



Auditor of State
Betty Montgomery

FRANKLIN CITY SCHOOL DISTRICT PERFORMANCE AUDIT

MAY 23, 2006



**Auditor of State
Betty Montgomery**

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

On February 15, 2005, Franklin City School District (Franklin CSD) was placed in fiscal caution based on the District's five-year financial forecast that projected potential operating deficits. Pursuant to ORC §3316.031 and ORC §3316.042, and at the request of the District, a performance audit was initiated for Franklin CSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of the District's operations which support its mission of educating children, and because improvements and cost reductions in these areas can assist Franklin CSD in eliminating the financial conditions which brought about the declarations of fiscal caution and watch.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Franklin CSD's financial situation and a framework for its financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit. During the course of the performance audit, Franklin CSD administrators worked with the Board of Education to decrease expenditures in several areas. The District was subsequently removed from fiscal caution on December 27, 2005.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Franklin CSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 23, 2006

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) § 3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency within a school district. ORC § 3316.031(B)(1) further stipulates that the State superintendent may declare a school district in fiscal caution based upon a review of that school district's five-year forecast.

On February 15, 2005, the Ohio Department of Education (ODE) placed the Franklin City School District (FCSD or District) in fiscal caution based on the District's potential deficits. On March 24, 2005, FCSD submitted a Finance and Management Services Fiscal Caution Financial Recovery Proposal to ODE. The proposal included staff reductions which decreased salary costs by approximately \$240,000 in FY 2004-05 and \$300,000 in FY 2005-06. The District was released from fiscal caution on December 27, 2005.

According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved. Based on a review of District information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

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

District Overview

FCSD operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District. The District is located within the City of Franklin in Warren County. The boundaries of FCSD encompass 31 square miles. According to ODE, the District's FY 2004-05 average daily membership (ADM) was 2,876. The District operates five elementary schools (grades kindergarten through 5), one middle school (grade 6), one junior high school (grades 7 and 8), and one high school (grades 9

through 12), as well as the District's administrative offices which are housed in the Hampton Bennett Building (formerly a school).

According to the 2000 U.S. Census, Franklin, Ohio had a population of 11,396, including 3,030 residents (26.6 percent) under 18 years of age. The City's median household income was \$38,142 compared to the national average of \$41,994, while 8.2 percent of the families within the City lived below the poverty line compared to the national average of 9.2 percent. In addition, 73.6 percent of the City's residents had at least a high school education while 8.9 percent of the residents had a bachelors degree or greater.

In the last two fiscal years, FCSD has experienced substantial changes in its administration and overall staffing. Prior to FY 2004-05, FCSD reduced staff by 38 employees for a cost savings of approximately \$1.3 million. Of these staff reductions, 15 were certificated positions (including 1 principal) and 23 were classified positions (custodians, secretary, media/library aide, custodians, food service workers and maintenance employees). For FY 2005-06, the District reduced staff by 7.5 FTEs, and hired a business manager, 2 principals and 1 assistant principal. The District is still searching for a superintendent. In addition, the District made various staffing changes, including not filling 6 positions, for a savings of approximately \$395,000 to the General Fund.

In the past two fiscal years, the District has worked diligently to avoid projected deficits while continuing to provide quality education to its students. In August 2005, voters within the District approved a 9.79 mill emergency levy which is projected to provide the District with approximately \$4 million annually. This levy, coupled with staffing reductions and operating efficiencies implemented by FCSD administrators, has resulted in the District's removal from fiscal caution on December 27, 2005.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, recommendations and conclusions. The overall objective of the performance audit is to assist the District in identifying strategies to eliminate the conditions that brought about the fiscal caution declaration. The following major assessments were conducted in this performance audit:

- FCSD's October 2005 financial forecast, including its underlying financial data and the accompanying notes and assumptions, was assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements, and benefit costs were core areas assessed in the human resources section.

- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation operational statistics, such as staffing, average cost per bus, and average cost per student were reviewed to identify potential efficiency improvements and cost savings.

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

Scope and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between August 2005 and December 2005 and data was drawn from fiscal year 2004-05. To complete this report, the auditors gathered a significant amount of data pertaining to the District, conducted interviews with numerous individuals associated internally and externally with the various departments, and reviewed and assessed available information. Furthermore, status meetings were held throughout the engagement to inform the District of key issues impacting audited areas, and share proposed recommendations to improve or enhance operations. Finally, the District provided written comments in response to the various recommendations, which were taken into consideration during the reporting process.

The Ashland City School District (Ashland CSD) in Ashland County, the New Philadelphia City School District (New Philadelphia CSD) in Tuscarawas County and the Southwest Local School District (Southwest LSD) in Hamilton County were selected to provide peer comparisons for the areas assessed in the performance audit. These districts were selected based upon demographic and operational data. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, including the Government Finance Officers Association and the State Employment Relations Board.

The Auditor of State and staff express their appreciation to Franklin City School District as well as Ashland CSD, New Philadelphia CSD and Southwest LSD for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

On December 27, 2005, FCSD was informed by the Ohio Department of Education (ODE) that the District was being removed from the fiscal caution designation after staffing reductions and the passage of the August levy. In addition, the District worked with AOS to identify cost saving opportunities beyond those identified in the District's financial recovery plan.

The performance audit found that FCSD was proactive in implementing changes to avoid prolonged financial difficulties. FCSD's staffing levels were below or comparable to peer levels in most areas, with the exception of site based administrators and custodial staffing. FCSD transportation operations were comparable to the peer districts in most areas, with the exception of special needs cost ratios and bus fleet size.

- **FY 2004-05/FY 2005-06 Operating Scenarios:** The District created FY 2004-05 and FY 2005-06 operating scenarios with and without levy support, including comments and notes which were communicated to the public. The operating scenarios described the various activities and resulting changes that would be made if the District levy passed or failed on the August 2005 ballot. By communicating this information to the public, the District informed community voters of the impact of proposed changes in both scenarios, along with an explanation of those potential changes.
- **Health Insurance Cost Containment:** FCSD has implemented health insurance cost containment best practices identified by the Government Finance Officers Association (GFOA). These include practices like using a preferred provider organization (PPO), using a health insurance pool, performing a health insurance cost-analysis, and implementing an employee cost-sharing program.
 - The District uses Anthem PPO to better manage health care insurance costs through network and out-of-network utilization.
 - The District uses the Education Purchasing Collaborative (EPC) to bid insurance packages to obtain better pricing.
 - FCSD's treasurer has performed a cost-analysis comparing FCSD's health insurance costs with other school districts in Warren County. The analysis compared premiums, prescription co-pays, and employee contributions for health insurance.
 - FCSD employees also contribute 16 percent of the cost of health insurance premiums, compared to SERB averages of 6 percent for single and 7 percent for family coverage.

- **Energy Management:** The District participates in the Educational Cooperative Purchasing Program, which negotiates pool utility rate discounts from the market rate. This has helped FCSD to achieve utility costs per square foot lower than all the peers, the peer average, and the AS&U median average for districts with 1,000 to 3,499 students. Based on average peer expenditures of \$1.19 per square foot, the District is avoiding costs of about \$70,000 a year when compared to the peers.
- **Payment-In-Lieu of Transportation Agreements:** In FY 2004-05, FCSD transported more students under payment-in-lieu of transportation arrangements than any of its peers. FCSD also had the lowest cost per student under the payment-in-lieu arrangements. In fact, the District's cost per student in the payment-in-lieu program was approximately 40 percent lower than the peer average.
- **Multi-Tier Routing:** In FY 2005-06 the District adjusted its staggered bell schedule, with the elementary schools starting 15 minutes later. This enabled the District to more than double the number of multi-tier routes from 6 in FY 2004-05 to 13 in FY 2005-06.

Conclusions and Key Recommendations

The performance audit contains several recommendations pertaining to FCSD operations. The most significant recommendations are presented below.

In the area of financial systems, FCSD should consider the following:

- **Create a strategic plan which is closely linked to the financial forecasting process, resulting in a broader, more comprehensive plan for the District. During the course of the audit FCSD began implementation of this recommendation.**
- **Seek to provide public access to additional financial information through the District website. The District should publish its five-year financial forecast accompanied by detailed assumptions, which include historic and projected information and explanatory comments used by the treasurer. During the course of the audit FCSD began implementation of this recommendation.**
- **Create specific policies and procedures to ensure continued reliability and consistency in the development and review of the five-year forecast. These policies and procedures should address key forecast factors, including parties responsible for information, periods covered, the development process, assumption development and evaluation, support for assumptions, presentation, and outside consultation. During the course of the audit FCSD began implementation of this recommendation.**

In the area of Human Resources, FCSD should consider the following:

- **Realign its organizational structure to eliminate an assistant principal position at the middle school campus.**
- **Monitor the enrollment of its vocational program at the high school to ensure staffing and financial resources are used effectively and efficiently. As enrollment drops, the District should consider reducing vocational teaching staff and/or combining classes, which could result in the District providing vocational instruction more efficiently with current resources.**
- **Clearly define eligibility requirements for participation in health insurance benefit plans and consider incrementally pro-rating the employee's share of the health care premium costs based on the number of hours worked. This recommendation requires negotiation.**
- **Reduce the number of vacation days for classified employees. This recommendation requires negotiation.**
- **Negotiate a sick leave conversion program for eligible classified and certificated employees to convert a specific amount of accrued, unused sick leave for a cash payout, or to an equal number of personal leave hours.**

In the area of facilities, FCSD should consider the following:

- **Reduce 4.9 custodial FTEs and reallocate staff among its buildings to more adequately distribute the custodial work load. As the financial condition improves, the District should add at least 1.0 maintenance FTE.**
- **Purchase a computerized maintenance management system. An automated system would allow the District to begin tracking and monitoring the amount of supplies and materials used on a project, the cost of labor (including staffing levels and overtime usage), and the productivity and performance of assigned personnel. During the course of the audit FCSD began implementation of this recommendation.**
- **Develop a written operating and procedures manual for custodial and maintenance duties. The District should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are being completed in a timely manner.**

- **Develop and implement an energy management program that includes detailed energy policies, energy efficient practices, and guidelines that District staff should follow to help minimize energy costs.**
- **Establish a comprehensive facilities master plan that includes key elements such as updated enrollment projections and capacity analyses.**
- **Develop a five year capital improvement plan that is updated on an annual basis to ensure that anticipated levy revenue is used to complete the most critical repair work and/or equipment replacement as funds become available.**
- **Develop and formally adopt a 5 to 10-year forecast methodology for projecting student enrollment.**
- **Update the current facility capacity and utilization calculations and incorporate them as part of the comprehensive facilities master plan. The District should use a methodology for determining capacity and utilization that is approved by the Board of Education and reviewed and updated annually.**

In the area of transportation, FCSD should consider the following:

- **Establish formal policies and procedures for completing its T-forms. This will help to ensure that reports are accurate, comply with ODE instructions, and are completed in a timely manner.**
- **Develop a formal written preventive maintenance program for its bus fleet and consistently document maintenance performed on each bus. A formal preventive maintenance program that is periodically updated will provide the transportation department with a management tool for monitoring and scheduling bus maintenance and replacement.**
- **Track the price it pays for diesel fuel to ensure it is competitive with the price it could obtain from the Ohio Department of Administrative Services (ODAS).**
- **Reduce the number of spare buses by at least 6 (including the 2 non-functional buses) to comply with the ODE guidelines which state that approximately 1 in 4 buses are typically reserved as spares.**
- **Establish a formal bus replacement plan to ensure it is properly planning and budgeting for the purchase of new buses.**

- **Develop a purchasing manual that outlines standard language and the delegation of responsibility for the development and review of all specifications in the purchasing process.**
- **Explore the following options in an attempt to implement strategies to reduce special needs transportation costs:**
 - **Actively promote the formation of parent/guardian contracts.**
 - **Periodically review alternatives, such as contracting for transportation services and partnering with neighboring Districts.**
 - **Involve the transportation supervisor in the IEP process.**
 - **Explore the cost effectiveness of mini-buses to transport special needs students.**
- **Continue to promote payment-in-lieu of transportation agreements to further reduce the cost of school transportation.**

Issues for Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following such issues.

- **Retirement Incentive:** The District does not have an early retirement incentive. Retirement incentives provide the District an opportunity for cost savings by cutting employees that have the longest years of service and are more costly to the District. Due to the large number of employees at or near retirement age, the District should consider an early retirement incentive as an issue for further study. The District should first perform a cost/benefit analysis to determine the feasibility of implementing this type of incentive. Approximately 20 certified employees have over 30 years experience and 22 have over 25 years experience. Article 34 of the negotiated contract states the Board and the FEA mutually agree that either party, at any time during the duration of the contract, shall have the right to initiate negotiations over the issue of early retirement. If an incentive is offered, the District should monitor the retirement eligibility of employees to ensure the incentive plan offered is less than the cost of retaining the eligible employees. In addition, new employees should be hired at or near base pay to help contain costs.
- **Supplemental Contracts:** In FY 2004-05, the District charged \$250 to participate in school sports activities which paid for all the supplemental contracts totaling approximately \$440,000 per the treasurer. With the passage of the levy, however, the District reduced pay-

to-participate fees to \$50. Since the District will now pay for supplemental contracts primarily out of the General Fund, it should review supplemental contracts and their associated costs on a regular basis and determine if the position is necessary after the financial condition of the District is considered. In FY 2004-05, FCSD varsity sport coaches generally received a supplemental contract at a rate of 15 to 20 percent of base salary. Ashland CSD and New Philadelphia CSD are similar to Franklin in that varsity coaches may receive supplemental contracts at rates between 15 and 20 percent of base salary with a small number of employees receiving rates up to 24 percent. Southwest LSD supplemental salaries are lower, with no positions receiving supplemental contracts over 20 percent of base pay. In total, FCSD had 90 supplemental positions, 30 positions fewer than the peer average of 120 positions.

- **Intervention Specialist/Special Education Teachers:** FCSD's staffing levels for intervention specialists, i.e. special education teachers may not be in compliance with the Ohio Administrative Code (OAC) that requires approximately 30 intervention specialist FTEs. However, ODE is reviewing the OAC requirements and the calculation for determining the required number of special education teachers. FCSD should work with ODE to closely monitor special education staffing levels to determine the number of special education teachers required. If it is determined that the District falls below the OAC requirements, it should obtain the necessary waiver from the ODE. However, in the absence of an ODE waiver, the District may have to consider hiring intervention specialists to meet OAC staffing requirements.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that FCSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Table 1-1: Summary of Performance Audit Recommendations

Recommendation	One Time Revenue Enhancements	Annual Cost Avoidances	Annual Cost Savings	One-time Costs	Annual Costs
Recommendations Not Subject to Negotiation					
R3.1 Reduce site-based administration by 1.0 FTE			\$91,200		
R4.1 Reduction of 3.0 custodial FTE and addition of 1.0 maintenance FTE			\$120,500		
R4.2 Purchase of computerized work order/capital recording/preventive maintenance system				(\$3,500)	
R5.3 Track the price of fuel			\$2,800		
R5.4 Reduce 6 spare buses	\$6,000	\$87,000	\$6,300		
R5.5 Establish a formal bus replacement plan					(\$182,900)
R5.6 Reduce maintenance supplies costs			\$17,000		
R5.7 Reduce special education transportation costs			\$67,000		
Subtotal for General Fund	\$6,000	\$87,000	\$304,800	(\$3,500)	(\$182,900)
Recommendations Subject to Negotiation					
R3.3 Pro-rate the employee's share of the premium based on the number of hours worked			\$15,800		
Total	\$6,000	\$87,000	\$320,600	(\$3,500)	(\$182,900)

Source: Financial implications identified throughout this performance audit

Financial Systems

Background

This section focuses on the financial systems at the Franklin City School District (FCSD or the District). The objective is to analyze the current and future financial condition of FCSD and develop recommendations for improvements and efficiencies. FCSD's five-year forecast was also analyzed to ensure projections accurately represent future operational and financial conditions. Comparisons are made throughout the report to the following peer school districts: New Philadelphia City School District (New Philadelphia CSD), Southwest Local School District (Southwest LSD), and Ashland City School District (Ashland CSD).

The FCSD Treasurer's Office consists of three employees, including the Treasurer, a payroll clerk, and an accounting clerk. The Treasurer is primarily responsible for managing and tracking district revenues and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the District's five-year forecast. The Treasurer has over 19 years experience in school finance and has been the Treasurer at FCSD since 1997. The accounting and payroll clerks are responsible for assisting the Treasurer with the processing of payroll, purchase orders, invoices, and warrants, as well as general clerical duties.

Prior to FY 2004-05, there was a reduction in staff of 38 employees for an annual cost savings of approximately \$1.275 million. For FY 2005-06, the District plans to hire a superintendent, 2 principals, and 1 assistant principal, but in total, will reduce staff by 7.5 FTEs. There have been no base or salary step increases for administrative employees since August 2003. On September 12, 2005, the Board of Education approved a contract, which gave no increase during FY 2005-06 for certificated employees, a 4.75 percent base salary increase in FY 2006-07, and a 4.75 percent increase in base salary for FY 2007-08. Classified employees received a 3 percent increase due to the negotiated agreement in FY 2005-06; however, this is the last year of the current classified employee collective bargaining agreement.

A 9.79-mill emergency levy was approved by voters on August 2, 2005. The District will begin receiving proceeds from the levy in the last half of FY 2005-06. It is estimated that it will generate approximately \$2 million during FY 2005-06.

On February 15, 2005, the Ohio Department of Education (ODE) placed FCSD in fiscal caution based on the District's potential deficits. On March 24, 2005, FCSD submitted a Finance and Management Services Fiscal Caution Financial Recovery Proposal to ODE. The assumptions included FY 2004-05 staff reductions which decreased salary costs by approximately \$240,000.

In addition, staffing reductions were projected for FY 2005-06, further reducing salary costs by an estimated \$300,000.

On October 14, 2005 ODE notified FCSD that the financial analysis conducted for the District along with its non-adverse five-year forecast should permit the District to be released from fiscal caution. The District was released from fiscal caution on December 27, 2005.

Financial Condition

The financial forecast in **Table 2-1** presents the Treasurer's projections of FCSD's present and future financial condition as of October 12, 2005. The forecast and accompanying assumptions are the representation of FCSD and are presented without verification. The projections reflect the General Fund and are accompanied by three years of comparative historical results, general assumptions, and explanatory comments. Assumptions that have a significant impact on FCSD's financial status, such as property tax revenue, salaries and wages, and capital outlays, have been reviewed for reasonableness.

Table 2-1: Five Year Financial Forecast (in 000's) ¹

	Actual 2002-03	Actual 2003-04	Actual 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10
Real Estate Property Tax	\$5,659	\$6,039	\$6,503	\$7,908	\$9,308	\$9,587	\$9,779	\$9,974
Tangible Personal Property Tax	\$3,501	\$3,617	\$3,847	\$4,349	\$3,051	\$2,197	\$1,433	\$800
Unrestricted Grants-in-Aid	\$8,408	\$9,154	\$9,140	\$9,107	\$10,734	\$11,588	\$12,353	\$12,986
Restricted Grants-in Aid	\$341	\$125	\$208	\$170	\$173	\$177	\$180	\$184
Property Tax Allocation	\$699	\$740	\$781	\$922	\$1,065	\$1,086	\$1,108	\$1,130
Other Revenues	\$634	\$645	\$582	\$517	\$517	\$517	\$517	\$517
Total Operating Revenues	\$19,242	\$20,320	\$21,061	\$22,973	\$24,848	\$25,152	\$25,370	\$25,591
Total Other Financing Sources	\$204	\$883	\$241	\$155	\$30	\$30	\$30	\$30
Total Revenue and Other Financing Sources	\$19,446	\$21,203	\$21,302	\$23,128	\$24,878	\$25,182	\$25,400	\$25,621
Personal Services	\$13,015	\$13,413	\$12,137	\$12,916	\$13,821	\$14,512	\$15,237	\$15,999
Fringe Benefits	\$3,422	\$3,854	\$4,273	\$4,395	\$4,699	\$4,934	\$5,181	\$5,440
Purchased Services	\$2,261	\$1,991	\$2,399	\$2,302	\$2,571	\$2,648	\$2,728	\$2,810
Supplies, Materials & Textbooks	\$703	\$669	\$587	\$651	\$1,170	\$955	\$984	\$1,014
Capital Outlay	\$539	\$431	\$83	\$617	\$1,466	\$1,510	\$1,556	\$1,602
Debt Services	\$59	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$311	\$377	\$368	\$375	\$386	\$397	\$409	\$422
Total Operating Expenditures	\$20,310	\$20,735	\$19,847	\$21,256	\$24,113	\$24,956	\$26,095	\$27,287
Total Other Financing Uses	\$109	\$741	\$123	\$75	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$20,419	\$21,476	\$19,970	\$21,331	\$24,113	\$24,956	\$26,095	\$27,287
Result of Operations (Net)	(\$973)	(\$273)	\$1,332	\$1,797	\$765	\$226	(\$695)	(\$1,666)
Beginning Cash Balance	\$1,285	\$312	\$39	\$1,371	\$3,168	\$3,933	\$4,159	\$3,464
Ending Cash Balance	\$311	\$39	\$1,371	\$3,168	\$3,933	\$4,159	\$3,464	\$1,798
Outstanding Encumbrances	\$195	\$30	\$201	\$213	\$241	\$250	\$261	\$273
Total Reservations	\$72	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$44	\$8	\$1,170	\$2,955	\$3,692	\$3,909	\$3,203	\$1,525
Unreserved Fund Balance	\$44	\$8	\$1,170	\$2,955	\$3,692	\$3,909	\$3,203	\$1,525

Source: FCSD Treasurer

¹ Due to rounding, totals shown in **Table 2-1** may vary from the totals reflected in the five-year forecast submitted to ODE.

FCSD's financial forecast in **Table 2-1** presents projected revenues, expenditures, and ending fund balances for the General Fund for each of the fiscal years ending June 30, 2006 through June 30, 2010, with historical information presented for the fiscal years ended June 30, 2003, 2004, and 2005. The Treasurer has forecasted an ending fund balance in excess of \$1.5 million at the end of FY 2009-10. The forecast includes the impact of the 9.79 mill emergency levy passed in August 2005. Collections on this levy will begin in tax year 2006, and are expected to generate approximately \$4 million each year.

The assumptions disclosed herein were developed by the Treasurer and are based on historical trends and information obtained from FCSD. AOS analyzed these assumptions and recommended changes where necessary. There will usually be differences between projected and actual results as circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared. Major assumptions used to develop the five-year forecast are presented below.

Revenues

- In FY 2006-07, property tax revenues are projected to increase 2 percent and the District will receive new revenue in the amount of \$1,241,746. In FY 2007-08, the District projects an increase of 3 percent due to the tax year 2006 reappraisal. Thereafter, the District has assumed a 2 percent increase in collections for FY 2008-09 and FY 2009-10.

On February 17, 2005, the Warren County Budget Commission (the Budget Commission) certified total General Fund tax collections of \$11,180,000 for FY 2005-06. Because the District will begin collection of the emergency levy during FY 2005-06, an amended official certificate has been requested from the Budget Commission to include this new revenue. It is estimated that the new revenue will increase the District's FY 2005-06 local revenue projection to \$13,179,319.

The total local revenue estimate of \$13,179,319 includes: general property tax (real estate); tangible personal property tax (inventory & equipment); and property tax allocation (homestead & rollback). The District has estimated the division of the total local revenue for FY 2005-06, as shown in **Table 2-2**.

Table 2-2: Local Revenue Breakdown Estimate

General Property Tax	\$7,908,000	60%
Tangible Personal Property Tax	\$4,349,000	33%
Property Tax Allocation	\$922,319	7%
Total	\$13,179,319	100%

Source: FCSD Forecast Assumptions

Based on the five-year historical trend along with the percentages of total local revenues, it appears that these categories have remained somewhat constant over the previous five years and this estimate appears to be appropriate.

- Tangible personal property tax is forecasted to be phased out in accordance with HB 66. The tax on general business and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. HB 66 fully replaces the lost revenue for the full term of the forecast; however, the reimbursements are phased out in the seven years following the forecast period.

Tangible personal property tax revenue cannot be estimated with a high degree of accuracy because it is highly dependent on legislation and the stability of businesses in the District. Furthermore, personal property tax returns are confidential and subject to economic conditions.

For FY 2005-06, the District estimates tangible property tax revenue of \$4,349,000. Since legislation has provided for a five year hold harmless period, the District expects that the impact of the first year of implementation will be nominal. For future years, the District estimates that tangible personal property tax revenue will decline dramatically and that the unrestricted grants-in-aid (State foundation) will show the offsetting increase in revenue. For FY 2006-07 through FY 2009-10, the District has used the Ohio Department of Taxation estimates to forecast tangible personal property tax and unrestricted grants-in-aid.

- Unrestricted grants-in aid (State foundation) consist of revenue received from the State under the SF-3 funding formula, unrestricted poverty based assistance (PBA) and the State reimbursement (hold harmless) of public utility personal property taxes, which were reduced by HB 283 and HB 66.

In FY 2001-02 and FY 2002-03, Parity Aid was recorded as restricted revenue. Effective in FY 2003-04, the State no longer restricted this revenue. Therefore, it is recorded as an unrestricted grant-in-aid. The District added a note of caution for this line item, as it gives the appearance that its State revenue is increasing (the FY 2003-04 Parity Aid was \$444,973).

Based on ODE simulations, the District has estimated no increase in State foundation funding for FY 2005-06 and FY 2006-07. The District used the same assumption of no increases for the remainder of the forecast period. However, the District is projecting that the "Hold Harmless" provision of HB 66 will provide State revenue in lieu of personal property tax collections. As a result, this revenue line item will give the appearance of increased State foundation funding. These assumptions were based on current information provided by the Ohio Department of Taxation, ODE, and the Warren County Auditor's Office.

- The restricted grants-in-aid line item consists of restricted revenue received for PBA, which is the same amount as the District's prior year Disadvantaged Pupil Impact Aid (DPIA), school bus allowance, and career education funds. The District expects to receive \$48,871 in restricted PBA revenue, \$17,250 for school bus allowance, and \$103,912 in career education funds for a total FY 2005-06 estimate of \$170,033.

In prior years, the District received \$48,871 in DPIA funds, in addition to \$65,791 for State funding for intervention. The District was told by ODE that the intervention funds and DPIA funds have been combined into the PBA Fund. However, the District is only receiving \$48,871 – the same amount that FCSD has historically received for DPIA, therefore the projections appears reasonable.

- The Property Tax Allocation (Homestead and Rollback) is reimbursement from the State for tax credits given to owner occupied residences equaling 12.5 percent of the gross property taxes charged residential taxpayers, and up to 10 percent for commercial and industrial taxpayers. These amounts will generally grow along with new construction, reappraisals, and updates.

The District has estimated that FY 2005-06 collections will be approximately 7 percent of the total General Fund revenue certified by the Budget Commission. It is estimated that FY 2005-06 revenue for this area will be \$922,319. Thereafter, the District estimates a 2 percent increase in each of the remaining years of the forecast. This appears reasonable as property tax allocation is tied directly to the projected increases in the property tax revenues.

- Other revenue sources include fees paid by students, rental fees, donations, Community Alternative Funding Sources (CAFS) and Medicaid Administration Claiming (MAC) reimbursements, revenue in lieu of taxes, open enrollment tuition, and interest. As CAFS has been discontinued, FCSD is pursuing the possibility of receiving reimbursement through the MAC program to replace the CAFS receipts. The District's revenue from open enrollment and interest earnings has declined dramatically. The District expects a continued decline in open enrollment revenue and interest earnings for FY 2005-06. As a result, other revenue is estimated to be \$516,840 throughout the forecasted years. Because of the volatility in this line item, the Treasurer's conservative projection appears appropriate.
- Advances-in represent the return of the advanced money to the General Fund from other funds. Since the District expects all advances from the General Fund to be returned, it will not project expenses or receipts in this area in future years and will do the same for the advances-out line item.
- All other financing sources include any refund of prior year expenses, the sale of fixed assets, and other adjustments. The District estimates that for FY 2005-06, this revenue will be \$80,000. Thereafter, the District estimates \$30,000 for the remaining forecast period.

Expenditures

- Personal services are comprised mainly of salaries paid to all employees, substitutes, and over-time. Pay rates are established through the negotiated agreements with the District's bargaining units. Due to its financial condition, the Franklin City School District Board of Education (the Board) implemented a reduction-in-force (RIF) of extracurricular activities from the General Fund budget during FY 2004-05. The FY 2005-06 salaries estimate includes the reinstatement of extracurricular activity salaries, as well as, the reinstatement of extracurricular transportation to the extent that it is financially efficient.

The certificated staff at FCSD are represented by the Franklin Education Association (FEA) chapter of the Ohio Education Association (OEA). The FEA contract expired July 31, 2004, but was extended. On September 12, 2005, the Board approved a contract, which provided no salary increases during FY 2004-05, a 4.75 percent base salary increase in FY 2005-06, and a 4.75 percent increase in the base salary of FY 2006-07. For FY 2006-07, the projected salary levels include a 25th step which will be included in the salary schedule for this fiscal year and beyond.

The classified staff at FCSD are represented by the Ohio Association of Public School Employees (OAPSE). The OAPSE contract expired August 31, 2005. Unlike the certificated staff members who have only one salary schedule, the classified staff members have multiple salary schedules which vary depending on position requirements. The OAPSE contract provided a 3 percent base increase for FY 2004-05. Negotiations with OAPSE will occur during FY 2005-06.

The District has reduced staff by several positions in order to decrease costs. The District reduced salary expenses by \$1,275,802 (9.5 percent) from FY 2003-04 to FY 2004-05. The FY 2005-06 salary projection includes the reinstatement of extracurricular activities and transportation personnel; the FEA salary schedule that was recently approved by the Board; and step increments that are estimated to be approximately 2 percent. For the remainder of the forecast period (FY 2006-07 through FY 2009-10), the District has projected a 2 percent increase in salaries for step increases (based on the FY 2006-07 FEA salary schedule) and a 3 percent base salary increase.

- FCSD estimates that benefits will cost approximately 34 percent of the salary expense in each year of the forecast due to the effects of rising insurance costs. Although, this percentage was discussed and confirmed by the District as a valid assumption through an ODE fiscal consultant, this projection may underestimate this line item. While estimating benefits at 34 percent of salary expense in each year of the forecast might provide reasonably accurate projections in the short run, the methodology for projecting benefits should be reviewed. Fringe benefits were 35.21 percent of personal service in FY 2004-

05, and due to the rising cost of health insurance, the current projection may not adequately capture these costs to the District (see **R2.4**).

- Purchased services include tuition paid to community schools and other organizations, utilities, professional meeting expenses, outside repairs, insurance, and contracted services such as the Alternative School and Educational Service Center (ESC) contracts. The previous three-year period reflects an average annual increase of 4.3 percent.

The District has estimated \$2,302,114 for FY 2005-06. In FY 2006-07, the District has added \$200,000 to the 3 percent increase to allow for the increased cost of community schools and additional cost expected for services to special education students. Thereafter, the estimate reflects a 3 percent inflationary increase each year.

- Supplies and materials expenditure projections are dramatically affected by curriculum and textbook adoptions. The District has extended its textbook adoption cycle from five to seven years. The next language arts curriculum and textbook adoption is scheduled to occur in FY 2006-07. The District has estimated \$650,851 for materials and supplies in FY 2005-06, a 3 percent increase over FY 2004-05 and has included an increase of \$500,000 in order to plan for the adoption of the language arts texts in FY 2006-07, which is the largest and most costly textbook adoption. In FY 2007-08, materials and supplies are projected to decrease by \$250,000 with the adoption of the mathematics texts. For FY 2008-09 and FY 2009-10, the District estimates a 3 percent inflationary increase.

The District set-aside amount has met the requirement of being at least 3 percent of the prior years unrestricted grants-in-aid. The set aside amount has decreased, but has stayed well above the 3 percent threshold. The District has a Textbook Adoption Schedule for future planning of textbook purchases which allows the Treasurer to adequately project future expenditures for textbook purchases.

- Capital outlay includes the purchase of computers, desks, buses, and all other tangible assets. Capital outlay was virtually eliminated with a 50.3 percent average decrease during the prior three-year period. FY 2005-06 appropriations of \$201,098 will allow the District to purchase much needed equipment. Additionally, a FY 2005-06 appropriation of \$415,618 was made for building improvements as a result of the passage of an emergency levy. For FY 2006-07, the appropriation has been increased to allow for additional equipment as necessary and for \$831,236 in building improvements. Thereafter (FY 2007-08 through FY 2009-10), the District has estimated a 3 percent inflationary increase per year after FY 2006-07.

It appears that the projections for capital outlay for the District are appropriate and reasonable given the District's recent history of delaying capital improvements due to its financial condition.

- Debt service principal and interest includes the HB 264 Energy Conservation Loan with the final payment being paid in December 2002 (FY 2002-03).
- Other expenditures include county auditor and treasurer fees for collecting taxes, advertising for delinquent taxes, and memberships. This line item was projected at \$374,595 for FY 2005-06 and is projected to increase 3 percent per year for the remaining forecast period to reflect inflation.
- The District allows some grant expenditures to be made prior to the money being received. Since the grant funds cannot operate with a deficit, the General Fund advances the money until the grant funding is received. When the funds are received, the advance is returned to the General Fund. The \$75,000 expense in this area should be returned through the other financing sources (uses) category.
- Estimated encumbrances at June 30 are outstanding purchase orders. Encumbrances are estimated to be 1 percent of total expenditures and other financing uses.

Financial Operations

In an effort to reduce its forecasted operating deficits, the District identified several areas for cost reduction prior to the performance audit, primarily through staff reductions. **Table 2-3** compares FCSD's FY 2004-05 General Fund operational revenues and expenditures per pupil to the peer districts.

Table 2-3: FY 2004-05 General Fund Revenues By Source and Expenditures by Object

	Franklin CSD		Ashland CSD		New Philadelphia CSD		Southwest LSD		Peer Average	
Number of Students (ADM)	2,876		3,385		2,965		3,643		3,331	
	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total
Property/Income Tax	\$3,599	49.3%	\$4,258	53.6%	\$3,120	48.7%	\$2,922	41.8%	\$3,433	48.0%
Intergovernmental Revenues	\$3,550	48.6%	\$3,327	41.8%	\$3,114	48.6%	\$3,967	56.8%	\$3,469	49.1%
Other Revenues	\$156	2.1%	\$368	4.6%	\$178	2.7%	\$99	1.4%	\$215	2.9%
Total Revenue Per Pupil	\$7,305		\$7,953		\$6,412		\$6,988		\$7,144	
Wages	\$4,204	61.0%	\$4,609	60.4%	\$4,361	63.3%	\$4,795	59.2%	\$4,603	61.0%
Fringe Benefits	\$1,485	21.5%	\$1,827	23.9%	\$1,572	22.8%	\$1,509	18.6%	\$1,635	21.8%
Purchased Services	\$431	6.3%	\$458	6.0%	\$426	6.2%	\$701	8.6%	\$537	6.9%
Tuition	\$403	5.9%	\$269	3.5%	\$64	0.9%	\$113	1.4%	\$151	1.9%
Supplies & Textbooks	\$204	3.0%	\$141	1.8%	\$262	3.8%	\$296	3.7%	\$234	3.1%
Capital Outlay	\$29	0.4%	\$159	2.1%	\$121	1.8%	\$580	7.2%	\$301	3.7%
Miscellaneous	\$128	1.9%	\$174	2.3%	\$80	1.2%	\$109	1.3%	\$122	1.6%
Total Expenditures Per Pupil	\$6,884		\$7,637		\$6,886		\$8,103		\$7,583	

Source: 2005 Annual Financial Reports (4502's)

Note: Amounts are rounded and may differ slightly from summation totals.

As shown in **Table 2-3**, the District is receiving a similar percentage of its revenues from property taxes and intergovernmental revenues when compared to the peer average. FCSD receives a slightly higher percentage of its revenues from property taxes than the peer average indicating that the District is slightly less reliant on the State funding than the peers.

FCSD's total expenditures per pupil were 9.9 percent lower than the peer average, and were lower than the peer average in the following categories:

- Wages;
- Fringe benefits;
- Purchased services;
- Supplies and materials; and
- Capital outlay.

In FY 2004-05, tuition payments were higher than the peer average signifying that FCSD had a greater number of students leaving the District than the peers. FCSD experienced an increase in the number of students leaving the District in FY 2004-05 due to the relocation of a private school into the FCSD boundaries, as well as community school incentives, such as offering new computers to students. In addition, the pay-to-play athletic program caused many students to leave the District. FCSD expects that this will stabilize after the reinstatement of the General Fund subsidy to the athletic program.

Table 2-4a and **Table 2-4b** illustrate FCSD and peer district governmental funds operational expenditures by function on a per pupil basis and as a percentage of total costs.

Table 2-4a: Governmental Funds Operational Expenditures by Function

USAS Function Classification	FCSD FY 2003-04		FCSD FY 2004-05		Ashland CSD		New Philadelphia CSD		Southwest LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$4,773	63.3%	\$4,754	61.7%	\$5,237	63.5%	\$4,456	57.6%	\$4,911	60.5%	\$4,887	60.6%
Regular Instruction	\$3,778	50.1%	\$3,583	46.5%	\$3,775	45.8%	\$3,428	44.3%	\$3,925	48.2%	\$3,727	46.3%
Special Instruction	\$828	11.0%	\$1,011	13.1%	\$932	11.3%	\$840	10.9%	\$841	10.4%	\$872	10.8%
Vocational Education Adult/Continuing Education	\$167	2.2%	\$160	2.1%	\$249	3.0%	\$124	1.6%	\$70	0.9%	\$146	1.8%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$4	0.1%	\$2	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$0	0.0%	\$0	0.0%	\$281	3.4%	\$64	0.8%	\$71	0.9%	\$140	1.7%
Support Service Expenditures:	\$2,589	34.2%	\$2,691	34.8%	\$2,789	33.9%	\$2,822	36.4%	\$2,956	36.3%	\$2,860	35.6%
Pupil Support Services	\$361	4.8%	\$367	4.8%	\$431	5.2%	\$397	5.1%	\$304	3.6%	\$374	4.7%
Instructional Support Services	\$373	4.9%	\$396	5.1%	\$401	4.9%	\$337	4.4%	\$411	5.0%	\$386	4.8%
Board of Education	\$8	0.1%	\$12	0.2%	\$20	0.2%	\$33	0.4%	\$17	0.2%	\$23	0.3%
Administration	\$598	7.9%	\$705	9.1%	\$658	8.0%	\$718	9.3%	\$737	9.1%	\$705	8.8%
Fiscal Services	\$190	2.5%	\$200	2.6%	\$236	2.9%	\$241	3.1%	\$181	2.2%	\$218	2.7%
Business Services	\$55	0.7%	\$56	0.7%	\$106	1.3%	\$0	0.0%	\$0	0.0%	\$36	0.4%
Plant Operation/Maintenance	\$668	8.8%	\$628	8.1%	\$615	7.5%	\$791	10.2%	\$857	10.6%	\$755	9.4%
Pupil Transportation	\$261	3.5%	\$242	3.1%	\$275	3.3%	\$304	3.9%	\$435	5.4%	\$342	4.2%
Central Support Services	\$75	1.0%	\$85	1.1%	\$47	0.6%	\$1	0.0%	\$14	0.2%	\$21	0.3%
Non-Instructional Services Expenditures	\$3	0.0%	\$78	1.0%	\$60	0.7%	\$79	1.0%	\$53	0.7%	\$63	0.8%
Extracurricular Activities Expenditures	\$191	2.5%	\$189	2.5%	\$160	1.9%	\$383	5.0%	\$203	2.5%	\$242	3.0%
Total Governmental Fund Operational Expenditures	\$7,556	100%	\$7,712	100%	\$8,246	100%	\$7,740	100%	\$8,123	100%	\$8,052	100%

Source: FY 2004-05 Annual Financial Reports (4502's) and District SF3 Reports

Note: Amounts are rounded and may differ slightly from summation totals

Table 2-4b: Governmental Funds Expenditures by Classification

USAS Function Classification	FCSD FY 2003-04		FCSD FY 2004-05		Ashland CSD		New Philadelphi a CSD		Southwest LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ 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	\$7,556	97.5%	\$7,712	97.8%	\$8,246	97.3%	\$7,740	96.7%	\$8,123	87.0%	\$8,052	93.1%
Facilities, Acquisition & Construction Expenditures	\$22	0.3%	\$0	0.0%	\$186	2.2%	\$53	0.7%	\$685	7.3%	\$328	3.8%
Debt Service Expenditures	\$168	2.2%	\$171	2.2%	\$39	0.5%	\$209	2.6%	\$528	5.7%	\$268	3.1%
Total Governmental Funds Operational Expenditures	\$7,746	100%	\$7,883	100%	\$8,471	100%	\$8,002	100%	\$9,336	100%	\$8,648	100%

Source: FY 2004-05 Annual Financial Reports (4502's) and District SF3 Reports.

Note: Amounts are rounded and may differ slightly from summation totals.

As shown in **Table 2-4b**, FCSD has been effective in monitoring and controlling its expenditures from FY 2003-04 to FY 2004-05 as evidenced by the 1.7 percent increase in total expenditures. In addition, FCSD spent almost 9 percent less than the peer average for FY 2004-05. Explanations for line items in **Table 2-4a** that experienced a significant increase from FY 2003-04 to FY 2004-05 or those that varied significantly from the peer average are as follows:

- **Special Education** – The District has a high population of special educational students (16 percent of total students) in relation to the peers. Despite this, FCSD's FY 2003-04, per pupil special needs expenditures were comparable to the peers. However, in FY 2004-05, the District experienced a 22.1 percent increase in special needs expenditures per pupil. This increase in special education costs was due to an expiration of the District's agreement with the Warren County MRDD (the County MRDD).

In FY 2003-04, the County MRDD covered the cost of special education students pursuant to a previous agreement reached with FCSD. However, the agreement expired in FY 2003-04. Starting in FY 2004-05, the County MRDD ceased providing the services for school age and pre-school students that are, by law, the responsibility of the local public school district. The District is responsible for paying all special education expenditures and now incurs those costs directly.

- **Vocational Education** – FCSD's FY 2004-05 vocational education expenditures were \$160 per student (2.08 percent of total expenditures) which was \$14 above the peer average of \$146 per student (1.82 percent of total expenditures). Additional vocational education analyses can be found in the **human resources** section (see **R3.3**) of this report.

- **Instructional Support Services** – Instructional support services exceeded the peer average by \$10 per student. FCSD has more buildings and more special needs students than the peers and therefore requires more support staff and services. FCSD’s staffing levels are further analyzed in the **human resources** section of this report, while FCSD facilities are analyzed further in the **facilities** section of this report.
- **Business Services** – FCSD’s business services exceeded the peer average by \$20 per student. However, New Philadelphia CSD and Southwest LSD noted no expenses for this function and probably posted these costs as fiscal services. . This line item records services related to the business manager’s operational unit such as purchasing, receiving, transporting, exchanging, and maintaining goods and services for FCSD.
- **Central Support Services** – FCSD’s total technology department expenditures are recorded in this classification, as well as activities which support the planning, research, development, evaluation, information staff, statistical, and data processing services of instructional and supporting programs. The District’s FY 2004-05 central support services were \$63.72 per student above the peer average primarily due to a high level of personal services costs recorded within this function. However, peers noted little or no staffing for technology in this category; they posted technology costs in various categories.
- **Administration** – FY 2004-05 expenditures for this line item increased significantly, primarily due to an increase in administrative benefit expenditures of approximately \$125,000 and the severance pay for two administrators who left the District at the conclusion of FY 2004-05. In addition, liability insurance premiums increased significantly. Administrative staffing and benefit levels are analyzed further in the **human resources** section of this report.
- **Community Services** – Community services expenditures increased significantly in FY 2004-05 primarily due to the opening of a private parochial school in August 2004 within the District. Because of this, FCSD became responsible for the private school’s auxiliary funds. An auxiliary services fund is used to account for monies which provide services and materials to pupils attending non-public schools within the school district, but does not impact the General Fund.

Table 2-5 shows selected FY 2004-05 discretionary expenditures by account, as a percentage of total expenditures for FCSD and the peer districts.

Table 2-5: Peer Comparison of FY 2004-05 Discretionary Expenditures

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Prof. and Technical Service	2.3%	1.4%	1.8%	2.0%	1.8%
Property Services	1.1%	1.4%	1.9%	2.7%	2.0%
Mileage/Meeting Expense	0.1%	0.2%	0.1%	0.1%	0.2%
Communications	0.3%	0.3%	0.1%	0.2%	0.2%
Contract, Craft or Trade Service	0.1%	0.0%	0.0%	1.0%	0.3%
General Supplies	0.7%	0.8%	1.6%	0.9%	1.1%
Textbooks/Reference Materials	0.9%	0.1%	1.0%	1.4%	0.8%
Plant Maintenance and Repair	0.6%	0.3%	0.5%	0.8%	0.5%
Fleet Maintenance and Repair	0.4%	0.6%	0.5%	0.5%	0.5%
Land, Building & Improvements	0.0%	2.0%	0.0%	6.8%	2.9%
Equipment	0.1%	0.1%	1.2%	0.4%	0.6%
Buses/Vehicles	0.3%	0.0%	0.6%	0.0%	0.2%
Dues and Fees	1.4%	2.2%	1.1%	1.2%	1.5%
Insurance	0.4%	0.0%	0.0%	0.1%	0.0%
Awards and Prizes	0.0%	0.0%	0.1%	0.0%	0.0%
Total Discretionary Expenditures	\$1,797,499	\$2,477,875	\$2,190,828	\$5,353,912	\$3,340,872
Total Expenditures	\$19,921,669	\$25,996,280	\$20,568,378	\$29,515,862	\$25,360,173
Discretionary Expenditures % of Total Expenditures¹	8.7%	9.4%	10.5%	18.1%	12.6%

Source: FY 2004-05 Annual Financial Reports (4502's)

¹ Differences in percentages are due to rounding.

As shown in **Table 2-5**, FCSD's discretionary spending as a percentage of all General Fund expenses (8.7 percent) was significantly lower than the peer average (12.6 percent). The largest portion of discretionary spending, professional and technical service, accounted for 2.3 percent of the District's total discretionary expenditures.

FCSD's professional and technical services expenditure was the only category that significantly exceeded the peer average. **Table 2-6** compares the District's annual General Fund expenditures in the categories of purchased services and supplies and materials from FY 2002-03 to FY 2004-05.

Table 2-6: General Fund District Purchases FY 2003-04 through FY 2004-05

	FY 2002-03	FY 2003-04	% Change	FY 2004-05	% Change
Purchased Services:					
Prof. and Technical Services	\$806,626	\$475,072	(41.10%)	\$452,066	(4.84%)
Property Services	\$318,477	\$304,455	(4.40%)	\$212,152	(30.32%)
Travel Mileage/Meeting Exp.	\$67,993	\$43,828	(35.54%)	\$21,325	(51.34%)
Communications	\$63,842	\$46,738	(26.79%)	\$51,578	10.36%
Utilities	\$425,377	\$430,846	1.29%	\$479,565	11.31%
Contracted Craft or Trade	\$27,273	\$27,884	2.24%	\$18,116	(35.03%)
Tuition	\$545,970	\$656,773	20.29%	\$1,160,021	76.62%
Pupil Transportation Services	\$2,658	\$2,620	(1.43%)	\$2,197	(16.15%)
Other Purchased services	\$2,789	\$3,017	8.17%	\$2,418	(19.85%)
Total Purchased Services	\$2,261,005	\$1,991,233	(11.93%)	\$2,399,438	20.50%
Supplies and Materials:					
General Supplies	\$249,288	\$183,420	(26.42%)	\$142,354	(22.39%)
Textbooks	\$119,434	\$144,282	20.80%	\$119,256	(17.35%)
Library Books	\$35,736	\$0	N/A	\$6,926	NA
Periodicals and Films	\$10,184	\$62,089	509.67%	\$61,172	(1.48%)
Supplies and Materials	\$59,667	\$54,907	(7.98%)	\$60,654	10.47%
Food and related Supp. and Mat.	\$0	\$0	N/A	\$0	NA
Maintenance and Repair to Plant	\$126,571	\$125,182	(1.10%)	\$111,013	(11.32%)
Maintenance and Repair to Fleet	\$101,447	\$98,669	(2.74%)	\$84,844	(14.01%)
Other Supplies and Materials	\$1,000	\$373	(62.70%)	\$631	69.17%
Total Supplies and Materials:	\$703,327	\$668,922	(4.89%)	\$586,850	(12.27%)

Source: FY 2003-04 and FY 2004-05 Annual Financial Reports (4502's).

Table 2-6 shows that the District has been effective in monitoring and controlling expenditures that are under its immediate control. Additionally, **Table 2-6** shows that the District has, in many cases, been able to decrease individual line items from FY 2003-04 to FY 2004-05. Although many individual purchased service line items decreased, the total amount of purchased services increased 20.5 percent from FY 2003-04 to FY 2004-05. This increase was primarily caused by a 76.6 percent increase in tuition resulting from a rise in the number of students leaving the District. Although purchased services increased 20.5 percent from FY 2003-04 to FY 2004-05, the cumulative change from FY 2002-03 to FY 2004-05 was only 6.12 percent. Total supplies and materials expenditures decreased in both year-to-year periods displayed in **Table 2-6**. The total supplies and materials cumulative decrease from FY 2002-03 to FY 2004-05 was 16.6 percent.

Noteworthy Accomplishments

During the course of the audit, the following best practice was observed in the District:

- **FY 2004-05/FY 2005-06 Operating Scenarios:** The District created FY 2004-05 and FY 2005-06 operating scenarios with and without levy support, including comments and notes which were communicated to the public. The operating scenarios described the various activities and resulting changes that would be made if the District levy passed or failed on the August 2005 ballot. By communicating this information to the public, the District informed community voters of the impact of proposed changes in both scenarios, along with an explanation of those potential changes.

Assessments not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several areas which did not warrant changes and did not yield any recommendations. These are highlighted below:

- **Reduction of Personal Services:** The District was able to take a proactive approach to its financial condition and reduce personal services from \$13,412,567 to \$12,136,765- a decrease of \$1,275,802 (9.5 percent) from FY 2003-04 to FY 2004-05. The District implemented a reduction in force (RIF) to reduce expenses.
- **Discretionary Expenditures:** The District has exercised sufficient control over these expenditures. FCSD discretionary expenditures as a percentage of total expenditures were 4 percent lower than the peer average.
- **Property Tax Projections:** FCSD is projecting general property tax, tangible personal property tax, and property tax allocation at 60 percent, 33 percent, and 7 percent of total local revenue respectively. An analysis performed on the 5 year history of these categories, along with the percentages of total local revenues, concluded that these categories have remained relatively constant over the previous 5 years.
- **Unrestricted Grants-in-Aid Projections:** The Treasurer used current information provided by the Ohio Department of Taxation, ODE and the Warren County Auditor's Office to determine the best estimate available at the time. The analysis concluded that the Treasurer's methodology is sufficient to project future unrestricted grants-in-aid.

- **Personal Services Projections:** The Treasurer prepares a spreadsheet listing each employee along with the employee's salary, step, hourly rate, and contract amount. This spreadsheet is then used to monitor the District's personal service expenditures and is continuously updated as personnel changes occur. AOS concluded that this process provides reasonable and accurate estimates.
- **Purchased Services Projections:** The five-year forecast follows the Treasurer's assumptions and methodology and supports the District's projections (see **R5.6** in the **transportation** section for additional information related to purchasing procedures). The assumption for the decrease in FY 2005-06 is due to the expectation that the student population will stabilize with the emergency levy passage and reinstatement of athletics, thus reducing open enrollment costs to other districts. In January 2006, the District confirmed that the student population had stabilized and that athletics had been reinstated. The second year of the projection is for a 3 percent increase with an additional \$200,000 to allow for the increased community school costs and special education services.
- **Supplies and Materials Projections:** District purchases that meet set-aside requirements have continuously decreased, but stayed well above the 3 percent threshold. The District has a textbook adoption schedule for future textbook purchases which allows the Treasurer to project future expenditures. The District's projection of supplies and materials is sufficient given the information at the time the projections were made.
- **Capital Outlay Projections:** Due to its financial condition, the District has delayed many capital improvements to its buildings. With the recent approval of the emergency levy, the District has allocated 2 mills for building improvements over the next five years. The projections for capital outlay are reasonable given the need to make capital building improvements.
- **Advances-Out Projections:** The methodology for forecasting advances-out appears to be sufficient. The District occasionally advances money from the General Fund to other funds prior to the money being received from State grants. Once the funds are received, the General Fund is reimbursed. The District is projecting a \$75,000 expense in this line item for FY 2005-06, an amount that is reasonable and should be reimbursed upon receipt of the State funding.

Recommendations

R2.1 FCSD should create specific policies and procedures to ensure continued reliability and consistency in the development and review of the five-year forecast. These policies and procedures should address key forecast factors, including parties responsible for information, periods covered, the development process, assumption development and evaluation, support for assumptions, presentation, and outside consultation. Forecasts should be reviewed for errors and omissions by a source independent of the Treasurer's Office but knowledgeable in the areas of financial forecasting and school finance.

During the course of the audit, the District began the process of researching and developing forecasting policies.

FCSD currently outlines fiscal management policies in the Board's policy manual but does not have any formal policies or procedures pertaining to the development and review of the five-year forecast. The Treasurer is responsible for preparing the five-year forecast, submitting it to the Board for approval, and then submitting it to ODE.

The American Institute of Certified Public Accountants (AICPA) *Guide for Prospective Financial Information* identifies best practices for reviewing financial forecast information. These practices are listed and explained below.

- ***Responsible party's experience:*** An analysis of prior forecasts developed by the preparer compared to actual results may indicate the effectiveness of the process used by the preparer. The responsible party's experience is not necessarily indicative of the reliability of the forecast, but it may help to identify areas where the preparer can improve. Gaining an understanding of significant variances will help in the development of future forecasts.
- ***Prospective period covered:*** The extent to which historical results are used to develop the forecast should be considered in relation to the length of the forecast period. When historical trends are used to forecast line-items, it must be determined if an adequate amount of historical data was used.
- ***Development process:*** Inquiry, observation, review of manuals, memoranda, instructions, examination of analysis models or statistical techniques, and review of documentation should be assessed to obtain a complete and comprehensive understanding of how the forecast was developed.

- ***Procedures to evaluate assumptions:*** Those procedures deemed necessary to determine whether the assumptions provide a reasonable basis for the forecast should be performed. These procedures can be as simple or complex as deemed necessary.
- ***Development of Assumptions:*** Using knowledge of operations and the economic environment, it should be determined whether assumptions have been developed for all key factors on which the District's financial results appear to depend.
- ***Support for Assumptions:*** Once all key factors have been identified and assumptions have been developed for each key factor, support for the assumptions should be formally documented. Documentation should be submitted to reviewers with the forecast so both can be properly evaluated.
- ***Presentation:*** In evaluating preparation and presentation of the financial forecast, procedures should be performed which will provide reasonable assurance that the presentation reflects the identified assumptions, computations are mathematically accurate, assumptions are internally consistent, and accounting principles are consistent with those used for historical data.
- ***Using the work of a specialist/consultant:*** Areas in which the forecast may be enhanced by input from outside sources should be identified and consultants or specialists used when necessary.

The Treasurer has historically demonstrated accuracy in financial forecasting and has established a record of exceptional financial reporting. In addition, the forecast prepared by the Treasurer was evaluated during the course of the performance audit and was determined to be reasonable and based on sound methodology. By establishing formal policies and procedures for reviewing the five-year forecast, the District can ensure that future forecasts are prepared at the same high level which has been demonstrated by the District Treasurer.

R2.2 FCSD should create a strategic plan which is closely linked to the financial forecasting process, resulting in a broader, more comprehensive plan for the District. The strategic plan should consider the District's current financial issues in the context of its operational goals.

During the course of the audit, the District began updating its strategic plan to better link business goals with educational goals.

According to the Treasurer, FCSD's strategic plan is out-dated. FCSD relies on its District and Building Improvement Plans. The District Improvement Plan lists numerous goals the District has set for itself. In addition to the goals, the plan also describes the

strategies, actions, and measures needed to reach these goals, as well as any needs involved. This improvement plan is an indicator of the District's commitment to improving the quality of the education it provides. However, the plan is limited to educational objectives and does not consider the District's current financial issues in the context of its operational goals.

The United States Department of Commerce established the Baldrige National Quality Program (Baldrige Program) to provide a framework for educational institutions to assess performance on a wide range of key indicators. The criteria for strategic planning identified by the Baldrige Program can provide a framework for the District to begin to develop a comprehensive strategic plan. The Baldrige Program identifies the following key factors on which a strategic plan should collect and identify relevant data and information:

- Student, stakeholder, and market needs, expectations, and opportunities, including student achievement;
- Competitive environment and capabilities relative to competitors and comparable organizations;
- Educational reform, technological innovations, or other key changes that might affect programs, offerings, services, and operations;
- Strengths and weaknesses, including faculty, staff, and other resources;
- Opportunities to redirect resources to higher priority programs, offerings, services, or areas;
- Capability to assess student learning and development;
- Budgetary, societal, ethical, regulatory, and other potential risks;
- Changes in the local, regional, or national economic environment; and
- Factors unique to the organization, including partners' and suppliers' needs, strengths, and weaknesses.

In the absence of an updated strategic plan, the District runs the risk that its mission, vision, and strategic goals may go unfulfilled. By developing a strategic plan consistent with the framework established by the Baldrige Program, the District can formalize its approach to preparing for the future on both a programmatic and financial basis. A strategic plan will help ensure that the District's priorities and goals are examined in relationship to its finances and that the appropriate cost trade-offs are considered. The strategic plan will also serve to ensure that the Board, District employees, and residents have a uniform understanding of the District's priorities and goals, as well as the available resources needed to meet these goals.

R2.3 FCSD should seek to provide public access to financial information through its website. The District should publish its five-year financial forecast along with its accompanying detailed assumptions, which include historic and projected

information, and explanatory comments from the Treasurer. The District should consider using its website to provide the community with information beyond that which is required by ODE.

During the course of the audit, the District implemented this recommendation.

The District's website has a financial information tab that local residents are able to reference in order to view the District's financial updates and information regarding the financial report and taxation information. However, the District does not post the five-year forecast and assumptions on its website. The District's forecast and assumptions are available only on the ODE website in an abbreviated format. The District's local website has a link to the ODE website, but the information has not been directly placed on the District's website.

The Government Finance Officers Association (GFOA) recommends that every government publishes budgetary information and financial reports on its website. GFOA has also identified the following guidelines to facilitate this practice:

- The electronic budget document and the electronic CAFR should be identical to the printed versions of these documents;
- The website should prominently notify users that the information in the CAFR has not been updated for developments subsequent to the date of the independent auditor's report;
- The website should prominently inform users whether the budget document presented represents the preliminary budget or the approved budget;
- If a government elects to present the budget documents and CAFRs of prior years, the website should clearly identify these documents as "dated information for historical reference only" and clearly segregate them from current information. A "library" or "archive" section of the website is advisable for this purpose; and
- The security of the website should be evaluated to protect it from manipulation by external or unauthorized persons.

By expanding the District website to include the five-year forecast along with the detailed assumptions, the District would demonstrate greater financial accountability and enhance communication with its community and stakeholders. Additionally, the District would be able to provide more comprehensive information to its residents. This would provide the public with a better understanding of the issues which the District has faced or will be facing in the future. Inclusion of additional detail concerning historical events and future

expectations would also assist the reader in interpreting the forecast and drawing well informed conclusions.

R2.4 FCSD should include a more detailed methodology in projecting expenditures in the area of employee fringe benefits. The District should provide a detailed analysis that outlines all components of the fringe benefit category. The current methodology may not adequately capture the continuously rising costs of insurance premiums and may increase the likelihood of understating expenditures.

FCSD's employee fringe benefit expenditure projections are presented in **Table 2-1** and are estimated to be 34 percent of personal services over the course of the forecast period. However, in FY 2004-05, fringe benefits were 35.21 percent of total personal services with a three year average of 30.3 percent. The Treasurer indicated the significant increase to 35.21 percent from FY 2003-04 to FY 2004-05 was due to the salary reduction of \$1.275 million. As fringe benefits increased and salaries were reduced the fringe benefits as a percentage of salaries increased from 28.7 percent to 35.21 percent. **Table 2-7** presents historical fringe benefit expenditures categorized by object code and their average annual percent change.

Table 2-7: Historical Fringe Benefit Costs

Description	FY 2002-03	FY 2003-04	FY 2004-05	Average % Change
Retirement Costs	\$1,796,340	\$1,900,972	\$1,871,635	2.14%
Employee Reimbursements / Other Fringe Benefits	\$31,732	\$14,341	\$12,690	(33.16%)
Total Insurance Costs	\$1,431,659	\$1,664,085	\$2,108,582	21.47%
Workers' Compensation	\$25,713	\$139,121	\$68,264	195.06%
Unemployment	\$288	\$20,710	\$48,738	3613.15%
Other Retirement & Insurance	\$136,097	\$115,244	\$163,585	13.32%
Total Fringe Benefit Costs	\$3,421,829	\$3,854,473	\$4,273,494	11.76%
Total Salary Expenses	\$13,015,408	\$13,412,567	\$12,136,765	(3.23%)
Total Fringe Benefits as percent of Salaries	26.2%	28.7%	35.21%	30.3%
Retirement expenses as percent of Salaries	13.80%	14.17%	15.42%	14.46%
All benefit costs excluding health insurance as percent of Salaries	15.29%	16.33%	17.84%	16.49%

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

From FY 2002-03 to FY 2004-05, all benefit costs (excluding health insurance) have increased on an annual basis, ranging from 15.29 percent to 17.84 percent when displayed as a percentage of total salaries. Although the percentage has increased each year, retirement contributions are withheld by ODE and posted to the SF-3 based upon estimates conducted in September of each fiscal year. When staff reductions are made,

the retirement withholding remains constant during the year of the reductions, and adjustments are made in the next fiscal year's estimate.

Likewise, from FY 2003-04 to FY 2004-05 insurance costs, which are a component of fringe benefits, increased 6 percent and increased from 12 to 17 percent of total salaries as a result of the \$1.275 million salary decrease. FCSD's projected insurance costs assume health insurance costs, including vision and dental are dependent upon salary expenditures, but there is little or no correlation. These costs are more dependent upon the number of employees and the premium negotiated by the District than salary costs. The District should separate its insurance projections from all other benefits costs when determining the forecast amounts. By separating insurance costs and projecting them separately, the District's long term forecasted amount will better reflect changes in insurance premiums.

R2.5 Franklin CSD should closely examine its spending patterns and evaluate potential cost reductions for those activities and functions that do not directly impact the quality of education. The District should reallocate its resources toward those programs and priorities that have the greatest impact on improving student performance. Combined with a close examination of the performance of educational activities, the District can potentially improve its performance index score and meet additional ODE performance standards while minimizing operating expenditures.

The allocation of resources between the various functions, or activities, of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, activities must be evaluated and prioritized. Based on expenditure levels and performance index scores, it appears that FCSD may be able to more effectively allocate resources to achieve increased educational results.

As shown in **Table 2-4a**, Franklin CSD allocates less per pupil expenditures to instructional services than two of the peers, but spends a higher percentage of total expenditures for instructional services than two of the peers and the peer average. In addition FCSD spends less in total for support services than all the peers, but more for non-instructional services. However, there are several categories in which FCSD spends more per pupil, and more as a percentage of total expenditures, than the peer average in several support areas and vocational education, including the following:

- **Instructional Support Services:** FCSD spent \$396 per pupil (5.1 percent of the expenditures) in comparison to the peer average of \$386 per pupil (4.8 percent of expenditures).

- **Business Services:** FCSD spent \$56 per pupil (0.7 percent of the expenditures) in comparison to the peer average of \$36 (0.4 percent of expenditures).
- **Central Support Services:** FCSD spent \$85 per pupil (1.1 percent of the expenditures) in comparison to the peer average of \$21 per pupil (0.3 percent of expenditures).
- **Vocational Education** – FCSD spent \$160 per pupil (2.08 percent of total expenditures) in comparison to the peer average of \$146 per student (1.82 percent of total expenditures). Additional vocational education analyses can be found in the **human resources** section (see **R3.3**) of this report.

Table 2-8 compares FCSD’s General Fund revenues and expenditures per ADM for FY 2003-04 and FY 2004-05 to that of the peer school districts. The data is presented on a per ADM basis to account for differences in student population size.

Table 2-8: Revenues and Expenditures per ADM

	FCSD FY 2003-04	FCSD FY 2004-05	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
ADM	2,941	2,876	3,385	2,965	3,643	3,331
Total Revenue	\$6,893	\$7,304	\$7,952	\$6,412	\$6,988	\$7,144
Total Expenditures	\$7,286	\$6,927	\$7,680	\$6,937	\$8,102	\$7,613
Per Pupil Expenditures per Revenue Dollar Generated	\$1.06	\$0.95	\$0.97	\$1.08	\$1.16	\$1.07

Source: SF-3 reports (ADM), District 4502 reports – Exhibit II and Statement P

As shown in **Table 2-8**, FCSD’s total expenditures per ADM (excluding other financing uses) was 9.0 percent lower than the peer average, while the District’s total revenue per ADM was 2.2 percent higher than the peer average and ADM was 13.6 lower. For every dollar of revenue generated by FCSD, \$0.95 was spent per pupil in FY 2004-05 - an amount \$0.12 lower than the peer average of \$1.07.

In addition, ODE compiles proficiency testing information and reports the analysis as performance index scores. This information encapsulates the students’ level of achievement on a district-wide basis as opposed to simply tracking whether a standard was met. **Table 2-9** summarizes FCSD’s performance index scores for FY 2000-2001 through FY 2004-2005 and compares these scores to the peers.

Table 2-9: Comparison of District Performance Index Scores

Comparison of Performance Index Scores	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
FY 2000-01	79.6	82.3	83.1	85.3	83.6
FY 2001-02	78.9	86.5	87.7	85.4	86.5
FY 2002-03	81.6	87.6	88.2	89.2	88.3
FY 2003-04	89.0	93.1	95.0	93.0	93.7
FY 2004-05	86.5	92.4	95.0	96.3	94.6

Source: ODE District Rating Data Reports

As shown in **Table 2-9**, FCSD performs at levels below the peer school districts when tracking performance index scores.

R2.6 FCSD should analyze and use the proposed recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition. FCSD should also consider implementing the recommendations in this performance audit to improve its current and future financial condition. In addition, the District should update its forecast on a continuous basis as critical financial issues are addressed.

Table 2-10 illustrates the effect of the recommendations in this report.

Table 2-10: Revised Financial Forecast with Adjustments (in 000's)

	Actual 2002-03	Actual 2003-04	Actual 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10
Real Estate Property Tax	\$5,659	\$6,039	\$6,503	\$7,908	\$9,308	\$9,587	\$9,779	\$9,974
Tangible Personal Property Tax	\$3,501	\$3,617	\$3,847	\$4,349	\$3,051	\$2,197	\$1,433	\$800
Unrestricted Grants-in-Aid	\$8,408	\$9,154	\$9,140	\$9,107	\$10,734	\$11,588	\$12,353	\$12,986
Restricted Grants-in-Aid	\$341	\$125	\$208	\$170	\$173	\$177	\$180	\$184
Property Tax Allocation	\$699	\$740	\$781	\$922	\$1,065	\$1,086	\$1,108	\$1,130
Other Revenues	\$634	\$645	\$582	\$517	\$517	\$517	\$517	\$517
Total Revenues	\$19,242	\$20,320	\$21,061	\$22,973	\$24,848	\$25,152	\$25,370	\$25,591
Total Other Financing Sources	\$204	\$883	\$241	\$155	\$30	\$30	\$30	\$30
Total Revenues and Other Financing Sources	\$19,446	\$21,203	\$21,302	\$23,128	\$24,878	\$25,182	\$25,400	\$25,621
Salaries & Wages	\$13,015	\$13,413	\$12,137	\$12,916	\$13,821	\$14,512	\$15,237	\$15,999
Fringe Benefits	\$3,422	\$3,854	\$4,273	\$4,395	\$4,699	\$4,934	\$5,181	\$5,440
Purchased Services	\$2,261	\$1,991	\$2,399	\$2,302	\$2,571	\$2,648	\$2,728	\$2,810
Supplies, Materials & Textbooks	\$703	\$669	\$587	\$651	\$1,170	\$955	\$984	\$1,014
Capital Outlay	\$539	\$431	\$83	\$617	\$1,466	\$1,510	\$1,556	\$1,602
Debt Service	\$59	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$311	\$377	\$368	\$375	\$386	\$397	\$409	\$422
Performance Audit Recommendations					(\$414)	(\$408)	(\$408)	(\$408)
Implementation Costs					\$186	\$183	\$183	\$183
Total Operating Expenditures	\$20,310	\$20,735	\$19,847	\$21,256	\$23,885	\$24,731	\$25,870	\$27,062
Total Other Financing Uses	\$109	\$741	\$123	\$75	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$20,419	\$21,476	\$19,970	\$21,331	\$23,885	\$24,731	\$25,870	\$27,062
Result of Operations (Net)	(\$973)	(\$273)	\$1,332	\$1,797	\$993	\$451	(\$470)	(\$1,441)
Beginning Cash Balance	\$1,285	\$312	\$39	\$1,371	\$3,168	\$4,161	\$4,612	\$4,142
Ending Cash Balance	\$312	\$39	\$1,371	\$3,168	\$4,161	\$4,612	\$4,142	\$2,701
Outstanding Encumbrances	\$195	\$30	\$201	\$213	\$241	\$250	\$261	\$273
Total Reservations	\$72	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$45	\$9	\$1,170	\$2,955	\$3,920	\$4,362	\$3,881	\$2,428

Source: Treasurers Office and AOS Recommendations

Table 2-11 summarizes the financial impact of recommendations provided by this report. Recommendations are divided into two categories – those requiring negotiation, and those not requiring negotiation. **Table 2-12** shows the cumulative effect of the recommendations over the five-year forecast period.

Table 2-11: Summary of Performance Audit Recommendations

Recommendation	One Time Revenue Enhancement	Annual Cost Avoidance	Annual Cost Savings	One-time Costs	Annual Cost
Recommendations Not Subject to Negotiation					
R3.1 Reduce site-based administration by 1.0 FTE			\$91,200		
R4.1 Reduce of 4.9 custodial FTE and add 1.0 maintenance FTE			\$120,500		
R4.2 Purchase computerized work order/capital recording/preventive maintenance system				(\$3,500)	
R5.3 Track price of fuel			\$2,800		
R5.4 Reduce 6 spare buses	\$6,000	\$87,000	\$6,300		
R5.5 Establish formal bus replacement plan					(\$182,900)
R5.6 Reduce maintenance supplies costs			\$17,000		
R5.7 Reduce special education transportation costs			\$67,000		
Subtotal	\$6,000	\$87,000	\$304,800	(\$3,500)	(\$182,900)
Recommendations Subject to Negotiation					
R3.3 Pro-rate the employee's share of the premium based on the number of hours worked			\$15,800		
Total	\$6,000	\$87,000	\$320,600	(\$3,500)	(\$182,900)

Source: AOS Recommendations

Table 2-12: Five-year Cumulative Effect of Performance Audit Recommendations

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Recommendations Not Subject to Negotiations	\$397,800	\$391,800	\$391,800	\$391,800
Recommendations Subject to Negotiation	\$15,800	\$15,800	\$15,800	\$15,800
Implementation Costs	(\$186,400)	(\$182,900)	(\$182,900)	(\$182,900)
<i>Total AOS Recommendations</i>	<i>\$227,200</i>	<i>\$224,700</i>	<i>\$224,700</i>	<i>\$224,700</i>
Cumulative Effect of AOS Recommendations	\$227,200	\$451,900	\$676,600	\$901,300

Source: AOS Recommendations

This page intentionally left blank.

Human Resources

Background

This section focuses on the human resources operations in the Franklin City School District (FCSD or the District). Peer district information, and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) is used for comparisons throughout this section of the report. Comparisons are made to the following peer school districts: New Philadelphia City School District (New Philadelphia CSD), Southwest Local School District (Southwest LSD), and Ashland City School District (Ashland CSD).

Organizational Function

FCSD does not have a separate department dedicated to performing human resources functions. Because the District does not have a superintendent, the previous business manager and director of educational services share human resources duties for classified and certificated personnel. Further, the director of educational services coordinates recruitment and selection of employees. The treasurer is responsible for payroll and administering the health insurance plan for all employees, and has taken on the business manager responsibilities after the business manager left the District at the end of FY 2004-05 until January 3, 2006, when the District filled the business manager position. The principals conduct interviews, complete evaluations, and address performance issues for staff in their buildings. The director of technology completes the Educational Management Information System (EMIS) staff reports, under the supervision of the director of educational services, in place of the superintendent.

Staffing

Prior to FY 2004-05, FCSD reduced staff by 38 employees for a cost savings of approximately \$1.275 million. Of these staff reductions, 15 were certificated positions (including 1 principal) and 23 were classified positions (custodians, secretary, media/library aide, custodians, food service workers and maintenance employees). For FY 2005-06, the District reduced staff by 7.5 full-time equivalents (FTEs), and hired a business manager, two principals, and one assistant principal. As of February 2006, the District had not hired a superintendent. The financial recovery plan submitted to ODE stated that the Board of Education (the Board) would consider staff reductions for FY 2005-06 to reduce salary costs by an estimated \$300,000.

Table 3-1 illustrates the actual staffing at FCSD and peer districts during FY 2004-05, as reported to ODE through EMIS. All positions are shown as FTEs, based on an eight-hour work day.

Table 3-1: Staffing Levels for FY 2004-05

Category	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Administrators: Subtotal	16.0	20.0	20.0	16.0	18.7
Central Based Administrators	6.0	8.0	10.0	5.0	7.7
Site Based Administrators	10.0	12.0	10.0	11.0	11.0
Professional Education: Subtotal	180.5	244.7	219.1	225.2	229.6
Curriculum Specialist	0.0	1.0	0.0	0.0	N/A ²
Counseling	6.0	7.0	2.8	8.5	6.1
Librarian / Media	3.0	3.0	1.0	2.5	2.2
Remedial Specialists	8.0	7.0	4.5	7.0	6.2
Regular Education Teachers	120.0	153.1	147.5	164.2	154.9
Special Education Teachers	26.0	29.0	28.0	23.5	26.8
Vocational Education Teachers	7.0	12.5	6.0	3.0	7.2
Tutor / Small Group Instructor	2.0	9.0	16.2	0.6	8.6
Educational Service Personnel ¹	8.5	20.1	8.9	15.8	14.9
Other Professional	0.0	3.0	4.22	0.0	3.6
Professional – Other	5.0	5.5	8.5	5.1	6.4
Technical: Subtotal	8.5	8.0	6.9	4.6	6.5
Computer Operating	3.0	0.0	0.0	0.0	0.0
Computer Programming	0.0	0.0	1.0	0.0	N/A
Library Technician	0.0	0.0	3.0	0.0	N/A
Library Aide	5.5	6.0	2.9	4.1	4.3
Other Technical	0.0	2.0	0.0	0.6	1.3
Office / Clerical: Subtotal	33.8	32.5	43.1	50.6	42.1
Bookkeeping	1.0	5.0	0.0	3.7	4.4
Clerical	16.5	18.5	22.9	18.6	20.0
Messenger	0.0	0.0	0.0	0.5	N/A
Records Managing	0.0	1.0	0.0	0.0	N/A
Teaching Aide	16.3	8.0	19.3	20.3	15.8
Telephone Operator	0.0	0.0	1.0	0.0	N/A
Other Office / Clerical	0.0	0.0	0.0	7.5	N/A
Crafts / Trades	3.0	4.0	5.0	4.0	4.3
Transportation	15.1	19.5	10.9	25.0	18.5
Custodial	20.9	19.5	21.8	28.4	23.2
Food Service	22.0	20.6	10.6	25.8	19.0
Guard/ Watchman	1.0	0.0	0.0	3.0	N/A
Monitoring	0.0	13.0	4.9	3.9	7.3
Attendant	0.0	1.0	0.0	0.0	N/A
Grounds-keeping	0.0	1.0	0.0	0.0	N/A
Other Service/Laborer ¹	2.0	2.0	0.0	0.0	N/A
Total FTEs	307.8	391.3	350.8	391.8	377.9

Source: FY 2004-05 EMIS Staff Summary Report and School Enrollment from FCSD and the peer districts

Note: Totals may vary due to rounding.

¹ Employees in Other Service/Laborer for FCSD are bus aides.

² A peer average could not be calculated because only one peer had staff in that position.

In addition to comparing actual FTE figures, staffing levels are analyzed based on average daily membership (ADM) as staffing is generally dependent on the number of students enrolled. Table 3-2 shows the staffing levels per 1,000 ADM at FCSD and the peer districts for FY 2004-05.

Table 3-2: FTE Staffing Levels for FY 2004-05 per 1,000 ADM

Category	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Administrators: Subtotal	5.56	5.54	6.55	4.22	5.36
Central Based Administrators	2.08	2.22	3.27	1.32	2.20
Site Based Administrators	3.47	3.33	3.27	2.90	3.18
Professional Education: Subtotal	62.67	67.83	71.70	59.40	65.90
Curriculum Specialist	0.00	0.28	0.00	0.00	N/A
Counseling	2.08	1.94	0.92	2.24	1.75
Librarian / Media	1.04	0.83	0.33	0.66	0.62
Remedial Specialists	2.78	1.94	1.47	1.85	1.77
Regular Education Teachers	41.67	42.44	48.27	43.32	44.46
Special Education Teachers	9.03	8.04	9.16	6.20	7.70
Vocational Education Teachers	2.43	3.46	1.96	0.79	2.06
Tutor / Small Group Instructor	0.69	2.49	5.29	0.17	2.47
Educational Service Personnel	2.95	5.57	2.91	4.17	4.29
Other Professional	0.00	0.83	1.38	0.00	1.04
Professional – Other	1.74	1.52	2.80	1.35	1.83
Technical: Subtotal	2.95	2.22	2.25	1.21	1.86
Computer Operating	1.04	0.00	0.00	0.00	0.00
Computer Programming	0.0	0.00	0.33	0.00	N/A
Library Technician	0.0	0.00	0.98	0.00	N/A
Library Aide	1.91	1.66	0.94	1.08	1.24
Other Technical	0.00	0.55	0.00	0.13	0.36
Office / Clerical: Subtotal	11.73	9.02	14.11	13.34	12.08
Bookkeeping	0.35	1.39	0.00	0.98	1.25
Clerical	5.73	5.14	7.49	4.91	5.74
Messenger	0.00	0.00	0.00	0.13	N/A
Records Manager	0.00	0.28	0.00	0.00	N/A
Teaching Aide	5.66	2.22	6.30	5.35	4.55
Telephone Operator	0.00	0.00	0.33	0.00	N/A
Other Office / Clerical	0.00	0.00	0.00	1.97	N/A
Crafts / Trades	1.04	1.11	1.64	1.06	1.24
Transportation	5.25	5.41	3.58	6.59	5.30
Custodial	7.25	5.41	7.12	7.48	6.66
Food Service	7.65	5.71	3.47	6.79	5.45
Guard/ Watchman	0.35	0.00	0.00	0.79	N/A
Monitoring	0.00	3.60	1.61	1.03	2.09
Attendant	0.00	0.28	0.00	0.00	N/A
Grounds-Keeping	0.00	0.28	0.00	0.00	N/A
Other Service/Laborer ¹	0.69	0.55	0.00	0.00	N/A
Total FTEs	106.88	108.47	114.81	103.27	108.44

Source: FY 2004-05 EMIS Staff Summary Report and School Enrollment from FCSD and the peer districts

Note: Totals may vary due to rounding.

¹ Employees in Other Service/Laborer for FCSD are bus aides.

² A peer average could not be calculated because only one peer had staff in that position.

As illustrated in **Table 3-2**, FCSD has higher FTE staffing levels per 1,000 ADM as compared to the peer average in the following classifications.

- Site-Based Administration (see **R3.1**);
- Counseling;
- Library/Media;
- Remedial Specialist;
- Special Education Teaching (see **R3.2**);
- Vocational Teaching (see **R3.3**);
- Computer Operating;
- Library Aide;
- Teaching Aide;
- Custodian (see the **facilities** section);
- Food Service; and
- Other Service Worker/Laborer (see the **transportation** section).

Collective Bargaining Agreements

Certificated personnel are governed by a negotiated agreement between the Franklin Education Association and the Board. Classified employees are governed by a separate collective bargaining agreement between the Board and the Franklin City Schools Employee Association, comprised of Chapter 635 of the Ohio Association of Public School Employees (OAPSE).

The certificated contractual agreement has been renewed for FY 2005-06 and the classified contractual agreement has been extended and is being negotiated. Historically, cost of living adjustment (COLA) salary increases have averaged about 3 percent for certificated and classified staff. Based on the new certificated contract negotiated in FY 2005-06, total projected COLA increases are as follows: 4.75 percent for FY 2005-06; 4.75 percent for FY 2006-07; 3.00 percent for FY 2007-08; 3.00 percent for FY 2008-09; and 3.00 percent for FY 2009-10. Two percent step increases are also included for eligible employees.

The implementation of any contractual recommendation would require negotiation with the respective unions. **Table 3-3** and **Table 3-4** illustrate key provisions in the certificated and classified negotiated agreements.

Table 3-3: FCSD and Peer Certificated Contractual Agreement Comparisons

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD
Length of work day	7 hrs.; 30 min.	7 hrs.; 5 min.	7 hrs.; 30 min.	7 hrs.; 25 min.
Maximum class size ¹	N/A	24 students k-1; 25 students k-3; 28 students 4-6; 30 students 7-12	N/A	N/A
Number of contract days	185	183	184	183
Instructional days	178	178 k-6; 179 7-12	180	180
In-service days	2.2	2		2
Parent/teacher conferences	2	1 or 2	4 days designated by administration	1 additional day for record-keeping
Professional development	2.8	1 day for record-keeping		
Maximum number of sick days accrued	221	183	240	270
Sick Leave Accrual Rate	15 Days	15 Days	15 Days	15 Days
Retirement Incentive	No	No	Yes	No
Maximum number of sick days paid out at retirement	25% of Total Days; 56 days Max.	55 Days Max.	25 % of Total Days 57 Days Max.	25% of Total Days 59 Days Max.
Number of personal days	3	3	3	3
Personal/Sick Leave Incentive	Sick leave incentive – employee with 0 days missed is paid \$300, 1 day missed \$200, and 2 days missed \$100 ²	Personnel leave incentive employees can cash in personal leave at the end of the school year	N/A	N/A
Salary Base Increase	3.7% ³	1.5%	3.5%	3.5%

Source: Franklin and peer certified contracts

¹ N/A signifies the category is not addressed in the contract.

² FCSD's sick leave incentive was approved as part of final Franklin Education Association (FEA) contract FY 2005-06.

³ Based on FCSD's certified contract negotiated in FY 2005-06, actual projected certified base salary increases are as follows: 4.75 percent for FY 2005-06, 4.75 percent for FY 2006-07, 3.00 percent for FY 2007-08, 3.00 percent for FY 2008-09, and 3.00 percent for FY 2009-10. The 3.7 percent is the average increase over the 5 years.

As shown in **Table 3-3**, FCSD's certificated contract is comparable to the peer contracts in almost every category displayed with the exception of sick/personal leave incentive and salary base increases. In contrast to the peers, FCSD offers a sick leave incentive that pays an annual maximum amount of \$300 if no sick days are taken (see **R3.6**). Ashland CSD offers a personal leave incentive, while the remaining two peers offer no leave incentive. FCSD's salary base increase also exceeds all three peers.

Tables 3-4: FCSD and Peer Classified Contractual Agreement Comparison ¹

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD
Vacation accrual	0-1: One Week 2-6: Two Weeks 7-13: Three Weeks 14-19: Four Weeks 20-29: Five Weeks 30+: Six Weeks	1 year: Two Week 7 years: Three Weeks 11 years: Four Weeks	0-1: None 1-8: Two Weeks 9-15: Three Weeks 16-22: Four Weeks Over 23: Five Weeks	1-9: 11 Days 10-15: 16 Days 16-23: 21 Days 24 or more: 25 Days
Maximum number of sick days accrued	221	300	260	275
Sick Leave Accrual	15 Days	15 Days	15 Days	15 Days
Maximum number of sick days paid at retirement (percentage payout)	25% of Total Days; 55 days Max.	25% of Total Days; 75 days Max.	25% of Total Days; 58 Days Max.	25% of Total Days; 59 Days Max.
Number of personal days	3	3	3	3
Number of holidays paid for 12-month employees	7	7	12	13
Number of holidays paid for less than 12 month employees	7	12	8	13
Personal Leave Incentive	No	Yes	No	No
Sick Leave Incentive	No	No	No	No

Source: FCSD and peer contracts

¹ N/A signifies the category is not addressed in the contract.

As shown in **Table 3-4**, with the exception of vacation accrual, FCSD's classified negotiated agreement is similar to those of the peer districts. In contrast to the peers, FCSD accrues vacation leave time for employees with less than one year of experience and provides a maximum of six weeks vacation (see **R3.5**). Additionally, FCSD's classified salary base increase is three percent annually. In comparison, New Philadelphia CSD and Southwest LSD bargaining agreements offer no salary base increases, while Ashland CSD offers \$.38 per hour annual salary base increase.

Noteworthy Accomplishments

During the course of the audit, best and recommended practices were identified, including the following:

- **Health Insurance Cost Containment:** FCSD has implemented the health insurance cost containment practices identified by the Government Finance Officers Association (GFOA). These practices include using a preferred provider organization (PPO), using a health

insurance pool, performing a health insurance cost-analysis, and implementing an employee cost-sharing program.

- The District uses Anthem PPO to better manage health care insurance costs through network and out-of-network utilization.
- The District uses the Education Purchasing Collaborative (EPC) to bid insurance packages to obtain better pricing.
- The Treasurer has performed a cost-analysis comparing FCSD health insurance costs with other school districts in Warren County. The analysis compares premiums, prescription co-pays, and employee contributions for health insurance.
- FCSD employees contribute 16 percent of their health insurance premiums, compared to SERB averages of 6 percent for single and 7 percent for family.

Assessments not Yielding Recommendations

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

- **Central-Based Administration Staffing:** FCSD's FY 2004-05 total central-based administrative staffing per 1,000 ADM was 2.08, which was lower than the peer average of 2.20. In addition, the District has made reductions in central administration. In FY 2005-06, the gifted coordinator began working part-time as a gifted teacher (0.4 FTE) and part-time as a coordinator (0.6 FTE), instead of a full-time coordinator. In addition, the District reduced the media coordinator position to 100 days for FY 2005-06. Due to lower central-based administrative staffing levels compared to the peer average, and reductions in central administration, no recommendations are made in this area.
- **Educational Service Personnel:** FCSD's FY 2004-05 total ESP staffing per 1,000 regular ADM was 2.95 FTEs, which was lower than the peer average of 4.29 FTEs. Total ESP staffing includes ESP teachers coded under professional education, in addition to professional education positions such as counseling, library/media, registered nursing, social worker and visiting teachers. Due to lower ESP staffing levels compared to the peers, no recommendations were made in this area.
- **Remedial Specialist:** Remedial specialists are funded through Title I. As a result, reductions in this area would not have an impact on the General Fund. Therefore, no recommendations are made in this area.

- **Computer Operating:** FCSD employs 3 FTEs in the computer operator category in contrast to the peers which code technology staff elsewhere in EMIS. FCSD's computer operating staff includes 2 technicians and 1 technology director (0.5 FTE). Since FCSD's technology staffing (2.5 FTEs) does not appear excessive, no recommendations are made in this area.
- **Counselors:** FCSD's FY 2004-05 staffing level of 2.08 counseling FTEs per 1,000 ADM was similar to the peer average staffing level of 1.75 FTEs. Therefore, no recommendations are made in this area.
- **Library Aides/Library Media:** FCSD is 54 percent higher in the library aide category per 1,000 ADM than the peer average. However, in FY 2004-05, the District employed a total of 5.5 FTEs, a reduction from FY 2003-04, in all library categories including library aide, library technician, and library/media. In FY 2005-06, the District's media coordinator hours were reduced from 205 days to 100 days, or approximately 0.5 FTEs). No recommendations are made in this area.
- **Office/Clerical:** FCSD's FY 2004-05 total office/clerk staffing per 1,000 ADM was 11.73 FTEs, a staffing level which was lower than the peer average of 12.08 FTEs. Due to lower overall office/clerk staffing levels compared to the peers, no recommendations are made in this area.
- **Teaching Aide:** FCSD's had 5.66 FTE teaching aides per 1,000 ADM compared to the peer average of 4.55 FTEs. However, FCSD's teaching aides are comprised primarily of special education aides, whose staffing levels are dictated by the individual needs of special education students. Thus, the level of teaching aides appears reasonable based on the number of special education students.
- **Food Service:** The District's food service program is self-sustaining. As a result, no recommendations were made in this area.
- **Regular Education Staffing:** FCSD's regular education staffing per 1,000 ADM was 41.67 FTEs compared to the peer average of 44.46 FTEs. In addition, FCSD's regular education student-to-teacher ratio of 19.04 is higher than the peer average of 17.97 and the State average of 18.50. However, FCSD's regular education student per teacher ratio is lower than the minimum Ohio Administrative Code (OAC) requirement of 40 teachers per 1,000 students. Since the District has a higher regular education student-to-teacher ratio than the peer and State averages, no recommendations are made in this area.
- **Tutor/Small Group Instruction:** FCSD's total tutor/small group instruction per 1,000 ADM was 0.69 FTEs, which was lower than the peer average of 2.47 FTEs. As a result, no recommendation was made in this area.

- **Certificated and Administrative Salaries:** The FY 2004-05 average salaries for administration, professional education and professional education other at FCSD were not significantly higher than the peers. In addition, FCSD completed a study which compared its certificated salaries to seven other districts located in Warren County. This study found that FCSD's base salaries, top salaries, and overall salary expenses appeared comparable. Within Warren County, only Carlisle and Wayne Local School Districts had salary levels lower than FCSD. FCSD also has a higher percentage of teachers with over 10 years experience than all but one district in Warren County. Since the District is not significantly higher than the peers in certificated and administrative salaries, no recommendations were made in this area.
- **Classified Salaries:** Based on an ODE salary report, FCSD's average classified salary of \$20,401 was comparable to the peer average of \$20,343. As a result, no recommendations were made in this area.
- **Pick Up on Pick Up:** At FCSD, only the Treasurer and Superintendent employee's share of SERS and STRS is paid by the District. Therefore, no recommendations were made in this area as this benefit does not appear excessive.

Issues for Further Study

Auditing Standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following such issues.

- **Retirement Incentive:** The District does not have an early retirement incentive. Retirement incentives provide the District an opportunity for cost savings by reducing the number of employees that have the longest years of service and are more costly to the District. Due to the large number of employees at or near retirement age, the District should consider an early retirement incentive as an issue for further study. The District should first perform a cost/benefit analysis to determine the feasibility of implementing this type of incentive. Approximately 20 certified employees have over 30 years experience and 22 have over 25 years experience. Article 34 of the negotiated contract, states the Board and the Franklin Education Association (FEA) mutually agree that either party at any time during the duration of this contract shall have the right to initiate negotiations over the issue of early retirement. If an incentive is offered, the District should monitor retirement eligibility of employees to ensure the incentive plan offered is less than the cost of retaining the eligible employees. In addition, new employees should be hired at or near base pay to help contain costs.
- **Supplemental Contracts:** In FY 2004-05, the District charged \$250 to participate in school sports activities which, according to the Treasurer, paid for all the supplemental contracts totaling approximately \$440,000. With the passage of the levy, however, the District plans to

reduce pay-to-participate fees to \$50. Since the District will now pay for supplemental contracts primarily out of the General Fund, the District should review supplemental contracts and their associated costs on a regular basis and determine if the positions are necessary after the financial condition of the District is considered. In FY 2004-05, FCSD varsity coaches for sports generally received a supplemental contract at a rate of 15 to 20 percent of base salary. Ashland CSD and New Philadelphia CSD are similar to Franklin in that varsity coaches may receive supplemental contracts at rates between 15 and 20 percent of base salary, with a small number of employees receiving rates up to 24 percent. Southwest LSD supplemental salaries are lower, with no positions receiving supplemental contracts over 20 percent of base pay. In total, FCSD had 90 supplemental positions, 30 positions fewer than the peer average of 120 positions.

- **Intervention Specialist/Special Education Teachers:** In FY 2005-06, the District has employed 24 intervention specialists, i.e. special education teachers, which is approximately 6 teachers short of the Ohio Administrative Code (OAC) requires staffing level. However, ODE is reviewing the OAC requirements and the calculation for determining the required number of special education teachers. FCSD should work with ODE to closely monitor special education staffing levels to determine the number of special education teachers required. If it is determined that the District's staffing level is below the Ohio Administrative Code (OAC) requirements, it should obtain the necessary waiver from ODE in order to remain in compliance with OAC standards. However, in the absence of an ODE waiver, the District may have to consider hiring intervention specialists to comply with OAC requirements.

Recommendations

R3.1 The District should consider realigning its organizational structure to eliminate an assistant principal position at the middle school campus to obtain staffing levels similar to the peers for site-based administration. This would reduce administrative personnel at the middle school to 2 FTEs, a principal and assistant principal. Reducing staffing to a level comparable to the peers would result in a cost-saving for the District and allow FCSD to allocate a greater percentage of its resources to direct instruction.

Table 3-5 shows FCSD administrative staff compared to the peers for FY 2004-05.

Table 3-5: Administrative Staff Comparison for FY 2004-05

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average	FCSD Variance from Peer Average
Central Based Administration	6.0	8.0	10.0	5.0	7.7	(21%)
Site Based Administration	10.0	12.0	10.0	11.0	11.0	(9%)
Total Administration	16.0	20.0	20.0	16.0	18.7	(14%)
Total District Personnel	307.82	391.33	350.81	391.47	377.87	(19%)
Total Administration per District Personnel	0.05	0.05	0.06	0.04	0.05	4%
Total ADM	2,880	3,608	3,055	3,791	3,485	(17%)
Site Based Administration per 1,000 ADM	3.47	3.33	3.27	2.90	3.18	10%
Total Administration per 1,000 ADM	5.56	5.54	6.55	4.22	5.36	4%

Source: ODE EMIS reports for FCSD and peers

FCSD is approximately 10 percent higher than the peer average for site-based administration per 1,000 ADM. The District, however, is not significantly higher in staffing for total administration per District personnel and total administration per 1,000 ADM.

FCSD has a middle school campus with two school buildings; the junior high building for seventh and eighth grade students and a separate building for sixth grade students. FCSD staffing is higher for site-based administration because the District employs a principal and an assistant principal at the junior high school building, and an assistant principal at the sixth grade school. All peers employ two site-based administrators, a principal and an assistant principal, at their junior high schools. The peers house sixth grade students in various elementary schools, and do not have a building dedicated to sixth grade students.

The District indicated that the assistant principal at the junior high building, previously worked part-time as the athletic director. However, an athletic director has been hired, so the principal could now oversee the junior high and only one assistant principal would be needed for the 6th grade school building.

The FCSD junior high school building employs 31 teachers and has enrollment of approximately 496 for a student-to-teacher ratio of 16 to 1. The sixth grade building has 12 teachers and enrollment of approximately 207 for a student-to-teacher ratio of 17 to 1. In light of lower student to teacher ratios and the higher site-based administrative staffing, the District should consider grade reconfiguration (See also **R4.8**).

Administrative positions are designed to manage operations by providing oversight to other district personnel in order to achieve the overall goals of the district. The reduction of an assistant principal at the middle school campus would help streamline operations and redirect resources toward educational programs that directly benefit students.

Financial Implication: Reducing one assistant principal position would save the District \$91,200, including benefits, based on the FY 2004-05 salary levels.

R3.2 FCSD should monitor the enrollment in its vocational program at the high school to ensure staffing and financial resources are used effectively and efficiently. As enrollment drops, the District should consider reducing vocational teaching staff and/or combining classes, which could result in the District providing vocational instruction more efficiently with current resources. The District should weigh the benefits and effectiveness of the program, as the program at the high school serves “at risk” students who may require more personalized attention.

The District is approximately 18 percent higher than the peer average for vocational educational teaching staff per 1,000 ADM. The District employs 7 FTEs in vocational education teaching; with 3 vocational teachers at the junior high school and 4 teachers at the high school. During FY 2004-05, the District’s combined junior high school and high school vocational enrollment was 21.9 students per class. The junior high school vocational program is structured to require every student to take classes in vocational education. The program modules include classes such as computer lab, home economics, and life skills. At the high school, the approximately 30 vocational modules had a student-to-teacher ratio of approximately 15 to 1. The vocational program at the high school offers elective classes in family and consumer sciences. As a component of the high school program, there are classes designed to help at-risk students become successful in the school environment. FCSD does not duplicate classes offered at the Warren County Joint Vocational School (JVS), where the focus is on career-based instruction.

OAC 3301-61-18 provides guidelines for career-based intervention and work and family programs that include the following:

- Career-based intervention and work and family studies programs must follow established program guidelines, maintain a course of study that is current and based on valid content standards, and have advisory committees authorized by local boards of education.
- Career-based intervention is designed for students, ages twelve through twenty-one, in grades seven through twelve who are identified as disadvantaged (either academically, economically, or both) and who have barriers to achieving academic and career success. Career-based intervention consists of related instruction, academic intervention/instruction, and work-based learning experiences.
- Work and family studies serves students in grades seven through twelve. Work and family studies programs support career planning and have a unique focus on families, work and their interrelationships. Graduation, reality and dual-role skills (GRADS) is a targeted work and family studies program that provides intervention and instruction for pregnant and parenting students.
- Program accountability shall be maintained within a performance system as outlined in the guidelines established by the State Board of Education.

The District should monitor enrollment and progress toward achieving the goals and priorities in its vocational education program, particularly in light of current financial constraints. By not consistently monitoring enrollment and progress towards established goals for the vocational program, the District runs the risk of allocating scarce resources to this function, while possibly under funding other programs that impact performance standards. Annual program assessments, along with accurate enrollment projections should aid FCSD in maximizing the use of its available resources.

Health Insurance

R3.3 During the next round of contract negotiations, the District should consider pro-rating the employee's share of the health care premium for employees working over 20 hours a week but less than full-time. Pro-rating the employee share of the health care premium based on the number of hours worked helps the District more equitably provide health insurance benefits. Pro-rating health insurance should be determined based on the rising cost of health insurance and the financial condition of the District. Furthermore, employees' contributions should be stated as a percentage rather than a fixed dollar amount to offset anticipated future health insurance cost increases.

FCSD requires all employees working over 20 hours a week to contribute for health insurance premiums. Part-time employees working over 20 hours a week but less than full time, receive full-time benefits, while paying the same premiums as full-time staff. Employees working less than 20 hours receive no benefits. FCSD's employees pay monthly health insurance premiums of \$153.26 for family and \$55.74 for single coverage (see **Appendix Table A-1**). A proposal to pro-rate insurance benefits for part-time employees has been discussed in previous contract negotiations. FCSD and peer districts in this report define a work day as approximately 7 hours, 30 minutes. In addition, FCSD's certified and classified contracts describe employee contributions for insurance premiums as fixed amounts, rather than as a percentage.

Similar to FCSD, Ashland CSD and Southwest LSD require full-time employees to contribute to health insurance premiums. Ashland CSD requires all employees working over 20 hours a week to contribute for health insurance premiums. Ashland CSD employees working 30 or more hours a week receive full medical and life insurance. Employees working 20 to 30 hours per week receive 60 percent of current medical and life insurance programs. Ashland CSD employees working less than 20 hours per week are not eligible for medical or life insurance programs. In addition, Ashland CSD pro-rates dental insurance for employees working 20 to 29 hours per week by paying 40 percent of the coverage. Employees working more than 29 hours per week receive full dental coverage that is paid by the Ashland City School District Board of Education, while employees working less than 20 hours per week are not eligible for dental benefits.

New Philadelphia CSD's full-time employees do not contribute to health insurance premiums. New Philadelphia CSD pays for health insurance premiums for employees working over 6 hours a day, 5 days a week. New Philadelphia CSD employees working less than 6 hours a day, five days a week pay one-half the cost of the health insurance premium each month, and are not eligible for dental insurance. Southwest LSD requires all employees working over 20 hours a week to contribute a portion of the cost for health insurance premiums. Employees working less than 20 hours receive no benefits.

Table 3-6 illustrates the savings to the District when monthly premiums are pro-rated in a more equitable fashion. Savings were determined by comparing the cost scenario based on 22 part-time FCSD employees working between 20 and 30 hours a week in FY 2004-05, and paying 16 and 22 percent of the monthly premium. The 22 percent was used as a conservative estimate to raise employee contribution rates incrementally to reflect part-time hours worked. **Table 3-6** also compares the cost savings based on the total monthly cost of insurance in FY 2004-05 to the increased cost in FY 2005-06.

Table 3-6: Prorated Health Care Insurance Premium Cost

	(a) Employee Share 16 percent	(b) Proposed Employee Share 22 percent	(c) Part-Time Employees w/benefits	Savings per Month [(b-a)x (c)]	Savings per Year
FY 2004-05 Family Plan \$944.61	\$153.26	\$207.81	22	\$1,200.19	\$14,402.30
FY 2005-06 Family Plan \$996.25	\$159.40	\$219.18	22	\$1,315.16	\$15,781.92

Source: FCSD

The monthly cost of health insurance benefits should be pro-rated to those employees who choose to participate in insurance benefits plans based on the number of hours worked. By requiring part-time employees to contribute a higher percentage to the cost of health insurance, FCSD can help contain continually rising annual expenses for health care insurance.

Financial Implication: By ensuring that part-time employees working less than 7.5 hours a day and over 20 hours a week pay a prorated share of the monthly health insurance premium, the annual cost savings for the District based on FY 2005-06 health care insurance premiums would be approximately \$15,800.

R3.4 During future contract negotiations, FCSD should seek to reduce the number of vacation days for classified employees to make vacation accrual rates comparable to those of the peer classified bargaining agreements and to reduce the financial impact when an employee leaves the District. The District should consider eliminating vacation days for employees with less than one year of service, and adjusting the number of vacation days for employees with 20-29 years of service to 4 weeks. Employees with over 30 years of service should be limited to 5 weeks. Reducing the number of paid vacation days will help FCSD in its efforts to improve its financial condition.

As shown in **Table 3-4**, FCSD provides new employees (0-1 year) with one week of vacation, while peers do not give new employees vacation until after the first year of service. The FCSD also provides employees who have worked over 30 years 6 weeks of vacation while the peers cap vacation days at 5 weeks. ORC §3319.08.4 requires that full-time non-teaching employees be granted vacation leave of at least 2 weeks after 1 year of service, 3 weeks after 10 years of service, and 4 weeks after 20 years of service.

FCSD's vacation benefits exceed ORC requirements and those offered by the peers. The FCSD classified collective bargaining agreement provides additional vacation days that the peers do not provide. Providing classified employees with a disproportionate level of

vacation days could lower efficiency as more vacation time is used. By reducing vacation benefits to eliminate vacation for employees with less than one year of service, adjusting allocation of vacation to 4 weeks for employees with 20-29 years of service, and capping vacation at 5 weeks for employees with over 30 years of service, FCSD would provide benefits comparable to the peers (see **Table 3-4**), achieve cost savings, and still provide benefits to employees which exceed ORC requirements.

R3.5 During future contract negotiations the District should negotiate a sick leave incentive policy for eligible classified employees to convert a specific amount of accrued, unused sick leave for a cash payout, or to an equal number of personal leave hours. During the course of the audit, the District renegotiated the FEA contract which offers a sick leave incentive policy. This contract provides an extra incentive to staff to accumulate sick leave hours instead of using them. If the District successfully reduced sick leave usage, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the delivery of curriculum, and reduce overall substitute costs.

Sick leave usage was 52.9 hours per employee in FY 2003-04, and 61.3 hours per employee for FY 2004-05, which was an increase of 16 percent in one year. The Department of Administrative Services (DAS) reports average sick leave for State employees in 2004 of 53.7 sick leave hours per employee which was similar to FCSD's sick leave usage in FY 2003-04. However, FCSD was 14 percent higher than the DAS standard in FY 2004-05.

FCSD teacher attendance rates were comparable to the peer districts. FCSD's teacher attendance rates were 95.4 percent, compared to the peer average of 95.8 percent. Although sick leave use does not appear abusive, the District may benefit from a sick leave incentive policy to reduce costs associated with sick leave usage and payment for accumulated sick leave at retirement.

The FEA contract negotiated for the period of August 1, 2001 to July 21, 2004 did not offer a sick leave incentive policy to employees. However, the District's current FEA contract outlines a sick leave incentive policy. The incentive states that if a member has perfect attendance (no sick or personal days), he/she shall be paid \$300. If a member misses one day or any part of a day he/she shall be paid \$200, and if two days are missed, he/she shall be paid \$100 on the last pay check in June. Any part of a day counts as a day. The classified contractual agreement has been extended and is currently being negotiated.

To minimize the cost associated with substitutes and the potential effect on the quality of education, the District should consider the sick incentive policy for all employees. Should FCSD implement a sick leave incentive policy that offers either the option for cash

payout or sick leave conversion for both bargaining units, it would be difficult to accurately project how many employees may take advantage of these programs. Therefore, the financial implication of this recommendation cannot be determined at this time.

R3.6 FCSD administrators should review and update the District’s job descriptions. Job descriptions should be updated to reflect changes in duties and should continue to reflect relevant knowledge, skills, and abilities required to perform the job functions. Accurate and current job descriptions should then serve as criteria for evaluating employee performance.

Some FCSD job descriptions were last updated in 1997 or 2000 and some core elements of the jobs have changed since that time. According to Business and Legal Reports, Inc., organizations should have a formal schedule for reviewing all job descriptions, preferably on an annual basis. Maintaining up-to-date job descriptions is important because they facilitate effective human resources management in the following ways:

- Clarify duties and define relationships between individuals and departments.
- Help the jobholder understand the relative importance of tasks and level of accountability.
- Provide information about the knowledge, training, education, and skills needed for a job.
- Help minimize conflicts and improve communications by telling employees what they need to know about the job.
- Help management analyze and improve the organizational structure and resource allocation.
- Provide this information in a completely objective manner.

Accurate job descriptions also provide a basis for performance evaluation, wage and salary surveys, and an equitable wage and salary structure. The content of the written job descriptions should include the following:

- List of tasks;
- List of decisions made;
- Amount of supervision received;
- Supervision exercised;
- Interactions with other staff;
- Physical conditions;
- Physical requirements;
- Software or other equipment used; and
- Knowledge, skills and abilities.

The District should use the criteria listed above to revise and update all employee job descriptions. The job descriptions should then be reviewed annually. New job descriptions should be maintained in an electronic format so that they can be updated easily. This recommendation could be implemented by FCSD at no additional cost.

Financial Implication Summary

The following tables represent a summary of the annual cost savings for the recommendations in this section of the report. Recommendations are separated based on whether they require negotiations. Implementation of those recommendations would require agreement of the affected bargaining units. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost-Savings
R3.1 Reduce site-based administration by 1.0 FTE	\$91,200
Total	\$91,200

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost-Savings
R3.3 Pro-rate the employee's share of the premium based on the number of hours worked	\$15,800
Total	\$15,800

Appendix A

FCSD is comparable to the peers in co-pay amounts, deductibles, prescription plan and annual out-of-pocket maximum. The premium costs paid by the Board are generally less than SERB and the peers. FCSD employees contribute 16 percent for health insurance, compared to SERB averages of 6 percent for single coverage and 7 percent for family coverage. See **Table A-1** and **A-2**.

Table A-1: FCSD and Peer Health Insurance Premium Comparison for FY 2004-05

School District	Provider	Monthly Premium for Single Plan	Full-Time Employee Share	Monthly Premium for Family Plan	Full-Time Employee Share
Franklin CSD	Anthem PPO	\$333.69	\$55.74	\$944.61	\$153.26
Ashland CSD Certificated Classified	Self-Insured	\$444.64	\$40.40	\$1034.32	\$94.82
		\$421.00	\$38.30	\$982.52	\$89.82
New Philadelphia CSD	Self-Insured	\$394.83	\$0.00	\$915.15	\$0.00
Southwest LSD Blue Access Blue Priority	Anthem PPO	\$378.87	\$18.94	\$979.02	\$97.90
	Anthem HMO	\$363.42	\$18.17	\$1,039.02	\$103.90
SERB District Average (2,500-9000)		\$333.69	\$20.41	\$910.27	\$64.22

Source: FCSD, peers and SERB

Table A-2: FCSD and Peer Health Insurance Benefits in FY 2004-05

Description	Franklin	Ashland	New Philadelphia	Southwest	
Type of Plan	PPO	Self-Insured	Self-Insured	Blue Access	Blue priority
Deductible	\$100 single, \$200 family in-network \$200 single, \$400 family out-of-network	\$100 single, \$200 family for administrators and classified; \$200 single, \$400 family for certified staff	\$100 single, \$200 family in-network \$200 single, \$400 family out-of-network	\$100 single, \$200 family in-network \$200 single, \$400 family out-of-network	None
Office Visits	\$10 co-pay in-network; 80% out of network	100%	\$10 co-pay in-network; 80% out of network	\$10 co-pay in-network; 80% out of network	\$5 co-pay
Annual Out-of-Pocket maximum	\$750 single, \$1,500 in-network \$1,500 single, \$3,000 family out-of-network	\$500 single, \$1,000 family for administrators and classified \$600 single; \$1,200 family for certified	\$250 single, \$250 in-network \$650 single, \$1,050 family out-of-network	\$500 single, \$1,000 family in-network \$1,000 single, \$2,000 family out-of-network	\$1,000 single, \$2,000 family
Prescription plan included	Yes, with \$5 co-pay Generic in-network; \$12 brand name; \$22 non-formulary 50% - minimum \$30 out-of-network	Yes, 20% co-pay for generic and brand name	Yes, with \$0 co-pay Generic; \$10 formulary; \$15 non-formulary	Yes, with \$5 co-pay Generic in-network; \$12 brand name; \$22 non-formulary 50% out-of-network	Yes, with \$5 co-pay Generic in-network; \$12 brand name; \$22 non-formulary
Maternity	Covered in full in-network 80% out-of-network	80%	90% in-network 80% out-of-network	Covered in full in-network 80% out-of-network	Covered in Full
Well-child care	\$10 co-pay in-network; 80% out-of-network	80% birth to 1 year up to \$500 80% age 1-9 up to \$150	\$10 co-pay in-network; 80% out-of-network	\$10 co-pay in-network; 80% out-of-network	\$5 co-pay
Inpatient hospital care	Covered in full in-network 80% out-of-network	100%	90% in-network 80% out-of-network	Covered in full in-network 80% out-of-network	Covered in Full
Maximum Lifetime Benefit Amount	\$5 million	Not specified	\$2 million	\$2 million	Unlimited

This page intentionally left blank.

Facilities

Background

The facilities section focuses on custodial and maintenance operations and related staffing, energy management, and building utilization in the Franklin City School District (FCSD or the District). This analysis evaluates the District's operations using best practice and operational standards from the National Center for Education Statistics (NCES), the 34th Annual American School & University (AS&U) Cost Study, and peer school districts to find potential opportunities to improve efficiency, as well as potential cost reductions.

Organization Structure and Function

In FY 2005-06, FCSD operates eight schools: five elementary schools (grades kindergarten – 5), one middle school (grade 6), one junior high school (grades 7 and 8), and one high school (grades 9 through 12). The District's administrative offices are housed in the Hampton Bennett Building (formerly a grade school). The Ohio Schools Facilities Commission (OSFC) prepared an assessment of the District's school buildings in 2001 and published the results in January 2002. OSFC recommended \$35.5 million in new construction and upgrade projects. The District, however, has not been able to obtain voter approval for the local match for the new construction.

The maintenance staff, which consists of 2 full time equivalents (FTEs), normally reports to the business manager, but the position is vacant and the treasurer has assumed those duties during FY 2005-06. In early 2006, the District hired a business manager who had building management experience in the private sector. The assistant maintenance employee is responsible for maintenance of buildings, grounds, equipment, and mechanical systems. The chief maintenance employee performs the same duties as the assistant maintenance employee, with additional supervisory duties such as: task assignments, supervision of assistants, ordering and maintaining inventory supplies, and notifying the appropriate authority of complex or costly maintenance problems. Custodians are assigned to individual schools and the allocation ranges from 2.0 to 4.0 FTEs per building. The custodian/engineers are custodians who have boiler licenses. District custodians report to the principal of each building and complete routine custodial responsibilities, minor maintenance, and grounds keeping duties. Custodians are responsible for opening school buildings in the morning, cleaning the buildings during the day, assisting with food service, and ensuring that all doors and windows are secure in the evening. During the summer months, they also assist with building maintenance projects.

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

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2004-05

Classification	Total Positions	Number of FTEs
Chief Maintenance Employee	1.0	1.0
Assistant Maintenance Employee	1.0	1.0
Total Maintenance Staff	2.0	2.0
Custodian/Engineer	2.0	2.0
Custodian (8 hours per day, 12-month)	5.0	5.0
Custodian (7 hours per day, 12-month)	1.0	0.9
Custodian (8 hours per day, 10 month)	13.0	13.0
Total Custodial Staff	21.0	20.9
Total Maintenance and Operations Staff	23.0	22.9

Source: FCSD

Note: The chief maintenance, assistant maintenance, custodian/engineer, and 2 custodians are 12 month employees and work 256 days per year. The 10 month custodians work 8 hours per day, 222 days per year.

As shown in **Table 4-1**, the District had 23 employees or 22.9 FTEs performing custodial and maintenance functions for FY 2004-05. Within the custodial classification, there were 20.9 FTEs assigned to individual buildings. Maintenance has 2.0 FTEs providing district-wide service.

Key Statistics

The FY 2004-05 key statistics related to the maintenance and operation (M&O) of FCSD are presented in **Table 4-2**. In addition, results from the 34th AS&U Maintenance and Operations Cost Study, which was released in April 2005 and the NCEs *Planning Guide for Maintaining School Facilities* released in February 2003 are included in **Table 4-2** and throughout this section of this report. AS&U conducted a detailed survey of chief business officials at the nation's public school districts asking them to document a myriad of M&O costs, including salary/payroll, outside contract labor, utilities, equipment and supplies, and other costs, as well as various maintenance practices. The NCEs Planning Guide was prepared by the School Facilities Maintenance Task Force, National Forum on Education Statistics, and the Association of School Business Officials International. The report covers topics such as maintenance planning, facility audits, maintaining school facilities and grounds, evaluating custodial and maintenance effort, and managing staff and contractors.

According to the AS&U, school districts have, for decades, been reducing M&O expenditures as a way of balancing budgets. This year's national total district expenditures show a slight decrease from last year and, an all-time-low of 7.4 percent of allocated funds, for a total of \$3.94 per student. There is little left to cut and some districts have reduced spending so much that learning environments are being impacted. The low allocation of resources to M&O is a "stark

reminder of how difficult it continues to be to upkeep and operate America's aging education infrastructure on a shoestring budget."

Table 4-2 displays the key statistics and indicators for FCSD.

Table 4-2: FY 2004-05 Key Statistics and Indicators

Number of School Facilities	11
Elementary Schools	5
Jr. High and Middle Schools	2
High Schools	1
Other (Admin, garage, football locker rooms, concessions)	3
Total Square Footage	450,873
Total Square Footage Maintained by Custodians	443,850
Elementary Schools	144,010
Jr. High and Middle Schools	102,640
High School	149,860
Other (Admin, garage, football locker rooms, concessions)	47,340
Square Feet Per FTE Custodial Staff Member	21,237
Elementary School (10.0 FTEs)	14,401
Jr. High and Middle School (5.0 FTEs)	20,528
High School (4.0 FTEs)	37,465
Other (1.9 FTEs)	24,916
AS&U 34th Cost Study for 1,000 - 3,499 Students Median	29,805
AS&U 34th Cost Study National Median	25,444
National Center for Education Statistics (NCES)¹	28,000
FCSD Square Feet per Maintenance Staff Members (2.0 FTEs)	225,437
AS&U 34th Cost Study for 1,000-3,499 Students Median	100,000
AS&U 34th Cost Study National Median	87,931
FCSD FY2004-05 Maintenance and Operations Expenditures per Square Foot	\$3.96
Custodial and Maintenance	\$2.42
Utilities	\$1.06
Purchased Services, Supplies/Materials & Capital Outlay	\$0.48
AS&U 34th Cost Study for 1,000 - 3,499 Students Median	\$3.94
AS&U 34th Cost Study National Median	\$3.84
Peer District Average	\$4.76

Source: AS&U 34th Annual M&O Study; and FCSD

Note: FCSD uses 10-month custodial staff on an as-needed basis for grounds keeping, which is not included in the FTE counts.

¹ National Center for Education Statistics (NCES) *Planning Guide for Maintaining School Facilities* (February 2003) Level 3 cleaning standards suggests 28,000 to 31,000 square feet per custodian.

As shown in **Table 4-2**, in FY 2004-05, FCSD's cleaned 21,237 square feet per custodial FTE, which was 40 percent lower the national benchmark of 29,805 identified by the AS&U for similar-sized districts and 32 percent below the lower range of 28,000 square feet identified by NCES. In contrast, FCSD is understaffed in maintenance FTEs compared to national averages. FCSD's FY 2004-05 square feet per maintenance FTE of 225,437 was 225 percent higher than the AS&U median of 100,000 square feet for similar-sized districts.

FCSD had maintenance and operating expenditure levels similar to the national average. For FY 2004-05, FCSD's General Fund expenditures per square foot were only \$0.02 higher than the AS&U median for similar-sized districts and well below the peer district average.

Financial Data

Table 4-3 illustrates the total expenditures used to maintain and operate FCSD's facilities for FY 2002-03, FY 2003-04, and FY 2004-05. Revenue from the General Fund is used to support the maintenance and operations of FCSD facilities.

Table 4-3: Maintenance and Operations Expenditures

Expenditures	FY 2002-03	FY 2003-04	FY 2002-03 to FY 2003-04 Percent Change	FY 2004-05	FY 2003-04 to FY 2004-05 Percent Change
Salaries	\$823,430	\$821,540	(0.2%)	\$737,547	(10.2%)
Benefits	\$249,685	\$304,911	22.1%	\$354,449	16.2%
Purchased Services	\$196,301	\$154,567	(21.3%)	\$86,835	(43.8%)
Utilities	\$425,377	\$430,846	1.3%	\$479,565	11.3%
Supplies/Materials	\$128,507	\$126,335	(1.7%)	\$114,998	(9.0%)
Capital Outlay	\$110,662	\$71,042	(35.8%)	\$11,037	(84.5%)
Other	\$1,254	\$4,448	254.8%	\$2,779	(37.5%)
Total	\$1,935,215	\$1,913,689	(1.1%)	\$1,787,210	(6.6%)

Source: FCSD Expense Budget Work Sheets

As shown in **Table 4-3**, overall M&O expenditures decreased 1.1 percent in FY 2003-04 primarily due to the decrease in capital outlay and purchased services. These expenditures also decreased 6.6 percent in FY 2004-05 due to staffing reductions and tight cost containment practices in all but one category because of the District's financial circumstances during this period. During FY 2004-05, the District had allocated funds only for emergency and necessary repairs. However, the levy that was passed in August 2005 includes a 2 mill set-aside (approximately \$830,000 per year) for the District to replace roofs, doors, and windows when necessary. Additionally, the District plans to upgrade some fire alarm systems to be compliant with the current fire code.

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

- Salaries decreased 0.2 percent in FY 2003-04 and 10.2 percent in FY 2004-05 due to reductions of custodial staff, substitute salaries, and overtime.
- Benefits increased 22.1 percent in FY 2003-04 and 16.2 percent in FY 2004-05 due to hospitalization insurance, custodial retirements and an increase in workers' compensation costs in both years and, an increase in unemployment in FY 2004-05.

- Purchased services decreased 21.3 percent in FY 2003-04 and 43.8 percent in FY 2004-05. At the end of FY 2003-04, the District eliminated some asphalt projects due to its financial condition. In FY 2004-05, there were further reductions in areas such as mulch, landscaping and other grounds-keeping services. Additionally, the District was able to reduce property insurance by securing bids and switching insurance companies.
- Utilities increased 1.3 percent in FY 2003-04 and 11.3 percent in FY 2004-05 due to an increase in the price of gas and fuel oil.
- Supplies and materials decreased 9.0 percent in FY 2004-05 as reductions were made in building and equipment maintenance supplies, and building fixture and equipment replacement expenditures.
- Capital outlay decreased 35.8 percent in FY 2003-04 and 84.5 percent in FY 2004-05 due to the elimination of expenditures for new vehicles assigned to building maintenance staff and the replacement grounds equipment.

Table 4-4 compares FCSD FY 2004-05 General Fund maintenance and operations expenditures per square foot to the peers and AS&U average.

Table 4-4: FY 2004-05 General Fund Expenditures per Square Foot

Expenditures	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average	AS&U Median for 1,000-3,499 students
Salaries and Benefits	\$2.42	\$2.13	\$3.16	\$2.75	\$2.68	\$2.05
Purchased Services	\$0.19	\$0.08	\$0.57	\$0.72	\$0.46	\$0.17
Utilities	\$1.06	\$1.16	\$1.10	\$1.32	\$1.19	\$1.36
Supplies/Materials	\$0.26	\$0.16	\$0.22	\$0.42	\$0.27	\$0.25
Capital Outlay	\$0.02	\$0.00	\$0.42	\$0.00	\$0.14	\$0.00
Other	\$0.01	\$0.00	\$0.00	\$0.06	\$0.02	\$0.11
Total	\$3.96	\$3.53	\$5.47	\$5.27	\$4.76	\$3.94

Source: AS&U 34th Annual M&O Study; and FCSD and peer district ODE 4502

As illustrated in **Table 4-4**, FCSD's General Fund expenditures per square foot are lower than two of the three peers and peer average in all categories of spending. FCSD is 20 percent below the peer average and only \$0.02 higher than the AS&U national median in total expenditures. FCSD is 28 percent lower than the national median for similar-sized districts in utilities expenditures, but 18 percent higher in salaries and benefits expenditures. However, when salaries and benefits are compared to the peers and peer average, the District is below two of the three peers and 10.7 percent below the peer average.

Noteworthy Accomplishment

- **Energy Management:** The District participates in the Educational Cooperative Purchasing Program, which negotiates pool utility discounts from the market rate. This has helped FCSD to achieve utility costs per square foot lower than all the peers, the peer average, and the AS&U median average for districts with 1,000 to 3,499 students. Based on average peer expenditures of \$1.19 per square foot, the District is avoiding costs of about \$70,000 a year.

Assessments Not Yielding Recommendations

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

- **Total Expenditures:** **Table 4-4** shows expenditures are below two of the three peers and the peer average and within an acceptable range of the AS&U national median for the District's classification of 1,000 to 3,499 students.
- **Purchased Services Expenditures:** FCSD's FY 2004-05 General Fund purchased services expenditures per square foot of \$0.19 were lower than the peer average of \$0.46 and comparable to AS&U averages of \$0.17, as shown in **Table 4-4**.
- **Supplies and Materials Expenditures:** The District's supplies and materials costs have continued to decrease, as shown in **Table 4-3**. FCSD's FY 2004-05 supplies and materials were \$0.26 per square foot, an amount comparable to the peer average of \$0.27 and the AS&U national median for similar-sized districts of \$0.25 per square foot, as shown in **Table 4-4**.

Recommendations

- R4.1 FCSD should consider reducing 4.9 custodial FTEs and reallocating staff among its buildings to more adequately distribute the custodial workload. As its financial condition improves, the District may consider adding 1 FTE skilled maintenance employee to bring its maintenance workload ratios nearer to the benchmark established by the AS&U and decrease the overall square footage maintained to 150,300 square feet per FTE. Given the District's current financial condition, it may want to consider enhancing the skills of the current maintenance employees. In particular, the District should consider increasing training for its maintenance employees to reduce its dependency on contracted services.**

Custodial responsibilities are assigned by building and maintenance is responsible for the entire District. The District's custodians are assigned to buildings as follows: two staff to each of the five elementary and middle schools; three staff at the junior high; and four staff at the high school. The District does not have a formal method for establishing staffing levels based on workload for either maintenance or custodial functions. **Table 4-5** provides an analysis of the custodial and maintenance FTEs by square foot and by total FTE. The table also illustrates the effect of the staffing reductions recommended above.

Table 4-5: FY 2004-05 Custodial and Maintenance FTE by Square Foot

Building	Custodial					Maintenance		
	Square Feet	Current FTEs	Current Square Feet per FTE	Proposed FTEs per Building	Proposed Square Feet per FTE	Building Square Feet	FTEs	Square Feet/FTE
Anthony Wayne Elementary	29,280	2.0	14,640	1.0	29,280	29,280		
Gerke Elementary	30,000	2.0	15,000	1.0	30,000	30,000		
Hunter Elementary	30,070	2.0	15,035	1.0	30,070	30,070		
Pennyroyal Elementary	32,880	2.0	16,440	1.5	21,920	32,880		
Schenk Elementary	21,780	2.0	10,890	1.0	21,780	21,780		
Junior High	81,370	3.0	27,125	3.0	27,123	81,370		
Laura Farrell Middle School	21,270	2.0	10,635	1.0	21,270	21,270		
Franklin High School	149,860	4.0	37,465	5.0	29,972	149,860		
Bus Garage	0	0.0	0	0.0	0	3,432		
Hampton Bennett Admin Building	47,340	1.9	24,916	1.5	31,560	50,931		
Total	443,850	20.9	21,237	16.0	27,741	450,873	2.0	225,435
Benchmarks:								
NCES				28,000/FTE				
Total needed FTEs				15.9				
34th Annual M&O Cost Study/American School & University				29,805/FTE				100,000/FTE
Total needed FTEs				14.9				4.5

Source: NCES, 34th Annual M&O Cost Study, FCSD

Note: Differences may occur due to rounding

The NCES, *Planning Guide for Maintaining School Facilities* recommends level three cleaning as the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues. A custodian can clean approximately 28,000 to 31,000 square feet in eight hours for a level three cleaning based on NCES standards. Reassigning custodial staff as recommended in **Table 4-5** would make the square footage per FTE more equitable among all of the buildings. Additionally, implementing custodial and maintenance procedures (see **R4.4**) will assist the custodial staff in becoming more efficient and productive. The proposed FTEs are estimates and can vary depending on the age of building, age of students, type of flooring, wall coverings, and number of windows to name a few.

Table 4-5 also shows that FCSD has 2 FTEs dedicated to maintenance for 450,873 square feet, or approximately 225,435 square feet per FTE, compared to the AS&U national median of 100,000 square feet per FTE. The maintenance staff contracts out preventive maintenance for boilers, light replacement on the football field and scoreboard, refrigeration, freezers, ice machines, air conditioning, and asbestos abatement every 3 years. Over a period of years, the District determined and contracted with the least expensive and most reliable companies for maintenance issues. Large maintenance tasks such as roofing repairs, window and door replacement, and fire system maintenance are managed by an engineering firm that prepares the written specifications for the project, sends the Request for Proposal (RFP) to appropriate firms, determines the best bid, and manages the contract.

The NCES *Planning Guide for Maintaining School Facilities* states that effective school maintenance protects capital investments, ensures the health and safety of children, and supports educational performance. The task of caring for older buildings, one of which may be historically and/or architecturally significant (Franklin Junior High), at a level that supports contemporary instructional practices is substantial. Technological needs for buildings also demand expertise and commitment. Facilities problems can be compounded by geography, socioeconomic factors, maintenance staffing levels, training, and management practices.

In addition, NCES states that spending less than the necessary funds causes inefficiency in the District's ability to operate and maintain school facilities. Appropriate levels of maintenance can decrease replacement costs over time, decrease renovation costs because of fewer large-scale repair jobs, and decrease overhead costs (such as utility cost) because of system efficiency. Additionally, if the District is unable to train or find staff with the appropriate qualifications, it may be necessary to contract for maintenance that could be done in-house.

Lack of funds has caused the District to staff an insufficient number of maintenance FTEs in comparison to national benchmarks. An additional maintenance employee could enhance the supervision of outside vendors needed to complete the necessary repairs as outlined in the levy, allow staff to do repairs and maintenance currently contracted to outside vendors, and increase maintenance of the older buildings. Adjustments to staffing levels should be based on the square footage maintained or other appropriate measures.

Financial Implication: The reduction of 4.9 custodial FTEs would result in annual savings of approximately \$164,380 in salary and benefits. FCSD should add 1.0 FTE to the maintenance staff to begin to bring the Department up to national standards and allow the performance of duties that would safeguard assets and enhance classroom conditions for students and teachers. Adding 1.0 maintenance FTE would cost FCSD an additional \$43,800 in salaries and benefits per year. The proposed staffing changes would result in

net savings of \$120,580 per year. The cost of training for the current maintenance employees would be dependent on class availability.

R4.2 FCSD should consider purchasing a computerized maintenance management system. An automated system would allow the District to begin tracking and monitoring the amount of supplies and materials used on a project, the cost of labor (including staffing levels and overtime usage), and the productivity and performance of assigned personnel. Moreover, the District could more effectively schedule maintenance and custodial work, which would serve as the foundation for a preventive maintenance system. In addition, the system could allow automatic or selective generation of work orders based on preventive maintenance schedules and open service or on-demand requests. Having this information available would be helpful in estimating future costs and timeframes for potential projects.

During the course of the audit the District hired a business manager with private industry building experience. He has developed a computerized work order system, which saves work orders by building, date, and name to start building a history. Each principal must approve a work order before it is sent to the business manager. Currently, the maintenance staffs are familiarizing themselves with the use of computers.

The District's work order process is manual and does not include a preventive maintenance schedule or capital equipment recording system. Building principals, teachers, food service personnel, and custodians can initiate a work order. Approval by the building principal is required for each work order. The maintenance staff retains records with appropriate approvals, details of supplies used, equipment used/replaced for the project (e.g., serial numbers are recorded), dates of actions, and completion for each work order and project, although labor costs are not noted. The treasurer must also approve all items that need to be purchased.

Other than for emergency maintenance, work orders are prioritized every day and generally placed in priority as received. Open work orders are placed in a file and, when completed, are filed in the closed work order file.

According to the National Center for Education Statistics (NCES), a work order system helps school districts register and acknowledge work requests, prioritize tasks, assign personnel, confirm progress, facilitate preventive maintenance, allow feedback from relevant stakeholders, and track the costs of parts and labor. At a minimum the system should include the following:

- Date received;
- Date approved;
- Tracking number;
- Priority and location;
- Status (e.g., open or closed);
- Name of supervisor;
- Name(s) of assigned personnel;
- Supply and labor hour costs; and
- Date completed.

A computerized system would allow the District to track and monitor the status of individual work orders, the cost of supplies and materials used, as well as the productivity and performance of assigned personnel.

Additionally, with 2.0 mills (\$830,000 annually) from the August 2005 levy earmarked for facilities, the need to track and monitor professional and construction time, and supplies and materials will be greater. An automated system would enhance the District's ability to maintain records of time, labor, and materials for projects.

Financial Implication: The cost of a computerized maintenance management system is about \$3,500 for the software and training. The District already owns the necessary computers.

R4.3 FCSD should develop a written operating and procedures manual for routine custodial and maintenance duties. The District should formalize custodial and maintenance procedures to help increase efficiency and productivity. Well-documented procedures will help to ensure tasks are being completed in a timely manner, and facilities are cleaned and maintained in a sufficient and consistent manner. These procedures should specify the supplies to be used for each job, the frequency of tasks, and the appropriate procedures for completing cleaning regimens and regular maintenance tasks.

FCSD does not have a standard operating and procedure manual for custodial or maintenance operations. For custodial employees, the principal provides direct supervision, while, the head maintenance person provides direct supervision to the maintenance staff. Because custodians and/or maintenance workers have their own assignment and are able to perform job duties on their own without standardization, various techniques may be used throughout the buildings. During the course of the audit, the District implemented a weekly custodial checklist used by building principals to monitor the performance of job duties and responsibilities.

Standardized procedures ensure that custodians are familiar with equipment, cleaning supplies and appropriate cleaning methods. Likewise, standardization helps custodial staff increase efficiency. In the absence of formal training and standard procedures and supplies, there is the potential for inconsistency and inefficiency in the District's custodial operations. By allowing each custodian to determine procedures, the District runs the risk of not having all areas cleaned in the most efficient and effective manner.

The International Sanitary Supply Association (ISSA) has developed a program manual designed to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines and pointers on the following:

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

The cost of the manual is \$60 for non-members and \$45 for members. In addition to this manual, ISSA has several other training programs for custodial staff. The Brevard County Florida School District Custodial Standards Handbook, 2005, discusses many of the same topics and is posted to the district's website (www.brevard.k12.fl.us).

The Planning Guide for Maintaining School Facilities published by NCES states that every maintenance and operations department should have a policies and procedures manual that governs its day-to-day operations. The manual should be readily accessible (perhaps via an Intranet or the Internet), and written at a level consistent with the reading ability of department members.

At a minimum, the manual should contain:

- Mission Statement;
- Personnel Policies;
- Purchasing Regulations;
- Accountability Measures;
- Asbestos Procedures;
- Repair Standards;
- Vehicle Use Guidelines;
- Security Standards; and
- Work Order Procedures.

The District can obtain resource materials, at little or no cost, to begin to formalize custodial and maintenance procedures. This will help FCSD ensure that buildings are cleaned in a consistent manner at a level commensurate with District expectations.

R4.4 FCSD should develop and implement an energy management program that includes detailed energy policies, energy efficient practices, and guidelines that District staff should follow to help minimize energy costs. For instance, maintaining cooling temperatures at 78 degrees and heating temperatures at 68 degrees could be included. The energy management program should also define broad cost and performance objectives. Lastly, FCSD should communicate and train its staff about its energy management program, and should consider providing training via a qualified consultant.

The District has elected to join the Educational Cooperative Purchasing Program for natural gas and electricity. The Educational Purchasing Program saves its members money by bidding for the best price and streamlining the payment process. In 1996, the District borrowed \$700,000 under Ohio Revised Code (ORC) § 3313.37.2, for window replacement and lighting upgrades at Franklin Junior High School. The loan has been repaid. Additionally, a portion of the funds from the August 2005 levy will be used for energy conservation projects. **Table 4-4** shows that the District has the lowest utility costs per square foot, when compared to the peers, peer average, and national averages. However, the District does not have an energy management and conservation program which could enhance energy savings and help offset rising fuel costs.

The U.S. Department of Energy's *Energy Smart Schools* website offers numerous publications on energy conservation practices including *School Operations and Maintenance: Best Practices for Controlling Energy Costs - A Guidebook for K-12 School System Business Officers and Facilities Managers* (August, 2004). This guidebook provides detailed and practical guidance on how K-12 school districts can plan and implement enhancements to their current maintenance and operations (M&O)

programs to successfully maintain their facilities while also reducing energy costs up to 20 percent. Most of the energy management strategies entail limited capital costs and produce rapid paybacks. Energy-efficient M&O program options include: energy tracking and accounting, voluntary energy awareness, performance contracting, and quick and low-cost strategies such as:

- Repair window and door glass and weather-stripping;
- Reduce excessive light levels by careful de-lamping;
- Clean and repair chilled water plants or package units;
- Conduct combustion testing and boiler tune-ups;
- Repair leaking steam traps;
- Repair pipe and vessel insulation for steam and hot water distribution lines;
- Institute night and weekend temperature setbacks;
- Eliminate 24/7 operation of exhaust fans and vending machines;
- Replace all incandescent light bulbs with equivalent compact fluorescent bulbs;
- Establish district-wide vacation shut down procedures; and
- Repair malfunctioning dampers on unit ventilators.

The *School District Energy Manual* (Association of School Business Officials, 1998), recommends that temperature settings be centrally controlled, and allow a variance of only one to two degrees for manual adjustments. Additionally, this manual recommends the following energy saving techniques:

- Adjusting thermostat settings to 78 degrees for cooling and 65 to 68 degrees for heating (70 to 72 degrees for heating kindergarten and special education rooms) as a conservation guideline.
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate.
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat.
- Encouraging staff, faculty and students to use blinds as a means of controlling temperature. Closing blinds on the south and west sides of buildings keep them cooler in the summer, and opening blinds helps warm the buildings in the winter on sunny days.

- Developing policies that indicate water should not be kept running in the restrooms.

There are also numerous private companies that provide energy conservation consultation. For instance, Elyria CSD contracted with one such company in July 2004 to provide training to school district employees about energy conservation. The training does not require additional funds since the fees are paid from the utility budget from guaranteed savings. If the savings are not sufficient to cover the fees, the company will reimburse the district for the difference. The estimated savings for Elyria CSD were \$2.3 million in the next seven years, and the estimated net savings for the first year were estimated at \$141,000.

The absence of a district-wide energy conservation program and corresponding policies limits FCSD's ability to further contain utility costs. The District should implement an energy management program that includes staff training and is guided by policies approved by the Board. The energy management program should be visible to the District's administration, the Board of Education, and all District staff and students, and program objectives and progress should be monitored and periodically reported.

R4.5 FCSD should establish an ongoing, comprehensive facilities master plan that includes key elements such as updated enrollment projections and capacity analyses. These inclusions would allow FCSD to effectively monitor any changes in population characteristics or community growth patterns and plan its facilities needs accordingly. The plan should also include a preventive maintenance program. Such a program could be phased in gradually, addressing the higher priorities first.

FCSD had a master plan assessment completed in 2001 by the Ohio School Facilities Commission (OSFC) as part of a proposed project to consolidate certain elementary schools and upgrade other buildings. The plan included enrollment projections, a building inventory with school types, square footage, and possible grade configurations after the building consolidations. The plan also suggested specific buildings to be renovated, and the associated costs for new buildings and renovations. However, the plan has not been updated since it was published in January 2002 and has lost some of its usefulness since the District was unable to complete the proposed projects. Also, the District has not updated the projected enrollment to monitor changes within the community's demographics and does not have a formal capital improvement plan or a facilities master plan.

The *Planning Guide for Maintaining Schools Facilities* (Schools Facilities Maintenance Task Force, February 2003) contains several elements that would aid FCSD in effectively planning for facility and capital needs in general, and developing a comprehensive facilities master plan. These elements include the following:

- Involving stakeholders in the planning process;
- Identifying needs (e.g., improving cleanliness and safety, correcting deficiencies, addressing deferred projects, increasing efficiency, decreasing utility bills);
- Establishing priorities and targets;
- Collecting and using supporting data to inform decision-making;
- Sharing the plan to garner support from management and key stakeholders;
- Allocating funds to pay for planned activities;
- Training staff to implement planned activities;
- Implementing the plan;
- Being patient while awaiting cost savings or other results;
- Evaluating the plan systematically;
- Refining efforts based on evaluation findings; and
- Reviewing and revising the plan periodically (e.g., every three years).

According to the Government Finance Officer's Association (GFOA), *Budget Practices and Examples 1998*, the cost of desired capital projects will usually substantially exceed available funds in most governments. Development of a facilities plan provides a framework for prioritizing projects and identifying funding needs and sources. Facilities maintenance and effective planning produce savings by:

- Decreasing equipment replacement costs over time;
- Decreasing renovation costs because fewer large-scale repair jobs are needed; and
- Decreasing overhead costs (such as utility bills) because of increased system efficiency.

The District should use a preventive maintenance system as the cornerstone of comprehensive facilities master plan. The *Planning Guide for Maintaining Schools Facilities* suggests using manufacturer's manuals to develop the preventive maintenance schedule (see **R4.2**). A comprehensive plan will help the District better monitor and understand its facilities needs and communicate these needs to its stakeholders.

R4.6 FCSD should develop a five year capital improvement plan that is updated on an annual basis to ensure the anticipated levy revenue is used to complete the most critical repair work and/or equipment replacement as funds become available. A capital improvement plan will help to demonstrate fiscal responsibility to the citizens of the District.

FCSD maintenance staff ensures that preventive and daily maintenance is performed on major and minor equipment and facilities. However, the District does not have a formal capital improvement plan in place to address maintenance and capital needs other than the Ohio School Facilities Commission (OSFC) report published in January 2002. By using

the OSFC plan, the District prepared a list of projects that are to be completed using the permanent improvement proceeds from August 2005 levy. The District will start the planning process to include time lines and costs for each project in January 2006.

A capital improvement plan should include a list of identified and prioritized capital needs accompanied by cost estimates and timelines for completion. The plan should span a five year period and be updated annually. According to the GFOA, a capital improvement plan is an essential element for managing a long-term debt program. Before undertaking a long-term debt program, governments must have a clear understanding of the types of projects they intend to finance and when the projects will be implemented. Development of a capital improvement plan is an essential first step in this process.

In addition to serving as a planning, financing, and management tool, a well-prepared plan is viewed as a positive factor by credit rating agencies in evaluating the credit quality of a jurisdiction. A capital improvement plan demonstrates a jurisdiction's commitment to systematically replacing or improving its capital infrastructure. It also provides evidence that a school district has evaluated its long-term financial resources, and has developed a plan to meet both operating and capital needs.

A capital improvement plan formalizes and documents a capital project categorization and prioritization system to ensure the capital improvement decisions made by District management and Board members are clearly communicated and based on the following factors:

- A detailed needs assessment;
- A consensus-based priority setting process;
- An understanding of the architectural and engineering impact of the project; and
- An understanding of the impact of deferring projects.

A formal categorization and prioritization system is necessary to provide management with a breakdown between maintenance tasks and capital projects, and ensure work is completed in a timely manner that minimizes both safety hazards and facility deterioration. Once the project classifications have been completed, management will have a clear, detailed plan for deploying resources to accomplish necessary tasks and to communicate additional funding requirements.

A capital improvement plan should include the following:

- A description of the buildings and its system including primary structure of the foundation, column and exterior walls, floor and roof; secondary structure including ceiling, interior walls, windows and doors; and service systems, including cooling, heating, plumbing, and electrical.
- Equipment/systems data such as type, fixed asset number, parts (including belts, motors, and filters) and operating characteristics such as operating speed and electrical requirements.
- Annual walk-through of each facility to assess the maintenance and structural problems currently existing in the facility.
- Assessment and rating of the condition of the building and its components, including repair history.
- Assessment of facilities accessibility (ADA), environmental hazards and other aspects related to the health and safety of students and staff.

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

R4.7 In conjunction with an update of its facilities master plan, FCSD should develop and formally adopt a 5 to 10 year forecast methodology for projecting student enrollment and prepare a formal enrollment projection. Based on past accuracy, the District could use the enrollment projections prepared by DeJong & Associates as a starting point in completing this process. Once the District has a reliable enrollment projection in place, it should be reviewed and updated on an annual basis and compared with building capacities to determine the appropriate number of school buildings and classrooms.

In 2001, DeJong & Associates, Inc. developed FCSD's most recent enrollment projection as part of the OSFC's Facilities Assessment Report. The projections were developed by analyzing live birth data, historical enrollment, and housing information. The Treasurer has used the OSFC projections to develop the five-year forecast and for capital planning purposes. AOS prepared a projection by determining the average annual percent of growth or decline for the past 11-year period and applying that percentage to the next 5 year period. The District enrollment has decreased due to its financial distress and the

recent implementation of “pay to play” fees. The analysis below is a comparison between the FY 2005-06 AOS projection and OSFC projections prepared in 2001.

Table 4-6 illustrates the District’s enrollment history, by grade level, in FY 1994-05 to the October count of FY 2005-06. Based on the average annual decrease of 1.1 percent in **Table 4-6**, AOS accordingly projected enrollment to decline from FY 2005-06 to FY 2010-2011 as illustrated in **Table 4-7**. The District should closely monitor its enrollment projections.

Table 4-6: Summary of Student Enrollment History

		FY 1994-95	FY 2005- 06	Eleven-Year Change	Average Annual Change
Elementary	[K-5]	1,474	1,343	(8.9%)	(0.8%)
Middle	[6-8]	711	703	(1.1%)	(0.1%)
High	[9-12]	903	675	(25.2%)	(2.3%)
TOTAL		3,088	2,721	(11.9%)	(1.1%)

Source: ODE Enrollment and FCSD October 2005-06 Enrollment

Table 4-7: FCSD Five Year Enrollment Forecast

		FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Elementary	[K-5]	1,343	1,332	1,321	1,311	1,300	1,290
Middle	[6-8]	703	702	702	701	700	699
High	[9-12]	675	660	644	630	615	601
TOTAL		2,721	2,694	2,667	2,641	2,615	2,590

Source: AOS enrollment projections for FCSD students

Table 4-8 is the enrollment projection prepared in 2001 by DeJong & Associates, Inc for the OSFC report to the District.

Table 4-8: FCSD Enrollment Projection from OSFC

School Year	Projected Enrollment	% Change from Previous Year
2002-03	2,954	
2003-04	2,972	0.61%
2004-05	2,978	0.20%
2005-06	3,003	0.84%
2006-07	3,026	0.77%
2007-08	3,032	0.20%
2008-09	3,041	0.30%
2009-10	3,049	0.26%
2010-11	3,053	0.13%

Source: DeJong & Associates, Inc. OSFC Planning Report 2001

Table 4-8 presents enrollment projections from FY 2002-03 through FY 2010-2011. When these projections were prepared in 2001, DeJong & Associates projected enrollment

to increase slightly, less than 1 percent annually, until it reached its high point of 3,053 students in FY 2010-11.

As a way of determining the reasonableness of the DeJong & Associates enrollment projections, **Table 4-9** compares FCSD's actual head count for the last four years to the enrollment projections developed by DeJong & Associates.

Table 4-9: Actual Student Head Count vs. Projected Enrollment

School Year	Projected Enrollment	Actual Student Head Count	Difference Between Actual and Projected
2005-06	3,003	2,721	(282)
2004-05	2,978	2,992	14
2003-04	2,972	3,094	122
2002-03	2,954	3,051	97

Source: OSFC and ODE

Table 4-9 indicates that the DeJong & Associates enrollment projections were only slightly higher than the actual enrollment for the FY 2002-03 through FY 2004-05. Therefore, the DeJong & Associates enrollment projections in **Table 4-8** appear to be reasonable estimates of the District's enrollment trends. However, in FY 2005-06, the District started the pay-to-play program which has had a negative impact on enrollment. The Treasurer indicated that the District does not prepare its own enrollment projections and relies on the DeJong & Associates 2001 projections. The District has not updated the original projections prepared by DeJong & Associates to include actual enrollment for FY 2002-03 through FY 2005-06 or projected numbers for years beyond FY 2005-06.

Conducting enrollment projections on an annual basis will allow FCSD to make appropriate adjustments. In addition, periodically updating enrollment projections will provide important planning and management information. For example, having reliable enrollment projections could help the District determine the impact of enrollment on future State funding levels as well as building capacity and utilization to help determine appropriate staffing levels.

R4.8 FCSD should update its current facility capacity and utilization calculations and incorporate them into the comprehensive facilities master plan. The District should use a methodology for determining capacity and utilization that is approved by the Board of Education and is reviewed and updated annually, using all available classroom space.

FCSD should monitor its enrollment, facility capacity and utilization rates to ensure it is operating at maximum efficiency. If enrollment and/or financial trends necessitate further reductions, FCSD should explore the feasibility of grade level reconfiguration and potentially reduced building usage to increase utilization rates.

Table 4-10, shows the capacity and utilization of FCSD schools.

Table 4-10: FY 2005-06 Building Capacity and Utilization

School	Classrooms	Building Capacity	FY 2005-06 Enrollment as of 10/31/05	Over(Under) Capacity	Building Utilization Rate
Anthony Wayne Elementary	17	400	233	(167)	58.25%
Gerke Elementary	16	350	323	(27)	92.29%
Hunter Elementary	16	350	288	(62)	82.29%
Penneyroyal Elementary	16	325	290	(35)	89.23%
Schenck Elementary	12	250	209	(41)	83.60%
Elementary Total	77	1,675	1,343	(332)	80.18%
Middle School	15	213	207	(6)	97.41%
Junior High School	33	425	496	71	116.11%
High School	41	808	675	(133)	83.59%
Total for All Buildings	166	3,121	2,721	(400)	87.21%

Source: FCSD Facilities Department and Principal's Office for October enrollment.

As shown in Table 4-10, the District elementary schools are at 80.18 percent capacity (85 percent is considered optimal). The District has half day kindergarten five days per week and uses the inclusion model for special education instruction.

DeJong and Associates and Ohio Administrative Code 3301-51-09 guidelines for determining school building capacity were used to examine FCSD's facility utilization rates.⁴⁻¹ FCSD uses the full-inclusion and hybrid models for special education and does not have self-contained classrooms. When the inclusion/hybrid models are used, the special education classrooms are not included in the capacity calculation because classrooms are used all day by different students that need intense study in one or more subjects and then they return to the regular classroom. However, based on the DeJong method, FCSD elementary schools are at 80.18 percent utilization; the middle school is at 97.41 percent utilization; the junior high school is at 116.71 percent utilization; and the high school is at 83.59 percent utilization.

Prior to the passage of the levy in August 2005, the District developed scenarios that included closing an elementary building to balance the budget. The closing of an elementary will likely require redistricting and larger class sizes. The FCSD Board of

⁴⁻¹ In the article *Determining School Building Capacity* by Dr. William DeJong (July 1999), the method for determining capacity for elementary schools is calculated by multiplying the number of regular classrooms by 25 students and the number of kindergarten classrooms by 50 students. In the elementary schools, classrooms used for gym, music, art, library, and computer labs are set-aside and excluded from the total number of rooms used for capacity calculations. The capacity of the middle, junior, and high schools is calculated by multiplying the number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor. Teaching stations include: gym, computer labs, music, and art rooms. For special education/special needs rooms, the capacity is dependent on the type of disability classification of the students and the model type used by the district.

Education is hosting its monthly meeting in each school building and has included discussions regarding grade level configuration and building utilization.

In February 2006, the District hired a business manager, who has been giving tours of the school buildings on Board meeting evenings to allow the Board to review the condition the buildings. The District has two new Board members out of five. The tours include not just a tour of the buildings, but discussions on the state of equipment (such as boiler rooms, lack of air-conditioning, and heating); discussion of building condition (such as roofing, windows, restrooms, and lack of handicapped accessible areas). In addition, the District is in the process of completing a survey of students who have left the District to determine student and parent concerns. When the survey is completed the results will be compiled by Miami University in Middletown. The District is considering a second contract with DeJong & Associates to prepare an updated enrollment study by building. With this information, the District can make informed decisions regarding the closing of a school and possible redistricting.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and implementation costs for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

Table 4-11: Summary of Financial Implications for Facilities General Fund

Recommendations	Estimated Annual Cost Savings	Annual Implementation Costs
R4.1 Reduce 4.9 custodial FTEs and add 1.0 maintenance FTE	\$120,580	
R4.2 Purchase computerized work order/capital recording/preventive maintenance system		\$3,500
Total	\$120,580	\$3,500

This page intentionally left blank.

Transportation

Background

This portion of the performance audit focuses on the Franklin City School District's (FCSD or the District) transportation operations. The operations were evaluated against best practices, operational standards, and peer school districts for the purpose of developing recommendations to improve efficiencies and/or business practices.

In previous years, FCSD provided transportation to any high school student or student in grades K through 8 who wished to ride school transportation, regardless of the distance from their school. FCSD transported several students who lived less than two miles from their assigned school, a practice which exceeded the State minimum requirement and Board policy. The policy noted, "The Board provides transportation for resident elementary students, kindergarten through 8, who live more than two miles from school and for all students with physical and mental disabilities which make walking impossible or unsafe. The transportation of high school students is optional." Due to its financial situation, the FCSD Board of Education (the Board) eliminated transportation service to high school students in April 2004, and operated throughout FY 2004-05 at this reduced service level.

In contrast, all three peer school districts provided transportation service that exceeded State minimums during FY 2004-05. In August 2005, FCSD voters passed an operating levy. At that time, FCSD made the decision to adjust its transportation practice and once again offer bus service to high school students. However, to improve routing efficiency, students are now picked up at predetermined bus stops, called "cluster stops." This requires students to walk a short distance to the bus stop thereby allowing buses to pick up several students at one time. Because the Board has restored transportation service to high school students for FY 2005-06, and all three peer districts provide transportation above the State minimum, FCSD transportation data is presented both before and after the reductions in service, where applicable.

Students Transported

FCSD provided transportation to 979 students who attended 8 public and 7 non-public school sites during FY 2004-05. **Table 5-1** compares the number of students FCSD transported on Type-I District-owned yellow buses in FY 2003-04 and FY 2004-05 to the peer districts. Had the Board not reduced service levels to State minimum standards by eliminating high school transportation, it is reasonable to assume that the number of riders in FY 2004-05 would have been similar to the number of riders in FY 2003-04, before reductions were made.

Table 5-1: Total Regular & Special Needs Riders FY 2004-05

	Franklin CSD FY 2004-05 After Reductions	Franklin CSD FY 2005-06	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Type-I Active Buses	16	18	20	17	25	21
Regular Needs	938	1,550	1,374	1,257	3,227	1,953
• Public Riders	862	1,422	1,323	1,187	2,765	1,758
• Non-Public Riders	76	128	51	70	462	194
Special Needs Riders	41	42	19	55	42	39
Total Type-I Riders	979	1,592	1,393	1,312	3,269	1,991
Riders Per Active Bus	61.2	88.4	69.7	77.2	130.8	92.5
Number of Students (ADM) ¹	2,876	2,941	3,385	2,965	3,643	3,331
Total Type-I Riders as % of ADM	34.0%	54.1%	41.1%	44.2%	89.7%	58.3%

Source: Ohio Department of Education (ODE), T-1 Forms for FCSD and the Peer School Districts. Includes students transported on private or other vehicles, or those receiving payments in lieu of transportation.

¹ ODE Division of School Finance SF-3 Report

As indicated in **Table 5-1**, FCSD provided Type-I pupil transportation services to 938 regular needs and 41 special needs riders in FY 2004-05. Type-I services pertain to those provided on District-owned yellow buses and comprise the majority of transportation-related costs which are reimbursed by the Ohio Department of Education (ODE). The District fell 52 percent below the peer average in regular needs riders in FY 2004-05. This can be attributed directly to the fact that FCSD did not transport high school students during FY 2004-05.

As a result of FCSD reducing service levels, the total number of Type-I riders in FY 2004-05 decreased 52 percent from FY 2003-04. In FY 2004-05, Type-I riders represented 34 percent of FCSD's enrollment, compared to the peer average of 58 percent. In FY 2005-06, FCSD restored transportation to high school students. As a result, FCSD's 88.4 riders per bus was comparable to the peer average of 92.5

Operational Statistics

Table 5-2 summarizes key FY 2004-05 Type-I operating statistics and ratios for FCSD and the peers, as well as projections for FY 2005-06 for FCSD.

Table 5-2: FY 2004-05 Basic Operating Statistics

Operational Statistics	Franklin CSD FY 2004-05 After Reductions	Franklin CSD FY 2005-06	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Students Transported						
Regular Needs	938	1,550	1,374	1,257	3,227	1,953
Special Needs	41	42	19	55	42	39
Total	979	1,592	1,393	1,312	3,269	1,991
Miles Traveled						
Regular Students	109,620	197,820	296,100	213,840	470,340	326,760
Special Needs Students	35,460	33,660	93,240	9,720	35,640	46,200
Mile per Regular Bus	7,830	12,364	15,584	12,579	20,450	16,204
Miles per Special Needs Bus ²	17,730	16,830	93,240	N/A	17,820	55,530
Square Miles in District	31	31	76	78	108	87
Expenditures						
Total Regular Needs	\$499,828	N/A	\$761,557	\$782,632	\$1,495,761	\$1,013,317
Total Special Needs	\$199,471	N/A	\$85,782	N/A	\$80,716	\$83,249
Total Expenditures	\$699,299	N/A	\$847,339	\$782,632	\$1,576,477	\$1,068,816
State Reimbursements						
Regular Needs	\$459,191	N/A	\$542,025	\$472,264	\$790,000	\$601,430
Special Needs	\$43,329	N/A	\$46,305	N/A	\$24,396	\$35,351
Total	\$502,520	N/A	\$588,330	\$472,264	\$814,396	\$624,997
Percentage of Total Cost	71.9%	N/A	69.4%	60.3%	51.7%	60.5%
Operational Ratios:						
Regular Need Students						
Cost per Student	\$533	N/A	\$554	\$623	\$464	\$547
Cost per Mile	\$5	N/A	\$3	\$4	\$3	\$3
Cost per Bus	\$35,702	N/A	\$40,082	\$46,037	\$65,033	\$50,384
Students per Active Bus	67	97	72	74	140	95
Special Needs Students						
Cost per Student	\$4,865	N/A	\$4,515	N/A	\$1,922	\$3,219
Cost per Mile	\$11.25	N/A	\$0.92	N/A	\$4.53	\$2.71
Cost per Bus	\$99,736	N/A	\$85,782	N/A	\$40,358	\$63,070
Students per Active Bus	21	21	19	N/A	21	20
Buses						
Active, Regular Needs	14	14	19	17	23	20
Special Needs	2	2	1	N/A	2	1
Spare	12	8	9	6	11	9
Total	28	24	29	23	36	29

Source: FCSD and the peers, T-1 and T-2 Forms to ODE and interviews.

Note 1: Type-I services include transportation provided on district-owned yellow buses.

Note 2: In cases where a peer district has zero value, it was excluded in the peer average calculations.

¹ FY 2003-04 T-Forms were used to project FY 2005-06 operating ratios.

² Calculated by multiplying reported daily miles by 180 school days.

³ Includes spare buses because these contribute to overall operating costs.

N/A – Not available

Table 5-2 indicates that FCSD's transportation operation is more efficient when providing service that exceeds the State minimum requirements (FY 2005-06), than when providing the minimum level of service required (FY 2004-05). While operating at minimum standards, FCSD transported an average of 67 regular students per bus at a cost of \$533 per student. By operating above State minimum standards in FY 2005-06, FCSD increased its riders to 97 regular students per bus.

Also illustrated in **Table 5-2**, FCSD's FY 2004-05 regular needs students cost per mile was 45 percent higher than the peer average due to traveling 66 percent fewer miles and having a smaller sized district. However, the cost per bus and cost per student were 29 and 3 percent lower than the peer average, respectively. In FY 2004-05, FCSD maintained a fleet of 16 active and 12 spare buses to transport regular and special needs riders, both public and non-public. In FY 2005-06, the District is running 16 active buses transporting all students who wish to ride school transportation, including high school students.

FCSD's FY 2004-05 expenditures of \$699,299 for providing Type-I pupil transportation services were lower than all three peer districts and 35 percent lower than the peer average. Of the total expenditures, nearly 72 percent (\$502,520) were reimbursed by ODE, 19 percent higher than the peer average. However, the District exceeds the peer average in special needs riders and accompanying expenditures. FCSD expended \$199,471 on special needs transportation—higher than all three peer districts and 140 percent greater than the peer average. Despite this fact, the District received the lowest percentage in special needs reimbursement from ODE at 22 percent compared to the peer average reimbursement of nearly 43 percent. New Philadelphia CSD did not separate special needs transportation costs and was not included in the peer average for special needs.

Ohio AM. Sub. House Bill (H.B.) 66, effective June 30, 2005, made changes to the transportation reimbursement formula that will affect FCSD. The changes specify that instead of using the established transportation formula, each school district's payment for regular student transportation in FY 2005-06 and 2006-07 will increase 2 percent from the previous fiscal year. Also, the bill specified that, for FY 2005-06 and 2006-07, the local share of the calculated amount for transportation is 2 percent greater than in the previous year (instead of as prescribed under the transportation subsidy formula) for purposes of computing a district's charge-off supplement and excess cost supplement. Based on the reimbursement formula changes, FCSD will likely receive about \$518,000 in reimbursements for FY 2005-06 and \$523,000 in FY 2006-07.

Staffing

The Transportation Supervisor manages the District's transportation department and has supervisory responsibilities for bus drivers, aides, mechanic(s), and support staff. The Transportation Supervisor reports to the Business Manager. In the event of an absence, the Treasurer and the Assistant Superintendent's secretary perform transportation supervisory functions.

Table 5-3 compares FCSD's transportation-related staffing levels in full-time equivalents (FTEs) with those of the peers, as reported to ODE on the FY 2004-05 T-Forms.

Table 5-3: FY 2004-05 Transportation Staffing Level Comparison

Staffing	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Total FTEs	17.8	20.1	15.4	25.5	20.3
Bus Driver FTE	14.1	17.5	10.9	25.0	17.8
Total Number of Students Transported	979 ¹	1,393	1,312	3,269	1,991
Students Transported per Bus Driver FTE	69	80	120	131	110
Students Transported per Total FTE	55	69	85	128	94
Square Miles in District	31	76	78	108	87
Square Miles per Bus Driver FTE	2.2	4.3	7.2	4.3	5.3
Square Miles per Total FTE	1.7	3.8	5.1	4.2	4.4
Number of Active Buses	16	20	17	25	21
Routine Miles	145,080	389,340	223,560	505,980	372,960
Routine Miles Per Bus Driver FTE	10,282	22,248	20,510	20,239	29,999
Regular Routine Miles	109,620	296,100	213,840	470,340	326,760
Routine Miles per Regular Student	117	216	170	413	266
Routine Miles per Student	148	279	170	155	202

Source: FCSD and the peers, T-1 and T-2 forms to Ohio Department of Education and interviews.

¹ This figure did not include high school students due to reductions in transportation services in FY 2005.

FCSD and the peer districts own and operate the buses on which the students are transported, and the bus drivers, bus aides, and mechanic(s) are employees of the school districts. However, Southwest LSD contracts for the maintenance of its bus fleet.

FCSD used 17.8 FTEs to perform transportation related duties in FY 2004-05 while operating at the State minimum standards. FCSD has 14.1 bus drivers FTE compared to the peer average of 17.8 but otherwise has similar total staffing levels in comparison to the peer average. Despite a reduction in Type-I riders by not transporting high school students during FY 2004-05 school year and the elimination of four bus driver positions, FCSD is still 37 percent below the peer average for students transported per bus driver FTE. In addition, due to the fact that it is a smaller district, each FTE drives 51 percent fewer routine miles than the peer average. However, FCSD is providing high school transportation in FY 2005-06 which should bring the District more in line with the service levels offered by the peer districts.

The low number of students transported per bus driver FTE and students transported per total FTE during this period are an indication of the under-utilization of the buses and/or inefficient bus routing. It is significant to note that the ratio of students transported per bus driver FTE and per total FTE was comparable to the peer average in FY 2003-04 before the District reduced service levels. These ratios were again similar to the peer averages in FY 2005-06 as FCSD reinstated high school transportation. The number of routine miles per FTE for FCSD was approximately 26 percent and 51 percent below the peer average before and after reduction of service respectively. This may be attributed to the size of the District, which is only 31 square miles -- an area significantly smaller than the average square mileage of 87 miles for the peer districts.

Noteworthy Accomplishments

During the course of the audit, the following best practices or noteworthy accomplishments were identified within the District:

- ***Payment-In-Lieu:*** In FY 2004-05, FCSD accommodated more students under the payment-in-lieu of transportation arrangement than any of its peers. FCSD also had the lowest cost per student under the payment-in-lieu arrangements. The District's cost per student in the payment-in-lieu program was approximately 40 percent lower than the peer average.
- ***Multi-Tier Routing:*** In FY 2005-06, the District adjusted its staggered bell schedule, with the elementary schools starting 15 minutes later. This enabled the District to double its multi-tier routes from 6 in FY 2004-05 to 13 in FY 2005-06.

Assessments Not Yielding Recommendations

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

- **Staffing Levels:** As a result of a reduction in Type-I riders by not transporting high school students during FY 2004-05, FCSD eliminated four of its bus driver positions. For this time period, the District was not overstaffed in comparison to the peer average. Further, FCSD is once again offering high school transportation in FY 2005-06 which brought staffing ratios to levels similar to the peer districts.
- **Field Trips:** FCSD has a comprehensive field trip policy whereby the process for scheduling, requesting, and approving trips is effectively communicated throughout the District. FCSD charges the actual costs associated with non-curriculum related field trips to the responsible groups or organizations within the schools. FCSD now charges outside organizations the actual cost for non-routine services provided by the District's transportation department.
- **Routing Efficiency and Bell Schedule:** FCSD schools are on a multi-tiered bell schedule that allows most buses to complete multiple runs within its route design in FY 2005-06. In FY 2004-05, FCSD transported 67 regular students per bus which was nearly 30 percent fewer students per bus than the peer average. However, in FY 2005-06, after restoring high school transportation, FCSD is transporting 97 regular students per bus, 2.1 percent higher than the FY 2004-05 peer average. (See **Table 5-2**).
- **Routing Software:** The District recently purchased Transfinder routing software which it has yet to install. According to the Treasurer, the routing software is being installed and should be ready for use by the beginning of FY 2006-07. By installing and using the purchased routing software, the District should become more proficient in generating routing sheets and maps and eliminate unnecessary routes and improve operating efficiency.
- **Insurance Purchases:** FCSD's bus insurance coverage exceeds State minimum requirements while still maintaining insurance expenditures in line with the peer average.

Recommendations

- R5.1 FCSD should establish formal policies and procedures for completing its T-Forms. This will help to ensure that reports are accurate, comply with ODE instructions, and are completed in a timely manner. Moreover, formal policies and procedures will help to ensure that the District continues to report costs accurately and receive all the State reimbursement for which it is eligible.**

The District does not follow formal standard policies and procedures for completing T-forms. An informal process exists, whereby the Transportation Supervisor works collaboratively with the Business Manager and the Business Manager's Secretary to compile and submit the information to ODE. Due to the vacancy in the position of Business Manager, the Treasurer assisted in the completion of the T-forms for FY 2004-05. The District indicated that it understated FY 2004-05 special needs student ridership, reporting 41 riders on the T-1 Form while reporting 33 on the T-2 Form. Implementing formal policies and procedures for completing the T-Forms should ensure all numbers submitted to ODE are accurate and the figures on both T-Forms (T-1 and T-2 Forms) match. According to ODE, the number of special needs riders reported on the T-1 Forms are used to calculate the reimbursement due to the District.

Without policies and procedures that identify the process for completing the T-Forms and for reviewing their accuracy and completeness, FCSD risks submitting incorrect information. The use of inaccurate information can lead to poor management decisions which may unnecessarily increase expenditures and/or cause the District to not fully recoup the cost of providing transportation services.

Both direct and indirect costs should be charged to the transportation department. The Business Manager, in cooperation with the Treasurer should then develop a method for allocating costs between routine and non-routine use of buses. Once costs are identified for the routine use of buses, a method should be developed for allocating routine costs to regular and special needs student transportation. All methods for identifying and allocating costs should be approved by the Superintendent. The Treasurer's Office should verify adherence to FCSD procedures before approving the T-Form reports.

According to the 2003 report, *Student Transportation in Ohio* by the Legislative Office of Education Oversight (LOEO), accuracy problems for transportation-related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. One recommendation made by LOEO was that ODE should continue to work with school districts to improve the accuracy of the data submitted regarding the number of students transported, the average daily bus miles per student, and the cost of transportation

services. The first step in ensuring accurate data is for a district to create and adhere to formal policies and procedures that govern the submission of district T-Forms.

The Transportation Supervisor and the former Secretary to the Assistant Superintendent attended an ODE training session on web-based T-Form reporting in FY 2004-05. The purpose of this training was to provide guidance on how to complete T-Forms correctly. If FCSD personnel need assistance with completing the T-Forms or clarification regarding ODE expectations, they should contact the ODE Pupil Transportation Office and continue to attend the free training sessions offered by ODE.

R5.2 FCSD should develop a formal written preventive maintenance program for its bus fleet and consistently document maintenance performed on each bus. A formal preventive maintenance program that is periodically updated will provide the transportation department with a management tool for monitoring and scheduling bus maintenance and replacement. An effective preventive maintenance plan requires that all preventive maintenance and repair activities be prioritized and scheduled for maximum shop efficiency. In addition, all non-emergency maintenance activities should be scheduled based on the equipment's priority to the user, and to maximize the effectiveness of available shop space and manpower.

The District formally requires its drivers to conduct preventive bus inspections and make reports on a daily basis. In accordance with OAC 3301-83-11(B),⁵⁻¹ inspections are made in a number of areas, including warning lights, doors, engine performance, fuel, mileage, and tires. FCSD employs one in-house mechanic who performs repairs on school buses. In addition, the District maintains schedules of all routine maintenance and repairs to be performed on a monthly and annual basis. However, FCSD does not have a documented preventive maintenance policy for its fleet. The District uses its driver logs to track mileage and ensure that maintenance is completed in a timely manner. FCSD manually maintains maintenance records for each bus which are stored at the transportation office.

According to Versatrans Solution's Fleetvision software, an effective preventive maintenance plan should keep the vehicles in the fleet in top running condition, ready to take the next trip. To accomplish this, the District should do the following:

⁵⁻¹ As stipulated in the Ohio Administrative Code (OAC) 3301-83-22 school buses and other vehicles used to transport school children shall be maintained in a safe operating condition through a systematic preventive maintenance program. Specifically, as outlined in OAC 3301-83-11(B), bus drivers are responsible for completing and documenting daily, pre-trip inspections of school buses prior to transporting pupils. Furthermore, it is the responsibility of school bus owners (i.e., school districts) to provide each driver with all inspection forms for inspection and documentation purposes.

- Schedule numerous preventive maintenance procedures for each vehicle, decreasing unscheduled vehicle repairs and downtime;
- Specify, in number of days, miles, hours, or gallons of fuel desired preventive maintenance service intervals; and
- Automatically update the preventive maintenance status for a vehicle upon completion of a work order.

FCSD's newly purchased routing software which is currently being installed does not have the capability to schedule preventive maintenance of the buses.

While a preventive maintenance program could be developed manually, it would be time consuming and somewhat inflexible. Computer software is available that can be used to develop a preventive maintenance program for its fleet. Automated preventive maintenance systems are able to provide the following operational functions:

- Scheduling of preventive maintenance;
- Tracking of component warranties;
- Tracking of fuel and part inventories;
- Monitoring of fuel consumption;
- Provision of a work order process; and
- Producing timely and factual reports based on live data.

Preventive maintenance software is available through several software vendors. FCSD's current routing software, Pro Version, does not have a preventive maintenance tracking and scheduling capabilities. However, there is a newer Fleet Management (FM) version which can perform the preventive maintenance function as well as additional functions. The District could upgrade to the FM version for a one-time cost of \$2,295 for a single license or \$4,445 for unlimited licenses. If this upgrade is purchased, it will also cost \$595 in additional support for a single user and \$1,000 for multiple users.

The benefits of such a system would be more accurate and timely information for decision-making related to fleet maintenance and replacement which could extend the useful life of the fleet.

According to the Public Works Management Practice Manual, preventive maintenance can reduce disruptions caused by equipment breakdown that often create an emergency. Commitments for planned work should carry a high priority so that disruption of work by breakdown is avoided. The lack of a preventive maintenance plan at FCSD may increase the likelihood that frequent, expensive, and disruptive emergency repairs will occur.

Financial Implication: The cost to purchase FleetVision's single user maintenance software with the first year support would be \$2,295. This cost includes unlimited toll-free telephone technical support for the first year. After the first year, technical support would cost \$595 annually. However, this service is optional and the District may not need it beyond the first year.

R5.3 FCSD should track the price it pays for diesel fuel to ensure it is competitive with the price available from the Ohio Department of Administrative Services (ODAS). If FCSD finds that the local supplier's price is consistently above the ODAS bid price, it should consider competitively bidding out fuel procurement or using the ODAS contract.

According to the T-Forms submitted to ODE, FCSD's FY 2003-04 total fuel expenditures were significantly lower than the peer districts. FCSD has 31 square miles in the District, less than any of the peers and the peer average of 87 square miles, requiring FCSD to use less fuel. In addition to total fuel expenditures, ODE reports fuel purchases as a price per gallon average. In FY 2003-04, FCSD paid \$2.10 per gallon, 8.1 percent higher than the peer average of \$1.93.

Location has a major impact on fuel prices throughout the State. As a result, fuel prices in and around the peer districts may be priced significantly higher or lower than prices near FCSD. As a result, FCSD's fuel expenditure levels are determined by current local market prices. FCSD does not have a formal policy for fuel procurement, and has historically relied on a local vendor to fill all fuel-related orders. FCSD is not a member of a fuel purchasing consortium, such as that offered by ODAS. Furthermore, it does not regularly solicit competitive bids or issue requests for proposals for fuel procurement. The District attempts to minimize its fuel-related costs by maintaining two centralized fuel tanks onsite, purchasing fuel in bulk, and submitting appropriate documentation for refunds. The District receives reimbursement from the Ohio Department of Taxation (ODT) for fuel taxes paid.

FCSD is eligible to purchase fuel using the State contracted rate. The ODAS Office of State Purchasing uses a bidding process to purchase gasoline and diesel fuel. In accordance with Ohio Revised Code (ORC) § 125.04, the ODAS director may permit a county, township, municipal corporation, or school district to participate in contracts into which ODAS has entered for the purchase of certain supplies, services, materials, and equipment.

The State contract rate for diesel fuel fluctuates weekly based on the wholesale rate (rack rate) published in the *Oil Price Information Service*. The formula for fuel purchases stated in the contract is based on the weekly rate plus regional delivery cost differentials

and applicable taxes. The contract for diesel fuel can be found on the procurement section of the ODAS website.

By monitoring local fuel prices and comparing them to the ODAS contract price, FCSD could minimize significant increases in cost due to fuel pricing fluctuations and help ensure the District's method of fuel procurement remains cost effective. If the District chooses to use the State contract, there will be an additional cost of approximately \$110 annually to join the State cooperative. However, according to ODAS, school districts who are members or those that decide to join the Cooperative Purchasing Program during FY 2006 do not have to pay the annual fee of \$110 for this school year. Such districts are required, however, to pass resolutions that allow enlistment with the program. Because FCSD has an onsite storage tank, it should be able to meet the ODAS contract requirement for tank deliveries of 250 gallons and avoid shipping charges.

Financial Implication: The average rate for the ODAS Cooperative Purchasing Program in FY 2005 was approximately \$1.98 per gallon. In comparison, FCSD's fuel cost per gallon during the same period was \$2.10; a difference of \$0.12 per gallon. By purchasing fuel through the ODAS Cooperative Purchasing Program, FCSD could save approximately \$2,800 annually, assuming FY 2004-05 fuel prices and the purchase of 23,020 gallons.

R5.4 FCSD should reduce the number of spare buses by at least 6 (including the 2 non-functional buses) to comply with the ODE guideline which states that approximately 1 in 4 buses are typically reserved as spares. These reductions should include some of the District's older, higher-mileage spare buses. Reducing the number of spare buses will result in a cost-savings for the District.

The following table compares FCSD and peer bus fleet ratios and percentages, as they pertain to spares. According to ODE, approximately 1 in 4 buses are typically reserved as spares.

Table 5-4: FY 2004-05 Spare Bus Fleet Comparison with Peers

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Bus Fleet	28	29	23	36	29
• Active Buses	16	20	17	25	21
• Spare Buses	12	9	6	11	9
Spare Buses as a Percentage of Total Bus Fleet	42.9%	31.0%	26.1%	30.6%	29.2%

Source: ODE

Based on **Table 5-4**, FCSD typically operates and maintains a higher percentage of spare buses, compared to the peers. In FY 2005-06, the District maintained the size of its fleet at 28, using 17 active and 11 spare buses (2 of the 11 buses are non-functional and not in use) instead of the 16 active and 12 spare buses it maintained during FY 2004-05. FCSD has added only one route despite a significant increase in Type-I ridership caused by the return of high school transportation.

Assuming FCSD reduces the size of its fleet by 2 spare buses (by eliminating the 2 non-functional buses), as recommended, it would be equal with the peer average. However, with 17 active buses and 11 spare buses for FY 2005-06, FCSD will still need to reduce its fleet by 4 additional spare buses to be in line with ODE guidelines.

Financial Implication: By eliminating 6 buses from the fleet, the District can avoid \$360,000 in total replacement costs. Averaged over 5 years, this represents an annual cost avoidance of \$72,000. In addition, FCSD can achieve \$6,264 in annual cost savings by reducing bus insurance expenditures. Finally by selling the four operational spare buses, FCSD may be able to generate up to \$6,000, based on current market prices and avoid approximately \$15,000 in potential maintenance cost.

R5.5 Franklin CSD should establish a formal bus replacement plan to ensure it is properly planning and budgeting for the purchase of new buses. FCSD should implement, and periodically update, a plan which establishes criteria for bus replacement based on the age, mileage, and condition of the buses, and monitors operating costs and safety inspections to determine when buses should be replaced. In addition, District enrollment projections should be considered to determine future fleet sizes. By formalizing a replacement plan, FCSD will be better able to plan for future expenditures while maintaining an adequate bus fleet for current enrollment levels.

FCSD does not maintain a formal bus replacement schedule. The District has historically replaced buses on an ad hoc basis; buying buses based on the availability of financial resources. The District has no set policies or procedures to dictate when buses should be replaced, nor does it have a process for allocating revenues for bus replacement.

According to GFOA's, *Best Practices in Public Budgeting*, a government should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. These policies and plans help ensure that needed capital assets or improvements receive appropriate consideration in the budgeting process, and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures.

It is widely accepted that it is more costly to operate and maintain older school buses than newer school buses according to the National Association of State Directors of Pupil Transportation Services (NASDPTS). However, the vehicle age at which the total operating costs of an older bus versus a newer bus becomes intolerable is not an exact science. Therefore, districts should monitor operating costs and safety inspections to determine when buses should be replaced. Finally, future bus purchases should take into consideration District enrollment projections (see the **facilities** section) and future bus ridership levels based on historical trends and the community's desired level of service.

There are no State guidelines for bus replacement beyond the requirement that buses must be able to pass the annual Ohio Highway Patrol inspection. However, according to the National Association of State Directors of Pupil Transportation Services (NASDPTS), independent studies of annual school bus operating costs indicated that after 12 years of use, the annual operating costs of school buses begin to increase significantly and continue to increase each year thereafter. NASDPTS recommends replacing diesel buses after 250,000 miles. In FY 2002-03, the State average age of bus replacements reimbursed by ODE was 16 years, with an average mileage of 210,000. Bus replacements ranged in age from 12 to 25 years, and in mileage from 140,103 to 260,615.

As long as a bus can pass the annual inspection, a district may continue to use it for transportation, regardless of age or mileage. The FCSD transportation supervisor indicated that all District buses passed the safety inspections in FY 2004-05 and FY 2005-06.

As noted above, effective bus replacement plans include enrollment projections. According to ODE, FCSD enrollment in grades K-8 has decreased at an average annual rate of 0.2 percent – or about 5 students per year, since 1995. FCSD's enrollment in grades K-8 and grades 9-12 has decreased at an average annual rate of 0.3 percent – or about 10 students per year, since 1995. This is an indication that FCSD should consider reducing the size of its fleet. Without fleet (and corresponding staffing level) reductions based on projected enrollment, the District may continue to experience higher personnel, fuel, and insurance costs.

Based on NASDPTS benchmarks, the District will need to replace 16 buses within the next 5 years. Specifically, 10 buses reached the 12-year benchmark by FY 2004-05, in addition to one bus which could possibly reach the 250,000 mile benchmark in this same year. In the next four fiscal years, five of the remaining buses will reach the 12-year benchmark. Assuming FCSD decides not to eliminate buses and replaces these buses in accordance with established benchmarks, it will incur a total cost of \$960,000, which can be offset, at least in part, with available ODE subsidies.

Statewide, ODE bus replacement subsidies have decreased significantly (55.1 percent) since FY 2001-02. This has negatively impacted the amount of subsidies that school districts receive annually. Compared to peer averages, FCSD receives similar bus replacement subsidies and has experienced a similar average annual percentage decrease (18.8 percent) since FY 2001-02.

Table 5-5 displays FCSD's projected bus replacement subsidies over the next five years, assuming the current average annual percentage decrease (18.8 percent) remains constant.

Table 5-5: FCSD Five-Year Bus Replacement Subsidy Forecast

	Actual FY 2004-05	Projected FY 2005-06	Projected FY 2006-07	Projected FY 2007-08	Projected FY 2008-09	Projected FY 2009-10
Bus Replacement Subsidy	\$17,252	\$14,009	\$11,375	\$9,237	\$7,500	\$6,090

Source: Auditor of State of Ohio

Assuming recent trends remain constant, the District's share of bus replacement costs will increase significantly over the next five years. This, in conjunction with declining enrollment, increases the need for formal bus replacement planning.

According to ODE, it typically costs about \$60,000 to purchase a new school bus. Therefore, in FY 2005-06, the District's projected bus replacement subsidy (\$14,009) will represent approximately 23 percent of the total cost necessary to replace one bus. According to the NASDPTS, the timely replacement of school buses must be a planned process, and funding availability is likely to be the single most important consideration in determining the replacement schedule.

Table 5-6 illustrates the District's projected five-year bus replacement schedule, with accompanying costs and expected subsidies. This schedule assumes that FCSD makes no fleet reductions and strictly follows NASDPTS established age and mileage benchmarks for replacement.

Table 5-6: Five-Year Bus Replacement Schedule

Assumes No Fleet Reductions	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Number of Buses to be Replaced¹	11	3	1	1	--
Replacement Cost	\$660,000	\$180,000	\$60,000	\$60,000	--
Projected Bus Subsidy	\$17,252	\$11,375	\$9,237	\$7,500	\$6,090
Projected District Cost	642,748	\$168,625	\$50,763	\$52,500	\$(6,090)

Source: AOS

¹ R5.3 Recommends that FCSD eliminates 4 spare buses which are included.

Financial Implication: Assuming the District makes no changes to its fleet size, it can expect to pay at least \$915,000 for bus replacements over the next 5 years – an average annual cost of \$182,900. This also assumes that historical trends in ODE bus subsidies remain constant.

R5.6 FCSD should develop a purchasing manual that outlines standard language and the delegation of responsibility for the development and review of all specifications related to the transportation purchasing process. Included in this manual should be processes for competitive bids, requests for proposals (RFP), and requests for qualifications (RFQ) to ensure accountability, continuity, and the selection of quality vendors. FCSD should compare costs for goods (e.g., fuel and tires) sold through the ODAS, as a regular practice (See R5.3). Finally, after review by legal counsel and approval by the Board, FCSD should provide periodic training for all department heads and supervisors on the District’s purchasing policies and procedures to ensure that each employee maintains the highest level of accountability for public funds.

FCSD does not have a formal purchasing policy which governs the determination of competitive prices for transportation supplies, services, or fuel. Instead, the District’s mechanic seeks the lowest prices on all supplies associated with school bus maintenance and repairs. FCSD has maintained a standing purchase order with its fuel supplier for over 15 years without seeking competitive pricing. In the absence of well-documented purchasing policies and procedures, FCSD personnel may be purchasing products and services without regard for optimal sourcing arrangements which could result in inappropriate or overpriced purchases.

According to the Voinovich Center for Leadership and Public Affairs at Ohio University, effective contract management assures the community that taxpayer dollars are spent strategically and wisely, including control over what is to be purchased, by whom, for what purpose, with what results, and at what price. The purchasing authority must be able to demonstrate consistent, fair, and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers. Professionally developed policies and consistently applied contract administration procedures provide these assurances to the community.

Table 5-8 compares FCSD’s transportation-related supply expenditures to those of the peer averages.

Table 5-8: FY 2003-04 Transportation Supply Expenditure Comparison

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Buses ¹	28	29	23	36	29
Maintenance Supplies	\$20,959	\$467	\$5,673	\$0.0	\$3,070
Per Bus	\$749	\$16	\$247	0.0	\$132
Tires & Tubes	\$5,029	\$8,608	\$8,143	\$7,071	\$7,941
Per Bus	\$180	\$297	\$354	\$196	\$282
Total Supplies					
Expenditures	\$25,988	\$9,075	\$13,816	\$7,071	\$9,987
Per Bus	\$928	\$313	\$601	\$196	\$370

Source: Ohio Department of Education

Note 1: In cases where a peer district has zero value, it was excluded in the peer average calculations.

Note 2: Southwest LSD contracts out maintenance and repair. Therefore, no maintenance supplies costs are shown in the table.

¹ Includes active and spare buses as they contribute to overall operating costs.

FCSD exceeded the peer average in total transportation-related supply expenditures by approximately 150 percent in FY 2004-05. This could be attributed, in part, to the fact that the District is maintaining a larger fleet. Furthermore, FCSD pays significantly more per bus for maintenance supplies (excluding tires and tubes). This can be attributed, in part, to the age and mileage of the buses. In addition, the District has a relatively high level of Type-I special needs services and costs compared to the peer average. While the District cannot arbitrarily decrease the number of special needs riders it transports as a means of reducing operational costs, it should continue to ensure that it minimizes transportation-related expenditures by soliciting competitive bids and/or issuing RFPs for supplies. In addition, the District should formalize a bus replacement plan to help eliminate problem buses and potentially decrease the size of its fleet.

Financial Implication: Assuming FCSD can reduce its maintenance supplies expenditures per bus to a level commensurate with the FY 2004-05 peer average (\$132), it could achieve annual cost savings of approximately \$17,000 (\$607 per bus).

R5.7 Franklin CSD should explore the following options in an attempt to implement strategies to reduce its special needs transportation costs:

- **Actively promote the use of parent/guardian contracts.** While parents cannot be required to provide transportation, Franklin CSD can promote the use of these contracts with the goal of decreasing the total number of special needs students transported on District buses.

- Periodically continue to review alternatives, such as contracting for transportation services and partnering with neighboring Districts, in an ongoing effort to minimize special needs transportation costs.
- Involve the transportation supervisor in the individualized education plan (IEP) process, which may result in more special needs students transported on regular buses or the creation of other arrangements for alternative transportation.
- Explore the cost effectiveness of mini-buses to transport special needs students. Mini-buses are less costly to operate and should be used whenever possible in place of standard buses.

Table 5-9 compares FCSD’s total special needs transportation expenditures to those of the peers. Figures include both Type-I and non-Type-I services.

Table 5-9: FY 2004-05 Special Needs Transportation Expenditure Comparison

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average ¹
Special Needs Expenditures	\$199,471	\$85,782	N/A	\$80,716	\$83,249
Special Needs Students	41	19	55	42	39
Special Needs Expenditures per Student	\$4,865	\$4,515	\$0.0	\$1,922	\$3,219

Source: ODE

Note 1: Type-I services include transportation provided on district-owned yellow buses.

Note 2: Non-Type-I services include transportation provided by outsourced yellow buses, public transit (e.g., taxis), district-owned vehicles other than yellow buses, or privately-owned vehicles.

¹ In cases where a peer district has zero value, it was excluded in the peer average calculations.

N/A-Not available

FCSD transported 41 special needs students in FY 2004-05, using two buses. Its total special needs-related transportation expenditures were significantly higher than the peer average. As Table 5-9 indicates, the District’s FY 2004-05 special needs transportation expenditures were approximately 150 percent higher than the peer average.

Pursuant to ORC § 3327.01, transportation must be provided for pupils attending special education classes for educable mentally retarded children. According to ODE, providing pupil transportation and meeting the specific needs of students with special needs has become increasingly complex. Of the more than 1.3 million students transported at public expense, more than 48,000 are students with disabilities. Because of the increased number of students participating in special needs programs, the subsequent need to

provide more programs and facilities has been addressed by increasing the availability of such programs within the students' home school area. An immediate impact is the necessity to provide transportation services to a new client base that previously has not been a burden on the transportation department.

As stipulated in OAC 3301-51-07(A), "each school district shall adopt and implement written procedures...that ensure an IEP is developed and implemented for each child with a disability." Furthermore, as stipulated in OAC 3301-51-07(E), when forming an IEP team, districts should include the following as IEP team members:

- The child's parents;
- The child, if appropriate;
- At least one regular education teacher of the child;
- At least one special education teacher of the child;
- A representative of the school district who is qualified to provide or supervise the provision of specially designed instruction;
- An individual who can interpret the instructional implications of evaluation results; and
- Other individuals who have knowledge or special expertise regarding the child, including *related services personnel*, as appropriate.

School districts can negotiate parental/guardian contracts for the transportation of special needs students by following guidelines set forth in OAC 3301-83-21. According to ODE, most contracts are established on a per mile basis. The Board negotiates with the parent/guardian to set a mileage rate with resulting payments based on miles traveled. Neither FCSD, nor any of the peer Districts have established parent/guardian contracts. Nevertheless, establishing and actively promoting parent/guardian contracts could help the District reduce special needs transportation costs.

FCSD has previously reviewed the possibility of contracting for transportation services and partnering with neighboring districts, but determined such arrangements to be impractical and potentially more costly due to the size of the District and minimal options for contracted services. Because of the District's demographics, and as available contracting services continually change, it must continue to review these alternatives to ensure that special needs transportation costs are being controlled and minimized.

Mini-buses may be an efficient option for FCSD as they are less costly than standard buses to purchase and have lower operating costs due to better fuel mileage. According to the NASDPTS, the use of passenger vans to transport children to and from school and school-related activities has become a significant issue. In an apparent effort to reduce transportation costs, some school districts across the nation have purchased or leased full-

sized passenger vans with capacities of more than 10 persons, and/or mini-vans with capacities under 10 passengers, in lieu of school buses.

FCSD transported 41 special education students in FY 2004-05 using two buses, the highest number of special needs students transported among the peer districts. The District's average transportation cost per special needs student of \$4,865 was also the highest among the peer districts. Implementing one or more of the above options may enable FCSD to reduce transportation costs for special needs students.

Financial Implication: If the implementation of one or more of the recommended options reduces the special needs cost per student closer to the peer average of \$3,219, FCSD could save approximately \$67,000 per year.

R5.8 FCSD should continue to promote payment-in-lieu of transportation agreements to further reduce the cost of school transportation. Also the District should continue to review routes to non-public schools and out-of District sites to increase ridership per bus. Increased ridership could reduce the number of routes.

ORC § 3327.01, stipulates that a district's board of education is not required to provide transportation where it is impractical to do so by school conveyance (i.e., district-owned yellow buses). In determining whether transportation is "impractical," a board must consider the following factors [ORC § 3327.02(A)]:

- Time and distance required to provide transportation (ODE recognizes 30 minutes as a maximum benchmark);
- Number of pupils to be transported;
- Cost of related equipment, maintenance, personnel, and administration;
- Similarity or equivalence of services provided to other pupils who are eligible to receive transportation;
- Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and
- Whether other reimbursable types of transportation are available (e.g., Type-IV or payment-in-lieu).

Once a determination of impracticality has been made, the board must offer payment-in-lieu of transportation to the pupil's parent or guardian [ORC § 3327.02(C)]. Payment-in-lieu riders and related expenditures are classified as Type-IV on a school district's T-Forms. According to the Ohio Attorney General, a board of education may declare transportation "impractical," and make payments to parents/guardians in lieu thereof, only where the board has a legal obligation to provide transportation otherwise. Thus, a board may not declare high school transportation impractical due to lack of funds [1981 OAG No. 025].

Table 5-10 compares FCSD's Type-IV riders and expenditures with those of the peers.

Table 5-10: FY 2004-05 Type IV Expenditures: Payment-in-Lieu Comparison

	Franklin CSD	Ashland CSD	New Philadelphia CSD	Southwest LSD	Peer Average
Total Type-I Riders	979	1,393	1,312	3,269	1,991
Type-I Non-Public/Community School Riders	81	100	15	216	110
• As a Percentage of Total Type-I Riders	8.3%	7.2%	1.1%	6.6%	5.0%
Type-IV Payment-in-Lieu Riders	9	6	3	3	4
• As a Percentage of Non-Public/Community School Riders	11.1%	6.0%	20%	1.4%	9.1%
Type-IV Expenditures	\$1,075	\$1,489	\$516	\$516	\$840
• Per Type-IV Rider	\$119	\$248	\$172	\$172	\$197

Source: ODE

As shown in **Table 5-10**, although FCSD transports fewer overall Type-I riders compared to the peer average, it transports a significantly higher percentage of non-public/community riders. This increases the likelihood that a higher number of students may be declared "impractical" to transport and offered payment-in-lieu. It should be noted that payment-in-lieu riders were more cost effective for FCSD than regular Type-I riders in FY 2004-05. The District's total Type-IV riders exceeded the peer average in FY 2004-05, and Type-IV expenditures fell below the peer average on a per rider basis.

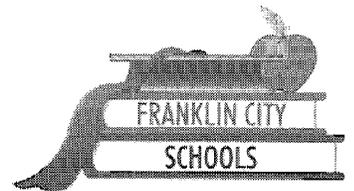
By actively promoting and establishing payment-in-lieu of transportation agreements for non-public school students, districts can reduce regular needs transportation costs. In order to maximize savings, however, school districts should identify specific pick-up points comprising mostly non-public school students and determine if these stops can be eliminated by establishing payment-in-lieu of transportation agreements. Reductions in the number of cluster stops may result in the elimination of one or more routes. In FCSD's case, the District could be aided by installing and fully using its routing software.

Financial Implications Summary

The following table represents a summary of the estimated revenue enhancements, annual cost savings and cost avoidances, and one-time costs for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications

Recommendation	One Time Revenue Enhancement	Estimated Annual Cost Savings/Avoidance	Annual Costs
R5.3 Track price of fuel		\$2,800	
R5.4 Sell 6 spare buses	\$6,000	\$93,264	
R5.5 Establish a formal bus replacement plan			\$182,900
R5.6 Use competitive bidding to reduce maintenance supplies costs		\$17,000	
R5.7 Reduce special education transportation costs through use of alternative transportation		\$67,000	
Total	\$6,000	\$180,064	\$182,900



April 28, 2006

Auditor of State
Betty D. Montgomery
Lausche Building
615 Superior Ave., NW, Twelfth Floor
Cleveland, OH 44113-1801

Dear Auditor Montgomery:

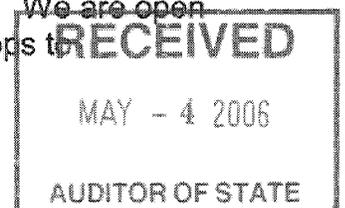
The Franklin City Board of Education and the central office administrators received the final draft of the performance audit on April 24, 2006, in a post-audit conference. Prior to the audit, the Franklin City Schools had been placed in fiscal caution. Though the district made substantial reductions and subsequently passed a levy in August 2006, the performance audit is imperative to enacting fiscally sound practices.

Edna Frezgi, Senior Audit Manager, served as the lead on the team. Her organization and management of the process are to be commended. Other audit team members also should be complimented on their contributions to the audit report. Franklin had a very beneficial experience and final result.

The recommendations will be thoughtfully considered and used as we prepare for financial stability and begin developing a master building plan for our district.

Some of the recommendations cited in the performance audit have already been implemented or are in the discussion stage. These include the following:

1. The district has already provided public access to its financial information through the district web site. This includes posting of the five-year financial forecast and assumptions, historic information, projections and comments by the Treasurer.
2. We have started to monitor enrollment in all classrooms district-wide. This includes high school vocational classes. We are requiring a minimum of 15 students be enrolled in all high school vocational classes to maximize state funding and to ensure resources are used efficiently. We are open to combining classes and eliminating staff if enrollment drops to manageable levels for fewer teachers.



3. We have started a computerized maintenance request management system. This has allowed us to begin tracking maintenance requests, labor, supplies, material, and time. We have been able to use our current Lotus Notes email system, which has greatly reduced the cost to implement the system.
4. We have initiated discussions with our Board of Education to join the Ohio School Facilities Commission (OSFC) in order to begin developing a comprehensive facilities master plan that will include an analysis of all school buildings, a 10-year enrollment projections study and capacity analysis. Along with this, we will begin developing a 5-year capital improvement plan that will be updated annually to utilize levy funds that were set aside for major repairs and equipment replacement.

The auditor's office has provided a service that we could not have done without. The performance audit can only enhance the district's efforts. Thank you for this very useful process and final document.

Sincerely,



Steven M. Buerschen, Ed. D
Interim Superintendent

SMB/ld

cc Jana Bellamy , Treasurer