 460 minutes	Grades K-12: 7 hours and 30 minutes or 450 minutes	Grades K-12: 7 hours and 5 minutes or 425 minutes	Teacher's day will not exceed 8 hours
Memo of Understand	Maximum Class Size	K-12 - District will strive not to exceed 30 students per class	N*	N*	N*
Article 7	# <u>Contract days</u> # of Instructional Days # of In-service Days # of Parent-Teacher Conferences # of Professional Development Days # of Paid Holidays	<u>184</u> 180 2 1 1 0	<u>184</u> 180 3 0 1 0	<u>185</u> K-8:178 HS:179 5 K-8:2 HS:1 0 0	<u>185</u> 179 4 1 1 0
Article 12C	Maximum # of Sick Days Accrued	Unlimited	Unlimited	1998-99: 280 days 1999-00: 285 days 2000-01: 290 days	Unlimited
Article 24	Sick leave incentives? Paid out or additional days?	Yes. Receive 50% day's pay for each quarter of perfect attendance	Yes. \$50 school purchase credit for each quarter in which there are no absences due to sick leave, personal business, or payroll deduction.	Yes. In 1998-99 receive \$50 for perfect attendance for 1 semester and \$150 for both semesters of the school year.	N*

OFEA Section	Description	OFSD	Amherst	Maumee	North Olmsted
Article 20	Maximum # of sick days paid out at retirement/ % of payout.	25% of accumulated sick leave up to a maximum payout of 80 days	33% of accumulated sick leave up to a maximum payout of 80 days	27% of accumulated sick leave plus 3 additional days if retirement letter is submitted prior to March 15.	If notice given by April 1, receive 25% of accumulated sick leave with no limit on the maximum payout. If notice given after April 1, receive 25% of accumulated sick up to a maximum payout of 60 days.
Article 20	# of years required for severance pay	Eligibility requirements under STRS plus 10 years with the district or any other political subdivision of the state	Eligibility requirements under STRS	Eligibility requirements under STRS plus 10 years with district or 15 years with district and permanently leaving government service.	Eligibility requirements under STRS plus 10 years with the district. If not eligible under STRS, must have 15 years with the district
Article 12B	# of Personal Days, Notice required?	3 days, 5 days notice required	1 day of unrestricted, 2 days of restricted, 2 days notice required	3 days, 2 days notice required.	2 days, 1 days notice required
Article 12E	Sabbatical/Professional leave; Requirement to return? Compensated?	Yes. If employed by district for a minimum of five years, except for members with 25 years or more of teaching in Ohio, required to return to OFSD for at least one year. Receive difference of teacher/ substitute salary.	Yes. If employed by district for a minimum of five years. Must agree to return for at least one year to receive 50% of salary.	N*	Yes. If employed by district for three years, teacher must agree to return for one year without compensation. Teachers with a Master's degree who have been with the district for a minimum of 5 years receive 50% of salary with a commitment to return for one year.
Article 6F	# of Association leave days	6 days	10 days	N*	11 days
Article 5	# of days to file grievance	20 days	20 days	15 days	25 days
	Notice of separation required?	N*	N*	N*	Yes
Article 18	Cost of Living Increase per each year of contract	1/96 - 3.5% 1/97 - 3.0% 1/98 - 3.0%	7/98 - 4.0% 7/99 - 3.1% 7/00 - 3.0%	1/99 - 3.0% 1/00 - 3.0% 1/01 - 3.0%	8/96 - 2.1% 1/97 - 2.0% 1/98 - 3.0% 1/99 - 3.0% 1/00 - 3.0%

¹ Does not include supervisory duties.

N* - nothing stated in contract.

F3.69 Full time teachers are granted three days personal leave per school year. Unused personal leave days can be transferred to accumulated sick leave days at the rate of one-half sick leave day per unused personal leave day. Alternatively, an employee may elect a cash sum for each unused personal leave day equal to the daily rate based on the Bachelor's salary schedule, step zero. A five day notice is required for the use of personal leave.

C3.5 Requiring a five day notice to take personal leave allows for the prior arrangement of substitutes and prevents excessive interruptions in the flow of curriculum and other educational services provided.

F3.70 Severance pay is granted to OFEA employees eligible to retire under the State Teachers Retirement System. The union contract does not specify a certain date when employees must notify the district they intend to retire. This prevents the district from accurately identifying staffing needs for the following school year. However, during the life of the agreement, OFSD offered a retirement incentive program to eligible employees which required eligible employees to submit a resignation and retire by June 30 of the school year in which they became eligible to retire.

R3.13 In order to more accurately identify staffing needs for the following school year, OFSD should establish a policy that requires employees to notify the district by March 1st of their intentions to retire the following school year. One option the district could consider would be to reduce the amount of severance pay if the employee does not notify the district by the March 1st date.

F3.71 The district has implemented an early retirement incentive plan (ERIP) effective FY 1999-00 for all certificated employees. The ERIP states that the board will pay the cost of a maximum of one year of eligible service credit. Participants are eligible to receive the total number of years of service credit allowable and not just the minimum needed to qualify for retirement.

As of April 14, 1999, eight certificated employees submitted letters of resignation, including seven to retire in FY 1998-99 and one to retire in FY 1999-2000. A detailed analysis prepared by the treasurer indicates the district expects to save approximately \$325,700 over the next four years by offering the one year buyout. The treasurer indicated the estimated savings is a figure based on the district hiring new teachers who would be placed on the first step of the salary schedule to fill the vacancies.

C3.6 The ERI plan implemented by OFSD was a financially innovative way to reduce the average number of years of service for teachers and to reduce the corresponding salary and fringe benefit costs associated with those teachers. The \$325,700 which may be saved as a result of the ERI may provide needed resources for the education of OFSD students.

F3.72 Severance pay is granted to OFEA members eligible to retire under the State Teachers Retirement System and who have a minimum of 10 years of service at the district or with any other political subdivision of the state. OFEA members retiring from the district receive 25 percent of accumulated unused sick days up to a maximum of 80 days. Administrators retiring from the district receive 25 percent of accumulated unused sick days up to a maximum of 80 days. There are currently 32 teachers and administrators with 25 or more years of service. Under the existing severance pay policy, the payout for the 32 teachers and administrators would be approximately \$845,124.

R3.14 An analysis of the peer districts illustrated that the severance policies are generous and the OFSD should consider re-negotiating the severance payout policy to lessen the financial impact to the district.

One option OFSD could consider is the Ohio Revised Code 124.39 which provides a payout of 25 percent of accrued but unused sick leave credit, upon retirement, up to 120 sick days (30 day payout), for teachers and administrators with 10 or more years of service. A second option the district may consider would be to establish a maximum sick leave accrual of 240 days and cap the payout at 42 days (25 percent of the first 120 days and 10 percent of the remaining days) which is comparable to Springfield City Schools. However, a renegotiated severance payout policy would only apply to employees hired after the new policy was implemented. **Table 3-49** illustrates the cost savings resulting from implementation of either of these two options.

Table 3-49: Cost Avoidance Resulting from Severance Payout Restructure

	Payout Structures			
	Current Policy	Option 1 - Payout at 25 Percent of 30 days	Option 2 - Maximum Payout of 42 Days	Cost Avoidance
Sick Leave Payout Total Cost Avoidance	\$845,124	\$356,121	\$490,387	\$354,737 to \$489,003

Financial Implication: Based on current sick leave balances, re-negotiating the provisions of the contract to limit the severance payout for sick leave to 25 percent (maximum of 120 days) or a maximum payout of 42 days could potentially result in a cost avoidance of \$354,737 to \$489,003 providing employees elect to retire upon eligibility. Because a renegotiated severance payout policy would only apply to newly hired employees, the district would not realize a financial benefit until such time new employees are eligible for retirement.

OAPSE - Contractual Issues

F3.73 **Table 3-50** compares some key OAPSE Local 361 contractual issues between OFSD and the peer districts.

Table 3-50: OAPSE Contractual Issues

Description	OFSD	Amherst	Maumee	North Olmsted
Evaluations required?	May be evaluated up to 2 times per year	N*	N*	N*
Minimum call in hours paid to employees for unscheduled emergencies? (Custodians)	N*	N*	2 hours	2 hours
Vacation time to accumulate	11-12 month employees: 1-7 years-10 days 7-12 years-15 days 12+ years-20 days	12 month employees: 1-5 years-10 days 6-10 years-15 days 11+ years-20 days Maximum carryover: 10 days per year (office personnel only)	12 month employees: 0-10 years-10 days 11-20 years-15 days 21+ years-20 days No carryover between years	11 -12 month employees: 1-6 years-10 days 7-12 years-15 days 13+ years-20 days
Sick leave incentive?	½ day's base pay for perfect attendance for each quarter during the year	N*	Yes. Perfect attendance incentive: 1 hr employee - \$50 2-3 hr employee - \$100 3.5-6 hr employee - \$200 6-8 hr employee - \$300	N*
# of sick days to accumulate	Unlimited	Unlimited	240 days	Unlimited
Max # of sick days paid out at retirement/ % of payout.	25% of accumulated sick leave up to a maximum payout of 90 days. Must have a minimum of 5 years with district.	50% of accumulated sick leave up to a maximum payout of 80 days.	27% of accumulated sick leave up to a maximum payout of 55 days	25% of accumulated sick leave. No maximum payout.
# of Personal Days, Notice required?	3 days, 5 day notice required.	1 day of unrestricted personal leave and 2 days of restricted personal leave. Two days notice when feasible.	3 days, 2 days notice required	4 days for 12 month employees. 3 days for all other employees. Three days notice required.

Description	OFSD	Amherst	Maumee	North Olmsted
Holidays Paid	9-10 month employees- 8 days 11-12 month employees - 13 days	9-10 month employees - 6 days 12 month employees - 7 days	12 days. Applies to all employees provided they work at least 3 days per week and work the last working day before and after the holiday.	9-10 month employees - 7 days 12 month employees - 12 days
# of days to file a grievance	10 days	10 days	10 days	7 days
Labor-Management Committee	Yes	N*	N*	Yes
Cost of Living Increase per each year of contract	1/97 - 3.5% 1/98 - 3.0% 1/99 - 3.0%	8/96 - 3.0% 8/97 - 3.5% 8/98 - 4.0%	12/96 - 3.0% 7/98 - 3.0% 7/99 - 3.0%	8/96 - 2.1% 1/97 - 1.9% 1/98 - 2.9% 1/99 - 2.9% 1/00 - 2.9%

N* - Nothing stated in contract.

F3.74 The OAPSE contract contains a retirement incentive which states that a member who becomes eligible and retires during the life of the agreement is eligible to receive 40 percent of his/her base wage at the time of retirement. Any employee who was eligible to retire prior to January 1, 1997 and retires during the life of the agreement is eligible to receive 20 percent of his/her base wage at the time of retirement. The district indicated only two classified employees were eligible and received the incentive in the last three years costing the district approximately \$16,000.

R3.15 Because there is a potential that the retirement incentive could result in a significant cost to the district, OFSD should review the retirement incentive policy outlined in the OAPSE agreement to determine if it is cost effective.

F3.75 District employees are granted three days of personal leave per school year. The OAPSE agreement states that no more than two employees from any job classification may take personal leave on the same day. A five day advance notice is required, within reason, of when they are taking personal leave.

C3.8 Requiring an advance notice of when they are taking personal leave allows for the prior arrangement of substitutes, if required. Restricting the use of personal leave by limiting the number of employees permitted on leave on any given day at a particular work site prevents excessive interruptions in the flow of work and services provided and reduces the cost for substitute employees and overtime.

F3.76 The district has a created labor-management committee which meet regularly to discuss issues or concerns before they become grievances. The committee does not deal with grievances or negotiations issues.

C3.9 The periodic meeting of labor and management on a regular basis creates an avenue of open communication between staff and management which has a positive effect on the general morale of the district, informs management of potential contractual problems and involves bargaining unit members in managerial discussion providing them a sense of contributing to district policy.

F3.77 The OAPSE contract contains a clause stating that all job vacancies must be posted for five work days and all employees who qualify will be given the opportunity to interview. It is the district's practice to review qualifications, past performance, attendance history and personnel files when determining if an employee should be promoted. All these factors are weighed equally. Seniority is only considered when a decision can not be made based on the initial determining factors.

C3.10 Considering factors other than seniority when deciding whether to transfer or promote an employee provides administrators and supervisors with a valuable management tool. Managers can deny a request for a promotion based on an employee's attendance history which reinforces the importance of attendance to employees. In addition, this clause allows a manager to promote the most qualified candidate for the position rather than promoting the most senior candidate.

F3.78 Ohio Revised Code (ORC) 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, OFSD provides employees with straight time for calamity days. However, employees required to report to work receive time and one-half their normal rate of pay.

R3.16 During the current FY 1998-99, OFSD experienced four calamity days as a result of weather conditions. The district should establish a policy which defines essential employees including, administrators, 12-month exempt employees and other personnel necessary to prepare the district for re-opening following a calamity day. Additionally, essential employees should only receive straight pay for reporting 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:

- ! Use of a compensatory day
- ! If ill, use of a sick leave day

- ! Use of a vacation day
- ! Use of a personal leave day
- ! Use of a day without pay

F3.79 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, a school district is not required to include hours in active pay status when work is not actually performed, examples include sick leave, personal leave, professional leave, compensatory leave and vacation leave used. However, OFSD currently provides more than is required by the FLSA. The district includes holidays and paid sick leave when calculating the total hours worked for overtime pay but excludes all hours of personal and vacation leave from the calculation. Providing overtime provisions which are much greater than outlined in the FLSA and Ohio law is a costly practice to the district.

R3.17 The district should review its current overtime policy and consider negotiating the policy to be more in line with the guidelines set forth by the FLSA. The district should consider limiting leaves that are included in the “active pay status” category when calculating overtime to only include vacation, holidays and bereavement leaves. Excluding sick leave from the overtime calculations may reduce costs paid as a result of covering absenteeism.

Financial Implications Summary

The following table summarizes the total estimated savings and cost avoidances from the above recommendations. OFSD should consider the potential educational effect certain of the recommendations might cause.

Recommendation	Estimated Annual Cost Savings	Cost Avoidance
R3.1 Cost avoidance achieved by limiting COLA increases for certified staff		\$1,370,306 (over four years)
R3.1 Cost avoidance achieved by limiting COLA increases for classified staff		\$650,365 (over four years)
R3.2 Requiring administrators to pay own portion of retirement	\$90,535	
R3.5 Reduction of sick leave usage - classified	\$4,624 - \$14,456	
R3.9 Requiring employees to contribute the difference between the Medical Mutual and Super Med Select health care plans	\$69,805	
R3.10 Increasing percentage of employee contribution towards fringe benefits premiums	\$63,248 - \$126,496	
Total	\$228,212 - \$301,292	\$2,020,671

Conclusion Statement

The analysis of district staffing levels indicated OFSD's total FTEs per 1,000 students enrolled was below the peer district average. However, the analysis indicated OFSD may be overstaffed in the transportation, custodial and food service areas. The district might consider reductions in these classifications.

When compared to the peer districts, OFSD has the second lowest average teaching salary which correlates to the OFSD's teachers having the highest percentage of teachers with a bachelors degree and the second lowest percentage of teachers with a masters or above degree. An analysis of OFSD's average salaries indicated that administrators, office/clerical, transportation and laborer employee classifications have the highest average salaries when compared to the peer districts. Because of the district's current financial situation, the district will be faced with making difficult decisions to reduce operating costs. In addition to reducing two to eight custodians, the district should consider limiting cost of living adjustments for both certified and classified staff. By using a conservative approach of COLA's for certified staff, a cost avoidance of \$1,370,306 could be achieved. By following a similar conservative approach for classified staff, a cost avoidance of \$650,365 could be achieved.

Approximately five percent of total teaching days were taught by substitute teachers. OFSD's teachers averaged 4.2 days of sick leave which was the lowest among the peer districts. Classified employees averaged 12.0 leave days per employee during FY 1997-98 which included 8.2 days of sick leave. Transportation and food service employees averaged more than 10 sick leave days during the year. Because the district spent approximately \$86,389 on classified substitute costs during FY 1997-98, OFSD should manage and monitor the amount of leave taken by the custodial, food service and transportation employees. In addition to substitute costs, excessive time off creates interruptions in the flow of work and may have an impact on the quality of education provided to students.

OFSD has a generous severance policy which includes a payment of 25 percent of unused sick leave up to a maximum of 320 days for certificated employees. Based on the current number of teachers and administrators eligible to retire, the liability is approximately \$845,000. OFSD should consider renegotiating the severance payout policy to lessen the financial impact to the district. Areas of the severance policy that should be addressed includes the percentage of payout and maximum number of days to accumulate.

For FY 1997-98, OFSD's annual benefit cost per employee was \$3,996 which is the second highest when compared to the peer districts. Although the district requires employees to contribute a minimum of 10 percent toward benefits, the district's annual insurance cost is affected by the fact that the district offers a costly traditional plan, the district's premium rates for health, dental and prescription plans are higher than the peer districts and of the peer group, OFSD is the only district to offer a vision plan. Because of the district's current financial situation, the board of education and the unions must work together to develop a benefit package that is equitable to both the district and

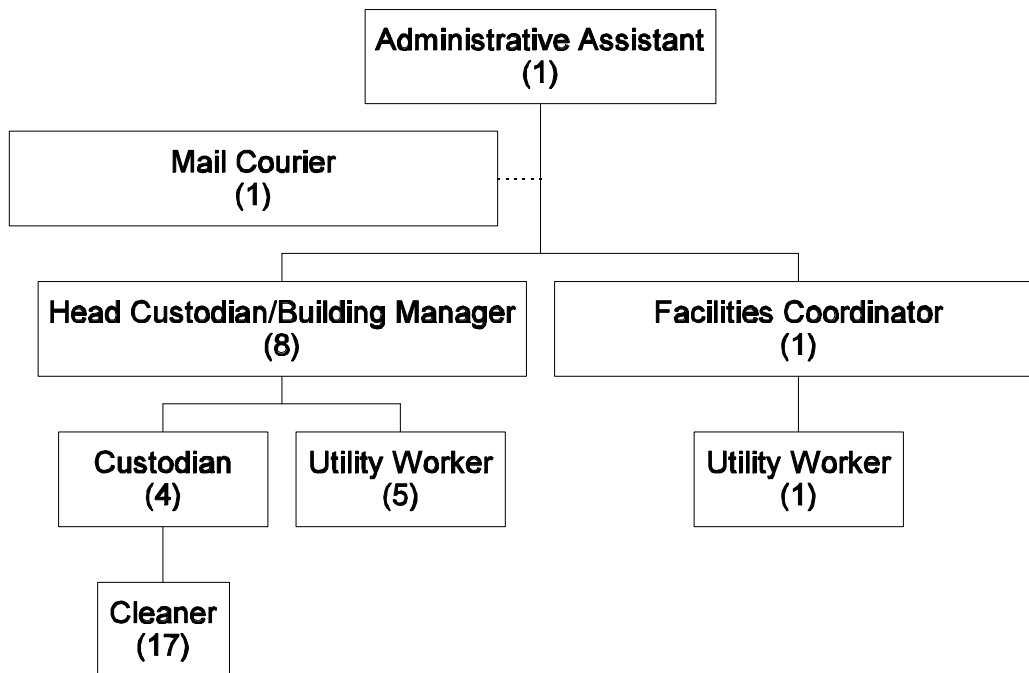
employees. Furthermore, the district's insurance committee must review plan costs and benefit options on a regular basis. OFSD could save approximately \$69,805 annually by requiring employees to pay the difference between the premium amounts of the Medical Mutual and Super Med Select plans. Additional savings in costs to the district could be recognized by requiring employees to contribute a greater employee share towards the medical and dental health premiums.

Facilities

Background

Organizational Chart

The Olmsted Falls City School District (OFSD) facilities are maintained through two departments: Building Operations (Custodial Services) and Maintenance. The following chart shows the organizational structure and staffing levels.



This organizational chart was effective for FY 1998-99. In FY 1999-00, the position of Administrative Assistant was merged with the Transportation Director. The new position is called Director of Business Affairs. The merger reduced the amount of administrators to twelve.

Organization Function

The operation and upkeep of the OFSD facilities are the responsibility of the administrative assistant and the facilities coordinator. The administrative assistant and facilities coordinator are responsible for maintaining all OFSD facilities in a serviceable condition including making repairs to the buildings and ordering the materials and equipment to do the work. The maintenance staff consists of a facilities coordinator and one (1) full-time staff member. The maintenance department maintains all grounds surrounding the building including the athletic fields.

The building operations department has an authorized staff of 34 employees (27.6 FTE's), which includes 11 custodians (11.00 FTEs), 17 cleaners (11.86 FTEs), 1 building manager (1 FTE) and 5 utility workers (3.74 FTE's), who are responsible for providing a clean and safe environment for the students, staff and public who use OFSD facilities. The custodians also help maintain the grounds surrounding the buildings including the athletic fields, and assist the maintenance department by doing minor repairs in their buildings.

Summary of Operations

Three of the district's six buildings are located in the City of Olmsted Falls and three are located in Olmsted Township. The administrative assistant supervises both the Maintenance and Operations departments and has an office in the Champion building on Mapleway Drive. Requests for maintenance work are submitted by building principals, custodians, and the facilities coordinator to the administrative assistant. The administrative assistant reviews each request and prioritizes it depending on the type of request and its urgency. The facilities coordinator carries a two-way radio so that he can be reached anytime during the day to handle emergency request and to communicate with the administrative office and the bus garage. According to the facilities coordinator, OFSD performs 95 percent of all maintenance work in-house, only contracting out large jobs requiring expertise or equipment the district does not have.

In the Building Operations Department, the custodial staff is assigned to specific buildings. The district has 34 custodial employees, 18 who work full-time and 16 who work part-time. Cleaners report to custodians, custodians and utility workers report to head custodians, and head custodians report to both the administrative assistant and the building principal. The custodial employees are responsible for the overall operation of their building, including cleaning, heating, ventilation, and some minor maintenance repairs.

Staffing

The building operations and maintenance departments have a total of 38 employees (30.75 FTEs). Of the 38 employees, 20 work full-time doing maintenance or custodial work, while the eighteen remaining employees either work part-time (i.e., fourteen custodians, two utility workers and one mail courier) or are full-time employees who devote part of their time to maintenance responsibilities (i.e., the administrative assistant). In most of the schools, the custodial staff is assisted by one student helper who is not included in the staffing figures. The staffing of the two departments is depicted in **Table 4-1:**

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

Classification	Admin. Office	School Level	Other	Total	FTEs
Administrative Assistant	1			1	.40
Mail Courier ¹	1			1	.75
Total Administration	2			2	1.15
Facilities Coordinator			1	1	1.00
Utility Worker			1	1	1.00
Total Maintenance			2	2	2.00
Building Manager		1		1	1.00
Head Custodian		7		7	7.00
Custodian		4		4	4.00
Cleaner ²	1	16		17	11.86
Utility Worker		5		5	3.74
Total Custodial	1	33		34	27.60
Total	3	33	2	38	30.75

Source: OFSD's business office

¹ The mail courier duties include delivering inter-office mail and custodial/maintenance supplies to the school buildings. However, the mail courier was not included in any square footage or detailed salary tables (by department) throughout the report.

² Cleaners are employees who work 6 to 8 hours per day during the school year.

Key Statistics

Key statistics related to the maintenance and operations of OFSD are shown in the following chart. In addition, results from 1998 American School and University (AS&U) 26th Maintenance and Operations Cost Study have been included in the chart and throughout this section. The study surveyed school districts across the country to gather data on staffing levels, expenditures, and salaries for maintenance and custodial operations. Overall, the AS&U Study found that maintenance and operations budgets have been on a downward trend for quite some time helping to contribute to the current education infrastructure crisis. In the study, Region 5 includes the states of Illinois, Indiana, Michigan, Ohio and Wisconsin.

Table 4-2: Indicators

Number of Sites	6
- Elementary Schools	2
- Middle Schools	1
- High School	1
- Administrative and Other	2
Total Square Feet Maintained	452,928
- Elementary Schools	143,281
- Middle Schools	123,140
- High School	168,201
- Administrative and Other	18,306
Square Feet Per Custodial Staff (27.60)	16,410
- Elementary Schools (8.10)	17,689
- Middle Schools (8.26)	14,908
- High Schools (9.38)	17,932
- Administrative and Other (1.86)	9,842
AS&U Cost Study Region 5 Average	23,875
AS&U Cost Study National Average	20,612
Urban 21 District Average	20,488
Peer District Average	18,670
OFSD Square Feet Per Maintenance Staff (2)	217,311
AS&U Cost Study Region 5 Average	75,000
AS&U Cost Study National Average	73,245
Urban 21 District Average	114,749
Peer District Average	126,850
1997-98 Maintenance and Operations Expenditures per square foot	\$4.90
- Schools & Admin. Sites Custodial (Including Utilities)	\$4.46
- Schools & Admin. Sites Custodial (Excluding Utilities)	\$3.07
- Maintenance	\$.44
AS&U Cost Study Region 5 Average	\$3.79
AS&U Cost Study National Average	\$3.64
Peer District Average	\$4.83
1997-98 Facilities Expenditures as a percentage of Total OFSD General Fund Expenditure	11.60%
AS&U Cost Study Region 5 Average	9.20%
Peer District Average	10.26%

Sources: OFSD's Business Office; AS&U Cost Study; Peer Districts; Auditor of State Performance Audits Legislative Update

Financial Data

Tables 4-3 and 4-4 show the expenditures to maintain and operate OFSD facilities for FY 1996-97 and FY 1997-98, and the budget for FY 1998-99. OFSD records the expenditures for maintenance and operations within the same account structure. To allocate the expenditures, salaries were divided by identifying the individuals who work in the two departments (i.e., Maintenance versus Building Operations), and the remaining categories (except utilities) were allocated between the departments utilizing the percentage that each department's salaries were of total salaries. Utility expenditures were deemed more applicable to building operations and therefore no allocation was made to the maintenance department.

**Table 4-3: Maintenance & Operations Expenditures
FY 1996-97 vs. FY 1997-98**

Accounts	Maintenance	Operations	FY 1996-97 Total	FY 1997-98 Total	Difference	Percentage Change
Salaries ²	\$122,001	\$855,574	\$977,575	\$1,062,780	\$85,205	8.7%
Benefits	27,985	196,252	224,237	251,410	27,173	12.1%
Purchased Services ¹	19,326	135,527	154,853	96,037	(58,816)	(38.0)%
Utilities	0	534,014	534,014	632,350	98,336	18.4%
Supplies/ Materials	17,580	123,282	140,862	146,336	5,474	3.9%
Capital Outlay	1,646	11,544	13,190	27,690	14,500	110.1%
Other	1,728	12,115	13,843	4,913	(8,930)	(64.5)%
Total	\$190,266	\$1,868,308	\$2,058,574	\$2,221,516	\$162,942	7.9%

Sources: OFSD treasurer's office; 4502 report (statement Q)

¹ Purchased services expenditures were reduced by the amount reflected separately as utilities.

² Operations salaries in this table include two administrative employees.

Overall maintenance and operation expenditures increased from fiscal year 1996-97 to fiscal year 1997-98. Explanations for the significant individual variances are as follows:

- ! Salary expenditures increased in fiscal year 1997-98 due to a cost of living raise and an increase in custodial employees of approximately two full-time equivalents.
- ! Benefit increases were due to inflationary trends in the health industry in conjunction with the salary increases.

- ! Purchased services expenditure decreases were due to primarily to maintenance work being done in house in 1997-98.
- ! Utility expenditure increases were primarily due to higher electrical payments in the beginning of fiscal year 1997-98. The district’s new middle school and the renovated portion of the high school have a cooling system that contributed to the higher electrical usage.

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

Accounts	Maintenance	Operations	FY 1997-98 Total	FY 1998-99 Budget	Difference	Percentage Change
Salaries ¹	\$132,673	\$930,107	\$1,062,780	\$1,025,000	\$(37,780)	(3.6)%
Benefits	31,376	220,034	251,410	250,000	(1,410)	(0.6)%
Purchased Services ²	11,985	84,052	96,037	92,294	(3,743)	(3.9)%
Utilities	0	632,350	632,350	607,706	(24,644)	(3.9)%
Supplies/ Materials	18,263	128,073	146,336	500,000	353,664	241.7%
Capital Outlay	3,456	24,234	27,690	23,000	(4,690)	(16.9)%
Other	613	4,300	4,913	2,000	(2,913)	(59.3)%
Total	\$198,366	\$2,023,150	\$2,221,516	\$2,500,000 ³	\$278,484	12.50%

Sources: OFSD treasurer’s office; 4502 report (statement Q)

¹ Operations salaries in this table include two administrative employee.

² Purchased services expenditures were reduced by the amount reflected separately as utilities.

³ Actual F/Y 1998-99 total expenditures were \$2,482,000.

Overall maintenance and operation expenditures were expected to increase from fiscal year 1997-98 to fiscal year 1998-99. Explanations for the significant individual variances are as follows:

- ! Decreases in salary expenditures were budgeted for fiscal year 1998-99 due to planned decreases in overtime permitted for both custodial and maintenance employees, planned use of more lower wage substitutes, and a slight increase due to a cost of living adjustment.
- ! Supply and material expenditures were budgeted to increase due to planned boiler repairs at the High School, Falls/Lenox Primary School and Fitch Intermediate School. Further expected increases in supply and material expenditures were due to planned asbestos removal, steam line replacement, and a partial roof replacement at Fall/Lenox Primary School.

Performance Measures

The following is a list of performance measures that were used in analyzing how OFSD operates its facilities:

- ! Utilization of existing facilities
- ! Effectiveness of long range facilities planning
- ! Effectiveness of current needs assessment and prioritization processes and procedures
- ! Appropriate lines of authority and responsibility
- ! Effectiveness of supervision and evaluation processes
- ! Adequacy of operating policies and procedures
- ! Cost effectiveness of facilities maintenance
- ! Cost effectiveness of custodial services
- ! Adequacy of preventive maintenance system
- ! Utilization of staffing resources
- ! Effectiveness of Energy Conservation Programs

Findings / Commendations / Recommendations

- F4.1 OFSD consists of 6 buildings with a total square footage of 452,928. There are 2 elementary schools, 1 middle school, 1 high school, 1 administrative building and 1 bus garage. The average age of the school buildings is about 28 years old. The district has 1 school over 40 years old and 2 schools that are 21 to 40 years. The Middle School, completed in 1996, is the most recently constructed building.
- F4.2 The Ohio Public School Facility Survey of 1990 by the Ohio Department of Education (the 1990 Survey) estimated the cost to repair and upgrade OFSD' facilities to the minimum standards and codes for health and safety would be \$16.8 million. The report estimated it would require \$6.4 million for repairs, \$5.9 million for new buildings and \$4.5 million for additions to bring the buildings up to the minimum standards and codes.
- F4.3 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 Ohio Department of Education. The data used included the results of the 1990 Survey and an on-site review of seven of the poorer districts in the state to update the 1990 data for those districts. The review of the seven districts, made in the spring of 1997, showed the cost to upgrade the facilities in those seven districts had risen by a factor of 1.97 since the 1990 Survey. In performing its analysis, LBO applied the 1.97 factor to 60 to 70 of the poorer districts in the state and a factor of 1.50 was arbitrarily applied to the rest. After multiplying the 1990 figure by one of the two factors, LBO then subtracted the total capital outlay expenditures reported by each district for FY 1990 through FY 1996 to produce its updated cost estimates. LBO's current cost estimate to update the district's facilities is \$9.4 million.
- F4.4 The district has begun to prepare a formal facility study and has completed the portions related to enrollment projections and the remaining capacity at the school buildings. However, the district has not adopted a standard methodology for projecting enrollment or determining total student capacity at each building.
- R4.1** The district should formally adopt its standard methodology for projecting enrollment. The adopted methodology should factor in live birth data, historical enrollment and a grade-to-grade survival ratio. Because enrollment projections are a valuable planning tool, they should be done annually. The district can use enrollment projections to help determine the amount of state funding to be received in the future, to complete financial forecasts, to determine the appropriate number of teachers to hire, and to evaluate building usage and capacity. Enrollment projections are further discussed in **F4.17**.

- R4.2** Building capacity and utilization should be reviewed periodically in conjunction with enrollment projections to determine the appropriate number of school buildings needed to house the current and projected student populations. A 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.
- F4.5 During its annual budgetary process, the district takes into consideration capital improvement projects it wants to complete and primarily utilizes a portion of a one-half mill levy, passed in November 1994, to fund the improvements through a capital project fund. The portion of the levy utilized for capital improvement is expected to generate approximately \$74,000 annually through the year 2017. The remaining portion of the levy is utilized to pay the administrative costs associated with State's portion of the district's construction project, which included the building of a new middle school and the renovation of the high school. This is further discussed in **F4.10** and **F4.11**.
- R4.3** The district should evaluate the adequacy of the existing capital revenue stream to address the capital needs of the district and the projects expected to be undertaken over the life of the levy. Further, the district may want to consider various options to generate additional capital improvement revenues. One option would be to formally dedicate a portion of general fund revenues to capital improvement projects. Another option would be to pass an additional permanent improvement levy to fund capital projects.

F4.6 The following table represents detailed expenditures per square foot for OFSD and the three peer districts.

Table 4-5: FY 1997-98 General Fund Facilities Expenditures per Square Foot

Expenditure	Olmsted Falls	Amherst	North Olmsted	Maumee ¹	Peer Average	AS&U Region 5 Average
Custodial Salaries and Benefits	\$2.39	\$2.58	\$2.35	\$1.67	\$2.25	\$1.43
Maintenance Salaries and Benefits	\$0.36	\$0.62	\$0.47	\$0.34	\$0.45	\$0.33
Administrative/Other Salaries and Benefits	\$0.15	\$0.24	\$0.29	\$0.00	\$0.23	N/A
Purchased Services	\$0.21	\$0.37	\$0.35	\$0.94	\$0.47	\$0.67
Utilities	\$1.40	\$1.12	\$1.23	\$0.64	\$1.10	\$1.07
Supplies/ Materials	\$0.32	\$0.27	\$0.20	\$0.35	\$0.28	\$0.29
Capital Outlay	\$0.06	\$0.00	\$0.00	\$0.05	\$0.06	N/A
Other	\$0.01	\$0.00	\$0.04	\$0.05	\$0.03	N/A
Total M&O Budget	\$4.90	\$5.20	\$4.93	\$4.04	\$4.87	\$3.79
Total M&O Budget as % of District Budget	11.60%	9.67%	9.67%	10.08%	10.26%	9.20%

Sources: OFSD and peer district's business and treasurer's offices; 1998 Maintenance & Operations Cost Study.

¹ Maumee City School District does not record custodial and maintenance expenditures within separate account codes. Therefore, total salaries and benefits were prorated to custodial and maintenance based on the number of full time equivalent. Further, administrative/other salaries and benefits were not reflected separately.

F4.7 OFSD had the highest utility expenditures per square foot when compared with the three peer districts and the Region 5 average. The administrative assistant indicated the high utility costs were probably due to electrical expenditures to provide air conditioning at a portion of the high school and throughout the middle school.

F4.8 Due to deregulation of the gas industry in 1984, school districts can purchase gas from any supplier and pay their local utility to transport the gas. Olmsted Falls has been using self help gas since July of 1987. The district utilizes the Ohio School's Council to negotiate with suppliers to obtain reduced gas rates. The district purchased gas from Volunteer Energy Corporation Energy Services, a large, reliable provider, for the last few years. Cost savings information was not available for years prior to fiscal year 1996. Since July 1996, the district saved over \$68,000 through FY 1997-98.

F4.9 The Ohio Schools Council entered into a pre-purchase agreement with First Energy Corp. and Cleveland Electric Illuminating Company (CEI) in March 1997 establishing an “Energy for Education” program for eligible school facilities. In January 1998, the district entered into an agreement with Ohio School’s Council regarding participation in the electricity prepayment purchase program. This program allows the district to obtain a ten percent base rate discount on electricity purchases and provides for the Council to assist in a financing arrangement for the prepayment of electricity purchases that will result in an additional discount of approximately 10 percent. During fiscal year 1998, the district saved approximately \$10,275.

R4.4 The district should consider re-evaluating its energy management program. Although the district belongs to gas and electricity consortiums and has completed energy improvements under the H.B. 264 program, **Table 4-5** shows that OFSD has the highest utility costs (\$1.40 per square foot) when compared to the peer districts. The district should develop a program for evaluating all facilities and determining energy consumption. This data would be useful to make judgements about the economics of buildings and to assist in the selection of buildings which should be retrofitted for energy efficiency reasons. An analysis of the monthly usage and variances for the time of year should be used to determine which buildings are energy efficient and which buildings are not. The district should also develop a method of recording the utility costs for each building on an annual basis and use the data to determine the extent of the savings attributed to the gas and electricity consortiums. OFSD should consider purchasing an energy accounting software package, such as FASER, to allow the district to track energy consumption by building and determine energy savings compared to the energy usage.

The Middletown-Monroe City School District (MMCS D) has implemented an energy management program and has documented significant savings. The program includes educating district staff and students on reducing energy costs through turning off lights and computers when not in use. A MMCS D district official then conducts an energy audit walk through at each building and identifies energy conservation measures which are not being followed.

Financial Implication: If the district implements an energy management program and reduces utility expenditures by 7 to 10 percent, a potential savings of \$44,265 to \$63,235 could be generated. This would bring the districts utility expenditures in line with the three peer districts. The implementation cost of an energy management program would depend upon the type of program chosen and whether the program would be conducted within the district or by an outside provider. Presently, the cost is not quantifiable.

F4.10 In November 1990, an \$8.2 million bond issue was passed for the renovation and additions to Fitch Intermediate and Falls/Lenox Primary Schools. In November 1994, a \$10.5 million bond issue was passed to construct a middle school to replace the existing school and for the renovation of the high school which added 33,427 square feet and 14 additional classrooms.

F4.11 The district applied for a state grant to aid in the construction of the new middle school and for the renovation of the existing high school. The district was awarded a grant of \$8.7 million of which \$8.6 million has been received through June 30, 1999. The portion of the project paid from state funds was approximately 45 percent. This is further discussed in **F4.5**.

C4.1 OFSD effectively obtained and utilized monies available from the state, in the form of a grant, to construct a new middle school and to renovate the existing high school. This allowed the district to update their facilities with significantly less internal funding.

F4.12 On October 15, 1992, OFSD issued \$171,448 in notes under the provisions of H.B. 264 to hire Johnson Controls to make repairs to the High School. The scope of the project included automatic temperature controls, air conditioning systems installation and a lighting retrofit. The total cost of the project was \$171,488. The district has provided documentation reflecting savings of approximately \$160,000 as of January 1, 1999. However, the savings have not been certified by an independent party as discussed in **F4.13** and **R4.5**.

OFSD issued \$1.2 million in bonds on June 15, 1995 and \$120,000 in notes on August 1, 1996 under the provisions of H.B. 264, to hire P.J. Ellis Electric Company, Sorma Inc., Sysco Food Services Inc., and Colejon Spohn Inc. to make repairs to the High School. The scope of the project included a ventilation retrofit at the main offices, HVAC repairs and/or renovation at the media center, library, computer room, weight room, main conference room and science wing. In addition, roof repairs, kitchen equipment repairs, and fire alarm systems repairs and upgrades were made as part of the project. The total cost of the project was \$1,191,971. The district has provided documentation reflecting savings of approximately \$114,104 as of January 1, 1999. However, the savings have not been certified by an independent party as discussed in **F4.13** and **R4.5**.

F4.13 The law specifies that, as long H.B. 264 debt remains outstanding, the board of education shall monitor the energy consumption of the buildings in which modifications were made, and the district will maintain and annually update a report documenting the reductions in energy consumption and the operational and maintenance cost savings that result. The report is to be certified by an architect or engineer who is independent of the parties who provided the goods or services under the H.B. 264 project. The resultant savings are to be certified by the school district treasurer.

The district contracted with Johnson Controls to monitor the energy usage and savings from the H.B. 264 projects and prepare the required reports. However, the district has not had its report(s) annually updated. Further, the report documenting the reductions in energy consumption was not certified by an independent architect or engineer and the resultant savings have not been certified by the treasurer.

R4.5 The district should review the reporting requirements under H.B. 264 related to the energy conservation projects undertaken. Specifically, the district needs to annually update their report documenting the reductions in energy consumption and the operational and maintenance cost savings that result. Further, the district needs to have the report certified by an independent architect or engineer and the resultant savings need to be certified by the treasurer.

F4.14 The district developed a comprehensive maintenance plan (CMP) in 1997 which documented the capital improvement projects that needed to be completed. The CMP includes building and equipment maintenance schedules and cost projections through FY 1998-99, prioritized in order of most significant need to least significant. The CMP has been consistently updated several times each year since its inception.

C4.2 The district should be commended for developing and annually updating a CMP. A CMP helps prioritize maintenance staffing related to different capital improvement projects by proactively addressing the needs of the district. The benefits of a CMP include prolonging the life of the district's infrastructure, the minimizing of classroom disruptions caused by building repairs and overall increases in operating efficiency.

F4.15 H.B. 412 requires school districts to establish financial set-asides for critical education items including textbooks and capital improvements. Beginning in FY 1998-99, districts were to phase in these set-asides beginning with two percent of its general fund revenue. General fund revenue is defined as property taxes, other than homestead and rollback, and basic state foundation aid. The set-aside amount increases to three percent in FY 1999-00 and is capped at 3 percent thereon.

F4.16 The following table represents the head count history of OFSD from the 1988/89 school year through the 1997/98 school year.

Table 4-6: Head Count History

School Year	Head Count ¹	Change From the Previous Year	Cumulative Change
1988-1989	2,599	N/A	N/A
1989-1990	2,573	(26)	(26)
1990-1991	2,589	16	(10)
1991-1992	2,651	62	52
1992-1993	2,648	(3)	49
1993-1994	2,685	37	86
1994-1995	2,708	23	109
1995-1996	2,842	134	243
1996-1997	2,845	3	246
1997-1998	2,838	(7)	239

Sources: OFSD Superintendent's office

Note: These figures include all regular and special education students in grades K-12.

¹ Head count differs from ADM which is an attendance figure.

F4.17 The district utilized Harold Armstrong, a consultant to Lesko and Associates, to prepare initial enrollment projections. The cohort survival method was utilized to develop projections based on historical trends, birth data, new housing developments and existing housing sales. Projections were developed by Harold Armstrong in October 1996 but have not been formally updated since.

On an annual basis, the district’s Director of Communications prepares and/or updates enrollment projections based on information provided by the superintendent’s office and by utilizing the same criteria as Harold Armstrong. These projections indicate student attendance will gradually increase to 3,174 students by the 2005-06 school year. **Table 4-7** shows the projections developed by the district and includes all students, regular and special education, in grades K-12.

Table 4-7: Enrollment Projection

School Year	Enrollment Projection				Change From the Previous Year
	Total	K-5	6-8	9-12	
1998-1999	2,968	1,271	724	973	N/A
1999-2000	3,015	1,289	729	997	47
2000-2001	3,058	1,327	704	1,027	43
2001-2002	3,082	1,364	714	1,004	24
2002-2003	3,103	1,377	712	1,014	21
2003-2004	3,123	1,399	715	1,009	20
2004-2005	3,145	1,395	750	1,000	22
2005-2006	3,174	1,394	769	1,011	29

Source: OFSD’s superintendent’s office

OFSD’s actual enrollment for FY 1999 was 2,969 based on the district’s headcount reports. This total is only one student more than the projection of 2,968.

F4.18 As part of the performance audit, functional capacity was determined for each of Olmsted Fall's schools. Functional capacity is the optimum number of students a building can accommodate. Elementary school capacities were determined by taking the total number of classrooms, subtracting rooms for art, music, computer labs, library and special education and multiplying the remaining rooms by 25 students per class. Special education rooms were added back at 10 students per class. In the middle and high schools, capacities were determined by taking the total number of teaching stations and multiplying by 25 students per station, and then multiplying by a utilization factor of 85 percent.

F4.19 The following table reflects the FY 1998-99 functional capacity, head count, variance from capacity and percent of functional capacity utilized for Olmsted Falls Schools.

Table 4-8: OFSD Capacity Analysis

School	Year Built	Capacity	1998-99 Head Count	Variance From Capacity	Percent
Elementary Schools (2): Fall/Lenox Primary	1954/1961 ¹	950	830	(120)	87.4%
Fitch Intermediate	1957	485	440	(45)	90.7%
Total Elementary Schools		1,435	1,270	(165)	88.5%
Middle Schools (1): Olmsted Falls Middle	1996	829	731	(98)	88.2%
Total Middle Schools		829	731	(98)	88.2%
High Schools (1): Olmsted Falls High	1967 ²	1,084	968	(116)	89.3%
Total High Schools		1,084	968	(116)	89.3%
Overall Total		3,348	2,969	(379)	88.7%

Sources: OFSD Business & Superintendent Offices; 1997/98 Annual Report

Note: Number of dedicated classrooms at the elementary schools was provided by the district's administrative assistant.

¹ Falls and Lenox Elementary Schools were adjoined in August 1992 creating Fall/Lenox Primary School

² The High School was expanded in 1996 to accommodate 14 additional classrooms which are included in the total.

F4.20 Using the functional capacity formulas described in **F4.15** and documented in **Table 4-8**, the overall capacity of the district's schools was calculated to be 3,348: 1,435 in the elementary schools, 829 in the middle school and 1,084 in the high school. Based on these figures, OFSD is currently operating at 88.7 percent of its functional capacity. Further, based on the current functional capacity and the 2005-06 enrollment projection, OFSD will be operating at 94.8 percent of its functional capacity in 2005-06. Using the highest head count projection in **Table 4-7** and the overall total capacity shown in **Table 4-8**, Olmsted Falls students will be under capacity by 174 students when enrollment is at its peak.

F4.21 The following table is a comparison of facilities divisions for OFSD and the three peer districts, and includes square footage calculations and staffing comparisons along with other pertinent information, including work orders, wages and preventive maintenance.

**Table 4-9: Comparison of Facilities Divisions:
Maintenance and Custodial Services**

Size	Olmsted Falls	Amherst	North Olmsted	Maumee
Number of Sites	6	13 ³	10	10 ⁴
Building Sq. Feet:				
Maintained by Custodians	452,958	322,525	603,066	447,067
Maintained by Maintenance	434,622 ¹	347,677 ²	603,066	468,067
Position by FTE				
Administration	1.15	1.00	3.00	2.00
Maintenance Workers and Supervisors	2.00	4.00	7.00	4.00
Custodians/Cleaners/Utility Workers	27.60	18.21	34.32	19.45
Total	30.75	23.21	44.32	25.45
Comparison				
Sq.Ft. Per Custodial Staff	16,410	17,711	17,572	22,985
Sq.Ft. Per Craftsman	217,311	86,919	86,152	117,017
Average Base Custodial Salary	\$28,425	\$30,454	\$29,029	\$23,827
Average Base Craftsmen Salary	\$34,186	\$33,005	\$34,317	\$28,224
Characteristics				
Average Age of School Buildings	28 years	37 years	39 years	64 years
Square Miles in District	16	25	11.2	12.7
Preventive Maintenance	Partial	No	Yes	Yes
Use of Deregulated (Self-Help) Gas	Yes	Yes	Yes	Yes
Automated Work Order System	No	No	No	No
Use of Temporary Employees or Outside Contractors	Yes	Yes	Yes	Yes
Mobile Grounds Crew	No	No	No	No
Weekend Inspections	Yes	Yes	Yes	Yes
Principals Evaluate Custodial Staff	Yes	Yes	Yes	Yes

Sources: Business Office; Payroll Department; Peer Districts

Note: Administrative employees include administrators and secretarial positions

¹ Square footage does not include the Board Office since it is not owned by the district.

² Square footage includes two concession buildings, three storage areas/bus garages, and two field houses not maintained by the custodial staff.

³ Amherst has seven sites that were not maintained by the custodial staff and therefore were not included in **Table 4-12**.

⁴ Maumee has two sites that were not maintained by the custodial staff and therefore were not included in **Table 4-12**.

Custodial Services

F4.22 In OFSD, the custodial staff is divided into head custodians, custodians, utility workers and cleaners. Custodians are responsible for the overall cleanliness and safety of the buildings and grounds at elementary, middle and high schools respectively. The head custodian is the on-site lead person for the custodial staff in each building. The head custodians have a limited supervisory role and perform solely operational duties. At the various school buildings, there are cleaners and/or utility workers who work during the day with the head custodian and other custodians. The night custodians and cleaners are the primary housekeepers during the evenings. Cleaners are hourly employees who are part of the union, receive benefits and work a maximum of 40 hours a week. The district uses cleaners in buildings where there is not enough work to warrant the use of a full-time custodian. Each head custodian, custodian, utility worker and cleaner position has a job description. The following is a brief description of the responsibilities of each member of the custodial staff.

- ! *Head Custodian* - The head custodian is responsible for the housekeeping and building security programs for the building. Responsibilities include: reviewing the custodial staff's daily work assignments; maintaining records and completing reports as assigned by the principal or custodial supervisor; assisting in the training of new custodians; checking assigned areas for security purposes; making minor repairs and filling out work orders when necessary; cleaning an assigned building space and/or limited area of school grounds; washing windows and walls, mowing grass and trimming designated areas; painting limited areas as assigned by the principal; performing assigned tasks in the lunchroom during and after serving time; and performing other related duties as assigned by the principal. There is also one position entitled building manager. This position is similar to a head custodial position, but is always assigned to the high school.
- ! *Custodian* - The custodians are responsible for performing a variety of cleaning and minor maintenance tasks to maintain a clean, attractive, healthy and safe building. Responsibilities include: sweeping, scrubbing, mopping, buffing and waxing floors and hallways; sweeping and cleaning carpets; washing chalkboards; washing walls and windows; dusting and polishing furniture and woodwork or other inside finishes and trims; keeping assigned restrooms clean and sanitary; moving and arranging furniture and equipment; maintaining equipment; replacing light bulbs, fuses, and tubes; performing assigned tasks in the lunchroom during and after service time; and performing other related duties assigned by the principal.
- ! *Cleaner* - The cleaner performs manual work involving routine housekeeping tasks and keeps assigned women's restrooms clean and sanitary during operating hours. Responsibilities include: sweeping and cleaning carpets; dusting and polishing furniture and woodwork or other inside finishes and trims; emptying and cleaning waste

- receptacles; performing assigned tasks in the lunchroom during and after serving time; and performing other related duties as assigned by the principal.
- ! *Utility Worker* - The utility worker uses all equipment inside or outside the building to perform the work required for the routine care, maintenance, protection, and preservation of the assigned building, its contents and grounds. They help with snow removal, truck unloading, floor care, and other assigned tasks.
- F4.23 The district employs a building manager to assist in overseeing custodial and maintenance operations at the high school. The responsibilities and duties required of this position appear to overlap with those of the head custodian and administrative assistant.
- R4.6** The district should review the duties/responsibilities of the building manager and head custodian to aid in determining whether both positions are needed at the high school. The district should consider reallocating the duties of the building manager to the head custodian, building principal, and/or the administrative assistant. The district should consider the suggestions above in conjunction with possible custodial staff reductions discussed in **R4.8**.
- F4.24 Custodial services is managed by the district's administrative assistant. The following is a brief description of the responsibilities as contained in his job description.
- ! *Administrative Assistant* - Supervises all custodial employees and the district courier. The supervisor coordinates all custodial operations, special projects, warehousing, and district shipping and receiving. Responsibilities include: assisting building principals with preparing work schedules and resolving custodial problems when requested; selecting, purchasing, and overseeing the distribution center inventory; negotiating the district's trash contract; scheduling in service training for the custodial staff; overseeing the district's safety and security policies and systems; maintaining health regulations and fire codes; and selecting custodial cleaning supplies and equipment to be used throughout the district.
- F4.25 The custodians are supervised by both the building principals and custodial supervisor. The day-to-day supervision of the custodians in a school building is the responsibility of the principal. When a principal identifies a problem with a custodian in his building, he has the option of addressing the situation himself or contacting the administrative assistant for assistance in resolving the situation. When the building principal is off duty, the administrative assistant is the custodians' immediate supervisor.
- F4.26 The administrative assistant indicated that each custodial employee receives an annual performance evaluation. The evaluations are prepared by the administrative assistant with input from the building principal and are signed by the employee. A review of the personnel file of several employees substantiated that annual evaluations were being conducted.

C4.3 The district should be commended for its use of annual written evaluations to assess the performance of custodial employees. 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 The union contract between OFSD and OAPSE does not specify how many custodians should be assigned to individual buildings. The staffing level at OFSD results in one FTE custodial employee for every 16,410 square feet. **Table 4-10** shows the average square footage per custodian for OFSD, the peer districts and the AS&U Region 5 average.

Table 4-10: Square Footage per Custodial Employee

Olmsted Falls School District	16,410
Peer Districts:	
- North Olmsted	17,572
- Amherst	17,711
- Maumee	22,985
Peer District Average	18,670
Difference	(2,260)
AS&U Region 5 Average	23,875
Difference	(7,465)

Sources: Business Office; 1998 Maintenance & Operations Cost Study; Peer Districts

Overall, OFSD’s custodians are responsible for an average of 16,410 square feet compared to 18,670 square feet for the peer districts, which is about 12 percent less than the peer average and about 31 percent lower than the AS&U Region 5 average. Completed performance audits indicate that an acceptable range of square footage per custodian is 20,000 to 25,000 square feet.

F4.28 The following table shows the lowest, highest and average square footage per custodial worker at the elementary, middle, high school, and other buildings. The low level of square footage per custodial worker at other buildings is due in part to the fact that two employees who maintain the bus garage also spend time cleaning buses. However, their entire salary is

charged within the facilities budget. Further, one part-time 3½ hour employee's time is dedicated solely to cleaning the district's portion of the administrative building (7,356 sq. ft.), which reduces the overall square footage of other buildings.

Table 4-11: 1998-99 Average Square Footage per FTE Custodian

Type	Number of Sites	Number of Custodial Staff (FTEs)	Low	High	Average ²
Elementary	2	8.10	15,628	18,967	17,689
Middle	1	8.26	14,908	14,908	14,908
High	1	9.38	17,932	17,932	17,932
Other ¹	2	1.86	8,051	14,712	9,842
Total	6	27.60	8,051	18,967	16,410

Source: OFSD Business Office; peer districts

¹ Other buildings include the district's portion of the administrative building and the bus garage.

² Average represents the square footage per custodian as reflected in **Table 4-12**.

R4.7 The district should strive to more accurately reflect the true number of full time equivalents and associated costs related to bus garage utility workers who are charged to the custodial services section. Approximately 40 percent of the bus garage utility workers time is spent cleaning buses but their entire wages are charged to the facilities section. Taking into account the true number of hours worked in the custodial services section, the number of full time equivalents related to other buildings would be reduced to 1.32. This reduction would raise the average square footage for other buildings to 13,868 and the overall average square foot to 16,738. There is no financial implication involved since the reduced facility costs would be offset by increased transportation costs.

F4.29 The following table compares the peer districts’ school facilities and custodial staffs. Overall, the custodial staff is responsible for 452,928 square feet, approximately .77 percent less than the peer district average of 456,397 square feet.

Table 4-12: Comparison of School Facilities and Custodial Staffs

	Olmsted Falls	North Olmsted	Amherst	Maumee	Peer Average	Difference Between OFSD and Peer Average
Elementary Buildings	2	6	2	4		
Total Sq. Footage	143,281	210,304	92,417	152,020		
Sq. Footage per Building	71,641	35,051	46,209	38,005		
Number of Custodians	8.10	14.0	6.0	8.00		
Sq. Footage Per Custodian	17,689	15,022	15,403	19,003	16,779	910
Middle School Buildings	1	1	2	1		
Total Sq. Footage	123,140	168,698	89,597	108,292		
Sq. Footage per Building	123,140	168,698	44,799	108,292		
Number of Custodians	8.26	9.0	5.63	4.75		
Sq. Footage per Custodian	14,908	18,744	15,914	22,798	18,091	(3,183)
High School Buildings	1	1	1	1		
Total Sq. Footage	168,201	208,304	135,309	178,285		
Sq. Footage per Building	168,201	208,304	135,309	178,285		
Number of Custodians	9.38	11.0	6.33	6.00		
Sq. Footage per Custodian	17,932	18,937	21,376	29,714	21,990	(4,058)
Alternative School, Administrative Buildings and Others	2	2	1	2		
Total Sq. Footage	18,306	15,760	5,202	8,470		
Sq. Footage per Building	9,153	7,880	5,202	4,235		
Number of Custodians	1.86	.32	.25	.70		
Sq. Footage per Custodian	9,842	49,250	20,808	12,100	23,000	(13,158)
Total Sq. for All Buildings	452,928	603,066	322,525	447,067		
Total Custodial Staff	27.60	34.32	18.21	19.45		
Sq. Footage per Custodian	16,410	17,572	17,711	22,985	18,670	(2,260)

Source: OFSD Business Office; peer districts.

¹ For the above table, custodians include head custodians, custodians, cleaners and utility workers.

R4.8 The district should consider increasing the square footage per custodial staff to be more comparable with peer district and Region 5 averages. This can be accomplished by reducing the size of the custodial staff through layoffs or attrition and by reallocating the remaining custodial staff based on the number of square feet per building.

Financial Implication: If the district increases the square footage per custodial staff to between 17,775 and 23,000 square feet, they could potentially reduce the number of custodial employees by two to eight employees generating a savings of between \$78,000 and \$291,000, including benefits.

F4.30 The following table shows the FY 1997-98 base custodial salary and 1998 average gross custodial wages for OFSD, the peer districts, and the AS&U Region 5 average.

Table 4-13: Custodial Salaries

Position	FY 1997-98 Base Salary	1998 Average Gross Wages	Difference as a Percentage of Base Salary
Custodian	\$38,458	\$40,443	5.16%
Cleaner	20,188	23,907	18.42%
Utility Worker	22,355	24,869	11.25%
OFSD FTE Weighted Average	\$28,425	\$31,227	9.86%
Peer districts:			
North Olmsted	\$29,029	\$32,849	13.16%
Amherst	30,454	32,226	5.82%
Maumee	23,827	26,303	10.39%
Peer District Average	\$27,934	\$30,651	9.73%
Difference	\$491	\$576	N/A
AS&U Region 5 Average	\$23,717	N/A	N/A
Difference	\$4,708	N/A	N/A

Sources: OFSD payroll department; peer districts.

Note: The base salaries do not include overtime.

N/A - not applicable

OFSD’s weighted average of \$28,425 for base custodial salary and gross wages of \$31,227 were the second lowest of the three peer districts reviewed. However, the base salary was \$4,708 higher than the AS&U Region 5 average. Region 5 data was not available for average gross wages.

F4.31 The following table compares custodial overtime expenditures by OFSD to its peer districts for FY 1997-98. Compared to the peer districts, OFSD’s total custodial overtime expenditures and the amount of overtime per full-time custodial employee are both the second lowest.

Table 4-14: FY 1997-98 Custodial Overtime Expenditures by District

District	Number of Full-Time Custodians	Salaries	Overtime	Amount of Overtime per Full-Time Custodian	Overtime as a Percentage of Salaries
Olmsted Falls ¹	27.60	\$815,836	\$32,528	\$1,179	3.99%
North Olmsted	36.63	\$1,051,833	\$45,056	\$1,230	4.28%
Amherst	18.21	\$554,657	\$2,000	\$110	.36%
Maumee	18.70	\$451,308	\$33,447	\$1,789	7.41%

Source: Treasurer’s Office; Business Office

¹Salaries and overtime does not include amounts earned by substitutes

F4.32 The district maintains a list of custodial substitutes, including custodians and cleaners, that is approved annually by the board. The administrative assistant indicated that the custodial list is utilized first when attempting to find a replacement for an absent custodial employee. Replacement cleaners are paid \$6.50 per hour while replacement custodians and utility workers are paid \$9.00 per hour. Current staff who work less than 40 hours per week are utilized if a substitute can not be found from the list.

F4.33 OFSD utilizes temporary help in the summer months to aid the custodians and cleaners during a period of significant vacation leave usage. The district utilizes student help at a rate of \$6.50 to \$7.50 per hour and also utilizes existing nine-month cleaners at a rate of \$9.75 per hour. The pay-rates are approved by the board on an annual basis.

C4.4 The district realizes cost savings by utilizing student workers and existing nine-month employees during the summer months. The rates paid to both types of workers are significantly less than those of full-time custodians and cleaners.

F4.34 OFSD utilizes four head custodians to perform weekend inspections at each of the four school buildings. The custodians are paid one hour of overtime, per day, or a total of two hours of overtime for each weekend. The inspections are performed year round.

R4.9 The district should investigate the need for weekend inspections during non-heating seasons and may want to consider eliminating or amending this procedure. Further, the district may want to consider purchasing and installing software that would allow for the monitoring of the school buildings, including temperature controls, from a remote location.

Financial Implication: If the district eliminates weekend inspections during the non-heating season (approximately eight months), they could potentially reduce the number of overtime hours by 70 per employee for a total reduction of 280 hours. This will generate an annual cost savings of approximately \$7,800.

Maintenance

- F4.35 The maintenance staff at OFSD primarily consists of a full time facilities coordinator and one full time utility worker who reports to the coordinator. However, during the summer months, the maintenance department is staffed by several part-time student workers who also report to the facilities coordinator.
- F4.36 The facilities coordinator was hired by the district in May 1998. He is responsible for keeping the district’s facilities in a safe and efficient operating condition. He is also responsible for performing and coordinating the general maintenance at all school facilities and grounds, establishing and directing a preventive and corrective maintenance program for buildings and grounds that serves both immediate and long range needs, ensuring proper safety practices and procedures are followed by the property services’ staff, and in-service training sessions.
- F4.37 The administrative assistant stated that each of the two maintenance employees receive an annual performance evaluation. The evaluations are prepared by the administrative assistant and are signed by the employees. A review of the personnel file for one employee substantiated that annual evaluations were being given.
- F4.38 These following table reflects the square footage per maintenance employee for OFSD, the three peer districts and the AS&U Region 5 average.

Table 4-15: Square Footage per Maintenance Employee

Olmsted Falls ¹	217,311
Peer Districts:	
- North Olmsted	86,152
- Amherst	86,919
- Maumee	117,017
Average for Peer Districts	126,850
Difference	90,461
AS&U Region 5 Average	75,000
Difference	142,311

Sources: Business Office; 1998 Maintenance & Operations Cost Study; Peer Districts
¹Square footage does not include the Board Office since it is not owned by the District or the bus garage which is maintained by the transportation department.

F4.39 The OFSD facilities coordinator and Utility Worker are primarily responsible for the maintenance and repair of 434,622 square feet. However, a significant portion of the maintenance and repair on the school buildings is performed at the end of the school year with part-time summer help who are not included in the full-time equivalents. Consequently, the full-time OFSD Maintenance Department is responsible for 90,461 more square feet than the peer district average, and 142,311 square feet, or 189 percent, more square feet than the AS&U Region 5 average.

OFSD's square feet per maintenance worker is reduced to 86,924 when factoring in three additional full-time equivalents related to part-time summer help. The OFSD maintenance department, including part-time summer help, is responsible for 7,959 less square feet than the peer district average but 11,924 square feet, or 16 percent, more square feet than the AS&U Region 5 average

F4.40 The district does not utilize any formal methodology for determining the size and adequacy of its maintenance department. The current staff size of two full-time employees may be sufficient to adequately maintain the buildings in their present condition but may not be sufficient in the future as the buildings age and more maintenance work is required.

R4.10 The district should evaluate the adequacy of its maintenance department staff based on the total square footage maintained, the age of the buildings, and the projects and repairs expected to be performed in the future. This evaluation will help ensure the district always has a sufficient maintenance staff to complete planned projects. Further, by ensuring proper staffing, it will help to ensure the proper maintenance of its facilities.

F4.41 The maintenance department performs periodic preventive maintenance procedures on the equipment and buildings throughout the district including changing filters and belts, cleaning condensers and lubricating motors. In addition, the HVAC systems are regulated and tested on a periodic basis to ensure maximum efficiency. However, the district does not have a formal preventive maintenance program that reflects: a) the individual buildings and equipment along with the preventive maintenance procedures to be performed b) the interval between applications of the preventive maintenance procedures and c) documentation that all procedures have been performed.

R4.11 OFSD should continue to develop and implement a formal preventive maintenance program. The program should, at minimum, include the buildings and equipment to be repaired, the maintenance procedures to be performed, and the intervals between maintenance procedures. Such a program should be phased in gradually, addressing the higher priorities first. A preventive maintenance program can also improve worker productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies. A preventive maintenance program can decrease energy consumption because equipment will be running more efficiently, and can result in reduced maintenance and capital expenditures since

equipment will last longer. Finally, a preventive maintenance program would improve customer service since there should be fewer interruptions to school staff and students from faulty or inoperable equipment. The district may want to consider purchasing a maintenance software package, such as “maintain it” to help manage its preventive maintenance program.

Financial Implications: The majority of expenditures associated with the implementation of an effective preventive maintenance program will be for cost of the “maintain it” preventive maintenance program which is approximately \$6,000. Also, there would be additional costs associated with the educating and training of employees on the preventive maintenance program along with the labor cost associated with loading the tasks into the computer program. However, a preventive maintenance program will result in savings to OFSD from a reduction in capital and maintenance expenditures and decreased energy consumption.

F4.42 The following table shows the FY 1997-98 average annual salary and calendar year 1998 gross wages for property services employees related to OFSD, the peer districts, and the AS&U Region 5 average.

Table 4-16: Maintenance Department Salaries

Position	FY 1997-98 Average Annual Salary	1998 Average Gross Wages	Difference as a Percentage of Base Salary
Facilities Coordinator ¹	\$48,817	\$49,573	1.55%
Utility Worker	19,555	22,003	12.52%
OFSD FTE Weighted Average	\$34,186	\$35,788	4.69%
Peer districts:			
North Olmsted	\$34,317	\$35,611	3.77%
Amherst	33,005	36,694	11.18%
Maumee	28,224	30,311	7.39%
Peer District Average	\$32,433	\$34,601	6.68%
Difference	\$1,753	\$1,187	N/A
AS&U Region 5 Average	\$31,221	N/A	N/A
Difference	\$2,965	N/A	N/A

Source: OFSD’s payroll department; peer districts

¹The facilities coordinator position was established beginning May 1, 1998 but the wages represent what the approximate annual salary and average gross would be for an entire year.

F4.43 OFSD’s weighted average annual salary for the maintenance department of \$34,186 was the second highest of the three peer districts. Further, the weighted average was \$1,753 higher than the peer district average and \$2,965 higher than the AS&U Region 5 average. OFSD’s calendar year 1998 weighted average gross wages of \$35,788 was the second highest of the three peer districts and was \$1,187 higher than the peer district average. Region 5 data was not available for weighted average gross wages.

F4.44 The following table compares maintenance overtime expenditures by OFSD to its peer districts for FY 1997-98. Compared to the peer districts, OFSD total maintenance overtime expenditures and amount of overtime per full-time maintenance worker were the second lowest.

Table 4-17: FY: 1997-98 Maintenance Overtime Expenditures by District

District	Number of Full-Time Tradesmen	Salaries	Overtime	Amount of Overtime per Full-Time Tradesmen	Overtime as a Percentage of Salaries
Olmsted Falls ¹	2.0	\$39,595	\$1,194	\$597	3.01%
North Olmsted	6.0	\$219,377	\$7,505	\$1,251	3.42%
Amherst	4.0	\$132,018	\$800	\$200	.61%
Maumee	4.0	\$112,897	\$6,879	\$1,720	6.09%

Sources: Treasurer’s office; peer districts

¹Salaries and overtime does not include part-time summer help or the amount the facilities coordinator earned and charged to the transportation department before being appointed to his present position

Overall, OFSD’s maintenance salaries were in line with the three peer districts and the overtime charged did not appear to be excessive.

Financial Implications Summary

The following table represents a summary of the annual cost savings 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	Implementation Costs
R4.4 Implementation of an energy management program	\$44,265 - \$63,235	
R4.8 Increase square footage per custodial employee	\$78,000 - \$291,000	
R4.9 Eliminate weekend inspections during non-heating season	\$7,800	
R4.11 Purchase and Implement preventive maintenance software		\$6,000
Total	\$130,065 - \$362,035	\$6,000

Estimates by the Ohio Legislative Budget Office place the capital cost to repair and upgrade OFSD' facilities to the minimum standards and codes for health and safety at approximately \$9.4 million.

Conclusion Statement

OFSD, like most other school districts, has ongoing capital needs. In the last ten years, the district has updated its two elementary schools, middle school, and high school facilities through construction or renovation projects. The most recent project, which included the construction of a new middle school and renovation of the high school, was partly financed through a state grant. The district currently has a small source of capital revenue that generates approximately \$74,000 per year. However, the district should begin to evaluate the adequacy of the annual revenues in conjunction with anticipated construction or renovation projects. As the age of the facilities increase, the need for a larger capital revenue stream will become greater.

OFSD expends a portion of its maintenance and operations funds in a fairly cost-effective manner. The district had the lowest cost per square foot for purchased services and the second lowest cost per square foot for combined salaries and benefits when compared to the peer districts. However, the district's cost per square foot for utilities (\$1.40) was highest of the three peer districts. Since the district has implemented H.B. 264 improvements and utilizes discounted electric and gas, research needs to be completed to determine the cause(s) of the high utility cost per square foot and to reevaluate the existing energy management program. An energy management program should include educating district staff and students on reducing energy costs through turning off lights and equipment when not in use. Further, the district should consider purchasing an energy accounting software package, such as FASER, to allow them to track energy consumption by building and determine energy savings compared to the energy usage.

OFSD's custodial department of 34 employees (27.6 FTEs) maintained the lowest square footage per employee when compared to the three peer districts and the Region 5 average. The district should consider options to increase the efficiency of custodial operations including the square footage per employee. Increased efficiency can be accomplished in several ways including reducing custodial staff size and/or by reducing the number of hours worked by part-time employees while requiring the same amount of work to be completed. The district's average base custodial salary appeared reasonable when compared to the three peer and the overtime charged did not appear to be excessive.

OFSD's maintenance department consists of two employee (2 FTEs) who maintain 434,622 square feet of inside building space. OFSD's maintenance department maintained the highest square footage per employee when compared to the three peer districts and the Region 5 average. This was accomplished primarily by utilizing part-time summer employees to help the two full-time workers perform maintenance procedures that were not completed during the school year. Also, the newly constructed middle school and the renovated high school and elementary schools required limited maintenance and repairs. However, when factoring in the part-time summer help, the square footage maintained by maintenance department was more in line with the peer districts and the Region 5 average.

The district does not utilize any formal methodology for determining the size and adequacy of its maintenance department. The current staff size of two full-time employees may be sufficient to adequately maintain the buildings in their present condition but may not be sufficient in the future as the buildings age and more maintenance work is required. The district should begin to evaluate the adequacy of its maintenance department staff based on the total square footage maintained, the age of the buildings, and the projects and repairs expected to be performed in the future.

OFSD should consider adopting a standard methodology for projecting enrollment. The enrollment projections can be used as a valuable planning tool to help determine the amount of state funding to be received in the future, to complete financial forecasts, to determine the appropriate number of teachers to hire, and to evaluate building usage and capacity. In addition, the district should periodically review building capacity and utilization in conjunction with enrollment projections to determine the appropriate number of school buildings needed to house the current and projected student populations. Recently, the Board of Education adopted a standard methodology of projected enrollment. Further, the district should seriously consider implementing a preventive maintenance program which at a minimum would include the buildings and equipment to be repaired, the maintenance procedures to be performed, and the intervals between maintenance procedures. Finally, the district needs to review the reporting requirements under H.B. 264 pertaining to an independent architect or engineer certifying the district's report on reductions in energy consumption and the resulting savings. By utilizing an independent architect or engineer, the district may be able to assess the reason(s) for the high utility costs and determine potential savings measures.

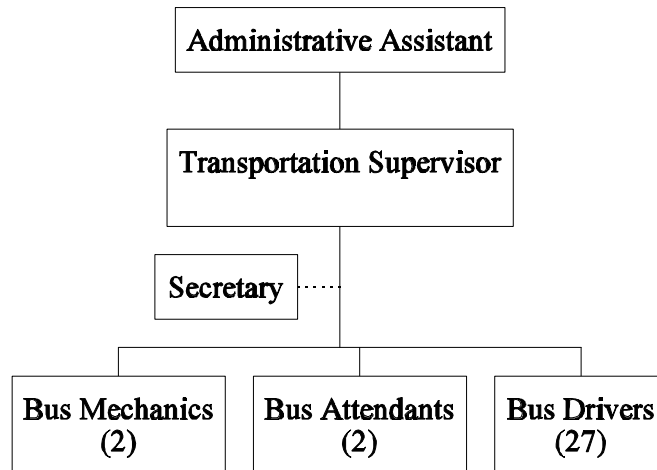
Transportation

Background

Organization Chart

The chart below provides an overview of the organizational structure and staffing levels for the Olmsted Falls School District's (OFSD) transportation department.

Chart 5-1: Transportation Department



This organizational chart was in effect for FY 1998-99. In FY 1999-00, the position of Administrative Assistant was merged with the Transportation Director. The new position is called Director of Business Affairs. This merger reduced the amount of administrators to twelve.

Organization Function

The primary responsibility of the transportation department is to provide a safe, efficient and economical method of getting students to and from school scheduled in a way that the best educational interests of the students can be served. The district provides transportation for students who attend private schools based on the same criteria as their own students. The district's transportation department operates its own fleet of school buses.

Summary of Operations

In FY 1997-98, the average daily membership for OFSD, as reported by the Ohio Department of Education, was 2,954. District buses for the regular transportation program traveled 262,620 miles carrying an estimated 2,744 public and 295 non-public students daily. In addition, 10 non-public and 13 public students received payment "in lieu of transportation." Also, 2 public and 4 non-public students were transported on contracted other vehicles. In total, OFSD transported 3,068 regular students.

The special education program transported approximately 41 students daily through different transportation means. District buses traveling over 33,660 miles, transported 28 students, or 68 percent, contracted vehicles transported 6 students, or 15 percent and taxis transported 7 students, or 17 percent of the total.

Overall, the district's buses traveled approximately 296,280 miles during FY 1998 while transporting 3,067 students. Combining all methods, the district provided for the transportation of 3,109 public and non-public students at a cost of \$1,014,878. Approximately \$305,399, or 30 percent, of the total transportation expenditures were reimbursed by the state.

Staffing

The following table displays the current staffing levels for the transportation function.

Table 5-1: Staffing Level

Position	Number of Employees	Full Time Equivalents
Administrative Assistant ¹	1	0.0
Transportation Supervisor	1	1.0
Bus Mechanic	2	2.0
Bus Driver ²	27	19.0
Bus Aides	2	1.3
Secretary ³	1	0.8
Total	34	24.1

Source: OFSD's transportation department records

¹ Salaries expenditures of the administrative assistant were not included throughout the report since the time spent on transportation activities was minimal.

² The top 50 percent of the drivers on the seniority list are guaranteed 5 hours per day. The actual number of hours drivers' work per day range between 3.5 and 7.5 hours. The top 50 percent of the drivers are scheduled for 5.1 to 7.5 hours.

³ The transportation secretary is a part-time employee and her hours are not charged to the department's budget. However, the transportation department properly included her salary and benefits on the T-1 and T-2 forms.

Financial Data

The following table shows the actual transportation expenditures for the three most recent years. The FY 1997-98 transportation expenditures shown below include the cost of field trips and repairs to other vehicles totaling approximately \$77,206 which are not related to home-to-school transportation. Therefore, these costs have been excluded in the operational analyses performed throughout this section.

Table 5-2: Financial Table

Component	Actual FY 1996-97 Expenditures	Actual FY 1997-98 Expenditures	Actual FY 1998-99 Expenditures
Salaries	\$635,182	\$632,599	\$615,794
Benefits	\$159,439	\$270,594	\$228,379
Purchased Services	\$50,519	\$95,049	\$71,265
Materials & Supplies	\$134,314	\$200,459	\$208,908
Subtotal	\$979,454	\$1,198,701	\$1,124,346
Capital	\$64,494	\$64,539	\$37,620
Total	\$1,043,948	\$1,263,240	\$1,161,966

Source: OFSD's FY 1996-97, FY 1997-98 4502 Reports; 1998-99 annual appropriation measure

Total transportation expenditures, not considering capital, increased approximately 22 percent, when comparing FY 1996-97 to FY 1997-98. Explanations for the significant expenditure increases by account are as follows: 1) Benefit expenditures increased due to the timing of claim payments whereby a large portion of the FY 1996-97 claims were not paid until FY 1997-98. 2) Purchased service expenditures increased in FY 1997-98 due the timing of payments whereby a portion of the FY 1996-97 invoices were not paid until FY 1997-98 and due to increases in bus garage repairs and vehicle property insurance 3) Material and supply expenditures increased in FY 1997-98 to be more in line with normal annual totals. Further supporting the 1997-98 increase is the fact that material and supply expenditures were unusually low in FY 1996-97 compared with FY 1995-96 expenditures of \$194,079.

Total transportation expenditures, not considering capital, decreased approximately six percent, when comparing FY 1997-98 to FY 1998-99. This was primarily due to decreases in benefit and purchased service expenditures to be more in line with normal annual totals. The 1998-99 expenditures for benefits and purchased services were reasonable when compared to the average of the 1996-97 and 1997-98 fiscal years.

The comparative analyses throughout this section includes information on the school districts from the following table which details some of the basic operating statistics for each of the peer districts.

Table 5-3: Operational Statistics and Ratios

FY 1997-98	Olmsted Falls	Amherst	North Olmsted	Maumee
Operational Statistics:				
Eligible Students				
- Regular students	3,068	2,457	3,323	1,691
- Special needs	41	43	60	49
- Total	3,109	2,500	3,383	1,740
Expenditures				
- Regular students	\$859,486	\$487,644	\$1,056,136	\$339,726
- Special needs	\$155,392	\$98,080	\$190,272	\$98,622
- Total	\$1,014,878	\$585,724	\$1,246,408	\$438,348
State Reimbursements				
- Regular students	\$242,965	\$293,391	\$299,421	\$183,223
- Special needs	\$62,434	\$26,764	\$70,651	\$29,608
- Bus purchase allowance	\$55,039	\$65,465	\$47,965	\$34,092
- Total	\$360,438	\$385,620	\$418,037	\$246,923
Miles Driven				
- Regular students	269,280	212,580	340,380	102,780
- Special needs	33,660	44,100	29,358	32,220
- Total	302,940	256,680	369,738	135,000
Operational Ratios:				
Regular Students: Yellow Bus				
- Cost per Mile	\$3.24	\$2.27	\$3.00	\$3.19
- Cost per Bus	\$32,772	\$26,353	\$30,987	\$23,406
- Cost per Student	\$280	\$199	\$341	\$202
- Students per Bus	117	132	91	116
- Cost per Student all methods	\$280	\$198	\$318	\$201
Special Needs Students:				
- Cost per Student all methods	\$3,790	\$2,281	\$3,171	\$2,013
School Sites				
- Public	4	5	7	6
- Non-public	16	4	10	9 ¹
Active Buses	26	22	36	16
Spare Buses	3	5	2	5
Square Miles in District	16	25	11.2	12.7

Source: FY 1997-98 T-1, T-2 and T-11 Forms; FY 1997-98 4502 Report

¹Includes Penta County Joint Vocational School

The following table provides the number of staff members and full-time equivalents (FTE) by position for each of the peer districts.

Table 5-4: Peer District Staffing Level Comparison

Staffing	Olmsted Falls		Amherst		North Olmsted		Maumee	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Managers	1 ¹	0.0	0	0.0	0	0.0	0	0.0
Supervisors	1	1.0	1	1.0	1	1.0	1	1.0
Trainers	0	0.0	0	0.0	0	0.0	0	0.0
Dispatchers/Routers/Radio	0	0.0	0	0.0	0	0.0	0	0.0
Bus Drivers	27 ²	19.0	21	10.7	36	21.2	15	7.3
Bus Attendants	2 ³	1.3	3	1.5	2	1.0	1	0.5
Mechanics/Serviceemen	2	2.0	2	2.0	3	3.0	1	1.0
Clerical	1 ⁴	0.8	1	.5	1	1.0	1	1.0
Total	34	24.1	28	15.7	43	27.2	19	10.8

Source: Transportation departments' records

¹ Salaries expenditures of the administrative assistant were not included throughout the report since the time spent on transportation activities was minimal

² The top 50 percent of the drivers on the seniority list are guaranteed 5 hours per day. The actual number of hours drivers' work per day range between 3.5 and 7.5 hours. The top 50 percent of the driver are scheduled for 5.1 to 7.5 hours.

³ Bus attendants are assigned exclusively to work on the school buses.

⁴ The transportation secretary is a part-time employee whose hours are not charged to the department's budget. However, the transportation department properly included her salary and benefits on the T-1 and T-2 forms.

Performance Measures

The following is a list of performance measures that were used to conduct this 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, cost per bus and cost per student
 - Bus capacity utilization
 - Comparative bus driver wage rates and benefits
 - Effectiveness of coordination between the special education department and the 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 The OFSD’s Board of Education establishes policies for providing transportation to students between their residences and their regular schools of attendance assuming eligibility based on the following criteria:

- ! All K-5 grade students living one or more miles from the school they attend shall receive transportation.
- ! All 6-8 grade students living one and a half or more miles from the school they attend shall receive transportation.
- ! All 9-12 grade students living one and a half or more miles from the school they attend shall receive transportation.
- ! All K-12 grade students shall receive transportation regardless of the distance from their home to the school they attend if the route includes a main thoroughfare where sidewalks or walkways are not provided.
- ! Hazardous conditions and/or medical problems may allow for transportation to be provided to students who live closer than the above requirements.

State law generally requires a school district to provide transportation for resident elementary students grades K-8, who live more than two miles from their assigned school, or who have physical or mental disabilities that make walking to school impractical or unsafe. The transportation of secondary students or intra district open enrollment is optional.

F5.2 **Table 5-5** illustrates how the transportation policy of OFSD compares with those of its peer districts.

Table 5-5: Transportation Policies

	Olmsted Falls	Amherst	North Olmsted	Maumee
Transportation Policy				
K-5	1 mile	1 mile	1 mile ¹	1 mile
6-8	1.5 miles	1 mile	1 mile	1 mile
9-12	1.5 miles	1 mile	No	1 mile
Intra district open enrollment	No	No	No	No

Source: Districts’ policies

¹ North Olmsted policy is to transport all kindergarten children, regardless of distance.

F5.3 OFSD has established formal procedures, with administrative approval, to determine if safety hazards are present and, therefore, allow the transportation of a student living less than one to one and one half miles from their school. Parents may request a hazardous transportation exception by contacting the transportation coordinator. However, the granting of the exception is done in writing with the approval of the district’s administrative assistant. Current hazards include crossing a four-lane road, major streets without sidewalks, speed limits and railroad crossings.

The district transports students living less than one to one and one half miles from the school they attend when safety conditions warrant. In FY 1997-98, the district transported 127 students under this exception. This equates to approximately four percent of the total number regular students transported. These exceptions primarily affected Fitch Primary School and the Middle School since the streets have no sidewalks and are considered main thoroughfares.

F5.4 **Table 5-6** lists the different bell schedules for OFSD’s schools.

Table 5-6: Bell Schedules

	Start Time	Dismissal Time
Olmsted Falls High School	7:40 a.m.	3:00 p.m.
Olmsted Falls Middle School	8:25 a.m.	3:30 p.m.
Fitch Primary School	8:00 a.m.	2:25 p.m.
Falls/Lenox Secondary School	8:05 a.m.	2:30 p.m.

Source: Individual school offices

F5.5 OFSD’s transportation department uses a combination of one, two, three and four runs per route as shown in **Table 5-7**. However, the majority of both the a.m. and p.m. routes have three runs per route.

Table 5-7: Analysis of Bus Routing Tiers

FY 1997-98	A.M. Routes	Percent of Total	P.M. Routes	Percent of Total
One run	2	7%	5	19%
Two runs	9	35%	6	23%
Three runs	9	35%	7	27%
Four runs	6	23%	7	27%
Five runs	0	0%	1	4%
Total	26	100%	26	100%

Source: OFSD transportation department records

Note: The above table does not include runs for pre-school or special needs programs.

The district has 11 routes that have two or less runs per route. Of these routes, five were related to the transportation of non-public students. This is further discussed in **F5.22** and **Table 5-16**.

F5.6 **Table 5-8** reflects a comparison of districts’ bell schedules that affect transportation routing.

Table 5-8: Peer District Bell Schedule

	Olmsted Falls	Amherst	North Olmsted	Maumee
Number of Tiers	3 tier	3 tier	2 tier	3 tiers

Source: Transportation departments’ records

Multiple runs are accomplished by the district dropping off high school students at the building 40 minutes prior to the start of school.

F5.7 **Table 5-9** shows the number of runs per route by peer district. The OFSD transportation department had the second lowest percentage of multiple runs per route of the districts being compared.

Table 5-9: Peer Analysis of Bus Routing Tiers

	Olmsted Falls	Amherst	North Olmsted	Maumee
FY 1997-98	Percent of Total	Percent of Total	Percent of Total	Percent of Total
One run	13%	0%	0%	14%
Two runs	29%	0%	82%	0%
Three runs	31%	100%	18%	86%
Four runs	25%	0%	0%	0%
Five runs	2%	0%	0%	0%
Total	100%	100%	100%	100%

Source: Transportation departments’ records

The district may not be properly utilizing the capacity of the buses in its fleet. OFSD’s transportation department operates one bus for every 117 students receiving regular transportation services. In addition, the district has a bus utilization capacity of 64 percent. Bus utilization capacity is defined as 85 percent of the manufacturer’s seating capacity for the bus. If the transportation department had a computerized routing system, it could run various scenarios that could possibly increase the number of students on a bus.

F5.8 The transportation department has chosen not to use computerization routing software. The transportation coordinator has indicated that the bus routes have not significantly changed over the years. See **F5.33**, **F5.34** and **R5.9** for further discussion on technology.

State Funding

F5.9 School districts must file annual forms with the Ohio Department of Education (ODE) regarding their transportation services. These forms are used by ODE to determine the reimbursement the district will receive related to their regular and special needs transportation programs.

F5.10 The transportation department initially overstated the total number of Type I public riders by 188. The overstatement was the result of dual counting certain riders. A reconciliation completed by request provided the necessary support.

F5.11 OFSD’s bus purchase allowance in FY 1997-98 for regular buses was \$55,039. The district does not receive many reimbursements for buses identified as handicapped because, in an urban setting, the buses cannot drive the mileage necessary to qualify under the state’s guidelines. However, during 1998, the district did receive \$51,710 towards the purchase of a non-public/handicapped student bus.

General Operations

F5.12 The following table illustrates the increase in actual transportation costs, including capital expenditures

Table 5-10: Actual Expenditures

	FY ‘96-97 Actual	FY ‘97-98 Actual	Dollar Increase	Percent Increase	FY ‘98-99 Actual	Dollar Increase (Decrease)	Percent Increase
Total Cost	\$979,454	\$1,198,701	\$219,247	22.38%	\$1,124,346	(\$74,355)	(6.20%)

Source: OFSD’s FY 1996-97, 1997-98 4502 Reports; 1998-99 permanent appropriation measure

Total transportation expenditures, not considering capital, increased from FY 1996-97 to FY 1997-98 by approximately 22 percent due to line item increases in benefits, purchased services, and materials/supplies. Total transportation expenditures, not considering capital, decreased from FY 1997-98 to FY 1998-99 by approximately six percent primarily due to line item decreases in salaries, benefits, and purchased services. Explanations for the significant fluctuations between FY 1996-97, FY 1997-98, and FY 1998-99 were discussed further in the financial data section, page 3.

F5.13 Approximately 3,068 regular education public and non-public students are eligible for transportation within the OFSD boundaries. Non-public students are students who live within OFSD boundaries but attend private or parochial schools. The overall cost to transport an OFSD regular education student, for all methods of transportation, is \$280 based on FY 1997-98 actual expenditures.

As with most school districts, the cost for OFSD to transport special needs students is dramatically higher than the cost to serve regular education students. An estimated 41 special needs students were eligible for transportation. The cost per special needs student during FY 1997-98 was \$3,790, or approximately \$3,510 more than the cost to serve regular education students. The following factors significantly increase costs for special needs student transportation:

- ! The number of special needs students requiring transportation and the location of the special education classes to which students are assigned.
- ! The use of aides on the special needs routes. Aides are assigned to these routes to help the driver load/unload students, to maintain order on the buses and to attend to the special needs of the students. There are two bus attendants who are paid an average of \$8.93 per hour and work approximately 5 hours per day.
- ! Special needs students may require door-to-door service not available to regular education students. The time required in loading/unloading special needs students is higher than regular students. Both these factors directly impact the length of time for the route.
- ! Special equipment is needed to transport special needs students. Some buses purchased for special needs programs require special features (lifts, restraints, etc.) which makes these buses more expensive to purchase and maintain.
- ! The number of special needs students per bus is usually lower than the regular transportation routes. This is due mainly to the location of the students, the displacement of regular seats, the need for special equipment, the riding time considerations and the individual attention students on these routes need

The following table details the number of students and cost per student for regular and special needs students.

Table 5-11: Transportation Cost

	Eligible Students	FY 1997-98 Costs	Cost per Student
Regular Education	3,068	\$859,486	\$280
Special Needs	41	\$155,392	\$3,790
Total	3,109	\$1,014,878	

Source: OFSD’s FY 1997-98 T-1, T-2 and T-11 Forms

F5.14 Performance of transportation services can be measured by various means. The following table presents selected operating ratios for OFSD and other peer districts for regular education students.

Table 5-12: Regular Education Operational Ratio Peer Comparison

Regular Education FY 1997-98	Olmsted Falls	Amherst	North Olmsted	Maumee	Peer Average
District Buses:					
Operational Data:					
Active Buses	26.0	18.3	33.0	14.0	22.8
Average Driver Wage	\$14.02	\$13.81	\$12.74	\$12.56	\$13.28
Operational Ratios:					
Cost per Mile	\$3.24	\$2.27	\$3.00	\$3.19	\$2.93
Cost per Bus	\$32,772	\$26,353	\$30,987	\$23,406	\$28,379
Cost per Student	\$280	\$199	\$341	\$202	\$255
Students per Bus	117	132	91	116	114
Number of Students	3,039	2,424	3,000	1,624	2,522
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
Contracted Owned - Other Vehicle:					
Cost per Student	\$805	N/A	\$3,204	N/A	\$2,005
Number of Students	6	N/A	4	N/A	5
Public Utility:					
Cost per Student	N/A	N/A	\$54	N/A	\$54
Number of Students	N/A	N/A	302	N/A	302
Payment In Lieu of Transportation:					
Cost per Student	\$151	\$151	\$151	\$151	\$151
Number of Students	23	33	17	67	35
All Modes of Transportation:					
Cost per student	\$280	\$198	\$318	\$201	\$249
Number of Students	3,068	2,457	3,323	1,691	2,635

Source: Transportation departments' FY 1997-98 T-1 and T-2 Forms

OFSD experiences the second highest cost per student on district owned buses and the lowest cost per student on contracted other vehicles for the transportation of regular education students. However, since only six students are transported on contracted other vehicles, the district's overall average cost per student for all modes of transportation is not affected. The transportation department's higher cost per student is related to the district having 42 percent of its routes with two or less runs per route, **Table 5-9**, and the number of non-district school sites it serves, **Table 5-3, F5.22**. Also, the district's driver average hourly wage of \$14.02 is

the highest of the peer districts. The district could also improve on its efficiencies by minimizing the number of buses needed to transport students by increasing bus capacity utilization levels (**R5.1**) through the use of route optimization software (**R5.9**).

F5.15 OFSD's student per district bus capacity of 117 compares favorably with the peer districts in this report as well as with other districts reviewed in performance audits to date. Since OFSD is basically operating routes comprising three runs per route in both the morning and afternoon segments, the district is actually transporting approximately 39 students per bus. The transportation department utilizes 21- to 84-passenger buses (**Table 5-17**) with the majority of the buses being 84-passenger buses used for regular student bus routes. The 84-passenger capacity buses provide challenges and opportunities for the district to achieve further efficiencies by reducing the number of buses needed to transport students through the optimal design of routes that maximize the use of available capacities.

Although key OFSD operating ratios exceed those of many districts reviewed in performance audits to date, the district's average student per bus ratio of 39 students (117 total students per bus among three runs per route) compared with the capacity associated with an average larger capacity bus fleet, suggests that further improvements are possible and should be explored (**R5.1**). For an additional comparison, the performance audit of Middletown-Monroe City School District revealed a higher capacity utilization level of 134 students per bus further reinforcing the possibility of additional efficiency improvements through the full use of route optimization software (**R5.9**).

F5.16 The district does not use route optimization software in the design of its bus routes. Instead, routes and stops are manually adjusted from the previous school year routes, with the majority of students assigned to historically established corner and cluster stops.

R5.1 The district should thoroughly examine possibilities to implement any options and tools that could incrementally increase bus capacity levels for regular education students transported on district-owned yellow buses. Additional efficiencies may not be possible using the current manual process. One tool that is available is routing software. Some of the basic functions of routing software include the following:

- ! Route planning functions to assist the router with:
 - creation of bus stop locations relative to student and safety considerations,
 - sequencing of stops on a trip/route with automatic updating of driver directions and stop times, and
 - improving routing efficiency by utilizing optimization tools to help cluster stops into routes and couple trips/routes together for a bus.
- ! Batch functions for determining student eligibility for transportation services and assigning students to bus stops.

- ! Reporting/query functions to produce reports such as route sheets and rider lists which may be viewed on-line.

The district, by fully utilizing the route maximization features of routing software on an ongoing basis, should realize route design and bus capacity utilization efficiencies expected from the use of this software. The use of the available route optimization software during the annual route design process would allow the department to test multiple route and school bell scenarios that could identify optimally efficient student per bus levels. The testing of various route and bell schedule modules could allow for more efficient route design which would help the district limit driver idle time and comply with board eligibility criteria. The result of these efforts could allow the district to realize additional efficiencies in terms of transportation costs. Options available to help ease the transition and learning curve include training from the vendor or by entering into an annual contract with the vendor for the performance of all route design and optimization duties.

Table 5-13 identifies the implications of selected incremental increases in bus capacity levels from the current level of 117 students per bus (39 total students per bus among three runs per route) on each run per bus up to 183 students per bus (61 total students per bus among three runs per route), representing 85 percent of the manufacturer’s seating capacity (calculated on the average of all the district buses, although additional gains are possible since the majority of the district buses have an 84-seat capacity). Although increases in bus capacity utilization to the 85 percent of the manufacturer’s capacity may appear optimistic, the ability to achieve incremental improvements as demonstrated in **Table 5-13** could potentially allow the district to realize significant costs savings.

Table 5-13: Regular Needs Student Per Bus Capacity Utilization Analysis

Students per Bus	Number of Buses Required	Potential Buses Reduced ¹	Potential Cost Savings ⁵
117 ²	26	N/A	N/A
122	25	1	\$29,344
127	24	2	\$58,688
134 ³	23	3	\$88,032
158	19	7	\$205,048
183 ⁴	17	9	\$264,096

¹ Reduction figures were based on 3,039 regular education students transported on district buses and were rounded
² Current students per bus average capacity is approximately 39 students per bus as OFSD basically operates three runs per route in both morning and afternoon route segments (58 percent of routes consist of three or more runs).
³ Middletown-Monroe City School District achieves an average ratio of 134 students per bus (91 percent of its routes consist of three or more runs).
⁴ Represents 85 percent of the manufacturer’s seating capacity.
⁵ Based on OFSD’s cost per bus of \$32,465 for district-owned regular yellow school bus transportation (excluding overhead costs).

Financial Implication: Increases in students per bus capacities from the current levels could potentially result in the reduction of 1 to 9 buses in the operation of district-owned yellow school buses used in the transport of regular education students. Estimated cost savings associated with the reductions in salaries, benefits and operating costs could range from \$29,344 to \$264,096. Achieving any level of these efficiency gains would depend on the department’s ability to design routes, either manually or assisted by available technology, that would allow for increases from the current average of 39 students per run. As part of this review, the district should not rule out potential bell schedule changes that may be necessary to evenly disperse eligible riders to allow increased capacity usage among three or more runs per route. The district would also avoid bus replacement capital costs for these buses of approximately \$55,000 to \$495,000.

F5.17 The table below illustrates the special needs transportation operational ratios with peer district comparisons. The emphasis on the comparison is the cost of transportation per student by the various methods used to transport special needs students.

Table 5-14: Special Needs Operational Ratios Peer Comparison

Special Needs Education FY 1997-98	Olmsted Falls	Amherst	North Olmsted	Maumee	Peer Average
District Buses:					
Operational Data:					
Average Driver Wage	\$14.02	\$13.81	\$12.74	\$12.56	\$13.28
Average Bus Attendant Wage	\$8.93	\$8.22	\$11.31	\$6.75	\$8.80
Operational Ratios:					
Cost per Mile	\$3.09	\$2.20	\$1.27	\$2.58	\$2.29
Cost per Student	\$3,715	\$2,424	\$1,624	\$1,889	\$2,413
Number of Students	28	40	23	44	34
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
Contracted Other Vehicles:					
Cost per Student	\$5,856	N/A	\$5,398	N/A	\$5,627
Number of Students	6	N/A	21	N/A	14
Parent/Guardian Contract:					
Cost per Student	N/A	\$378	\$540	N/A	\$459
Number of Students	N/A	3	1	N/A	2
Public Utility:					
Cost per Students	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	\$2,320	N/A	\$2,602	\$3,103	\$2,675
Number of Students	7	N/A	15	5	9
All Modes of Transportation:					
Cost per Student	\$3,790	\$2,281	\$3,171	\$2,013	\$2,814
Number of Students	41	43	60	49	48

Source: Transportation departments' FY 1997-98 T-11 Forms

OFSD's special needs operational ratios did not compare favorably with those of its peer districts. OFSD had the highest cost per mile and cost per student on district buses. These high ratios are affected by the shorter driving distances, the low number of special needs students transported and the salary rates of the senior drivers who bid on the special needs routes. In addition, OFSD's cost per student for all modes of transportation for special needs students was the highest of the four districts being compared. The high cost per student for all modes of transportation is due to the fact that OFSD transports 68 percent of its special needs students on board owned yellow buses which had the highest cost per student of the three peer districts (**R5.2**). A less costly transportation option would be to pay the parent/guardian for the transporting of the special needs student as discussed in **F5.19**.

F5.18 Not all special education students require specialized transportation. Those students who can be accommodated through the regular transportation program are classified as regular riders. Only those special education students requiring special transportation services are classified as special needs riders. Therefore, the number of special education students found elsewhere in this report may exceed the number of special needs students used in the transportation section.

Ohio Administrative Code Section, 3301-51-10(C)(2) states the following:

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.

The transportation supervisor has some involvement in the IEP process when a determination is made that the student requires special transportation services. The district transports 28 special needs students (68 percent) on board-owned yellow buses and 7 special needs students (17 percent) on taxis within the district. All special needs students attending classes outside the district are transported on contracted vehicle. In FY 1998, the district contracted with Suburban Transportation to transport an additional 6 students (15 percent). See **F5.20** and **R5.3** for further discussion on contracted other vehicles.

F5.19 The district does not effectively promote the option of paying the parent/guardian for the transporting of the special needs student. Under this transportation method, the department can negotiate a payment amount to parents or guardians. Currently, Toledo City School District and Akron City School District offer parental contracts of \$3.00 and \$4.00 per day respectively or approximately \$540 and \$720 per student.

R5.2 OFSD's cost per student on district buses for regular transportation is \$280, as compared to special needs transportation which is \$3,715. Since the cost of regular transportation is less than the cost of special needs transportation, the district would benefit by ensuring all students requiring special needs actually need the additional service. Also, the district transported 15 percent of its special needs students on contracted vehicles that had an average cost per student of \$5,856.

OFSD's cost per student on taxis for special needs transportation is \$2,320 which is \$1,395 less than cost per student on board owned yellow buses. Further, Toledo City School District and Akron City School District had an average parental contract of \$630 per student for a 180 day school year. OFSD should develop a program to promote increases in the participation of payments to parents/guardians for transportation using the "in lieu of" for non-public schools.

Financial Implication: The district currently transports 28 special needs students on board owned yellow buses at a cost of \$3,715 per student. If the district were able to decrease the number of students transported on board owned buses by 50 percent and utilized taxis to transport 8 students at an average cost of \$2,320 and parent/guardian contracts to transport the remaining 6 students at an average cost of \$630, there would be an estimated annual savings of \$29,670.

F5.20 The district utilizes two contract vehicle vendors who have provided services to the district for several years. The district signed an annual agreement with Suburban Transportation which was effective from August 1, 1998 through July 31, 1999 but did not contain a billing rate(s) for the different types of students and/or services. The district did not have a formal contract with Westlake Cab. Further, the district does not seek formal competitive bids or quotes prior to entering into the annual agreement with Suburban Transportation or prior to utilizing the services of Westlake Cab. The two vendors have been chosen based on their past association with the district.

R5.3 The district should consider obtaining formal bids or competitive quotes from vendors wishing to provide special needs transportation services to the district. Frequent solicitations of price quotations will help ensure that the district is procuring its goods at the best possible price and that the vendor selection is made objectively. Further, the district should sign a formal agreement with each provider which includes the billing rate(s) for the different types of students and/or services.

F5.21 The table below presents statistics relating to non-public riders in the peer districts.

Table 5-15: Non-public Student Transportation Peer Comparison

	Olmsted Falls	Amherst	North Olmsted	Maumee
Non-public Students Eligible to Ride	309	178	733	386
Non-public Students on District Buses	295	178	652	319
% On District Buses	96%	100%	89%	83%
Cost per Student	\$280	\$199	\$341	\$202
Non-public Students on Contracted Other Vehicles	4	N/A	4	N/A
% On Contracted Bus	1%	N/A	1%	N/A
Cost per Student	\$805	N/A	\$3,204	N/A
Paid "In Lieu of Being Transported"	10	N/A	17	67
% Paid "In Lieu of Being Transported"	3%	N/A	2%	17%
Cost per Student	\$151 ¹	N/A	\$151 ¹	\$151 ¹
Non-public Students on Public Utility	N/A	N/A	60	N/A
% On Public Utility	N/A	N/A	8%	N/A
Cost per Student	N/A	N/A	\$54	N/A
Average Cost Per Student	\$280	\$199	\$318	\$201

Source: Transportation departments' T-1 and T-2 Forms.

¹Based upon uniform state rate for payment in lieu

N/A - not applicable

OFSD utilizes parents to transport students to non-public schools in lieu of transportation in addition to the transportation provided by contracted other vehicles and OFSD buses. Parents were paid \$151 per child during school year 1997-98 to transport their children. The

state advances school districts for 100 percent of this annually determined amount based on data reported on the T-1 Form.

- F5.22 The district transports 295 non-public students, or 9.6 percent of the 3,068 students on district buses, to 16 non-public schools (**Table 5-3**). The ratio of students transported to non-public sites, as illustrated in **Table 5-16**, indicates the district is transporting the fewest number of students to a non-public site.

Table 5-16: Non public Student Transported to Non-public Sites

	Olmsted Falls	Amherst	North Olmsted	Maumee
Number of Non-public Students on District Buses	295	178	652	319
Number of Non-public Sites	16	4	10	9
Average Number of Non-public Students per Non-public Site	18.4	44.5	65.2	35.4

Source: District transportation department's route schedules and FY 1997-98 T-1 Forms.

In 1992, the district lost a decision through the "hearing process." ODE ruled against the district, thereby causing the district to bus all non-public students within the 30 minute rule as opposed to allowing the method "payments in lieu of transportation." As a result of this ruling, the district has to transport its non-public students to a high number of non-public school sites. Therefore, the district cannot effectively utilize its buses for multiple runs. Five of the eight routes that transport non-public students operate at two or less runs per route.

- F5.23 The following table details statistics relating to non-public students and cost per student by transportation method.

Table 5-17: Cost of Transportation for Non-public Students

Non-public Students	Eligible Students	Total	Cost per Student
Bused by OFSD	295	\$82,600	\$280
Bused by Contracted Other Vehicle	4	\$3,220	\$805
Paid "In Lieu of Being Transported"	10	\$1,120	\$151 ¹
Total	309	\$86,940	

Source: OFSD's FY 1997-98 T-1 and T-2 Forms

¹State rate for payment in lieu. Some payments represent a partial year.

- F5.24 OFSD may not effectively be utilizing the additional transportation option of "in lieu of transportation" payments. Use of this lower cost transportation alternative by the Maumee City School District has them transporting 17 percent of the eligible non-public students,

whereas the OFSD's transportation department has only 10 students, or 4 percent using this method of transportation. Parents/guardians of students at these schools were paid \$151 per child during the 1997-98 school year to transport their children. The state advances school districts 100 percent of this annually determined amount based on data reported on the T-1 Form.

R5.4 OFSD should inform the parents/guardians of eligible non-public students of the transportation alternative to district bus service of "in lieu of being transported" payments. The cost associated with payments in lieu of transportation for FY 1998 for the peer districts was \$151 whereas, the cost for district bus transportation at OFSD was \$280, or a difference of \$149 per student.

Financial Implication: It should be noted that the district would have to achieve approximately a 40 percent participation by the parents/guardians of the 295 eligible non-public students for this transportation alternative to equate to the reduction of one district bus, given OFSD's student per bus average of 117 students per bus. However, an incremental movement away from the higher cost district bus service toward this lower cost alternative, combined with potential routing efficiencies discussed in **R5.9**, could result in a reduction of buses.

Personnel

F5.25 The transportation department reports to the district's administrative assistant who is supported by a transportation supervisor, a transportation secretary and two mechanics. Of the twenty-seven bus drivers, twenty-five are part-time nine month employees who work between 3.5 and 7.5 hours per day and two are part-time ten and one half month employees. The transportation supervisor and two mechanics are all twelve month full-time employees. The transportation secretary is a twelve month, part-time employee whose salary and benefits are charged to the support services - administration budget.

The department is represented by the Ohio Association of Public School Employees (OAPSE), Local # 361, for the purposes of collective bargaining. The effective date of the OAPSE agreement is January 1, 1997 through December 31, 1999.

R5.5 The district should consider modifying the expenditure account(s) to which the transportation secretary's wages and benefits are charged. By moving the expenditures associated with the secretary to the transportation line item (2800's), the district will more easily be able to reconcile the transportation department's total operating costs on the 4502 report to the expenditures reflected on the T-2 and T-11 forms.

F5.26 All bus drivers receive 15 days of sick leave per year. The bus drivers also receive three days of personal leave and eight holidays. To be eligible for holiday pay, the employee must work the day before and day after the holiday. Typically, bus drivers are not paid for the July 4th holiday since they are not working during the summer. The number of sick days an employee can accumulate is unlimited. Employees can either elect to convert unused personal leave to sick leave at 1.5 times the number of unused days or elect to receive a cash sum calculated based upon fifty percent of their regularly scheduled hours.

F5.27 An analysis of sick leave usage by the transportation department indicated the average employee used 11.0 sick days in FY 1997-98. The district's contract with OAPSE requires a medical certificate to be provided after an employee is absent for ten consecutive work days. However, the OAPSE agreement does not provide for disciplinary action for the abuse of sick leave.

The district requires the employees to complete a Record of Substitution Form upon returning to work. This form requires the employee to list the date(s) of absence, the number of days absent and the reason for the absence. The Record of Substitution Form is then required to be signed by the regular employee, principal/supervisor, superintendent, and substitute if applicable.

R5.6 The district's contract with OAPSE is too liberal in that only requires a medical certificate to be provided after an employee has been absent for ten consecutive work days. The district should negotiate a change in its future contracts which would require a medical certificate to be provided after an employee has been absent for three consecutive work days. By requiring the employee to provide a medical certificate after three consecutive work days, the transportation department should be able to better manage its sick leave usage.

Further, while ensuring compliance with the Americans With Disabilities Act, the district should consider requiring sick leave taken to be a component of the employee's evaluation and excluding sick leave days when calculating an employee's overtime eligibility. In addition, the district may want to consider implementing a rolling occurrence policy where employees are held accountable for the number of days taken off. See the **human resources section** for further discussion on absenteeism.

R5.7 The majority of transportation employees are 180 day employees; therefore, 11 sick days equates to approximately 6 percent of the work days being missed during the school year. The district should negotiate in future agreements with OAPSE a clause that would provide for disciplinary action for the abuse of sick leave. The transportation department could utilize the Record of Substitution Forms in conjunction with computerized leave records to monitor excess leave usage and pattern abuse. Detailed reviews of these affidavits and computerized leave reports, by district management including the immediate supervisor and superintendent, could provide information that could be used for disciplinary action.

F5.28 The OAPSE agreement provides for vacation leave to classified employees who are employed by the board eleven months or more each contract year. The district's bus drivers work approximately nine and one half months per year coinciding with the school year and therefore, were not entitled to vacation leave.

C5.1 The district has negotiated a favorable provision in the OAPSE agreement whereby classified employees who work less than eleven months are not granted vacation leave. This provision saves the district conservatively \$10,000 annually based on two weeks of vacation per year for each employee.

Bus Fleet

F5.29 The transportation department operates 30 buses which includes 3 spares. Operating statistics that are commonly used to review the age and condition of the bus fleet are based on the average bus age and the average mileage by model year. The OFSD bus fleet has an average age of 9 years.

There are no state guidelines for bus replacement. A general consensus among the Department of Education, private bus contractors and transportation departments is that buses should be replaced at 12 years of age or 200,000 miles. However, regardless of age or mileage, as long as a bus can pass inspection, the district may continue to use the bus for transportation.

Table 5-18 provides the number of buses by model year, seat capacity and an average mileage for the model year. Six of the fleet's buses are twelve years or older and none of the buses have mileage near or in excess of 200,000 miles.

Table 5-18: Bus Inventory by Model Year

Model Year	Number of Buses by Seating Capacity of Bus								Total	Average Mileage
	21	33	43	47	65	71	72	84		
1981								1	1	115,900
1982								2	2	132,100
1983								1	1	168,100
1985								2	2	153,100
1986	1				1			1	3	126,200
1987				1		2		2	5	149,900
1988								1	1	117,500
1989								1	1	116,700
1991						1			1	87,800
1992	1	1						2	4	98,900
1993								1	1	58,400
1994							1		1	75,400
1996			1					1	2	33,400
1997								2	2	26,900
1998			1					1	2	3,900
1999								1	1	1,500
Total	2	1	2	1	1	3	1	19	30	

Source: OFSD's transportation department

Note: All buses are diesel, except for two (one 1981 and one 1982) 84-passenger buses.

F5.30 The district does not have a formal bus replacement plan. However, the district's goal is to replace one bus per fiscal year. In FY 2000, the district plans to purchase one used bus and in FY 2001, one new bus. The funding sources are not identified.

F5.31 **Table 5-19** illustrates the number of buses the district should plan on replacing. The table indicates the number of buses that should be replaced based on age alone, and does not take into consideration physical and mechanical condition of the buses. Buses, as long as they can pass state inspection, may be used to transport students. However, a cost analysis should be completed comparing repair cost to the cost of replacement.

Table 5-19: Bus Replacement Plan

Bus Condition	Regular Bus Estimated Replacement \$55,000	Total Estimated Replacement Cost
200,000+ miles	N/A	N/A
12+ years	6	\$330,000
Total	6	\$330,000

Source: OFSD's transportation department records

R5.8 The district should prepare a formal bus replacement plan. Included in this plan should be the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement. Further, the district should investigate and analyze the various potential funding methods for the bus purchases. The funding method(s) selected should be included in the bus replacement plan.

One financing method could be participation in the Ohio School Bus Pooled Financing Program. The program was created by the Ohio Association Of School Business Officers and Seansgood & Mayer. The program provides districts with the following:

- ! Permits the financing of school bus purchases over a 5-year to 10-year repayment period at the election of each of the local school districts.
- ! Reduces interest costs to participating districts due to credit enhancements on the purchased pool and the efficiencies provided by a single issue of debt compared with multiple issues on a district-by-district basis.
- ! Allows districts which cannot afford large lump sum capital outlays under the current program to immediately begin replacing their fleets.

Springfield City School District participated in the Ohio School Bus Pooled Financing Program in FY 1995-96 and borrowed \$1.27 million to purchase twenty-one 77-passenger conventional buses and four 54-passenger handicapped buses. Springfield City School District elected to repay the debt over an eight year period at an average interest rate of 5.53 percent. Annual principal and interest payments range from \$197,478 to \$201,325. Presently, the district uses a lease program involving Blue Bird busses and a capital lease program.

F5.32 OFSD's transportation department employs two full time mechanics to service the 29 district buses, 9 non-district buses, 16 other district vehicles and 11 other non-district vehicles. The table below illustrates operational data including the number of mechanics and servicemen employed to service district buses and other vehicles as compared with its peer districts.

Table 5-20: Mechanic Staffing Levels by Peer District

Operational Data	Olmsted Falls	Amherst	North Olmsted	Maumee	Peer Average
Number of Mechanics and Servicemen	2.0	2.0	3.0	1.0	2.0
Buses per Mechanics and Servicemen	19.0	13.5	17.3	21.0	17.3
All Vehicles per Mechanic and Servicemen	32.5 ¹	16.5	23.0 ²	34.0	24.5
Avg. Mechanic's Wage Rate	\$15.57/hr	\$19.21/hr	\$17.06/hr	\$16.53	\$17.09/hr

Source: Districts' transportation department records

¹ Includes 20 vehicles owned by other local government entities.

² Includes 14 vehicles owned by Fairview Park Schools.

C5.2 OFSD appears to be properly staffed in the number mechanics employed based on the results of recent performance audits of high performing districts that reflect a ratio of 20 buses per mechanic and 30 total vehicles per mechanic. Current industry periodicals have indicated that it may be prudent to employ a minimum of two mechanics in order to maintain proper staffing levels during times of absenteeism. The district seems to realize the need to maximize the work performed by its two mechanics as evidenced by obtaining billable outside work.

Technology

F5.33 The district uses technology in a limited manner to support its transportation department. The district uses their own software program to prepare transportation routes; however, the program does not have the capability to analyze the routes for efficiencies. For bus fleet and maintenance, the district uses their own software program to track preventive maintenance; however, the program can not predict and schedule preventive maintenance.

In 1992, the transportation department purchased a software program called FL500 from Tuthill to monitor fuel dispensing. The program requires a vehicle identification card and the odometer mileage before the dispensing of fuel can begin. A transaction printer prints out each transaction in the transportation office. The FL500 program stores 1,500 transactions in order to printout monthly recap reports.

F5.34 The following table is a technology assessment of the transportation department reflecting the functionality available and used for routing/scheduling/planning, fleet maintenance and fuel usage/monitoring.

Table 5-21: Transportation Department Technology Assessment

Transportation System Functionality	Functionality Available?	Functionality Used?
<i>Routing, Scheduling and Planning</i>		
Maintain geographical maps that can be edited by district staff	No	N/A
Create boundaries (school limits, walk limits) that can be edited by district staff	No	N/A
Interface with the student information system to allow downloading/uploading of student data	No	N/A
Create and schedule bus routes	No	N/A
Optimize routes to allow for the minimization of the number of buses and run times and the maximization of bus capacity	No	N/A
Allow customization of data fields and route development so that special needs and hazardous conditions can be taken into consideration	No	N/A
Has real-time on-line query capability to allow users to quickly access needed information	No	N/A
Perform “what if” scenarios with different variables (bell times, tiers, bus capacities, policy changes) to assist with transportation planning and analyses	No	N/A
Generate standard and custom reports (management, driver schedules, route directions, financial)	Yes	Yes
<i>Fleet Maintenance</i>		
Maintain history of maintenance activities for individual vehicles	Yes	Yes
Interface with fuel usage/monitoring system	No	No
Schedule preventive maintenance activities	No	No
Classify and prioritize work orders and generate outstanding work order listing to enable backlog analyses	No	N/A

Transportation System Functionality	Functionality Available?	Functionality Used?
Track status of work orders to allow for evaluation of labor productivity	No	N/A
Maintain perpetual inventory of parts (quantities, unit cost, location)	No	N/A
Track parts movement to help identify surplus, obsolete and slow-moving items	No	N/A
Generate standard and custom reports	Yes	Yes
Fuel usage/monitoring		
Interface with fleet maintenance software	Yes	No
Contains security features and controls to prevent unauthorized access to fuel pumps (fuel card/key, identification numbers)	Yes	Yes
Allow monitoring of fuel tanks to ensure fuel quality and detect leaks	Yes	Yes
Generate management reports	Yes	Yes

Source: Transportation department records

R5.9 The district should consider the use of technology to better manage and increase the efficiency and effectiveness of its transportation department as follows:

- ! The district should consider using transportation routing software. Transportation software uses technology to consider and evaluate more alternatives for scheduling than can ever be accomplished manually. The efficiencies that are gained through the use of transportation routing software include the use of interactive updating capabilities of the student data base and the running of “what if” scenarios. Several alternative sets of runs and/or routes can be easily produced and evaluated to help transportation management select the best case scenario consistent with district policies in an informed, uniform manner. The effective use of route optimization software is widely used to achieve route capacity and run time efficiencies, resulting in reduced bus fleet needs. The software also allows for the generation of a wide range of standard and custom reports.
- ! Another software consideration is boundary planning/enrollment analysis. This software can accurately tally and locate students living within any area specified by the district and can simulate various school boundary changes which could assist in the closing/opening of schools. Other software could include a custom report writer which would allow the user to generate a wide variety of reports in minutes instead of hours or days. Besides the transportation department, the custom report writer could be used by administrators,

principals and attendance personnel providing a valuable tool for management analysis and decision making.

- ! In addition, the district should consider the purchase of fleet maintenance software that would allow the district to more efficiently and effectively manage its bus fleet. The incorporation of such software would allow the district to maintain equipment histories, schedule preventive maintenance programs, generate work order reports and monitor expense data, productivity and inventory levels.

Financial implication: One routing software vendor, Edulog Logistics, Inc., promotes that the effective use of its school bus transportation routing optimization software can produce savings usually in the range of 10 to 25 percent of the total fleet size. The financial implication is included in **R5.1**. In addition, besides the savings resulting from a reduced number of buses, the district can continually improve on its cost efficiencies by monitoring the routes and schedules during the year. The introduction of technology into the transportation operation should also allow for more efficient and effective allocation of the limited administrative staffing resources currently shared with custodial services and plant operations. Implementation costs should run between \$15,000 and \$20,000.

For comparison, OFSD currently experiences a cost per bus ratio of \$28,506. With the potential savings that could be generated through the effective use of routing software, the payback is estimated at less than one year. In addition, the Auditor of State's office has had discussions with Education Logistics who indicated that since the district is using a Data Acquisition Site, the yearly service agreement could possibly be reduced by approximately \$100 per month. Canton City School District, which uses Edulog software, and the Parma City School District, which uses VersaTrans software, can provide quality references on the effective use of automated routing/scheduling.

Privatization

In performing our high level analysis of potential privatization opportunities within the transportation department, we evaluated the major transportation functions and activities with respect to a number of criteria which are important considerations in assessing privatization opportunities. The following table details the assessment criteria and provides a description of the key issues.

Table 5-22: 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? <ul style="list-style-type: none"> - 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? <ul style="list-style-type: none"> - 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 OFSD departments?
Influenced by regulatory/compliance environment?	Is the performance of the function/activity regulated? <ul style="list-style-type: none"> - 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? <ul style="list-style-type: none"> - 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? <ul style="list-style-type: none"> - Would customers’ complaints likely increase? - Would responsiveness decline? - Would the quality of workmanship decrease?

Based on our assessment, it appears that regular student transportation has a low to moderate potential for privatization. Special needs transportation has a low potential for privatization primarily based on the low number of special needs students transported. However, as discussed throughout this report, there are a number of areas which require detailed evaluation and changes in the systems, processes and organization of the transportation department. Consequently, a true evaluation and comparison of the OFSD transportation department to private vendors cannot be performed until these issues are addressed.

Table 5-23: Initial Privatization Assessment

Assessment Criteria	Regular Transportation	Special Needs Transportation
Sufficient Volume	Yes	No
Prohibitive Control Requirements	No	No
Complexity	No	No
Regulatory Influence	No	No
Capital Investments	No	No
Procurable Services	Yes	Yes
Operating Costs	No	Yes
Quality	No	No
Potential Privatization Opportunity	Low-Moderate	Low

While the opportunity for privatization exists, the following three considerations that must be addressed prior to pursuing privatization:

- ! Significant improvements can likely be realized internally without outsourcing.
- ! Assessing outsourcing from only a cost perspective would ignore important subjective costs associated with privatization such as loss of control and lack of responsiveness.

Contracting operations could relieve OFSD of administrative tasks such as contract negotiations, payroll processing and maintaining the transportation department. Contract services can bring added flexibility to school district operations. Changes in staff levels, enrollment and school schedules can all impact service levels which can be met by contractors on an as needed basis. In contrast, the district may have to over staff its department in order to meet periodic surges in demand for busing which would contribute to higher than necessary overall costs.

There are many options available for the provision of pupil transportation as OFSD may competitively contract for all or some of their busing. OFSD may own, lease, share or sell capital assets.

Privatization can take at least two forms. One form would include OFSD signing a short-term contract with a private vendor to provide transportation services and would reserve the right to change vendors after a specified time. For this option, OFSD would retain ownership of its assets. The other form would include the district selling its buses to a private contractor. The contractor(s) would then lease the assets back to the district and provide staff for maintenance and upkeep. The district, if it chooses to keep its facilities, could rent the facilities to the contractor.

Postponing consideration of privatization opportunities until cost savings improvements have been identified and implemented, at a minimum, ensures maximum cost savings generated by privatizing, or may preclude the need to privatize at all. Initially, privatization when compared to current operations may appear to offer an opportunity for cost savings. However, in reality, private vendors have a financial incentive to achieve cost savings at a level somewhere below the district's current operations, but would not necessarily be the lowest cost they could charge the district.

By improving the internal operations, OFSD would have an opportunity to realistically assess the advantages and disadvantages of privatization. Once a district has reduced its current operating costs, it is in a better position to negotiate with vendors to determine whether more efficient and lower cost operations can be provided.

To assess the total cost of contractor service, contract administration costs should be included as well. Contract administration costs would 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 true cost of transportation should be calculated to include the value of land, facilities, maintenance of the facilities, utilities and insurance.

There are numerous options and levels of services OFSD could pursue in relation to outsourcing. However, until the district fully addresses the recommendations in this report, a complete privatization analysis would not be beneficial.

Financial Implications Summary

The following table represents a summary of annual cost savings, cost avoidances and implementation costs. This table represents the savings that OFSD could potentially realize without utilizing a private contractor. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Transportation

Recommendation	Annual Cost Savings	Cost Avoidance	Implementation Costs
R5.1 Increase student capacity per bus	\$29,344-\$264,096	\$55,000-\$495,000	
R5.2 Change transportation method of special needs students from contracted vehicles to taxis and parental contracts	\$29,670		
R5.9 Purchase and implement routing software			\$15,000-\$20,000
Total	\$59,014-\$293,766	\$55,000-\$495,000	\$15,000-\$20,000

The actual, versus the estimated, annual cost savings could vary greatly depending on the total number of buses reduced due to changes in the bell schedules and bus utilization capacity which will increase routing efficiencies. 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 **F5.29** and **Table 5-19** is not included in the above table. However, the capital outlay required for bus replacement, based on mileage and age of the buses, is estimated at \$330,000.

Conclusion Statement

The Olmsted Falls School District' transportation department experiences a few constraints that impede the department's ability to maximize the efficiency and effectiveness of its operations. These constraints include moderate bus capacity utilization levels, high levels of employee absenteeism and leave usage, the failure to fully implement technology in the routing process and labor agreement provisions which guarantee 50 percent of the drivers 5 hours per day and only requires a medical certificate to be furnished after an employee has been absent for ten consecutive days. Additionally, the district transports a fairly large number of students that live less than one mile from school but meet the emergency exception provision since the route is on a main thoroughfare with no sidewalks. As a result, the majority of the district's operational costs and ratios are higher than the three peer districts.

The district's transportation department and treasurer should review the process by which the Ohio Department of Education T-1 Form is completed. Specifically, the October survey sheets should be reviewed and data compiled related to the student transportation count when completing the T-1 Form. Since this form provides the basis for the state's reimbursement for regular needs transportation, the district should do everything possible to obtain the maximum amount of state funding.

The district should strive to implement technology in the routing process through the purchase of computerized routing software. The implementation of computerized routing should allow the district to increase bus utilization capacity and, in turn, decrease the number of buses. The increase in efficiency should provide the district with significant annual savings and future cost avoidance by not having to replace buses.

The district's transportation department should continue to stay active in the IEP process and may want to consider the possibility of developing a program to effectively promote increases with the parental contract option for transporting special needs students. The district could realize cost savings by beginning to utilize parental contracts which may allow for the reduction of a bus or buses and the associated costs. Presently, this option costs the district less per student than other modes of transportation. However, it is realized that the type of disability and the overall number of special needs students may not allow for sufficient reallocation of students to other modes of transportation.

Even though only 20 percent of OFSD's bus fleet is twelve years or older, the district still should address the need to replace buses in the future including identifying the source of funding. In addition, the district presently does not have a formal bus replacement schedule. A long-term replacement schedule should be a priority given the size of the pending capital outlay and should include the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement. Further, the district should investigate and analyze the various potential funding methods for the bus purchases.

The district should evaluate and/or reassess personnel issues including the provisions of the negotiated agreement that guarantees 50 percent of the drivers 5 hours per day and only requires a medical certificate to be furnished after an employee has been absent for ten consecutive days. The provision regarding the medical certificate is very liberal and may be a contributing factor to the high level of employee absenteeism. Overall, these personnel provisions in the negotiated agreement have a significant impact on the district's ability to operate an effective and efficient transportation department.

A high level analysis to determine if the district was a viable candidate for privatization indicated a low to moderate level exists. However, this level could be decreased to low if the district improves on some of the internal operational inefficiencies outlined in this report. In addition, any efficiencies gained in the transportation department would translate into more funds being available for general education.

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