



Mary Taylor, CPA
Auditor of State

YOUNGSTOWN
CITY SCHOOL DISTRICT
PERFORMANCE AUDIT

FEBRUARY 7, 2008



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Auditor of State

To the Residents, Financial Planning and Supervision Commission, and Board of Education of the Youngstown City School District:

The Ohio Department of Education (ODE) placed Youngstown City School District (YCSD) in fiscal caution on March 2, 2006 due to anticipated deficits. The fiscal oversight designation was elevated to fiscal watch on June 16, 2006, and subsequently to fiscal emergency on November 16, 2006. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declarations of fiscal caution, watch and emergency.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of YCSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a discussion of the fiscal designations; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study, assessments not yielding recommendations, and financial implications. This report has been provided to YCSD, and its contents discussed with the appropriate officials and District administrators. The District has been encouraged to use the results of the performance audit as a resource to further improve 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 "Robert R. Hinkle".

Robert R. Hinkle, CPA
Chief Deputy Auditor

February 7, 2008

Executive Summary

Project History

ORC § 3316.042 permits AOS to conduct a performance audit of any school district in a state of fiscal caution, watch, or emergency, and review any programs or areas of operations in which it believes that greater operational efficiency, effectiveness, and accountability can be achieved. The Ohio Department of Education (ODE) placed Youngstown City School District (YCSD or the District) in fiscal caution on March 2, 2006 due to anticipated deficits. The deficits at that time were projected to be \$4,407,000 and \$10,816,000 for fiscal years FY 2005-06 and FY 2006-07, respectively. The fiscal oversight designation was elevated to fiscal watch on June 16, 2006 because the District failed to submit an acceptable fiscal watch recovery plan in accordance with ORC § 3316.04. As a result, YCSD was selected to receive a performance audit. The District was placed in fiscal emergency in November 2006.

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

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

District Overview

YCSD operates under a locally elected Board of Education consisting of seven members and is responsible for providing public education to students. YCSD is located in Mahoning County and in FY 2005-06, received approximately 74 percent of its revenues from the State and 22 percent from local property taxes. In FY 2005-06, the District's per pupil expenditures equaled \$9,777. YCSD met 5 of the 25 performance standards (20 percent) outlined in the District report card administered by ODE for FY 2005-06, which resulted in an academic watch designation. However, this was an improvement from FY 2004-05 when the District met only 1 of 23 performance standards, or approximately four percent of the standards.

The District is undergoing an Ohio School Facility Commission (OSFC) project to build new school buildings and demolish old school buildings. During FY 2005-06, YCSD operated 18 schools: 4 middle schools, 3 high schools, 10 elementary schools, and 1 vocational school. During FY 2006-07, YCSD operated 19 schools: 4 high schools, 4 middle schools, 10

elementary schools, and 1 vocational school. The District had a total of approximately 1,330 full-time equivalent (FTE) employees consisting of approximately 73 administrative FTEs, 703 professional education FTEs, 39 professional FTEs, and 515 classified and other support staff FTEs. The District's average daily membership (ADM) was 8,013 students in FY 2006-07.

The District submitted an updated five year financial forecast on December 31, 2006. This forecast shows deficits at approximately \$10.7 million in FY 2006-07 and \$13.2 million in FY 2007-08, but also shows the District regaining financial stability in FY 2010-11 with a positive ending fund balance of approximately \$3.0 million. Youngstown residents voted against a 9.5 mill levy in November 2006.

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 emergency declaration. The following major assessments were conducted in this performance audit:

- Key financial management practices such as forecasting, management and stakeholder reporting, planning, budgeting, and purchasing were reviewed in the financial systems section.
- District-wide staffing levels, collective bargaining agreements, and benefit costs were assessed in the human resources section.
- Custodial and maintenance operations, including staffing, policies and procedures, energy management practices, and the work order process were examined in the facilities section.
- Transportation operations were reviewed based on key information, such as ridership per bus, average cost per rider, and average cost per bus, in the transportation section.

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

Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. Additionally, data was deemed reliable unless noted otherwise in the report sections. Peer school district data and other information used for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness and applicability.

Audit field work was primarily conducted between January 2007 and August 2007, and data was drawn from FY 2004-05, FY 2005-06, and FY 2006-07. 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.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

AOS developed a database of ten districts that was used for peer comparisons. The ten districts used in the YCSD comparisons are classified as Type 4 school districts (Urban – low median income, high poverty) by the Ohio Department of Education (ODE). In addition, these ten school districts met a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Specifically, the peer Type 4 districts consist of Bath Local School District, Boardman Local School District, Canton Local School District, Columbiana Exempted Village School District, Dover City School District, Girard City School District, Heath City School District, Lowellville Local School District, New Philadelphia City School District and Weathersfield Local School District.

ODE classifies YCSD as a Type 5 district (Major Urban – very high poverty). Because most Type 5 districts did not meet a higher number of performance standards and Type 4 districts are reasonably comparable to YCSD, Type 4 school districts were used for benchmarking purposes. However, Type 5 districts were used when comparing some expenditure and personnel data (see **financial systems** and **human resources**).

Furthermore, external organizations and sources were used to provide comparative information and benchmarks, including the following:

- Government Finance Officers Association (GFOA);
- American Institute of Certified Public Accountants (AICPA);
- State Employment Relations Board (SERB);
- Ohio Department of Education (ODE);
- American School and University (AS&U); and
- National Center for Education Statistics (NCES).

The Auditor of State and staff express appreciation to YCSD for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

In the area of Human Resources:

- **Staffing Reductions:** Based on staffing information provided by the District, YCSD eliminated 92 positions from FY 2006-07 to FY 2007-08. This includes 3 administrative positions, 8 educational service personnel positions and 1 licensed practical nurse position, 29 regular education positions, 5 special education positions, 2 library aide positions, 4 teaching aid positions, and 6 clerical positions. Because the information was provided during the latter portion of this performance audit, the staffing data provided by the District to determine the above-mentioned reductions was not tested for reliability. However, the staffing data was reviewed for overall reasonableness. Although the District's staffing data provided for FY 2006-07 differs from the information used by AOS in this performance audit, it appears that the overall impact on the staffing recommendations in this performance audit is immaterial.
- **Salaries:** Staff did not receive negotiated pay increases in FY 2006-07. Additionally, certificated employees and staff covered by two of the three classified agreements will not receive negotiated wage increases for the duration of the newest contracts (FY 2007-08 to FY 2009-10). Negotiating freezes to base salary levels will help the District control personnel costs in an effort to improve its financial condition. It should be noted that the other bargaining agreement for classified staff expires December 31, 2007, and covers only security guards (9.6 FTEs in FY 2006-07). The District employs security guards on an as needed basis to provide security services during extra-curricular activities.

- **Vision Premiums:** YCSD's vision premiums are considerably lower than applicable data reported in the *Survey of School District Health and Life Insurance Plan* (Ohio Educational Association (OEA), 2006), and historical data reported by the State Employment Relations Board.
- **Life Insurance Premiums:** During the course of this audit, the District negotiated a rate of \$0.16 per \$1,000 in coverage, which is lower than the average rate reported in the *13th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2004) of \$0.1892, the last time when life insurance was reported by SERB. Furthermore, this lower rate saved the District approximately \$30,000 per year.
- **Workers Compensation Premiums:** YCSD has worked with the Bureau of Workers Compensation (BWC) to address high costs by establishing a transition to work program, receiving handicap reimbursements, and coordinating site visits. Additionally, the District has established a safety committee which involves the BWC, and conducts trainings for classified and certificated staff members. As a result, the District reduced its experience modifier from 1.79 in 2005 to 1.56 in 2006.

In the area of Transportation:

- **Maintenance and Repair Costs:** YCSD spent less per bus, per rider, and per mile for maintenance and repairs in both FY 2005-06 and FY 2006-07 when compared to the peer averages for FY 2005-06. The only exception is in maintenance and repair costs per rider for FY 2006-07.

Conclusions and Key Recommendations

The performance audit contains several recommendations pertaining to YCSD. The following are the key recommendations from the report:

In the area of Finance Systems:

- YCSD should analyze and use the financial recovery plan outlined in **Table 2-28** to evaluate the proposed recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit along with other strategies to improve its current and future financial condition. Furthermore, the District should update its financial recovery plan on a continual basis as critical financial issues are addressed.

Because the District is projected to have negative ending fund balances from FY 2007-08 to FY 2010-11 even when the savings associated with the performance audit recommendations are included, it should consider various options to further reduce expenditures or increase revenues. The District should discuss such options with the community to determine stakeholder needs and desires regarding service levels. Moreover, the District should continually monitor enrollment trends. If enrollment continues to decline and as the District completes the OSFC project, YCSD should review staffing levels and consider staffing reductions beyond the levels recommended in this performance audit.

- YCSD should adopt formal policies and procedures for preparation of the five-year forecast. These policies and procedures should include the development of assumptions and related documentation to support them, as well as a review process. In addition, the Treasurer should include detailed assumptions and related information for each area of the forecast. This would enable the Board and public to better understand the projections and, in turn, the District's future financial condition. Additionally, the Treasurer should ensure that assumption methodologies support the projections. This can be aided, in part, by the involvement of other District officials in the forecasting process. Lastly, the District should review the specific recommendations in the **financial systems** section to improve the forecast methodology in numerous categories (see **R2.2** to **R2.10**).
- YCSD should develop a comprehensive set of budget policies and procedures to ensure consistency in the budgeting process and strengthen internal controls over the process. The District should include stakeholders in the budgeting process, including the community. Furthermore, YCSD should prepare and publish a formal budget on its website that includes the elements suggested by GFOA.
- YCSD should maintain and publish a clearly written, multi-year strategic plan to provide vision and direction for the District. In developing the strategic plan, the Board should prioritize goals and objectives, and instruct appropriate staff on how these priorities should be considered in making program and budget decisions. Once YCSD has a Board approved strategic plan, it should reassess the strategic plan on an annual basis. When necessary, the District should amend priorities to reflect changing internal and external conditions. As a part of the strategic plan, the District should establish a staffing plan that addresses current and future staffing needs, and considers the impact of declining enrollment.
- YCSD should discontinue the current warehouse operation and begin the transition to a just-in-time (JIT) delivery system. In addition, the District should complete a physical inventory to determine which items should be distributed to school buildings and identify the excess inventory that should be sold to suppliers

In the area of Human Resources:

- YCSD should consider eliminating 10.0 FTE site based administrators; 8.0 FTE central based administrators paid from the General Fund; and 8.0 FTE teachers on special administrative assignment that are paid from local funds. This can be accomplished by combining roles and responsibilities. When the District determines which site based administrator positions to eliminate, it should ensure compliance with staffing requirements in OAC 3301-35-05. Furthermore, the District should determine whether eliminating additional TSA FTEs paid by non-local funds would have a positive impact on the General Fund.
- YCSD should consider reducing curriculum specialist staffing levels by up to 18.8 locally funded FTEs by combining and reassigning duties. The District should also review funding sources for the curriculum specialist positions to determine whether eliminating an additional 1.2 FTEs would have a positive impact on the General Fund. A total of 20 FTE reductions would be more in line with the peer average.
- Based on the District's financial condition, it should consider eliminating up to 50 FTE education service personnel (ESP) positions paid from the General Fund. This would result in staffing levels that are still slightly higher than State minimum requirements. Additionally, the District should consider eliminating 10 FTE licensed practical nurse (LPN) positions.
- Based on the District's financial condition, it should consider eliminating up to 83 regular education teacher FTEs. This can be accomplished, in part, by negotiating to eliminate the restrictions on instructional periods. A reduction of 83 FTEs would result in an overall regular student to regular teacher ratio of 23:1, which exceeds the State maximum ratio of 25:1.
- YCSD should review its special education programs and related staffing levels. Following this review and a comparison to requirements in OAC § 3301-51-09, the District should consider eliminating 35 FTEs. Additionally, the District should ensure compliance with OAC § 3301-51-09 by educating children with disabilities alongside non-disabled students, to the extent possible. Along with ensuring compliance with this legislation, this could help the District reduce special education FTEs. The District should also obtain a waiver from ODE to justify deviations from OAC § 3301-51-09.
- The District should consider eliminating 8.0 FTE library aide positions. However, if the District decides to eliminate librarian positions as a part of the ESP reductions, it should reduce the number of library aide reductions accordingly. Although the District can make these reductions under the current collective bargaining agreement, it should negotiate to

eliminate the minimum staffing of 8.0 FTE library aide floater positions. During the course of this performance audit, the AFSCME contract was renegotiated, reducing the minimum staffing requirement of library aide floater positions to 5.0.

- YCSD should reduce staffing levels in the General Fund teaching aide classification by up to 43.0 FTEs.
- YCSD should consider reducing clerical staffing levels by 32 FTEs. This can be done by consolidating and pooling clerical duties.
- The District should periodically review all salary rates and schedules to determine appropriateness and necessary adjustments. For instance, YCSD should consider restructuring step schedules for secretaries, teacher aides, maintenance workers, and mechanic positions, during future negotiations. The District should also consider postponing longevity payments until an employee attains at least 10 years of service, or eliminating longevity pay altogether. Likewise, the District should consider options to bring administrator compensation more in line with the County and peer averages. These options include eliminating the administrative step schedules or reducing annual step increases, limiting negotiated wage increases to base salaries, and/or reducing or eliminating longevity payments.
- During future negotiations, YCSD should require certificated and classified employees to contribute at least 10 percent toward the premium costs for health insurance. The District should also consider eliminating the classified health plan and instead offering classified staff the same plans offered to certificated staff, after determining the related impact on current premium costs. In addition, YCSD should consider increasing employee cost-sharing for health and dental insurance benefits, including physician visits, annual deductibles, prescription coverage, out of pocket maximums, and hospital care. Furthermore, the District should seek competitive proposals for health and dental insurance on a periodic basis. Lastly, the District should negotiate to increase the hour threshold for classified employees to qualify for full health insurance benefits and institute a prorated contribution for part-time classified staff similar to certificated employees.
- The District should coordinate with BWC to implement the ten step business plan and the drug free workplace program. Combining these approaches with its other initiatives would help the District reduce workers compensation costs. At the conclusion of this performance audit, the District indicated that it has instituted a drug free workplace policy.

- During future negotiations, YCSD should eliminate the 740 employee floor for reductions in force and restrictions on instructional periods from the certificated agreement. Doing so would better enable YCSD to determine staffing levels that reflect the educational and financial needs of the District. During the course of this performance audit, the District renegotiated the minimum floor to 400.

In the area of Facilities:

- Subject to negotiations, YCSD should consider eliminating a total of 67 custodian FTEs. YCSD should also consider eliminating 3 maintenance FTEs. The District should account for key variables impacting staffing such as building square footage, work order processes, cleaning procedures, and types of flooring when considering these reductions. The District should consider additional staffing reductions upon completion of the OSFC project because the related square footage will be lower than in FY 2006-07. Lastly, the District should identify the number of acres that will require grounds care after completion of the OSFC project.
- YCSD should establish formal policies and procedures outlining energy efficient practices that District staff should follow to help minimize energy costs. Subsequently, the District should train staff and students on the policies and procedures. The District should also consider adjusting temperature settings. Furthermore, the District should review the Ohio Natural Gas Program and, after completing a formal price comparison, determine whether it could reduce costs by participating in the program.

In the area of Transportation:

- The District should consider eliminating at least 10 active buses by upgrading its routing software; further staggering its bell schedules and working with the nonpublic and community schools to adjust their bell schedules; and taking into consideration the 30 minute allowable drop off time. Additionally, YCSD should ensure that its transportation program is effectively modified each year in conjunction with ridership changes.
- The District should negotiate with the current contractor for special needs transportation to lower the daily per student rate and lower the minimum number of students required to be transported. The District should include a provision that requires the minimum number of students transported to be reviewed and updated annually. The District should also review the disability types of special needs students transported by the contractor and determine whether they can be transported on regular routes, with regular riders. If the District transitions more special needs students to its regular routes, it should review the corresponding impact on the number of potential bus reductions. In addition, the District should verify all riders transported by the contractor. Furthermore, YCSD should seek

competitive proposals for special needs transportation on a periodic basis to ensure that it receives the best price and service.

Alternatively, the District could cease contracting for special needs transportation and instead, transport special needs riders on its buses. However, prior to considering this option, the District should formally determine whether it can transport special needs riders at a lower cost than contracting for the service.

- Regardless of the process used to transport special needs riders, the District should provide its own buses to transport all regular riders and incorporate them into its routes. In addition, the District should include the Chief of Transportation in individualized education program (IEP) meetings. Doing so would help ensure that all costs and constraints associated with transporting special needs students are considered before any commitments are made through the IEP.
- The District should eliminate at least four spare buses now and additional spare buses in conjunction with reductions in its active fleet. The District should also review the buses classified as out-of-service and determine whether they still need to be kept for parts or could be sold to generate revenues. Furthermore, the District should develop a replacement plan for its buses.
- The District should review its transportation policy and determine whether a significant cost savings can actually be achieved by adopting State minimum transportation requirements. In doing so, the District should work with ODE to determine any potential reductions in future State reimbursements as a result of reductions in transportation services. If significant cost savings are achievable and the District continues to experience financial difficulties, it should consider reducing transportation closer to State minimum requirements.
- The District should adopt a policy that addresses tracking, billing, and reimbursement for non-routine transportation services. Tracking non-routine costs would help the District determine the true costs associated with non-routine services and whether non-routine costs can and should be reduced. YCSD should also establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE.

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 resources to pursue. AOS has identified the following as issues requiring further study. Additional detail pertaining to these issues is presented in each section of the report.

- **Financial Systems:** Purchasing processes; expenditures for the Board of Education, business services, and central support Services; and the Food Service Fund;
- **Human Resources:** Vocational education staffing and expenditures; psychologist, and speech and language therapist staffing; technology staffing; food service staffing; and early retirement incentives (ERIs); and
- **Transportation:** Bus insurance costs; public transit; and payments-in-lieu of transportation.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several areas which did not warrant any changes or yield any recommendations. These areas include the following. Additional detail pertaining to these areas is presented in each section of the report.

- **Financial Systems:** Discretionary spending and grants;
- **Human Resources:** Educational staff salaries; certificated substitute wages; certain collective bargaining provisions; and sick leave use; and
- **Transportation:** Fuel cost; minimum hours; cluster stops; and security of fuel and equipment.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that YCSD should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Financial Implications

Recommendation	Estimated One-Time Revenue / (Costs)	Annual Cost Savings / (Costs)
R3.1 Reduce administrator staff by 10.0 site-based administrator FTEs, 8.0 central based administrator FTEs, and 8.0 locally funded teachers on special assignment FTEs		\$2,380,000
R3.2 Reduce curriculum specialist staff by up to 18.8 locally funded FTEs		\$1,224,000
R3.3 Reduce ESP by 50 FTEs		\$2,247,000
R3.3 Reduce LPNs by 10 FTEs (8.6 FTEs in the General Fund)		\$250,000
R3.4 Reduce regular education teacher staff by 83 FTEs		\$3,652,000
R3.5 Reduce special education positions by 35 FTEs		\$1,795,000
R3.6 Reduce library aide positions by 8 FTEs		\$189,000
R3.7 Reduce teaching aide positions by up to 43 FTEs		\$887,000
R3.8 Reduce clerical positions by 32 FTEs		\$965,000
R3.11 Bring compensation for administrators more in line with County and peer districts		\$57,000
R3.15 Implement BWC programs to reduce workers compensation costs		\$61,000
Subtotal Human Resources		\$13,707,000
R4.1 Reduce maintenance staff by 3 FTEs		\$107,000
R4.3 Implement an automated work order system		(\$20,000)
R4.7 Implement formal energy management policies and procedures		\$405,000
Subtotal Facilities		\$492,000
R5.1 Eliminate at least 10 active buses	(\$11,000)	\$164,000
R5.2 Improve special needs transportation		\$236,000
R5.6 Eliminate at least four spare buses	\$1,000	\$6,400
Subtotal Transportation	(\$10,000)	\$406,400
TOTAL Not Subject to Negotiations	(\$10,000)	\$14,605,400
R3.12 Require employee contributions for healthcare of at least 10 percent		\$1,547,000
R3.12 Consolidate health plans		\$333,000
R3.14 Reduce dental premiums by competitive bidding and increasing employee co-pays		\$130,000
Subtotal Human Resources		\$2,010,000
R4.1 Reduce custodial staff by 67 FTEs		\$1,140,000
R4.2 Reduce overtime costs		\$64,400
Subtotal Facilities		\$1,204,400
TOTAL Subject to Negotiations		\$3,214,400
TOTAL FINANCIAL IMPLICATIONS	(\$10,000)	\$17,819,800

Financial Systems

Background

This section of the performance audit focuses on the financial systems at the Youngstown City School District (YCSD or the District). The current and future financial condition of YCSD was analyzed for the purpose of developing recommendations for improvements and identifying opportunities to increase efficiency. The District's five-year forecast was also analyzed to ensure that the projections reasonably represent future conditions. Comparisons are made throughout the report to applicable sources, including the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and a peer average comprising ten school districts for benchmarking purposes (see the **executive summary** for a listing of the peer districts and an explanation of the selection methodology).

Ohio Revised Code (ORC) 3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency when it meets certain criteria. ORC §3316.03 was amended effective April 10, 2001 to give the Ohio Department of Education (ODE) the ability to place a school district in fiscal caution if it identifies fiscal practices or budgetary conditions that, if left uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the board of education is given 60 days to provide a written plan to ODE that outlines the steps it will take to correct the practices or conditions that led to the declaration. Failure to submit an acceptable proposal under fiscal caution can lead to AOS placing the district in fiscal watch.

ODE placed YCSD into fiscal caution on March 2, 2006 due to anticipated deficits. The deficits at that time were projected to be \$4,407,000 and \$10,816,000 for fiscal years FY 2005-06 and FY 2006-07, respectively. Fiscal caution guidelines require school districts to submit a written plan for correcting the conditions leading to the deficits, or the district will be placed into fiscal watch. YCSD failed to submit an acceptable plan in a timely fashion. Thus, in June 2006, AOS, at the request of ODE, placed the District in fiscal watch. Fiscal watch guidelines allow a school district 120 days to submit an acceptable recovery plan, or the district will be placed in fiscal emergency. YCSD failed to submit an acceptable recovery plan in a timely fashion, and consequently, was placed in fiscal emergency on November 16, 2006. Based on the October 2006 five year forecast, deficits are projected to be \$8,043,000 and \$9,613,000 for FY 2006-07 and FY 2007-08, respectively. Subsequently, the District submitted an updated five year forecast on December 31, 2006. This forecast shows deficits of approximately \$10.7 million in FY 2006-07 and \$13.2 million in FY 2007-08, but also shows the District regaining financial stability in FY 2010-11 with a positive ending fund balance of approximately \$3.0 million (see **Table 2-1**).

Treasurer's Office Staffing

YCSD's Treasurer's Office has nine full time equivalent (FTE) employees, including the Treasurer, the Assistant Treasurer, a Head Accountant, an Accounts Payable clerk, an Accounts Receivable clerk, three payroll clerks, and one exempt secretary. There is an additional part-time employee who helps with filing, but does not perform any computer work. All employees report directly to the Treasurer. The Treasurer is primarily responsible for managing and tracking the District's revenues and expenditures, developing the annual tax budget, preparing financial statements, and maintaining the five-year financial forecast.

Financial Condition

The five-year financial forecast presented in **Table 2-1** represents the Treasurer's projections of present and future financial conditions at the time of the audit engagement.

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

	Actual 2003-04	Actual 2004-05	Actual 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11
Real Estate Property Tax	\$16,877	\$16,744	\$17,575	\$17,303	\$17,725	\$17,700	\$17,867	\$18,021
Tangible Personal Property Tax	\$5,829	\$4,967	\$5,035	\$3,759	\$2,780	\$1,300	\$315	\$315
Unrestricted Grants in Aid	\$56,300	\$59,515	\$59,862	\$65,606	\$65,606	\$65,606	\$65,606	\$65,606
Restricted Grants in Aid	\$16,487	\$19,237	\$18,280	\$11,425	\$11,539	\$11,654	\$11,654	\$11,771
Property Tax Allocation	\$2,499	\$2,438	\$2,447	\$3,264	\$4,360	\$4,820	\$5,408	\$5,408
Other Revenues	\$3,154	\$3,712	\$5,683	\$1,595	\$1,600	\$2,100	\$2,100	\$2,100
Total Operating Revenues	\$101,157	\$106,613	\$108,882	\$102,951	\$103,610	\$103,181	\$102,951	\$103,222
Other Financing Sources	\$0	\$662	\$464	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$101,157	\$107,275	\$109,346	\$102,951	\$103,610	\$103,181	\$102,951	\$103,222
Personal Services	\$54,302	\$56,693	\$59,995	\$54,148	\$49,214	\$45,709	\$41,989	\$39,395
Fringe Benefits	\$19,814	\$20,820	\$22,924	\$20,503	\$18,033	\$16,490	\$15,154	\$14,212
Purchased Services	\$24,240	\$28,951	\$31,171	\$33,234	\$34,180	\$34,415	\$35,330	\$36,297
Supplies, Materials, & Textbooks	\$3,036	\$2,929	\$2,777	\$2,639	\$2,507	\$2,381	\$2,262	\$2,149
Capital Outlay	\$837	\$696	\$720	\$989	\$750	\$1,500	\$750	\$750
Debt Service	\$2,341	\$2,558	\$0	\$415	\$415	\$415	\$415	\$415
Other Expenditures	\$1,574	\$971	\$1,390	\$1,358	\$980	\$991	\$1,000	\$1,000
Total Operating Expenditures	\$106,143	\$113,617	\$118,976	\$113,286	\$106,078	\$101,900	\$96,900	\$94,217
Other Financing Uses	\$73	\$985	\$143	\$40	\$45	\$45	\$45	\$45
Total Expenditures and Other Financing Uses	\$106,216	\$114,601	\$119,120	\$113,326	\$106,123	\$101,945	\$96,945	\$94,262
Result of Operations (Loss)	(\$5,059)	(\$7,326)	(\$9,773)	(\$10,375)	(\$2,513)	\$1,236	\$6,007	\$8,961
Beginning Cash Balance	\$21,149	\$16,798	\$9,472	(\$301)	(\$10,676)	(\$13,189)	(\$11,953)	(\$5,947)
Ending Cash Balance¹	\$16,089	\$9,472	(\$301)	(\$10,676)	(\$13,189)	(\$11,953)	(\$5,947)	\$3,014
Encumbrances	\$1,401	\$2,845	\$1,673	\$0	\$0	\$0	\$0	\$0
Reservations	\$3,493	\$3,493	\$477	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$12,597	\$3,134	(\$2,452)	(\$10,676)	(\$13,189)	(\$11,953)	(\$5,947)	\$3,014
Unreserved Fund Balance	\$12,597	\$3,134	(\$2,452)	(\$10,676)	(\$13,189)	(\$11,953)	(\$5,947)	\$3,014

Source: Youngstown City School District December 31, 2006 five-year forecast.

Note: Totals may vary due to rounding.

¹The December 2006 forecast, as presented to AOS, had a number of formula errors in line 7.020 through 15.010 (cash balance to fund balance). The original forecast is presented here as it was provided. However, this audit makes the appropriate corrections in the financial recovery plan in **R2.19, Table 2-28**. In addition, see **R2.1** for improvements to the forecasting process.

According to its five-year forecast, the District is projecting to steadily regain financial stability as the negative unreserved fund balances become lower each year through FY 2009-10. As a result, the District projects a \$3 million surplus in FY 2010-11. This is primarily due to projected reductions in personal services and fringe benefits in each year of the forecast (see ensuing analyses).

The assumptions and methodologies disclosed herein were developed by the Treasurer and reflect information obtained from YCSD. The Treasurer develops the assumptions in a companion document to the forecast, which is made available to stakeholders via ODE's web site. AOS reviewed the assumptions¹ that have a significant impact on the forecast, such as property tax revenue, State aid, property tax allocations, personal services, and fringe benefits. The following summarizes the results of this review:

Revenue

General Property Tax: The District's assumptions did not include the most current property valuations, are inconsistent with historical trends, and contradict current legislation and information from the Ohio Department of Taxation (See **R2.2**).

Tangible Personal Property Tax: The projections do not match the tangible personal property tax reimbursement worksheet from ODE (See **R2.3**).

State Funding: The Treasurer holds state funding constant after FY 2007-08, anticipating no changes to foundation funding. This contradicts historical trends (See **R2.4**).

Property Tax Allocation: Similar to tangible personal property, YCSD's projections do not match information from ODE. Further, the District's rollback amount will change as a result of changes made to the general property tax line item (See **R2.5**).

Other Revenue: Based on the District's assumption, the line item is understated (See **R2.6**).

Expenditures

Personal Services: Personal service expenditures are expected to decrease in each year of the five-year forecast due to reductions in staffing resulting from the loss of students to community schools. However, the Treasurer overestimates the savings from retirees and reductions in force. Further, the Treasurer assumes that there will be no negotiated increases to base wages throughout the forecast period. Lastly, the Treasurer fails to properly account for overtime in the projections. Thus, personal services appear understated (See **R2.7**).

¹ In instances where information for FY 1999-00 through FY 2002-03 was unavailable, AOS had to use an abbreviated historical trend for testing purposes.

Employee Retirement and Fringe Benefits: The Treasurer assumes that fringe benefits reflect a fixed percentage of salaries. However, due to increases in the cost of health care, this is unlikely. Further, because personal service expenditures appear understated, the Treasurer's assumption for retirement expenditures also appears understated (See **R2.8**).

Purchased Services: The Treasurer assumes there will be no increase in tuition payments for students attending community schools or other districts through open enrollment. However, the assumption for personal services centers on a significantly declining population due to community school enrollment increases. Given that the Treasurer's assumption is inconsistent with personal services and with historical trends, this line item appears understated (See **R2.9**).

Supplies and Materials: YCSD's forecast did not take into account set-aside requirements (see **R2.10**).

Capital Outlay: Capital outlay expenditures are projected to average approximately \$948,000 per year during the forecast period. This is much higher than the average from FY 2003-04 to FY 2005-06 of approximately \$751,000. However, the District updated the forecast for capital outlay to be \$100,000 in FY 2006-07. When updating the projections to show \$100,000 for FY 2006-07 instead of the original projection of \$989,000, capital outlay is projected to average approximately \$770,000 during the forecast period. This is only slightly higher than the average from FY 2003-04 to FY 2005-06. In addition, the District is expected to meet the capital set-aside requirements in ORC 3315.18 during the forecast period. Therefore, the District's updated projections appear reasonable.

Debt Service and Other Expenditures: While the Treasurer originally projected \$415,000 in debt service expenditures for each year, a forecast submitted in January 2007 shows no debt service expenditures. This is confirmed by the FY 2006-07 forecast completed by the Local Government Services Section of AOS and released in April 2007, which indicates that the District does not have any outstanding General Fund debt. However, other expenditures appear to be understated. Specifically, the Treasurer projects other expenditures to average approximately \$1.066 million during the forecast period, which is lower than the average from FY 2003-04 to FY 2005-06 of approximately \$1.312. However, when combining the Treasurer's original debt service projections with other expenditures, the combined average expenditures amount to approximately \$1.481 million annually. This is slightly higher than the actual other expenditures from FY 2003-04 to FY 2005-06. Therefore, coupled with no further testing being completed for these two assumptions, AOS will not adjust the Treasurer's original projections in these two categories.

Revenue, Expenditure, and Performance Comparisons

Table 2-2 shows revenues and expenditures on a per pupil and percent of total basis for YCSD and the peer average.

Table 2-2: FY 2005-06 Revenues and Expenditures Per Pupil

	YCSD		Peer Average		Variance from Peer Average	
	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% Variance
Property/Income Tax	\$2,031	23%	\$4,174	50%	(\$2,143)	(51%)
Intergovernmental Revenues	\$6,575	74%	\$3,418	41%	\$3,157	92%
Other Revenues	\$282	3%	\$807	9%	(\$525)	(65%)
Total Revenue Per Pupil	\$8,888		\$8,399		\$489	6%
Wages	\$4,833	49%	\$4,658	58%	\$174	4%
Fringe Benefits	\$1,856	19%	\$1,714	21%	\$142	8%
Purchased Services	\$2,649	27%	\$961	12%	\$1,688	176%
Supplies and Textbooks	\$239	2%	\$237	3%	\$2	1%
Capital Outlay	\$65	1%	\$75	1%	(\$10)	(14%)
Debt Service	\$0	0%	\$1	0%	(\$1)	(100%)
Miscellaneous	\$122	1%	\$168	2%	(\$46)	(27%)
Other Financing Uses	\$13	0%	\$224	2%	(\$211)	(94%)
Total Expenditures Per Pupil	\$9,777		\$8,040		\$1,737	22%

Source: Youngstown City School District and Peer District FY 2005-06 Annual Report

Overall, YCSD received \$489 more (6 percent) revenue per pupil than the peer average. While the District received \$2,143 less (51 percent) revenue per pupil from property taxes than the peer average, it received \$3,157 more (92 percent) in State aid per pupil. Additionally, YCSD received \$525 less (65 percent) revenue per pupil from other sources than the peer average. Other sources of revenue include sale of assets, transfers in, advances in, and proceeds from bond and note sales.

Table 2-2 shows that YCSD relies more on State assistance to fund operations than the peer average. The District received approximately 74 percent of its revenue from the State. In addition, the District’s enrollment has been declining for several years and according to the OSFC, it is likely to continue declining for several years in the future. Declining enrollment will have a negative impact on YCSD’s State aid (see R2.4, R2.7 and R2.9 for further discussion of enrollment trends).

Table 2-2 also shows that, overall, YCSD spent \$1,737 more (22 percent) than the peer average in FY 2005-06. The higher expenditures are primarily attributable to salaries and wages, fringe benefits, and purchased services. Overall, YCSD employs more FTEs per 1,000 students than the peer average (see the **human resources** section), which contributes to the higher salaries and benefits per student. YCSD's higher purchased services expenditures are largely attributable to community school payments, as well as contracted transportation services (see the **transportation** section). More specifically, YCSD spent \$1,864 per pupil on tuition in FY 2005-06, which is over five times as much as the peer average of \$326. Additionally, the District spent \$130 in contracted transportation costs per pupil in FY 2005-06, which is over eight times higher than the peer average of \$15.44. As previously mentioned, YCSD's enrollment has declined significantly due to students leaving the District to attend community schools. Consequently, tuition payments to community schools have increased. In FY 2004-05, YCSD spent approximately \$18.6 million on tuition for students attending other schools. For FY 2005-06, this climbed to approximately \$20.8 million.

Table 2-3 shows governmental fund operating expenditures by function on a per ADM basis and as a percent of total expenditures for YCSD and the peer average in FY 2005-06. Governmental funds include expenditures from grants and other funds which may be restricted in their use.

**Table 2-3: Governmental Fund
Operational Expenditures Per Pupil for FY 2005-06**

USAS Function Classification	FY 2006 YCSD		FY 2006 Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$7,160	56.8%	\$5,206	59.7%
Regular Instruction	\$3,311	26.3%	\$4,061	46.6%
Special Instruction	\$1,491	11.8%	\$864	9.9%
Vocational Education	\$311	2.5%	\$90	1.0%
Adult/Continuing Education	\$39	0.3%	\$0	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%
Other Instruction	\$2,007	15.9%	\$191	2.2%
Support Service Expenditures:	\$5,134	40.7%	\$3,112	35.6%
Pupil Support Services	\$782	6.2%	\$420	4.9%
Instructional Support Services	\$1,029	8.2%	\$316	3.6%
Board of Education	\$64	0.5%	\$27	0.3%
Administration	\$964	7.7%	\$696	8.0%
Fiscal Services	\$138	1.1%	\$258	2.9%
Business Services	\$138	1.1%	\$21	0.2%
Plant Operation & Maintenance	\$1,363	10.8%	\$939	10.7%
Pupil Transportation	\$563	4.5%	\$379	4.3%
Central Support Services	\$94	0.7%	\$57	0.6%
Non-Instructional Services Expenditures	\$256	2.0%	\$57	0.7%
Extracurricular Activities Expenditures	\$60	0.5%	\$350	4.0%
Total Governmental Fund Operational Expenditures	\$12,610	100.0%	\$8,725	100.0%

Source: Client and Peer District 4502 Year End Financial Reports

Table 2-3 shows that the District’s total operating expenditures per student are \$3,885 higher than the peer average. This is due to higher expenditures in all categories except regular instruction, fiscal services, and extracurricular activities. As shown in Table 2-3, the District’s instructional expenditures (\$7,160 per pupil) were approximately 37 percent higher than the peer average of \$5,206 per pupil. In addition, the District’s instructional expenditures comprised a lower percentage of total operating expenditures when compared to the peer average. YCSD’s higher instructional expenditures per pupil are explained in the following:

- **Special Education:** YCSD spent approximately 72 percent more per pupil than the peer average in this category. This is partially attributable to the employment of more special education FTEs per 1,000 students at higher average salary levels. The higher staffing

levels are partially linked to the higher percentage of students with disabilities in the District. In FY 2005-06, students with disabilities comprised approximately 26 percent of the student population. The peer average percentage of students with disabilities was 14 percent in FY 2005-06. Special education staffing and salaries are reviewed in more detail in the **human resources** section.

- **Vocational Education:** YCSD spent approximately 245 percent more per pupil than the peer average on vocational education. Similar to special education, this is due, in part, to the employment of more vocational education teacher FTEs per 1,000 students at higher average salary levels. Additionally, YCSD operates its own vocational education program, while the peer districts participate in vocational programs that encompass multiple districts. See the **human resources** section for more information.
- **Adult/Continuing Education:** YCSD spent approximately \$39 per pupil for adult/continuing education programs in FY 2005-06. Similar to vocational education, YCSD operates its own adult/continuing education programs. However, the adult/continuing education program was fully supported by non-General Fund sources.
- **Other Instruction:** YCSD spent approximately \$1,816 (951 percent) more per pupil than the peer average for other instruction. The higher expenditures are primarily due to payments to community schools for District students attending these schools.

The District was also above the peer average for total expenditures per pupil in support services and non-instructional services, which are explained below:

- **Pupil Support Services:** The District spent \$362 more (86 percent) per pupil than the peer average. YCSD's higher pupil support service expenditures are primarily attributable to a higher number of educational service personnel (ESP) per 1,000 students. See the **human resources** section for more information.
- **Instructional Support Services:** YCSD spent \$713 (226 percent) more per pupil than the peer average for instructional support services. The higher expenditures are primarily attributable to a higher number of clerical staff per 1,000 students, at higher average salary levels. Clerical staffing and salaries are reviewed in more detail in the **human resources** section.
- **Board of Education:** In FY 2005-06, YCSD spent \$64 per pupil, which exceeded the peer average by \$37 (137 percent). This represents a decrease from FY 2004-05 expenditures of \$97 per pupil. The primary reason for the large decline is the settlement of a lawsuit against a local company. The settlement of the lawsuit brought about a large payment to District's legal representatives. The majority of expenditures (52 percent) in this line item are due to contracted professional services (e.g. accounting, legal), while 32

percent of expenditures are attributable to liability insurance. See *Issues For Further Study*.

- **Administration:** YCSD spent \$268 (39 percent) more per pupil for administration costs. According to the Treasurer, YCSD followed the small schools philosophy, and, consequently, has a higher number of administrators. The District employs more administrators per 1,000 students when compared to the peer average. Additionally, the severance package for the former Superintendent is included in this line item. Furthermore, administrators are paid at a higher salary level than the peer average. Administration staffing and salaries are reviewed in more detail in the **human resources** section.
- **Business Services:** In FY 2005-06, YCSD spent \$117 (557 percent) more per pupil for business services. The line items comprising the majority of business service expenditures are copier costs (28 percent) and book repair/rebinding costs (13 percent). See *Issues For Further Study*.
- **Plant Operation and Maintenance:** In FY 2005-06, the District spent \$424 (45 percent) more per pupil for plant operation and maintenance. The majority of these expenditures are attributable to salaries, benefits and utilities. The District employs a significantly higher number of maintenance and custodial workers, compensates maintenance staff at higher average salaries, and spends a high amount per square foot on utilities (see the **facilities** and **human resources** sections for additional analysis).
- **Pupil Transportation:** In FY 2005-06, YCSD spent \$184 (49 percent) more per pupil on transportation services than the peer average. This is primarily due to the employment of more bus drivers per 1,000 students, at a higher average salary in FY 2005-06. However, the bus driver average salary decreased considerably in FY 2006-07, and was lower than the FY 2005-06 peer average. The District also transports fewer riders per regular needs bus when compared to the peer average. Additionally, the District spent \$1.3 million on a contract for transportation of special education students. Further, approximately \$163,000 is paid annually for rental of transportation storage space. See the **human resources** and **transportation** sections for further assessment.
- **Central Support Services:** In FY 2005-06, YCSD spent \$37 (65 percent) more per pupil on central support services than the peer average. The majority of expenditures (49.3 percent) in this line item are attributable to the District's data center. This includes costs for salaries, benefits, purchased services, and supplies/materials. An additional 14 percent of expenditures are attributable to YCSD's public information function. See *Issues For Further Study*.

- Non-Instructional Services:** In FY 2005-06, YCSD spent \$199 (349 percent) more per pupil for non-instructional services. The higher non-instructional service expenditures are primarily related to the construction of new schools. Approximately \$345,000 was spent on food service equipment for the new schools.

ODE designates school districts as excellent, effective, continuous improvement, academic watch or academic emergency. YCSD was designated as an academic watch school district during FY 2005-06. Designations are based on the number of State indicators met, a performance index score, and meeting the federal Adequate Yearly Progress (AYP) requirement. In FY 2004-05, there were 23 State indicators and in FY 2005-06, the number increased to 25.

Table 2-4 shows the percent of state indicators met, performance index scores, and instructional expenditures for FY 2004-05 and FY 2005-06 for YCSD and the peer average for FY 2005-06.

Table 2-4: Report Card Scores and Instructional Expenditures

	YCSD FY 2004-05	YCSD FY 2005-06	Peer Average FY 2005-06
Percent of Indicators Met	4.3%	20.0%	96.4%
Performance Index Score	69.2	75.1	98.3
Instructional Expenditures Per Pupil	\$6,508	\$7,160	\$5,206

Source: ODE Report Cards and District 4502 Annual Reports

As shown in **Table 2-4**, YCSD met 4 percent, or 1, of the 23 performance indicators in FY 2004-05. In FY 2005-06, the District met 5 of 25 measures, or 20 percent. In contrast, the peers, on average, met 24.2 performance indicators. YCSD also had a performance index score of 75.1 for FY 2005-06, which was approximately 23.2 percentage points lower than the peer average of 98.3.

During FY 2005-06, YCSD spent approximately 56.8 percent of operating expenditures on instructional services, which is an increase from 56.6 percent in FY 2004-05. However, YCSD’s overall spending for instructional services is lower than the peer average of 59.7 percent. Despite the lower proportion of overall spending devoted to instruction, the District spent significantly more per pupil (38 percent) on instructional services.

The above comparisons are made to “Type 4” districts (Urban – low median income, high poverty), as classified by ODE, that meet a high number of performance standards at a relatively low cost per pupil. However, the student populations of these districts are much smaller in comparison to YCSD. Therefore, AOS also compared YCSD’s expenditures and academic performance to the other 14 school districts classified as “Type 5” by ODE, the same as YCSD. Type 5 school districts are major urban districts with a very high poverty rate. **Table 2-5** compares YCSD’s expenditures and report card results to the Type 5 average. The expenditures are from ODE’s Expenditure Flow Model (EFM). The purpose of the EFM, as described by

ODE, is to categorize and report expenses related to the education of students and does not include all the funds accounted for by a school district.

Table 2-5: Comparison of YCSD's FY 2005-06 Expenditures Per Pupil and Report Card Results to the Type 5 Average

	YCSD		Type 5 Average	
EXPENDITURES PER PUPIL & PERCENT OF TOTAL:				
Administration	\$1,657	11.3%	\$1,362	11.9%
Building Operations	\$3,412	23.3%	\$2,163	18.7%
Staff Support	\$827	5.7%	\$564	5.0%
Pupil Support	\$1,638	11.2%	\$1,204	10.5%
Instruction	\$7,096	48.5%	\$6,139	53.9%
Total	\$14,630	100.0%	\$11,432	100.0%
REPORT CARD RESULTS:				
Performance Index Score	75.1		81.3	
Number of Standards Met (Out of 25)	5		5.6	

Source: ODE: The EFM expenditures are from ODE and have not been tested for reliability.

As shown in **Table 2-5**, when compared to Type 5 districts, YCSD's expenditures per pupil are higher in each category and the District allocates a lower percentage of expenditures towards instruction. Despite spending approximately 16 percent more per pupil for instruction, **Table 2-5** shows that YCSD achieved a lower performance index score and met fewer standards than the Type 5 average. In short, the comparisons to Type 5 result in conclusions similar to those in the preceding comparisons to the Type 4 average.

Reviewing the other sections of the performance audit would help the District identify opportunities to reduce expenditures, particularly in support services (e.g., administration, maintenance and operation, and pupil transportation). By developing a strategic plan (see **R2.13**), improving the forecasting and budgeting processes (see **R2.1** and **R2.11**), setting performance benchmarks (see **R2.14**), and increasing stakeholder communication (see **R2.17**), the District would better ensure that it plans and allocates its resources in a manner that best aligns with its educational and operational needs.

Assessments Not Yielding Recommendations

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

- **Grants:** Based on a review of the District's Comprehensive Continuous Improvement Planning (CCIP) and Federal Subsidy, YCSD appears to seek and receive grants.
- **Discretionary Spending:** YCSD's discretionary spending as a percentage of all General Fund expenditures (8.65 percent) was below the peer average (10.37 percent) in FY 2005-06. In addition, the District reduced its discretionary expenditure per pupil from \$877 per pupil in FY 2004-05 to \$846 in FY 2005-06.

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 resources to pursue. AOS has identified the following as an issues requiring further study:

- **Purchasing Processes:** YCSD has practices and policies for purchasing by the central office comparable to those recommended by the Texas Education Agency and the Florida Office of Program Performance and Government Accountability. The policies/practices include competitive bidding, purchasing authority, purchasing cards, and cooperative purchasing. Further, under current practices, the purchasing process is centralized since most purchases are made at the Board office. However, because the District uses a warehouse and purchases supplies in bulk at the beginning of a fiscal year, few purchases are made by staff from the General Fund. Instead, purchases by staff are made primarily from a special revenue fund. In FY 2004-05, expenditures in the special revenue fund totaled \$224,000, which represented only 0.001 percent of total District expenditures. In FY 2005-06, the District spent \$195,000 from this fund (0.001 percent of total District expenditures). If the District adopts Just-In-Time procurement (**R2.18**), it will need to develop additional procedures and train employees and supervisors on proper purchasing processes.
- **Board of Education, Business Services, and Central Support Services:** The analyses accompanying **Table 2-3** noted several factors contributing to the higher expenditures per student in these three categories. Although the expenditures in these three categories are immaterial when compared to the other categories, the District should consider further reviewing them for potential cost savings.

- **Food Service Fund:** Given the relatively large positive fund balance of approximately \$1.1 million at the end of FY 2005-06; revenues sufficient to cover all of the expenses from FY 2003-04 to FY 2005-06; and no transfers from the General Fund; the food service function was not assessed in the performance audit. Even if expenses continued to exceed revenues at the FY 2005-06 level, it would take almost nine years to eliminate the current positive balance in the food service fund. Although the Food Service Fund appears to be stable for the next five years, YCSD should closely monitor food service activity and take appropriate measures to avoid the potential of expenses continuing to exceed revenues. This would, in turn, help avoid the need for General Fund support of food service operations in the future. Furthermore, the Treasurer stated that all food service expenses except utilities are charged to the Food Service Fund, because there are no separate meters. However, the Food Service Fund pays 100 percent of the trash disposal bill in exchange for utilities being paid through the General Fund. In order to ensure expenses are accurately captured for each fund, the District should consider developing a method to allocate utility and trash disposal costs to the appropriate funds to capture all costs related to a particular program or service.

Recommendations

Financial Forecasting

R2.1 YCSD should adopt formal policies and procedures for developing the five-year forecast. These policies and procedures should include the development of assumptions and related documentation to support them, as well as the review process. In addition, the Treasurer should include detailed assumptions and related information for each area of the forecast. This would enable the Board and public to better understand the projections and the District’s future financial condition. Additionally, the Treasurer should ensure the assumption methodology supports the projections. This can be aided, in part, by the involvement of other District officials in the forecasting process.

The District has a formal policy for financial forecasting which states,

“the Board shall adopt as part of its annual appropriation measure a spending plan setting forth a five (5) year projection of revenue and expenditures of the General Fund. A copy of the annual appropriation measure and the spending plan shall be submitted to the Superintendent of Public Instruction and shall set forth all revenues available for appropriation by the District during such year and their sources; the nature and amount of expenses to be incurred during the year; the outstanding and unpaid expenses on the date the measure is adopted; the dates by which such expenses must be paid; and any other information the Superintendent requires.”

The District’s policy complies with ORC § 5705, which requires each school district to prepare and submit a five-year budget projection. However, the District lacks formal procedures to guide the development and review of the five-year forecast. In practice, the Treasurer is solely responsible for preparation of the five-year forecast. According to the Treasurer, there is little involvement by anyone until the forecast is presented to the Board.

In the assumptions accompanying the forecast, the Treasurer states that information is obtained from sources, including ODE, before creating the five-year forecast. In addition, the Treasurer prepares supporting documents to project salaries, benefits, real estate tax revenue, and tangible personal property tax revenue during the forecasted period. Furthermore, the Treasurer takes into account changes in tax laws and state funding that have an impact on the District’s revenues, such as HB 66. However, in some instances, the assumptions accompanying the District’s five-year forecast neither explain the basis for the projections, nor provide sufficient detail to connect values in the assumption to the respective line item in the forecast. For example, the District’s assumptions for projecting real estate tax revenues do not equal the amount in the forecast line item. Real estate taxes are a large source of revenue for the District, comprising 23 percent of its total

revenues in FY 2005-06. Use of the formula auditing tool available in Excel revealed the Treasurer's work sheet formulas were inaccurate and therefore, contributed to differences in the forecast when compared to the assumptions. Additionally, the District's assumptions do not explain the rationale for changing the tangible personal property tax revenue by calendar year into a fiscal year.

According to the *Guide for Prospective Financial Information* (AICPA 2006), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- Key factors should be identified as a basis for assumptions. Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported.
- The process used to develop financial forecasts should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority.

Although the Treasurer was able to verbally explain and confirm the basis for the projections, not disclosing the supporting reasons in the assumptions prevents readers from fully understanding the District's forecast. It also hinders the ability of other stakeholders (e.g., the Board) to effectively review the forecast and ensure it reasonably reflects the District's future financial condition.

R2.2 YCSD should adjust property tax assumptions to be more consistent with historical patterns, current legislation, and accurate valuation data. If the District deviates from historical trends, it should clearly explain the rationale for doing so in its assumptions and supporting documentation.

The Treasurer's assumptions for property tax revenues are based on the following:

- Tax revenues for FY 2006-07 are based on calculations associated with the Certificate of Resources. Thereafter, tax revenues are based on minimum growth in taxable value pending receipt of actual taxable values from the County Auditor.
- While the City of Youngstown seems to have much new construction, most of the new construction is either abated (75 percent) or tax exempt.
- Both residential/agricultural and commercial/industrial taxable real estate valuation will grow 2 percent for FY 2006-07 and FY 2009-10, which are update/reappraisal years.
- Growth in both residential/agricultural and commercial/industrial taxable real estate in non-update years will be 1.5 percent.
- Public Utility Tangible Personal Property will be almost entirely phased out by 2011.

According to *AOS Bulletin 98-015* property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor. Rates of assumed growth as well as update and reappraisal years should be disclosed. The property tax figures should be based on historical collection levels. Property tax revenue amounts should not anticipate the automatic passage of a replacement or renewal levy. Although new levies may be proposed during the forecast period, no new levies are to be included in these amounts. New, replacement, and renewal levy proceeds should be included on the separate lines provided on the forecast. The year a levy expires as well as the year, duration, and proposed rate of new or renewal/replacement levies should be disclosed. Unusual activities or events that are outside the historical pattern and result in significant variations from those patterns should be included and disclosed. Examples of such events include required refunds, company bankruptcies or departures, and unusual collection efforts.

The Treasurer bases the projections upon property valuations, but current assumptions do not reflect the actual valuations available from the Ohio Department of Taxation (ODT) for 2005 and 2006, which can be used as a base to forecast FY 2006-07 through FY 2010-11. Additionally, the Treasurer's projected valuation increases are inconsistent with historical trends.

Table 2-6 shows a thirteen year history of property tax valuations for YCSD.

Table 2-6: Thirteen Year History of Property Valuations

	Residential/Agricultural	Percent Change	Commercial/Industrial	Percent Change
1994	\$290,437,580		\$104,295,450	
1995	\$290,227,330	(0.1%)	\$108,115,510	3.7%
1996	\$291,626,440	0.5%	\$109,048,210	0.9%
1997	\$291,444,770	(0.1%)	\$122,800,290	12.6%
1998	\$291,196,360	(0.1%)	\$134,601,130	9.6%
1999	\$339,143,810	16.5%	\$134,753,750	0.1%
2000	\$339,026,050	0.0%	\$142,445,920	5.7%
2001	\$338,320,500	(0.2%)	\$144,672,840	1.6%
2002	\$337,919,700	(0.1%)	\$153,200,330	5.9%
2003	\$337,518,280	(0.1%)	\$155,998,230	1.8%
2004	\$337,252,360	(0.1%)	\$135,135,990	(13.4%)
2005 ¹	\$370,995,070	10.0%	\$143,288,690	6.0%
2006	\$368,693,060	(0.6%)	\$161,299,090	12.6%
Average		2.1%		3.9%
Average Non Update Years		(0.2%)		4.3%
Average Update Years		6.7%		3.2%

Source: Ohio Department of Taxation

Note: Bold lines represent update/reappraisal years.

¹ Treasurer's forecasted Residential/Agricultural and Commercial/Industrial for 2005 was \$337,201,950 and \$129,361,850, respectively; 2006 valuation was \$338,590,670 for Residential/Agricultural and \$137,307,110 for Commercial/Industrial.

As shown in **Table 2-6**, the District's residential/agricultural property valuations decreased an average of 0.2 percent annually during non-update/reappraisal years. This is contrary to the District's assumption of projected 1.5 percent annual growth. Further, the update/reappraisal growth in residential/agricultural property valuations is significantly above that assumed by the District. Historically, update growth averaged 0.2 percent (1996 and 2002), while reappraisal growth averaged approximately 13 percent (1999 and 2005). **Table 2-6** also shows that commercial/industrial property valuations increased, on average, by 4.3 percent during non-update years. This is twice the assumed growth in the District's forecast. The District projects growth during update/reappraisal years for commercial/industrial property at 2 percent annually, which is lower than the historical average of 3.2 percent. The property valuations used for FY 2006-07 in the Treasurer's assumptions are \$338,590,670 for residential/agricultural and \$137,307,110 for commercial/industrial. Both values are significantly below the actual values reflected in **Table 2-6**, which skews the projected revenues downward. Because property taxes are paid one year in arrears (e.g. 2006 taxes are paid in 2007), valuation for CY 2005 impacts the first half of collections in FY 2006-07 while valuation for CY 2006 impacts the second half of collections in FY 2006-07.

Table 2-7 shows the District’s assumptions for public utility tangible personal property valuations. According to the ODT, public utility tangible personal property may be reflected as real property revenues, as long as the property is not railroad or telecommunications, both of which are being phased out.

Table 2-7: Projected Public Utility Tangible Personal Property Valuations

	Public Utility Tangible Personal Property Valuation	Percent Change
FY 2005-06	\$60,159,600	
FY 2006-07	\$44,576,064	(26%)
FY 2007-08	\$43,755,194	(2%)
FY 2008-09	\$32,378,843	(26%)
FY 2009-10	\$23,960,344	(26%)
FY 2010-11	\$17,730,655	(26%)
Average	\$37,093,450	(21%)

Source: Districts’ Five Year Forecast Assumptions

As shown in **Table 2-7**, the District projects public utility tangible personal property to decrease an average of 21 percent annually. According to the Treasurer, this is in response to HB 66, which phases out the tax on tangible personal property of general businesses, railroads, and telephone/telecommunications companies. However, according to ORC § 5727.111, the tax on the tangible personal property of electric companies, water companies, natural gas companies, and the other public utility companies is not being phased out and does not include real business property. For YCSD, based on data from ODT, this valuation totaled approximately \$56,621,380 for calendar year 2005. Therefore, the Treasurer’s assumption of \$60,169,600 appears slightly higher. Additionally, the phase out of the remaining public utility tangible personal property is not consistent with information from ODT or ODE, and therefore, is unreasonable.

Based on the above analysis, AOS will revise the District’s projections as follows:

- AOS assumes that public utility tangible personal property taxes will remain with the exception of railroad and telecommunications, based upon ORC § 5727.111.
- In order to forecast FY 2006-07, AOS assumes residential/agriculture valuation of \$370,995,070 and commercial/industrial valuation of \$143,288,690 for CY 2005. AOS also assumes CY 2006 valuation of \$368,693,060 for residential/agricultural and \$161,299,090 for commercial/industrial. This is based upon the most recent property valuations available from ODT.
- AOS assumes that residential/agricultural property valuations will decrease during non-update/non-reappraisal by 0.2 percent, based upon the historical trends presented in **Table 2-6**.

- AOS assumes that the residential/agricultural property valuations will not increase during statistical updates (CY 2008).
- AOS assumes that the commercial/industrial property valuations will increase 2.0 percent during non-reappraisal years and 3.0 percent for the update year. This is slightly lower than the historical trends to provide a conservative projection.
- As the potential growth from the reappraisal in CY 2011 will show up in FY 2011-12, it does not impact this forecast.
- AOS will hold constant throughout the forecast period the FY 2005-06 revenue generated from voted levies. Any increases or decreases in valuation will be applied to inside millage. This is consistent with ORC § 319.301, which states that tax reduction factors do not apply to inside (unvoted) millage.

Table 2-8 compares YCSD’s original projection for property tax revenue to the AOS revised projection for property tax revenue.

Table 2-8: Property Tax Forecast Comparison: YCSD to Revision

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast	\$17,303,263	\$17,725,018	\$17,700,298	\$17,867,029	\$18,021,202
Revised Forecast	\$16,941,146	\$17,735,755	\$17,749,793	\$17,765,481	\$17,776,841
Difference	(\$362,117)	\$10,737	\$49,935	(\$101,548)	(\$244,361)

Source: District and revised assumptions

R2.3 YCSD should revise and update its assumptions and projections for tangible personal property tax, based on the ODE Tangible Personal Property Tax reimbursement worksheet. When deviating from information provided by third-party sources to address legislative and complex matters impacting financial projections, the District should clearly explain the rationale and basis for doing so in its assumptions and supporting documentation. Furthermore, the Treasurer should ensure that the stated assumption matches the projected figures in the forecast.

The Treasurer stated in the assumptions that tangible personal property taxes have been calculated in accordance with a spreadsheet she provided in her assumption calculations. However, the forecasted numbers do not reconcile with the assumption worksheet.

Until the signing of HB 66 on June 30, 2005, ORC § 5711.22 slowly phased out the tangible property tax by reducing the assessed valuation rates by one percent in tax years (TY) 2002 through 2004. The phase-out then increased to two percent annually beginning in TY 2005 and was scheduled to continue at that rate until the tax was eliminated. However, HB 66 accelerates the phase-out period. Under this legislation, the tangible tax

on general business and railroad property will be eliminated by TY 2009, and the tax on telephone and telecommunication property will be eliminated by TY 2011. At the same time, the legislation replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue (accounted for as state funding). In the subsequent seven years, the reimbursements are phased out.

ODE provides Districts with a spreadsheet to assist in forecasting for the changes to tangible personal property tax revenue. **Table 2-9** compares the Treasurer’s forecast to the ODE spreadsheet calculation.

Table 2-9: District Forecast versus ODE Estimations

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast ¹	\$3,758,850	\$2,780,137	\$1,300,370	\$315,468	\$315,468
ODE Calculation ²	\$3,456,359	\$2,735,393	\$1,279,441	\$310,390	\$155,195
Difference	\$302,491	\$44,744	\$20,929	\$5,078	\$160,273

Source: YCSD and ODE

¹ As of 12/5/06, provided by YCSD treasurer

² ODE spreadsheet tool for calculating tangible personal property

Table 2-9 shows the District’s forecast varies considerably from ODE’s calculations in FY 2006-07, but remains similar in subsequent years until FY 2010-11 when YCSD’s forecast doubles ODE’s calculation.

AOS verified that the base year taxable values and the tax value loss used by the District are accurate and identical to the ODT estimates of tax value loss. YCSD completed the ODE spreadsheet, but did not use it for the five-year forecast. Therefore, audit staff revised the District’s tangible personal property tax amounts to equal ODE’s worksheet calculations in **Table 2-9**.

R2.4 The Treasurer should update the unrestricted grants in aid assumptions to reflect the impact of HB 66 and HB 119. It should be noted that HB 119 was not in effect when the Treasurer developed the December forecast. Although the net impact on revenues from HB 66 should be neutral due to the “hold harmless” clause, this would allow the District to determine the amount of revenues that will be lost when the reimbursements are no longer available. This, in turn, would aid planning to meet this shortfall. Furthermore, the District should consider incorporating the key components (e.g., property valuation, enrollment trends, and base funding amount per pupil) that separately impact state funding in the forecast methodology when developing future projections, particularly when there are legislative changes to these key components.

The Treasurer's assumptions for projecting unrestricted and restricted grants-in-aid include the following:

- Revenues for FY 2006-07 are based on the October Foundation distribution from Payment #1. Until actual ADM data has been entered into the foundation formula, no further calculations have been made.
- Revenue estimates for FY 2007-08 are based on the simulations available on ODE's web site. No changes in foundation funding are anticipated for FY 2008-09, FY 2009-10, or FY 2010-11. As a result, unrestricted grants in aid are projected at approximately \$65.6 million per year from FY 2006-07 to FY 2010-11.
- The District is aware of the fact that starting in FY 2007-08, the foundation will reflect the valuation changes resulting from the decreasing personal property tax value. At this time, the District has not sought to accommodate this change. Since the forecast will be amended pending adjusted foundation figures for FY 2006-07, an accommodation will be made at that time. The District does not anticipate that the additional state funding will be sufficient to resolve the projected deficits.

HB 66 includes several changes to the way schools are funded in Ohio. The most significant changes impacting YCSD's state funding are the phasing out of the cost of doing business factor (CODBF) and the accelerated phase-out of tangible personal property taxes. Under HB 66, the CODBF will be phased out over a two-year period beginning in FY 2005-06. The tangible personal property tax on general business and railroad property will be eliminated by TY 2009 and the tax on telephone and telecommunication property will be eliminated by TY 2011. At the same time, the legislation replaces the revenue lost due to phasing out the tangible personal property tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue. According to ODE, the HB 66 hold harmless reimbursements will be made as direct payments to the District until FY 2007-08. Beginning with FY 2007-08, ODE anticipates that the declining property values from HB 66 will result in higher state funding levels as the charge-off portion of the funding formula will decline. As a result, the reimbursements will be made as a combination of increased SF-3 aid and direct payments to the District from FY 2007-08 through FY 2009-10.

According to AOS Bulletin 98-015,

“revenue from unrestricted grants-in-aid is expected to continue to increase based on the current State formula and anticipated growth based on historical patterns or other indicators included in new legislation. Any variation should be disclosed and explained. Further, restricted grants in aid should remain fairly constant or present increases based on anticipated inflation rates unless there is a specific, disclosed reason for a forecasted increase or decrease.”

Because the District used the ODE October Foundation Distribution to project FY 2006-07 revenues, projections for FY 2006-07 unrestricted grants in aid appear to be reasonable. For example, they capture the impact of the CODBF phase-out. It should be noted that YCSD made an accounting correction for unrestricted grants-in-aid that resulted in a 10 percent increase for FY 2006-07. Previously, the money had been accounted for in the restricted grants-in-aid line item.

While the Treasurer’s assumptions indicate that ODE’s simulations are used to project FY 2007-08, they state that revenues are held constant thereafter and assume no changes to foundation funding. This contradicts historical trends as the base funding per pupil increased each year from FY 2002-03 to FY 2006-07. In addition, HB 119 provides for 3 percent increases to the base funding per pupil amount in both FY 2007-08 and FY 2008-09. Furthermore, the Treasurer’s assumptions after FY 2007-08 do not detail the anticipated impact of key factors that influence state funding, including enrollment trends.

Table 2-10 shows the District ADM used in state funding calculations (SF-3 ADM) from FY 2001-02 through FY 2005-06.

Table 2-10: YCSD Historical SF-3 ADM

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Average
ADM	11,150	11,139	11,437	11,430	11,133	10,866	11,192
Annual Change		(11)	298	(8)	(297)	(267)	(57)
Percent Change		(0.1%)	2.7%	(0.07%)	(2.6%)	(2.4%)	(0.5%)

Source: FY 2001-02 through FY 2006-07 SF-3s, as published by ODE

As shown in **Table 2-10**, YCSD’s SF-3 ADM has decreased the last three fiscal years. Since FY 2003-04, the District’s SF-3 ADM dropped by 572 students. Further, an enrollment projection performed by a company for YCSD estimates that the District will lose an average of 371 pupils per year from FY 2007-08 to FY 2010-11.

Because the District lacks detailed methodologies in its assumption and base funding per pupil increased historically, audit staff revised the District’s projections as follows:

Unrestricted Grants-In-Aid:

- The base per pupil funding will be increased by 3 percent for FY 2007-08 and FY 2008-09, consistent with HB 119. Thereafter, per pupil funding will be increased by the average of 2.5 percent from FY 2002-03 to FY 2008-09.
- From FY 2001-02 to FY 2006-07, YCSD's SF-3 ADM declined an average of 0.5 percent annually. However, the District's SF-3 ADM declined 2.6 percent in FY 2005-06 and 2.4 percent in FY 2006-07. Based on recent historical trends, the revised projections assume an average annual decrease in ADM of 2.4 percent.
- From FY 2001-02 to FY 2006-07, YCSD's assessed valuation reported in the SF-3 reports increased at an average annual rate of 0.7 percent. Revised projections assume future growth will increase accordingly. Assessed valuation is also assumed to decline due to the phase out of tangible personal property assessment rates. The reduction stems from the aforementioned ODE worksheet.
- For the remaining categories of spending (parity aid, special education, gifted aid, transportation, preschool, and special education transportation), audit staff used trends since FY 2001-02 as the basis for the revised projections. In addition, the revised projections account for the impact of HB 119 on special education, parity aid, and transportation, based on the SF-3 report for FY 2007-08 that was available when revising these projections. Furthermore, the revised projections exclude the formula aid guarantee, which was eliminated by HB 119. Based on the revised projections for FY 2007-08, these remaining categories comprise approximately 33 percent of unrestricted grants-in-aid.

Restricted Grants-In-Aid:

- Poverty based assistance is increased based on the annual average from FY 2002-03 to FY 2006-07 of 1.3 percent. The trends in these years ranged from a decrease of 0.34 percent to an increase of 2 percent. As the decrease from FY 2001-02 to FY 2002-03 of 6.4 percent falls well below this range, it is excluded from the forecast methodology. In order to account for the impact of HB 119, the poverty based assistance funding identified in the available SF-3 report for FY 2007-08 is used in the revised projections. Thereafter, this figure is increased by 1.3 percent annually.
- From FY 2001-02 to FY 2005-06, career tech/adult education funds for YCSD increased each year, ranging from 1.2 percent in FY 2005-06 to 32.3 percent in FY 2002-03. However, in FY 2006-07, funding decreased by 13.4 percent. Given this sudden change, funding is held constant at the FY 2007-08 SF-3 level (\$1.0

million) throughout the forecast period, which accounts for the changes in HB 119.

Table 2-11 illustrates the variance between the Treasurer’s projections and revised forecasts for unrestricted and restricted grants in aid.

Table 2-11: Comparison of YCSD and Revised Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast	\$77,030,724	\$77,144,971	\$77,260,360	\$77,260,360	\$77,376,904
Revision	\$77,055,078 ¹	\$80,726,307	\$81,661,973	\$82,834,366	\$83,857,280
Difference	\$24,354	\$3,581,336	\$4,401,613	\$5,574,006	\$6,480,376

Source: AOS analysis and revised assumptions

¹ This reflects the December SF-3 report for FY 2006-07.

R2.5 YCSD should review and revise its five-year forecast for property tax allocation by using available and relevant information from ODE, and ensuring projections accurately capture the impact of real estate collections and HB 66. When applicable, the District should clearly explain in its supporting assumptions the rationale and basis for projections that differ from information provided by other sources.

The District’s assumptions for projecting property tax allocation revenues include the following:

- The estimates are based on historical figures plus accommodating HB 66’s provision doing away with the rollback for commercial property.
- This line item will reflect the reimbursement for personal property tax revenues paid by the State.

Table 2-12 illustrates the District’s projections for property tax allocation.

Table 2-12: YCSD’s Property Tax Allocation Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Average
Property Tax Allocation	\$3,264,047	\$4,360,358	\$4,819,867	\$5,408,491	\$5,408,491	\$4,652,251
Annual Change	NA	\$816,947	\$1,096,311	\$459,509	\$0	\$536,111
Percent Change	NA	33.6%	10.5%	12.2%	0.0%	14.1%

Source: Five Year Forecast Assumptions

As shown in **Table 2-12**, the Treasurer projects significant increases in property tax allocation for FY 2007-08, FY 2008-09, and FY 2009-10.

AOS Bulletin 98-015 states, “property tax allocations may be calculated as a fixed percentage of property tax receipts. The fixed percentage may be calculated as an average of this percentage from the prior three years. The growth in this revenue parallels the anticipated growth (or decline) in property taxes.”

Table 2-13 illustrates the District’s historical property tax allocation receipts.

Table 2-13: Historical Property Tax Allocation Receipts

	FY 2003-04	FY 2004-05	FY 2005-06	Average
Property Tax Allocation	\$2,499,342	\$2,437,795	\$2,202,707	\$2,379,948
Annual Change	NA	(\$61,547)	(\$235,088)	(\$148,318)
Percent Change	NA	(2.5%)	(9.6%)	(6.1%)

Source: Five Year Forecast

As shown in Table 2-13, the three year historical average percent change is 6.1 percent compared to an average percent change of 14.1 percent change in the District’s forecast. The District recognizes that changes due to HB 66 and the phase out of tangible personal property tax will impact the forecast but did not provide support for the forecast in Table 2-1.

ODE provides school districts with a worksheet to calculate and forecast tangible personal property tax loss reimbursements on its web site. These reimbursements are to be recorded on the property tax allocation line item. Although the Treasurer provided this spreadsheet as support for assumptions, the forecasted numbers did not reconcile with the worksheet. Additionally, audit staff confirmed that for FY 2005-06, YCSD’s reimbursement from ODE equaled the ODE spreadsheet calculations. Based upon year-to-date revenues at the time of the audit, YCSD’s reimbursement was on pace to match the ODE spreadsheet again in FY 2006-07. Consequently, the ODE information appears reliable.

Since a discrepancy exists between YCSD’s projections and ODE’s worksheets, and the District was unable to provide additional support for the projections, audit staff revised the District’s projections to reflect tangible personal property tax reimbursements as determined through ODE’s spreadsheet. In addition, property tax allocation revenues are tied to real estate revenues based on FY 2005-06 collections. Using FY 2005-06 collections accounts for the elimination of the rollback for commercial and industrial property. Specifically, this is forecasted to decrease the percentage of property tax revenue from a historical average of 15 percent to 10 percent.

Table 2-14 displays the difference in the District’s forecast when compared to revised projections.

Table 2-14: Property Tax Allocation Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Forecast Amounts	\$3,264,047	\$4,360,358	\$4,819,867	\$5,408,491	\$5,408,491
Revised Projections	\$3,302,711	\$3,772,131	\$4,233,175	\$4,823,368	\$4,252,704
Difference	\$38,664	(\$588,227)	(\$586,692)	(\$585,123)	(\$1,155,787)

Source: YCSD Five Year Forecast Assumptions and ODE

R2.6 YCSD should adjust projections for other revenues. Specifically, the Treasurer should ensure projections are based on historical trends after accounting for known changes (e.g., CAFS elimination), unless other factors support projections that contradict historical trends. In these instances, the Treasurer should clearly disclose these factors in the assumptions.

According to the Treasurer, the District’s assumptions for projecting other revenues are as follows:

- These estimates are based on historical information.
- The elimination of the CAFS program reduces other revenues by at least \$1 million annually.

Table 2-15 illustrates the District’s projections for other revenues.

Table 2-15: YCSD Projections for Other Revenues

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Average
Other Revenue	\$1,594,500	\$1,600,000	\$2,100,000	\$2,100,000	\$2,100,000	\$1,898,900
Annual Change		\$5,500	\$500,000	\$0	\$0	\$126,375
Percent Change		0.34%	31.25%	0.0%	0.0%	8%

Source: YCSD Five Year Forecast

According to *AOS Bulletin 98-015*, other revenues should be projected using historical patterns, with variations disclosed. While YCSD disclosed the elimination of CAFS funding, it appears that the District did not base projections on historical patterns. **Table 2-16** illustrates historical trends in other revenues, CAFS revenue, and other revenue less CAFS.

Table 2-16: YCSD Historical Other Revenue

	FY 2003-04	FY 2004-05	FY 2005-06	Average
Total Other Revenue	\$3,154,155	\$3,712,350	\$5,682,815	\$4,183,107
CAFS Revenue	\$665,670	\$990,943	\$1,634,129	\$1,096,914
Total Remaining Revenue	\$2,488,485	\$2,721,407	\$4,048,686	\$3,086,192
Annual Change		\$232,922	\$1,327,279	\$780,100
Percent Change		9%	49%	29%

Source: YCSD

As shown in **Table 2-16**, the District's assumption of \$1.6 million in FY 2007-08 and \$2.1 million for FY 2009-10 through FY 2010-11 is significantly below the historical average for other revenue, after excluding CAFS. Consequently, the District's projection for other revenues appears understated.

In order to present a more reasonable projection for other revenues, audit staff adjusted other revenues based on the three year average from FY 2003-04 to FY 2005-06, excluding CAFS. Although other revenues have significantly increased in FY 2004-05 and FY 2005-06, using the three-year average attempts to account for potential variability in some of the other line items. For instance, interest revenues comprised approximately \$1.2 million in FY 2005-06. The District's ability to allocate cash for investments will depend, in part, on its overall financial condition (see **R2.19**). Furthermore, the large increase in FY 2005-06 is due, in part, to E-rate reimbursements in FY 2005-06 for FY 2004-05.

Table 2-17 illustrates the variance between the Treasurer's projections and AOS revised projections for other revenues.

Table 2-17: Comparison of YCSD and Revised Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast	\$1,594,500	\$1,600,000	\$2,100,000	\$2,100,000	\$2,100,000
Revised Forecast	\$3,086,192	\$3,086,192	\$3,086,192	\$3,086,192	\$3,086,192
Difference	\$1,491,692	\$1,486,192	\$986,192	\$986,192	\$986,192

Source: YCSD and AOS revised assumptions

R2.7 YCSD should adjust the projections for personal services to include reasonable increases to base salaries. In addition, the Treasurer should update the projections using the most current and complete information (e.g., actual FY 2005-06 expenditures rather than assumed expenditures). The Treasurer should also include actual staffing reductions made in the current and previous fiscal years.

Additionally, the Treasurer should clearly explain methodologies used in forecasting salaries, such as disclosing how the the step increases and overtime costs were determined. Ideally, the Treasurer should consider plotting out each employee in

accordance with the steps in the collective bargaining agreements. At a minimum, the Treasurer should separately account for staff eligible for future step increases by using the actual step increases in the collective bargaining agreements. Further, the Treasurer should accurately account for the total impact of potential retirees and teacher reductions based on the District’s declining enrollment and desired class size. Taking these measures would help the District increase the reliability of the forecast, and subsequently ensure that decisions are based on reasonable and accurate projections.

The District’s assumptions for projecting employee wages are as follows:

- Approximately 18 employees will retire annually.
- No negotiated pay increases are projected. The only increases in salaries will be from movement on the step schedule. The increase is projected at 0.5 percent annually.
- The District will eliminate one teacher position for every 21 students lost to community schools.

Table 2-18 illustrates the District’s projections for personal services.

Table 2-18: YCSD Personal Services Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Average
Personnel Services	\$54,147,765	\$49,214,125	\$45,708,904	\$41,989,477	\$39,394,560	\$46,091,166
Annual Change	NA	(\$4,933,640)	(\$3,505,221)	(\$3,719,427)	(\$2,593,917)	(\$3,688,051)
Percent Change	NA	(9.1%)	(7.1%)	(8.1%)	(6.2%)	(7.6%)

Source: Five Year Forecast

According to *AOS Bulletin 98-015*,

“the amounts for salaries and benefits should be based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases should be used. Do not overlook substitutes and extended service. Any significant additions or deletions should be addressed, such as the opening of a new building, the implementation of an early retirement incentive program or a significant reduction in force.”

The District assumes that there will be no negotiated pay increases to base salaries throughout the forecast period. In FY 2004-05 and FY 2005-06, District certificated and classified employees received negotiated pay increases of 4 percent annually. However, staff did not receive negotiated pay increases in FY 2006-07. Additionally, staff covered

by two of the three classified agreements will not receive negotiated wage increases for the duration of the newest contracts (FY 2007-08 to FY 2009-10). The other bargaining agreement for classified staff expires December 31, 2007, and covers only security guards (9.6 FTEs in FY 2006-07). The District employs security guards on an as needed basis to provide security services during extra-curricular activities. Forecasting no increases to base wages for two years beyond the expiration of the most recent negotiated agreement may be difficult, especially for employees who have reached the maximum step in their respective salary schedule.

The District also assumes that step increases will be approximately 0.5 percent annually. According to the Treasurer, given the high number of people at the top of their respective salary schedule, the overall effect on total salaries will be approximately 0.5 percent annually. Based on the negotiated collective bargaining agreements, the average step increase is 3.3 percent for certificated employees and 4.3 percent for non-certificated employees. Also, YCSD's payroll report shows that approximately 36 percent of certificated employees have not reached the maximum step increase. This would result in an average step increase of 1.5 percent when considering all certificated employees, which is much higher than the Treasurer's assumption of 0.5 percent.

Further, the District has not properly accounted for retirements when planning for reductions in force (RIFs). From FY 2001-02 to FY 2005-06, the District averaged 26 certificated retirements annually. The Treasurer estimated that there will be 18 retirements per year throughout the forecast period, plus an average of approximately 24 staff reductions per year. However, the retirements would reduce the number of total RIFs, assuming the District wants to maintain current class sizes. Moreover, while the Treasurer's assumptions indicate that the District will eliminate one teacher position for every 21 students lost to community schools, the actual formula used is based on 25 students. Lastly, the Treasurer used estimated salary data to forecast salaries, rather than available actual data.

Based on the above, the District's assumptions for personal services appear to be understated. Therefore, using FY 2005-06 salary data (excluding retirees and reductions in force) as a base, audit staff adjusted the projections as follows:

- There will be no negotiated pay increases until FY 2009-10. This is based on the new collective bargaining agreements. In FY 2009-10 and FY 2010-11, the negotiated pay increases to base wages will be forecasted at 2 percent annually.
- The DeJong enrollment projection for YCSD indicates that the District will lose an average of 371 pupils per year throughout the forecast period. The projections are similar to trends from FY 1992-93 to FY 2005-06, which show an average decline in students of 402 per year. In FY 2003-04 and FY 2004-05, the number of

students declined by 496 and 433, respectively. Because of a reduction in students, YCSD will be able to reduce the number of teachers. Thus, to forecast teacher reductions, it is assumed that the District will retain one certificated staff member for every 20 students, using the decline in student population for each forecast year as identified in the Dejong enrollment projections. Since the District averaged 23 total students per regular education teacher in FY 2006-07, using a 20:1 ratio provides for a conservative projection. Additionally, AOS projects staff reductions based upon years of service, using the most junior employees to determine savings. It should be noted that the enrollment discussed in this assumption refers to the October headcount of students in classrooms, which differs from the SF-3 ADM used to calculate state funding levels (see **R2.4**). SF-3 ADM encompasses all students in their district of residence, including those attending community schools or in other districts through open enrollment.

- Classified retirements are projected at 11 per year, based on the annual average from FY 2001-02 to FY 2005-06. Certificated retirements will be held at 20 per year. This is lower than the average of 26 retirements from FY 2001-02 to FY 2005-06 to be conservative.
- To account for steps, audit staff determined the portion of total salaries attributable to employees who have reached the highest step in their respective scale (both certificated and classified) by using the FY 2005-06 EMIS report and accounting for staffing reductions and retirements. This amount was held constant throughout the forecast period. AOS applied step increases to the remaining portion of salaries, based on the average step increases in the most recent agreements of 3 percent for certificated staff and 4 percent for classified staff. As employees begin to reach the highest step, their salaries are held constant.
- AOS assumes that the number of employees that could be eliminated will be reduced by the number of retirees. The savings resulting from reductions in force are based on the salaries of employees with the least seniority. However, in FY 2007-08 and FY 2010-11, the number of retirements is projected to exceed the number of teachers eligible for a reduction in force. Consequently, in those years, it is assumed that the District will hire new employees in order to maintain a class size of 20:1. The salaries for these employees are based upon the negotiated salary for an entry level teacher with a bachelor's degree.
- Overtime, substitute costs, student workers, Board of Education member pay, and termination benefits are projected based upon historical trends from FY 2003-04 to FY 2005-06, with a few exceptions for FY 2006-07 to account for the large reduction in force that occurred in FY 2005-06. Since the number of individuals leaving the District doubled from FY 2005-06 to FY 2006-07, AOS doubled the

termination benefits. Also, for FY 2006-07, substitute costs were based on year-to-date expenditures, and for FY 2007-08 through FY 2010-11, the historical average, including FY 2006-07, was used.

Table 2-19 compares the revised projection of personal services expenditures for FY 2006-07 through FY 2010-11 to YCSD’s original projection.

Table 2-19: Comparison of YCSD Forecasted Personal Service Expenditures to Revised Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast	\$54,147,165	\$49,214,125	\$45,708,904	\$41,989,477	\$39,395,560
Revised Projection	\$55,284,851	\$55,026,499	\$54,449,254	\$54,914,020	\$55,477,345
Difference	\$1,137,086	\$5,812,374	\$8,740,350	\$12,924,543	\$16,081,785

Source: AOS Analysis and YCSD December 2006 Forecast

R2.8 YCSD should revise its assumptions for benefits. Specifically, the Treasurer should consider using a separate methodology to forecast insurance benefits, based on historical trends, known changes, and relevant information from industry sources.

Fringe benefits for YCSD employees represented approximately 19 percent of the District’s FY 2005-06 operating expenditures. Fringe benefits include retirement, Medicare, workers’ compensation, unemployment insurance, and health insurance. The District’s assumptions for projecting fringe benefits are as follows:

- Retirement and Medicare cost estimates are based on 15.45 percent of wages.
- Insurance benefits are projected at a rate of 36.9 percent of wages.
- A 10 percent co-pay is projected.

Table 2-20 illustrates the District’s projections for employee benefits.

Table 2-20: YCSD’s Projected Benefits

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Average
Fringe Benefits	\$20,503,337	\$18,032,693	\$16,489,856	\$15,153,921	\$14,211,880	\$16,878,337
Annual Change		(\$2,470,644)	(\$1,542,837)	(\$1,335,935)	(\$942,041)	(\$1,574,864)
Percent Change		(12.0%)	(8.6%)	(8.1%)	(6.2%)	(8.7%)

Source: YCSD Five Year Forecast

As shown in **Table 2-20**, YCSD expects this line item to decrease an average of 8.7 percent annually throughout the forecast period. The decrease is largely the result of expected retirements and reductions in force. According to *AOS Bulletin 98-015*,

expenditure projections for benefits should be based on historical trends, with any significant changes noted (e.g. school closures and reductions in force).

The District's assumption for projecting insurance benefits at the same fixed percentage of salaries during the forecast period understates future expenditures because insurance benefits are independent of salaries, unlike Medicare and retirement. For instance, medical insurance costs increased by 8.0 percent in FY 2004-05 and 16.9 percent in FY 2005-06, much higher than the personal service increases of 4.4 and 5.8 percent, respectively. Medical insurance costs were the highest benefit category in FY 2005-06 at approximately \$12 million, which amounted to 53 percent of total benefits. Total insurance costs comprised 61 percent of benefit costs in FY 2005-06.

In addition, an Ohio Education Association (OEA) survey of health insurance premiums paid by Ohio school districts found that premiums increased an average of 7 percent for certificated staff and 13 percent for classified staff from FY 2004-05 to FY 2005-06. The combined increase was approximately 10 percent. The State Employment Relations Board (SERB) reported statewide average medical premium costs increasing by 12.2 percent in 2005. For 2006, SERB reported increases in statewide average single and family premiums of 6.4 and 7.7 percent, respectively. Furthermore, unemployment insurance will likely increase significantly in FY 2006-07 due to the reductions in force that occurred in FY 2005-06 (effective FY 2006-07). Lastly, expenditures for approximately the first half of the fiscal year indicate that the District is on pace to spend approximately \$1.4 million more than the projected \$20.5 million. This could be due, in part, to the Treasurer using a fixed percentage of salaries rather than breaking out the individual categories and basing the projections on historical trends.

As a result of the above factors, audit staff revised the benefit projections as follows using FY 2005-06 as a base year:

- Medicare and retirement are forecasted at 1.0 and 14 percent of revised personal service projections, respectively. This is based on trends from FY 2003-04 to FY 2005-06. YCSD pays some Medicare and retirement costs out of funds other than the General Fund, which explains why Medicare is lower than the required percentage in the General Fund. In aggregate, YCSD pays the correct amounts.
- Based on renewal information provided by YCSD, the premiums for certificated staff were not increased in FY 2006-07, while classified staff premiums increased 9 percent. The projection for FY 2006-07 will reflect these rates. FY 2006-07 will also reflect only 11 payments, due to the District making 13 payments in FY 2005-06. Medical and prescription drug insurance premiums have been increased for FY 2007-08 through FY 2008-09 using a 13 percent annual increase. This is higher than the average increase in District medical insurance costs from FY

2003-04 to FY 2005-06 (12.5 percent), and SERB and OEA averages to provide a conservative projection.

- The remaining insurance expenditures (dental, vision, and life) will increase in a manner consistent with historical trends from FY 2003-04 to FY 2005-06. Collectively, these insurances represented 5 percent of fringe benefits in FY 2005-06.
- Savings from retirees and RIFs will be calculated based upon the most recent insurance premiums and the revised assumptions for personal services.
- No co-pay is projected because in FY 2005-06, only District administrators had a co-pay for health insurance. See the **human resources** section for additional discussion regarding co-pays.

Table 2-21 compares the Treasurer’s projection to the auditors’ revised projection for fringe benefits.

Table 2-21: Comparison of YCSD Projection to Revised Amounts

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast	\$20,503,337	\$18,032,693	\$16,489,856	\$15,153,921	\$14,211,880
Revised Projection	\$21,231,201	\$23,269,806	\$24,769,487	\$26,497,450	\$28,882,135
Difference	\$727,864	\$5,237,113	\$8,279,631	\$11,343,529	\$14,670,255

Source: AOS Revisions and YCSD Forecast

R2.9 YCSD should review and adjust its purchased service forecast assumptions for FY 2006-07 through FY 2010-11. Specifically, the Treasurer should apply the appropriate forecast methodology for each major expenditure within the line item, including tuition expenditures. Additionally, the District should ensure that assumptions do not contradict each other (e.g., impact of declining student population due to community school transfers and open enrollment on staffing reductions and community school payments). Furthermore, the Treasurer should clearly document reasons for deviating from historical trends in the assumptions.

In FY 2005-06, purchased services represented approximately 26 percent of the District’s operating expenditures. For YCSD, purchased services consist primarily of tuition, utilities, and property services. The District’s assumptions for projecting purchased services indicate that from FY 2006-07 to FY 2010-11, expenditures are expected to increase from 1 percent to 2.5 percent with the following exceptions:

- Natural gas is expected to increase 8 percent until FY 2007-08. Thereafter, natural gas will be projected to increase at 8.5 percent annually.

- Electricity is projected to increase 8 percent annually.
- Certain telecommunication expenditures will increase 10 percent annually.

Table 2-22 illustrates the District’s projections of purchased services.

Table 2-22: Projected Purchased Services Expenditures

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Average
Purchased Services	\$33,234,381	\$34,179,947	\$34,414,597	\$35,329,606	\$36,296,522	\$34,691,011
Annual Change	\$1,614,187	\$743,566	\$234,650	\$915,009	\$966,916	\$894,866
Percent Change	5%	2%	1%	3%	3%	3%

Source: Five Year Forecast

As shown in Table 2-22, purchased services expenditures are expected to increase an average of 3 percent per year.

According to AOS Bulletin 98-015, “projections for purchased services, supplies and other anticipated expenditures in these areas are normally based on historical patterns. Variations from historical patterns should be identified and explained.” Table 2-23 shows historical purchased services expenditures.

Table 2-23: Historical Purchased Service Expenditures

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	Average
Purchased Services	\$19,124,869	\$24,239,509	\$28,950,603	\$31,162,194	\$25,869,294
Annual Change	NA	\$5,114,640	\$4,711,094	\$2,211,591	\$4,012,442
Percent Change	NA	27%	19%	8%	18%

Source: Historical Financial Information and Five Year Forecast

Table 2-23 shows that although purchased service expenditures are increasing at a lower rate, the average annual increase is 18 percent. Tuition, electricity, and natural gas represent the highest categories in purchased services for FY 2005-06, amounting to 84 percent of total purchased service expenditures. Tuition payments increased an average of 24 percent from FY 2002-03 to FY 2005-06 and represented 72 percent of purchased service costs in FY 2005-06. However, tuition expenditures increased at a slower rate (37 percent in FY 2003-04, 25 percent in FY 2004-05, and 10 percent in FY 2005-06), which primarily contributed to the overall trends in Table 2-23. As stated previously, from FY 1992-93 through FY 2005-06 the District lost an average of 402 students annually.

Despite the historical trends in tuition payments and the Treasurer’s assumption of a steadily declining student population due to community school transfers and open enrollment, no increases in community school payments are forecasted. In addition, natural gas and electricity showed historical increases well above the Treasurer’s projections. Specifically, electricity and natural gas expenditures increased from FY

2002-03 to FY 2005-06 at an average of 15 and 25 percent, respectively. These expenditures also increased significantly in FY 2005-06 (27 and 50 percent, respectively) due to the opening of four new schools while closing only two as part of the OSFC project. Electricity expenditures increased 4 percent in FY 2003-04 and 14 percent in FY 2004-05, and natural gas expenditures increased 16 percent in FY 2003-04 and 9 percent in FY 2004-05. As a result, these expenditures increased an average of 9 and 12.5 percent, respectively, from FY 2002-03 to FY 2004-05. These increases are higher than the Treasurer's assumptions.

Since the Treasurer's projections appear to be understated based on historical trends, audit staff adjusted the projections as follows:

- Tuition expenditures are increased based upon the DeJong enrollment projection and per pupil funding levels. Specifically, FY 2005-06 tuition expenditures are increased by 3 percent for FY 2007-08 and FY 2008-09 to be consistent with the increases in per pupil funding in HB 119. Thereafter, tuition expenditures are increased by 2.5 percent, which is the annual average increase in the per pupil funding amount from FY 2002-03 to FY 2008-09. In addition, tuition expenditures will be increased to account for the fact that more students are expected to leave the District, based on the DeJong enrollment projections. The annual expected increase in students leaving will be multiplied by the above stated per pupil costs. Based upon this methodology, total tuition expenditures are forecasted to increase by an average of approximately 10 percent per year, which is similar to the increase in FY 2005-06.
- Electricity expenditures are forecasted to increase an average of 15 percent annually, based on the trend from FY 2002-03 to FY 2005-06. In addition, natural gas expenditures are projected to increase by 12.5 percent per year, based on the trend from FY 2002-03 to FY 2004-05. FY 2005-06 is excluded for natural gas because of the abnormal increase of 50 percent due to the OSFC project, which was significantly greater than the two prior years. While the OSFC project contributed to the increase in electricity for FY 2005-06, the increase follows the increasing trend from the prior two years. Therefore, FY 2005-06 was included when developing the revised assumption for electricity.
- The remaining line items, which comprised 16 percent of total purchased services expenditures in FY 2005-06, are forecasted based on a review of trends from FY 2002-03 to FY 2005-06.

Table 2-24 compares the revised projections for purchased services for FY 2006-07 through FY 2010-11 to YCSD's original projection.

Table 2-24: Comparison of YCSD Purchased Service Projections to Revised Amounts

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
YCSD Forecast	\$33,234,381	\$34,179,947	\$34,414,597	\$35,329,606	\$36,296,522
Revised Projections	\$34,745,047	\$38,225,182	\$41,689,202	\$45,276,444	\$49,010,713
Difference	\$1,510,666	\$4,045,235	\$7,274,605	\$9,946,838	\$12,714,191

Source: AOS analysis and YCSD

R2.10 YCSD should identify the amounts necessary to meet future set-aside requirements, consider them in the forecast methodology, and disclose the requirements and potential exemptions in the assumptions. Although continued fiscal distress may allow the District to waive set-aside requirements, identifying them would help the District forecast potential future obligations. This, in turn, would help YCSD plan for future textbook and instructional materials once it regains financial stability. In addition, the District should review spending in all funds for supplies and materials and determine whether it can reallocate spending in a manner that reduces the impact on the General Fund.

In FY 2005-06, supply and material expenditures for YCSD were 2 percent of operating expenditures. The District’s assumptions for projecting the cost of supplies and materials indicate these expenditures are not projected to increase. These are controllable expenses and will be carefully managed and monitored.

Table 2-25 illustrates the District’s projections for supply and material expenditures.

Table 2-25: Supplies and Materials Projections

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Average
Supplies and Materials	\$2,638,589	\$2,506,659	\$2,381,326	\$2,262,260	\$2,149,147	\$2,387,596
Annual Change	(\$138,871)	(\$131,930)	(\$125,333)	(\$119,066)	(\$113,113)	(\$125,663)
Percent Change	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)

Source: Five Year Forecast

As shown in Table 2-25, the District projects supply and material expenditures to decrease by five percent each year.

According to AOS Bulletin 98-015, anticipated expenditures for supplies and materials should be based on historical patterns. Table 2-26 shows the District’s historical expenditures for supplies and materials.

Table 2-26: Historical Supply and Material Expenditures

Description	FY 2003-04	FY 2004-05	FY 2005-06	Average
Materials and Supplies – General Fund	\$3,035,665	\$2,982,598	\$2,777,462	\$2,931,908
Total Supplies and Materials – All Funds	\$6,973,166	\$6,613,176	\$6,481,412	\$6,689,251
% of Total Expenditures in the General Fund	43.53%	45.10%	42.85%	43.83%

Source: Year End Financial Reports

Table 2-26 illustrates that expenditures from the General Fund and all funds for supplies and materials declined each year from FY 2003-04 to FY 2005-06. Specifically, total supply and material expenditures from the General Fund and from all funds decreased an average of 4.3 and 3.6 percent, respectively, from FY 2003-04 to FY 2005-06. Consequently, the District's assumptions of a continued decline of 5 percent each year appears reasonable. However, the District has not met the required set-aside amounts in prior years for instructional materials and textbooks. Furthermore, the Treasurer's assumptions do not mention set-aside requirements. Contrary to the stated assumptions, the District cannot control set-aside requirements unless it continues to be in fiscal distress. Lastly, while the historical trends support continued decreases, the District may need to increase spending at some point to address other needed supplies and materials.

ORC § 3315.17 requires school districts to maintain a minimum level of spending in relation to its state funding formula amount for textbooks and instructional materials as defined in OAC 3301-92-01. This statute establishes the minimum spending threshold at 3 percent of the preceding years' state funding formula amount.

ORC § 3315.17 also states that that in any year a district is in fiscal emergency status, the district may deposit an amount less than required by statute, or make no deposit, into the district textbook and instructional materials fund for that year. Additionally, in any fiscal year that a school district is either in fiscal watch or caution status, the district may apply to the superintendent of public instruction for a waiver from the statutory requirements, under which the district may be permitted to deposit an amount less than required by that division or permitted to make no deposit into the district textbook and instructional materials fund for that year.

In FY 2003-04 and FY 2004-05, the District fell well below the set-aside requirements. At the end of FY 2004-05, the District had accumulated a carry forward balance of approximately \$744,000. This balance must be spent in future years, in addition to the annual requirement for the ensuing year. However, the Financial Forecast for FY 2006-07 completed in April 2007 by the AOS Local Government Services Section (LGS) shows the District is expected to meet the set-aside requirements in FY 2005-06, including the carry forward balance from FY 2004-05. Additionally, the District chose to set aside no funds in FY 2006-07, as permitted by ORC § 3315.17. However, as YCSD's financial stability will dictate its ability to seek waivers from future set-aside requirements,

identifying these potential obligations would ensure that the District has planned for them once they again take effect. Therefore, audit staff have revised supplies/materials projections as follows for FY 2007-08 to FY 2010-11:

- Regular (non-qualifying) operating supplies and materials will be held constant at the average from FY 2003-04 to FY 2005-06, after accounting for the qualifying expenditures. Although regular expenditures declined each year from FY 2003-04 to FY 2005-06, this assumes that regular expenditures will level off in order to sustain and address basic supply needs.
- Revisions will account for full funding of the set aside requirement. The set-aside amount in each fiscal year will be based on the same trends in the per pupil funding formula used in **R2.4**; enrollment declining by 5 percent, based on the average decline in enrollment figures from FY 2003-04 to FY 2005-06 used in the ODE reports that calculate set-aside requirements; and the 3 percent requirement in ORC § 3315.17.

Table 2-27 compares YCSD's projections to the revised amounts.

Table 2-27: Analysis of Materials and Supplies with Textbook Set-Aaside

Description	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Regular Materials and Supplies	\$1,603,916	\$1,603,916	\$1,603,916	\$1,603,916
Textbook Set Aside Requirement	\$1,289,249	\$1,261,530	\$1,228,415	\$1,196,169
AOS Adjusted Forecast	\$2,893,165	\$2,865,446	\$2,832,331	\$2,800,085
YCSD	\$2,506,659	\$2,361,325	\$2,262,260	\$2,149,147
Difference	\$386,506	\$504,121	\$570,071	\$650,938

Source: District forecast and AOS calculations

As previously stated, the General Fund accounted for approximately 44 percent of total expenditures for supplies and materials from FY 2003-04 to FY 2005-06 (see **Table 2-26**). When excluding food-related supplies, the General Fund still accounted for approximately 54 percent of total supply and material expenditures from FY 2003-04 to FY 2005-06. Therefore, the District may be able to minimize overall supply and material expenditures in the General Fund and still meet the future set-aside requirements by reviewing the composition of spending in all funds, and determining whether it can reallocate resources accordingly.

Planning and Budgeting Practices

R2.11 YCSD should develop a comprehensive set of budget policies and procedures that include the following:

- **A budget calendar;**
- **Budget guidelines;**
- **Budget instructions;**
- **Mechanisms for coordinating presentation and review;**
- **Procedures facilitating review; and**
- **Identification of opportunities for stakeholder input (see R2.17 for more information).**

Developing formal policies and procedures would help ensure consistency in the budgeting process and strengthen internal controls over the process. This, in turn, could help the District better manage its resources. Furthermore, YCSD should prepare and publish a formal budget on its website that includes the elements suggested by GFOA, such as important goals, key performance measures (see R2.13 and R2.14), and a budget summary. By doing so, the District would provide stakeholders with a clearer and more thorough understanding of the budget and its relationship to the strategic plan (see R2.13) and five-year financial forecast (see R2.1).

YCSD has not developed an effective process for preparing and adopting a budget. According to the Treasurer, the prior fiscal year's budget is increased or decreased by a percentage and no one else is involved in the budgeting process. The District also lacks formal policies and procedures to govern the budget process and does not produce a formal budget document that contains the elements suggested by GFOA. According to the Treasurer, no information is communicated to the public regarding the budget, budget document, or budget process.

According to GFOA, a government should establish an administrative structure that facilitates the preparation and approval of a budget in a timely manner. Procedures should be established for ensuring coordination of the budget process. A process is also needed to develop and communicate the policies and guidelines that will guide budget preparation. In order for the budget to be adopted in a timely manner, processes should be developed to assist stakeholders in understanding tradeoffs and to help decision-makers make choices among available options. The processes should include reporting to, communicating with, involving, and obtaining the support of stakeholders. Practices include the following:

- Developing a budget calendar;
- Developing budget guidelines and instructions;
- Developing mechanisms for coordinating budget preparation and review;
- Developing procedures to facilitate budget review, discussion, modification, and adoption; and
- Identifying opportunities for stakeholder input.

GFOA also recommends that governments prepare and adopt a budget that includes the following elements:

- A description of key programmatic and financial policies, plans, and goals;
- Identification of key issues and decisions;
- A description of the short-term and long-term financial plan of the government;
- A guide to the programs the government operates and the organizational structure in place to provide those programs;
- A description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report; and
- A concise summary of key issues, choices, and financial trends (GFOA recommends governments prepare a summary of both the proposed and final budget).

GFOA further recommends that performance measures be presented in basic budget materials, including the operating budget document, and be available to stakeholders. At least some of these measures should document progress toward the achievement of previously developed goals and objectives (see **R2.13** and **R2.14**).

Lastly, GFOA notes that a budget process that is well-integrated with other activities of the government, such as the planning and management functions, will provide better financial and program decisions and lead to improved governmental operations. A process that effectively involves all stakeholders and reflects their needs and priorities will serve as a positive force in maintaining good public relations and enhancing citizens' and other stakeholders' overall impression of government.

R2.12 YCSD should develop comprehensive financial policies that address the following topics:

- **Stabilization funds;**
- **Debt management, level, and capacity;**
- **One-time and unpredictable revenues;**
- **Diversity of revenue sources;**

- **Balancing the budget; and**
- **Contingency planning.**

Subsequently, YCSD should periodically review its policies to ensure that they are current and relevant to the District. Furthermore, the District should expand its policies on fees and charges by including the methodology used for setting them.

YCSD has policies on fees and charges. The District's fees and charges policy stipulates how the fees will be used and provides parents the opportunity to develop a better understanding of the appropriateness of the fee. The policy does not, however, specify how the fees are to be calculated. YCSD also has a policy in place to ensure that the District receives compensation for the use of its facilities. The policy describes who may use the facility and for what purposes, but does not explain how the fees are set. The District also has a policy on debt. While the policy states that the Treasurer will prepare all necessary documents and that the Board must formally approve all debt, it does not specify debt limits, debt capacity, or debt management. Finally, the District lacks policies for fund stabilization, use of one-time revenues, contingency planning, balancing the budget, use of unpredictable revenues, and revenue diversification.

According to GFOA, a school district should develop a comprehensive set of financial policies that are consistent with its broad goals and are the outcome of sound analysis. Specifically, GFOA recommends developing financial policies in the following areas:

- **Stabilization of funds:** Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Once developed, policies should be identified in other government documents, including planning and management reports.
- **Fees and Charges:** A government should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. Policies that require identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.
- **Debt management, level, and capacity:** A government should adopt policies to guide the issuance and management of debt, including purposes for which debt may be issued, the matching of asset's useful life with debt maturity, limitations

on the amount of outstanding debt, types of permissible debt, structural features, refunding of debt, and investment of bond proceeds. In particular, a government should develop distinct policies for general obligation debt, debt supported by revenues of government enterprises, and other types of debt such as special assessment bonds, tax increment financing bonds, short-term debt, variable-rate debt, and leases. Limitations on outstanding debt and maximum debt service may be expressed in dollar amounts or as ratios, such as debt per capita. Policies on debt level and capacity should be incorporated into other debt policies and adopted by the legislative body.

- **Use of one-time revenues:** Governments should adopt policies limiting the use of one-time revenues for ongoing expenditures. One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process.
- **Use of unpredictable revenues:** Governments should identify major revenue sources it considers unpredictable and define how these revenues may be used. For each major unpredictable revenue source, a government should identify those aspects of the revenue source that make the revenue unpredictable. Most importantly, a government should identify the expected or normal degree of volatility of the revenue source. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.
- **Balancing the Operating Budget:** This policy should provide clear definition as to how budgetary balance is to be achieved. Definitions of items to be counted as operating resources (e.g., revenues) and operating resource uses (e.g., expenditures) should be explicitly identified. All funds should be included. The policy should explicitly note and, if necessary, explain the relevant constitutional, statutory, or case law provisions that impose a balanced budget requirement upon the government. The policy also should identify the circumstances when deviation from a balanced budget may occur. Such policies help to ensure that a government's use of resources for operating purposes does not exceed available resources over a defined budget period.
- **Revenue diversification:** Governments should adopt policies that encourage a diversity of revenue sources. The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues.

- **Contingency planning:** Governments should have policies to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.

By adopting the comprehensive polices recommended by GFOA, YCSD would be in a better position to effectively manage its resources and plan for the future.

R2.13 YCSD should maintain and publish a clearly written, multi-year strategic plan to provide vision and direction. The plan should incorporate the Comprehensive Continuous Improvement Plan (CCIP), master facilities plan, and operational areas such as technology, facilities, transportation, and finance. In developing the strategic plan, the Board should prioritize goals and objectives, and instruct appropriate staff on how these priorities should be considered in making program and budget decisions. The strategic plan should clearly delineate the District’s goals, objectives and strategies for achieving them, as well as the related priority levels.

The strategic plan should also include performance measures the District will use to judge progress toward meeting its goals (see R2.14). The District should use the performance measures during the strategic planning and budgeting processes. This will help ensure the District links spending to its long term goals and chooses feasible goals that are supportable with available resources.

When YCSD has a Board approved strategic plan, it should assess the strategic plan on an annual basis. When necessary, the District should amend priorities to reflect changing internal and external conditions.

YCSD has developed a CCIP consistent with ODE requirements. However, the District has not developed a multi-year strategic plan incorporating all elements of its operations, such as technology, facilities, transportation, and financial operations. Furthermore, according to the District, a master facilities plan is in place to guide the construction of new buildings. However, the District was unwilling to provide a copy of the most recent plan for AOS review.

GFOA recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals. While there is not a single best approach to strategic planning, a sound strategic planning process will include the following key steps:

- **Initiate the Strategic Planning Process:** It is essential that the strategic plan be initiated and conducted under the authorization of the organization's chief executive, either appointed or elected. Inclusion of other stakeholders is critical, but a strategic plan that is not supported by the chief executive has little chance of influencing an organization's future.
- **Prepare a Mission Statement:** The mission statement should be a broad but clear statement of purpose for the entire organization. One of the critical uses of a mission statement is to help an organization decide what it should and should not be doing. The organization's goals, strategies, programs, and activities should logically cascade from the mission statement.
- **Assess Environmental Factors:** A thorough analysis of the government's internal and external environment sets the stage for an effective strategic plan. A frequently used methodology for conducting an environmental assessment is a "SWOT" (Strengths, Weaknesses, Opportunities, and Threats) analysis. Strengths and weaknesses relate to the internal environment, while analysis of opportunities and threats focuses on the environment external to the organization. Local, regional, national, and global factors affecting the community should be analyzed, including economic and financial factors, demographic trends, legal or regulatory issues, social and cultural trends, physical (e.g., community development), intergovernmental issues, and technological change. Also, a government should develop mechanisms to identify stakeholder concerns, needs, and priorities through mechanisms like public hearings, surveys, meetings of community leaders and citizens' interest groups, meetings with government employees, and workshops for government administrative staffs and the legislative body.
- **Identify Critical Issues:** Once the environmental analysis has been completed, the next step is to use the resulting information to identify the most critical issues. Issue recognition should reflect stakeholder concerns, needs, and priorities as well as environmental factors affecting the community.
- **Agree on a Small Number of Broad Goals:** These written goals should address the critical issues facing the community. It may be necessary to define priorities among goals to improve their usefulness in allocating resources.
- **Develop Strategies to Achieve Broad Goals:** Strategies relate to ways that the environment can be influenced (internal or external) to meet broad goals. A single strategy may relate to the achievement of more than one goal. There should be a relatively small number of specific strategies developed to help choose among services and activities to be emphasized. To optimize the success of these

strategies, opportunities should be provided for input from those who will be affected.

- **Create an Action Plan:** The action plan describes how strategies will be implemented and includes activities and services to be performed, associated costs, designation of responsibilities, priority order, and time frame involved for the organization to reach its strategic goals. There are various long-range planning mechanisms available to enable organizations to clarify their vision and strategy, and translate them into action.
- **Develop Measurable Objectives:** Objectives are specific, measurable results to be achieved. Objectives and their timelines are guidelines, not rules set in stone. Objectives should be expressed as quantities, or at least as verifiable statements, and ideally would include timeframes.
- **Incorporate Performance Measures:** Performance measures provide an important link between the goals, strategies, actions, and objectives stated in the strategic plan and the programs and activities funded in the budget. Performance measures provide information on whether goals and objectives are being met.
- **Obtain Approval of the Plan:** Policymakers should formally approve the strategic plan so it can provide the context for policy decisions and budget decisions.
- **Implement the Plan:** Organization stakeholders should work together to implement the plan. Moreover, the strategic plan should drive the operating budget, the capital plan, and the government's other financial planning efforts.
- **Monitor Progress:** Progress toward planned goals should be monitored at regular intervals. Organizations should develop a systematic review process to evaluate the extent to which strategic goals have been met.
- **Reassess the Strategic Plan:** Many external factors, such as the national or regional economy, demographic changes, statutory changes, legislation, mandates, and climate/environmental changes, may affect the environment and thus achievement of stated goals. To the extent that external events have long-range impacts, goals, strategies, and actions may need to be adjusted to reflect these changes. New information about stakeholder needs or results may also require changes to the plan. It is desirable to minimize the number of adjustments to longer-term goals in order to maintain credibility. However, governments should conduct interim reviews every one to three years and more comprehensive strategic planning processes every five to ten years, depending on how quickly

conditions change. Performance measure results need to be reviewed more frequently than the strategic plan.

The Baldrige National Quality Program's *Education Criteria for Performance Excellence* (2006) indicates that strategic planning involves the development of strategic objectives, action plans for achieving those objectives, and deployment of the action plans. Strategy development is the approach (e.g., forecasts, projections, or scenarios) used to envision the future for purposes of decision making and resource allocation. Accomplishment of action plans requires allocating resources and specifying key performance requirements, measures, and indicators for such areas as faculty/staff development plans and the use of learning technologies. Lastly, deployment is the process of converting objectives into action plans. It can also include how the organization assesses progress relative to these action plans.

By developing, implementing, and monitoring a strategic plan, the District would provide a clear vision and mission to guide its programs and operations. It would also increase the likelihood of effectively planning for the future and identifying strategies to improve its financial condition.

R2.14 YCSD should set performance measures and benchmarks for the operational units within the District, which are linked to the strategic plan (see R2.13). The benchmarks should aid in assessing the efficiency and effectiveness of operations. Subsequently, the District should regularly evaluate the performance of operational units against the benchmarks. Doing so would increase accountability and help ensure service and cost effectiveness. The development of performance measures and benchmarks can be aided by reviewing the assessments in this performance audit.

According to the Treasurer, the District does not set operational performance measures. However, according to GFOA, a key responsibility of state and local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible, and to communicate the results of these efforts to stakeholders. Performance measurement, when linked to the budget and strategic planning process, can assess accomplishments on an organization-wide basis. When used in the long-term planning and goal setting process and linked to the entity's mission, goals, and objectives, meaningful performance measurements can assist government officials and citizens in identifying financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

Consequently, GFOA recommends that program and service performance measures be developed and used as an important component of long-term strategic planning and

decision making, and linked to governmental budgeting. Performance measures should do the following:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program outcomes;
- Provide for resource allocation comparisons over time;
- Measure efficiency and effectiveness for continuous improvement;
- Be verifiable, understandable, and timely;
- Be consistent throughout the strategic planning, budgeting, accounting and reporting systems and, to the extent practical, be consistent over time;
- Be reported internally and externally;
- Be monitored and used in managerial decision-making processes;
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.

GFOA notes that over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals, and objectives of each department. Governments in the early stages of incorporating performance measures into their budget process should strive to do the following:

- Develop a mission statement for government and its service delivery units by evaluating the needs of the community;
- Develop its service delivery units in terms of programs;
- Identify goals, short- and long-term, that contribute to the attainment of the mission;
- Identify program goals and objectives that are specific in timeframe and measurable to accomplish goals;
- Identify and track performance measures for a manageable number of services within programs;
- Identify program inputs in the budgeting process that address the amount of resources allocated to each program;
- Identify program outputs in the budgeting process that address the amount of service units produced;
- Identify program efficiencies in the budgeting process that address the cost of providing a unit of service;
- Identify program outcomes in the budgeting process that address the extent to which the goals of the program have been accomplished;

- Take steps to ensure that the entire organization is receptive to evaluation of performance;
- Integrate performance measurements into the budget that at a minimum contains by program the goals and input, output, efficiency, and outcome measures; and
- Calculate costs and document changes that occur as a direct result of the performance management program in order to review its effectiveness.

By establishing and monitoring performance measures, the District would be able to objectively evaluate the performance of its operating units. This, in turn, would help the District make well-informed decisions.

Financial Reporting and Stakeholder Involvement

R2.15 YCSD should consider supplementing its comprehensive annual financial reports (CAFR) with popular annual financial reports (PAFR). The PAFR should be designed to assist those who need or desire a less detailed overview of financial activities.

YCSD has an annual independent audit of its financial statements based upon generally accepted accounting principles (GAAP) conducted by AOS. The District also prepares a comprehensive annual financial report and makes it available to the public at the public library and the Treasurer's Office. However, the District does not prepare a PAFR.

GFOA encourages governments to supplement their CAFR with simpler, "popular" reports or PAFRs designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

- Be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant;
- Indicate clearly the scope of the popular report;
- Mention the existence of the CAFR for the benefit of readers desiring more detailed information;
- Attract and hold readers' interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format, and be written in a concise and clear style;
- Avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics;

- Use the narrative, as appropriate, to highlight and explain items of particular importance;
- Use comparative data constructively to help identify trends useful in the interpretation of financial data;
- Be distributed in a number and manner appropriate to their intended readership;
- Strive for creativity;
- Encourage feedback from users; and
- Establish its credibility with intended readers by presenting information in a balanced and objective manner.

Providing financial and statistical reporting through a PAFR would provide stakeholders with the ability to easily gain a better understanding of the District’s financial condition and outlook.

R2.16 The District should provide published documents, including budget documents (see R2.11), the CAFR, and any other pertinent financial reports, on its web site. Doing so would increase stakeholder access to information.

Currently, no financial information or reports are available on the District’s web site. The District’s Department of Community Support and Public Relations does make a link available to YCSD’s five-year forecast, which is available through ODE.

According to GFOA, a government should publish its budget documents and CAFR directly on the web site. GFOA also recommends that governments adhere to the following guidelines when presenting these documents on their web sites:

- Electronic CAFRs should be identical to the printed versions;
- Web sites should state whether the budget document is preliminary or the approved budget;
- Historical information should be clearly stated as such and should be clearly segregated from the current fiscal year; and
- Web site security should provide protection from manipulation

The Westerville City School District in Ohio provides its community with several key financial reports that pertain to District operations via its web site. Its web site consists of five major components, as follows:

- **Levy Information** – Levy Facts, Reappraised Home Values and School Taxes, Property Tax Calendar, Income Tax Calculator, Ohio School District Income Tax, and Glossary of Terms;

- **Budget Appropriations** – Current Five-Year Forecast, Understanding the Five-Year Forecast, FY 2005-06 Appropriations, FY 2005-06 Tax Budget, and Historical Year-end Analysis;
- **Taxes/Millage/Valuation** – Tax Calculator, Presentation of Governor’s Blue Ribbon Task Force on Student Success, Franklin County Area School District’s Effective Tax Rates (Historical Information), WCS Tax Rates History, and Q&A Questions on Taxes and Millage;
- **Annual Report** – Two years Historical Information for both the CAFR and PAFR, and most recent CAFR; and
- **Miscellaneous** – State Performance Audit, School Finance Terms, State Financial Designations, and Local Report Cards.

Providing financial reports on the web site would increase access to and awareness of these reports. Posting information on the web site also reduces the time needed for public document requests and eliminates any cost associated with providing the information. In addition, the electronic form also provides users with a computerized tool to find, extract, and analyze the data contained in these documents.

R2.17 YCSD should increase the means of communication with stakeholders, particularly the community. For instance, the District should include financial information in its newsletters. The District should also ensure that Board members are provided with the appropriate information to make well-informed decisions about finances. Further, the District should include stakeholders in the budgeting process. The District could accomplish this by adding qualified community members to the finance committee.

According to the Treasurer, the District does not attempt to include stakeholders in the budgeting process. The District has a finance committee that meets prior to official Board meetings, but it does not include community members. In addition, the Treasurer stated that the District used to send a calendar to the community. However, the practice was discontinued and little to no information is shared with the community unless they are present at Board meetings. Further, the District has a one page newsletter available in electronic format on its web site. The newsletter contains no financial information, but lists dates and times of various meetings. The Department of Community Support and Public Relations publishes a separate newsletter; however, this newsletter also fails to contain financial information or inform the community of significant events affecting services and/or the budget.

According to the Treasurer, Board members are provided with the SM2 report which is a basic financial report showing revenues and expenditures by line item. The report also

shows month-to-date and year-to-date budgets and actual expenditures, as well as a dollar difference column. According to the Treasurer, the SM2 is discussed in finance committee meetings prior to official board meetings; however, no documentation was available to support this assertion. According to the Treasurer, financial information for a given month is presented at the second meeting of the subsequent month.

According to GFOA, a District's budget process should accomplish the following:

- Involve stakeholders;
- Identify stakeholder issues and concerns;
- Obtain stakeholder support for the overall budget process;
- Achieve stakeholder acceptance of decisions related to goals, services, and resource utilization; and
- Report to stakeholders on services and resource utilization, and serve generally to enhance the stakeholder's view of government.

Further, according to GFOA, regular and frequent reporting is necessary to provide accountability, educate and inform stakeholders, and improve their confidence in the government. Communication and involvement are essential components of every aspect of the budget process.

By not regularly involving stakeholders and soliciting their input, the District does not demonstrate accountability and limits its ability to justify important decisions. For example, the District placed a 9.5 mill levy on the November 7, 2006 ballot, which failed with a vote of 45 percent for the levy and 55 percent against.

Warehouse

R2.18 YCSD should discontinue the current warehouse operation and begin the transition to a just-in-time (JIT) delivery system. In addition, the District should complete a physical inventory to determine which items should be distributed to school buildings and identify the excess inventory that should be sold to suppliers. Implementing a JIT system would eliminate the costs related to maintaining a warehouse and the system for tracking warehouse inventory. A JIT system may also help the District increase its ability to purchase in bulk, and as a result, realize volume discounts because it is not limited to the capacity of the warehouse to store items.

In addition to incurring avoidable costs by operating a warehouse, YCSD does not identify and evaluate the cost to maintain inventories. According to the Business Manager, this is due to the fact the District does not charge the cost of inventories to buildings and departments. In addition, the costs for inventory items are not tracked.

Further, YCSD does not evaluate the warehouse function. The 1999 Follow-Up Report recommended discontinuation of the warehouse. However, according to the District, a study of the warehouse function found that closing the warehouse would be inefficient. At that time, the District was unable to provide a copy of the study. The District is still unable to document the efficiency and cost-effectiveness of warehouse.

YCSD's warehouse inventory system, ADM 2000, tracks inventory automatically. However, according to the Business Manager, the system frequently fails to report accurate counts. This results in manual adjustments to the counts by the Warehouse Manager. The Business Manager also stated that there is no formal policy governing the manual count updates, except that counts are routinely done at the end of the year, prior to next year's order. Furthermore, operational units requisitioning supplies from the warehouse do not require authorization or supervision. An individual logs into the system and sends a requisition to the Data Center. The Secretary for the Data Center collects the requisitions for pickup by the Warehouse Manager. Requisitions are picked up once each month. According to the Business Manager, the only oversight of the process exists at the warehouse. The Warehouse Manager cuts orders if the order appears to be too large. Daily deliveries are made to buildings, although there can be a lag time depending on items ordered. Lastly, because the District buys supplies in bulk at the beginning of the year, no reorder points have been established.

YCSD does not have formal policies or procedures governing warehouse or inventory management, including procedures to avoid maintaining significant quantities of outdated items. The Business Manager stated that the same system is used for all requisitions.

According to OPPAGA, a school district should periodically identify the cost to maintain inventories. Such costs include truck driver salaries, grounds keeping, utilities, and gasoline for delivery trucks. The costs should be allocated on a per-unit basis and compared to other warehousing options. Additionally, a school district should periodically evaluate its warehouse function to determine its cost-effectiveness. The evaluation should focus on ensuring effectiveness and user satisfaction (e.g. timely delivery, correct orders, etc.). A district should also monitor inventory turnover to ensure it does not have significant quantities of outdated items. Further, a district should establish effective controls over inventory processes, including effective receipt and issue procedures. Lastly, the warehouse or inventory storage areas should be reasonably safeguarded to prevent unauthorized access and protect inventory items from deterioration.

Financial Accountability System Resource Guide (Texas Education Agency, 2003) recommends the following internal controls over inventory management:

- **Inventory Control** – To accurately account for items received and disbursed;
- **Inventory Turnover** – To monitor legal disposition of items which are inactive;
- **Warehouse Space** – To ensure efficient use of available space;
- **Segregation of Duties** – To prevent sole custody of inventories; and
- **Physical Inventory Adjustments** – To be reviewed and approved by persons who do not have custody of inventories.

As buildings do not have allotments that they must work within, they may feel little pressure to be frugal. For instance, the Business Manager noted that inspections of closed buildings found numerous unused/unopened supplies, an indication that supplies were stockpiled by buildings. Without an accurate inventory count, the District increases to the risk of misuse and theft. Furthermore, without identifying and evaluating the cost to maintain inventories, YCSD runs the risk of spending more for supplies than necessary or more than the volume discounts. In addition, without a routine evaluation of costs and effectiveness, YCSD runs the risk of maintaining inefficient warehouse operations. For example, YCSD cannot demonstrate that orders are filled accurately and timely, or that the District does not stock unneeded items.

Implementing a JIT system instead of operating a warehouse could be more cost-effective for the District. According to Rockford Consulting Group (RCG), a firm that specializes in manufacturing, distribution, and supply chain management consulting that includes purchasing and distribution, JIT techniques provide the cost effective production and delivery of only the necessary quality parts in the right quantity, at the right time and place, while using a minimum of facility, equipment, material, and human resources. JIT techniques can be applied to the full cycle of procurement, manufacturing, and delivery. RCG notes that improved work place organization and visibility of operations are characteristics of JIT techniques. Furthermore, material-related costs are reduced by decreasing the number of suppliers with which a company deals through the use of long-term contracts. This eliminates the need to count individual parts and stock inventory, reduces order scheduling, eliminates expediting, simplifies receiving systems, and eliminates inspection at receiving.

Financial Implication: Based upon FY 2005-06 General Fund expenditures, closing the warehouse would save approximately \$88,801 annually in salaries, \$9,000 in overtime, \$42,786 in fringe benefits, and \$155,291 in utility costs, for a total annual cost savings of approximately \$296,000. This savings do not include the cost of salaries and benefits for delivery drivers. Delivery drivers are paid from the Food Service Fund, which is currently self-sufficient.

Recovery Plan

R2.19 YCSD should analyze and use the financial recovery plan outlined in Table 2-28 to evaluate the effect of recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit along with other strategies to improve its current and future financial condition. Furthermore, the District should update its financial recovery plan on a continual basis as critical financial issues are addressed.

Because the District is projected to have negative ending fund balances from FY 2007-08 to FY 2010-11 even when the savings associated with performance audit recommendations are included, it should consider various options to further reduce expenditures or increase revenues. The District should discuss such options with the community to determine stakeholder needs and desires regarding service levels. Lastly, the District should continually monitor enrollment trends. A continued decline in enrollment and the operation of fewer buildings upon completion of the OSFC project could enable the District to make reductions beyond the levels recommended in the performance audit.

Table 2-28 presents the impact of the revised projections on the District's five-year financial forecast. Since actual revenues and expenditures for FY 2006-07 became available during the course of this performance audit, they are also included in **Table 2-28**. The total actual revenues in FY 2006-07 were 1.6 percent higher than the revised revenue projections, while the total actual expenditures were 0.1 percent lower than the revised expenditure projections. **Table 2-28** shows that the District is projected to have deficits whether or not the performance audit recommendations are implemented. However, the performance audit recommendations reduce the projected deficit by over 50 percent in FY 2010-11.

Table 2-28: AOS Revised Five-Year Forecast (in 000s)

	Actual 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11
Real Estate Property Tax	\$16,814	\$17,736	\$17,750	\$17,765	\$17,777
Tangible Personal Property Tax	\$3,238	\$2,735	\$1,279	\$310	\$155
Unrestricted Grants in Aid	\$66,731	\$66,792	\$67,560	\$68,563	\$69,413
Restricted Grants in Aid	\$11,490	\$13,934	\$14,102	\$14,272	\$14,444
Property Tax Allocation	\$3,819	\$3,772	\$4,233	\$4,823	\$4,253
Other Revenues	\$3,634	\$3,086	\$3,086	\$3,086	\$3,086
Total Operating Revenues	\$105,725	\$108,056	\$108,011	\$108,820	\$109,128
Other Financing Sources	\$15,025 ¹	\$0	\$0	\$0	\$0
Total Revenues and Other	\$120,750	\$108,056	\$108,011	\$108,820	\$109,128
Personal Services	\$55,606	\$55,026	\$54,449	\$54,914	\$55,477
Fringe Benefits	\$20,576	\$23,270	\$24,769	\$26,497	\$28,882
Purchased Services	\$34,999	\$38,225	\$41,689	\$45,276	\$49,011
Supplies, Materials, & Textbooks	\$2,355	\$2,893 ³	\$2,865 ³	\$2,832 ³	\$2,800 ³
Capital Outlay	\$536	\$750	\$1,500	\$750	\$750
Debt Service	\$0	\$7,928 ²	\$7,928 ²	\$415	\$415
Other Expenditures	\$1,156	\$980	\$991	\$1,000	\$1,000
Total Operating Expenditures	\$115,229	\$129,072	\$134,192	\$131,685	\$138,335
Other Financing Uses	\$1,451	\$45	\$45	\$45	\$45
Total Expenditures and Other	\$116,680	\$129,117	\$134,237	\$131,730	\$138,380
Result of Operations (Loss)	\$4,071	(\$21,061)	(\$26,226)	(\$22,910)	(\$29,252)
Beginning Cash Balance	(\$891) ²	\$3,180	(\$17,882)	(\$44,108)	(\$67,018)
Ending Cash Balance	\$3,180	(\$17,882)	(\$44,108)	(\$67,018)	(\$96,269)
Encumbrances and Reservations	\$1,343 ³	\$1,343	\$1,343	\$1,343	\$1,343
Ending Fund Balance	\$1,837	(\$19,224)	(\$45,450)	(\$68,360)	(\$97,612)
AOS Recommendations – Cumulative Impact ⁴	N/A	\$971	\$18,061	\$35,860	\$54,541
Revised Ending Fund Balance	\$1,837	(\$18,253)	(\$27,389)	(\$32,500)	(\$43,071)

Source: District and AOS revised assumptions

¹ Reflects the State loan received by the District, which will be repaid in amounts of \$7,512,500 in FY 2007-08 and FY 2008-09.

² Based on the LGS report released in April 2007.

³ Includes a reserve amount for bus services, based on the October 2007 forecast. In addition, if the District chose to not comply with set-aside requirements based on its financial condition, it would be able to reduce the total spending in supplies and materials. AOS estimates set-aside requirements at approximately \$1.2 million per year from FY 2007-08 to FY 2010-11 (see **Table 2-27**).

⁴ Savings in FY 2007-08 are estimated based on information provided by the District that shows reductions made from FY 2006-07 to FY 2007-08. While the District's data showing the reductions was reviewed for reasonableness, it was not tested for reliability. Therefore, audit staff conservatively estimated these cost savings. In addition, the District began requiring employees to contribute towards health insurance premiums in FY 2007-08, based on a percentage of salaries. While this has not been included in **Table 2-28**, the overall impact appears immaterial in relation to the projected ending fund balance for FY 2007-08 (see **R3.12** in human resources for further assessment). Furthermore, AOS estimated savings were adjusted throughout to account for the positions that were excluded in salary and benefit assumptions due to retirements and reductions at the end of FY 2005-06 (see **R2.7** and **R2.8**). Lastly, health and workers' compensation savings for the General Fund were based on the percentage allocated to the General Fund in FY 2005-06 and FY 2006-07.

Financial Implications Summary

The following table presents a summary of estimated cost savings in this section. For purposes of this table, only recommendations with quantifiable impacts are listed.

Financial Implication Summary

Recommendation	Annual Cost Savings
R2.18 Discontinue warehouse operations and transition to a just-in-time delivery system.	\$296,000

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Human Resources

This section of the performance audit focuses on Youngstown City School District's (YCSD or the District) human resources operations. The objective is to analyze human resource issues and develop recommendations for improvements and reductions in District expenditures. Data from applicable sources that include the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) are used throughout this section of the report for comparison purposes. In addition, YCSD is compared to a peer average consisting of ten school districts for benchmarking purposes. See the **executive summary** for a listing of the peer districts and an explanation of the selection methodology.

Organizational Structure and Function

YCSD has a separate department dedicated to human resource functions. The primary responsibilities of this department are to recruit, select, and evaluate employees; help negotiate and administer collective bargaining agreements; monitor compliance with minimum employment standards; administer employee benefit programs; manage the workers' compensation program; conduct payroll functions; and monitor the District's personnel budget.

Staffing

Table 3-1 compares YCSD's full-time equivalent (FTE) staffing levels to the peer average, as reported through the Educational Management Information System (EMIS). **Table 3-1** also shows the staffing levels on a per 1,000 average daily membership (ADM) basis for YCSD and the peer average. In addition, the District's staffing levels are for FY 2006-07. Although the peer average reflects staffing levels in FY 2005-06, **Table 3-1** can still be used to benchmark the District's staffing levels.

Table 3-1: Staffing Levels

Category	YCSD FY 2006-07		Peer Average FY 2005-06	
	FTE Reported	Per 1,000 Students	FTE ¹ Reported	Per 1,000 Students
Administrators:	73.00	9.11	12.52	6.50
Site Based Administrators	33.00	4.12	5.65	2.76
Central Administrators	40.00	4.99	6.87	3.74
Educational Staff:	703.23	87.76	137.39	68.77
Curriculum Specialist	24.00	3.00	0.30	0.14
Counselors	28.00	3.49	4.05	2.14
Librarian / Media	7.00	0.87	1.36	0.82
Remedial Specialist	25.23	3.15	3.05	1.33

Category	YCS D FY 2006-07		Peer Average FY 2005-06	
	FTE Reported	Per 1,000 Students	FTE ¹ Reported	Per 1,000 Students
Regular Teachers	337.00	42.06	95.22	47.32
Special Education Teachers	109.00	13.60	12.19	6.01
Vocational Teachers	44.00	5.49	2.16	0.95
Tutor/Small Group Instructors	7.00	0.87	5.89	3.00
ESP Teachers	58.00	7.24	8.60	4.74
Supplemental Special Education Teacher	46.00	5.74	3.36	1.83
All Other Educational Staff	18.00 ²	2.25	1.22	0.50
Professional Staff:	38.80	4.84	4.31	1.78
Psychologists	6.00	0.75	0.76	0.28
Registered Nurses	0.00	0.00	1.25	0.63
Social Worker	0.00	0.00	0.44	0.16
Physical Therapists	1.00	0.12	0.00	0.00
Speech & Language Therapists	13.80	1.72	1.67	0.63
Occupational Therapists	2.00	0.25	0.00	0.00
Visiting Teacher	4.00	0.50	0.00	0.00
All Other Professional Staff	12.00 ³	1.50	0.20	0.08
Technical Staff:	39.00	4.87	4.24	1.94
Computer Support	4.00	0.50	0.20	0.08
Practical Nurses	16.00	2.00	0.00	0.00
Library Technicians / Aides	17.00	2.12	2.62	1.21
Instructional Paraprofessionals	0.00	0.00	1.12	0.55
All Other Technical Staff	2.00 ⁴	0.25	0.30	0.10
Office / Clerical Staff:	184.00	22.96	21.97	9.59
Clerical	78.00	9.73	10.56	4.97
Teaching Aide	106.00	13.23	9.87	3.86
All Other Office / Clerical Staff	0.00	0.00	1.55	0.75
Maintenance Workers	22.00	2.75	2.90	1.15
Custodians/Groundskeepers	99.00	12.35	15.70	7.00
Bus Drivers	62.67	7.82	14.70	6.51
Food Service Workers	60.01	7.49	14.47	6.45
All Other Reported Personnel ⁵	48.41	6.04	5.51	2.07
Total FTE Reported	1,330.12	166.00	233.72	111.75

Source: FY 2005-06 EMIS data reported to the ODE as of 03/05/06

Note: YCS D's ADM in FY 2006-07 was 8,013 and the peer average was 2,012 in FY 2005-06. Peer average ratios are calculated based on the average of ratios methodology.

¹ Reflects un-audited FTE employees reported by peer districts through EMIS

² Includes teacher mentors and other professional staff. Also, teachers on special assignments are counted here per EMIS.

³ Includes accounting (2.0), audiologists (2.0), publicity relations (1.0), educational interpreter (2.0), adapted physical education therapists (2.0) and other (3.0).

⁴ Includes graphic arts and inspector.

⁵ Includes monitors, other service workers, store handling, guard watchman, and vehicle operators other than buses.

Table 3-1 shows YCSD has a greater number of FTEs per 1,000 ADM in the following classifications:

- **Site-Based and Central Administrators:** **Table 3-1** shows that YCSD employs 1.36 site-based administrators and 1.25 central administrators more than the peer average on a per 1,000 ADM basis (see **R3.1**).
- **Curriculum Specialists:** As reflected in **Table 3-1**, the District employs 3.0 curriculum specialist FTEs per 1,000 ADM, compared to the peer average of only 0.14 (see **R3.2**).
- **Educational Service Personnel (ESP):** OAC 3301-35-05(A)(4) defines ESP staff as kindergarten through grade eight art, music, and physical education teachers plus counselors, library/media specialists, nurses, visiting teachers, and social workers. As shown in **Table 3-1**, the District employs more counselors, library/medial specialists, ESP teachers, and visiting teachers on a per 1,000 ADM basis when compared to the respective peer averages. Although practical nurses cannot be included as ESP staff because they do not meet licensure requirements, **Table 3-1** indicates that the District employs significantly more practical nurses when compared to the peer averages for registered nurses and practical nurses (see **R3.3**).
- **Remedial Specialists:** Even though **Table 3-1** illustrates that the District employs more remedial specialist FTEs per 1,000 ADM than the peer average per ADM, the District employs fewer tutor and small group instructor FTEs per 1,000 ADM than the peer average. When combining remedial specialists with tutor and small group instructors, YCSD employs a total of 4.0 FTEs per 1,000 ADM. This is lower than the combined peer average of 4.3 FTEs per 1,000 ADM.
- **Regular Education:** Although the District's regular education FTEs per 1,000 ADM are lower than the peer average FTEs per 1,000 ADM, the District employs more teachers than required by State minimum standards. See **R3.4** for additional analysis.
- **Special Education:** YCSD employs more special education teacher FTEs and supplemental special education teacher FTEs per 1,000 ADM, when compared to the respective peer averages. The District also employs more special education teachers than required by State minimum standards (see **R3.5**).
- **Vocational Education:** YCSD employs five times the number of vocational teacher FTEs per 1,000 ADM when compared to the peer average. However, YCSD operates its own vocational education program, while the peer districts participate in vocational programs that comprise multiple districts. See *Issues for Further Study*.

- **All Other Educational Staff:** According to **Table 3-1**, the District employs 2.25 FTEs in the all other educational category, compared to the peer average of only 0.50 FTEs per 1,000 ADM. Teachers on special assignment and adult education teachers are included in this category. The teachers on special assignment are completing administrative tasks and were included in the administrator assessment (see **R3.1**). Similar to vocational education, YCSD operates its own adult/continuing education programs. However, the adult/continuing education program was fully supported by non-General Fund sources in FY 2005-06.
- **Psychologists, and Speech and Language Therapists:** YCSD employs more psychologists and speech and language therapists per 1,000 ADM when compared to the respective peer averages. Staffing levels in these areas are impacted, in part, by OAC Section 3301-51-09 (see *Issues for Further Study*).
- **Technology Staff:** YCSD's technology staffing (computer support) appears high, according to **Table 3-1** (see *Issues for Further Study*).
- **Library Technicians and Library Aides:** Similar to library/media specialists, the District employs more library technicians and library aides per 1,000 ADM when compared to the respective peer averages (see **R3.6**).
- **Teaching Aides:** As illustrated in **Table 3-1**, YCSD employs significantly more teaching aides per 1,000 ADM than the peer average (see **R3.7**).
- **Clerical Staff:** The District employs close to two times the number of clerical FTEs per 1,000 ADM (9.73) when compared to the peer average (4.97) (see **R3.8**).
- **Maintenance, Custodians, and Groundskeepers:** Maintenance workers per 1,000 ADM and custodian/groundskeeper FTEs per 1,000 ADM are higher than the respective peer averages. See the **facilities** section of this audit for additional assessments.
- **Bus Drivers:** The District has more bus drivers per 1,000 ADM than the peer average. See the **transportation** section of this audit for further assessment.
- **Food Service Staffing:** YCSD's food service staffing appears high, according to **Table 3-1**. See *Issues for Further Study*.

- **All Other Reported Personnel:** This staffing area consists primarily of monitoring FTEs (25.8 FTEs in the District; 4.6 FTEs for the peer average). However, when equating the monitoring staffing levels to an eight hour day, the District only employs 7.8 total monitoring FTEs. This amounts to only 1.0 FTE per 1,000 ADM, which is lower than the peer average of 1.6 FTEs per 1,000 ADM. However, it should be noted that the number of hours worked by the peers' monitoring employees was not reviewed in this performance audit. Instead, peer data was taken directly from the EMIS reports.

Assessments Not Yielding Recommendations

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

- **Educational Staff Salaries:** The District's average salary for educational staff was 8.3 percent higher than the peer average in FY 2005-06. However, YCSD's average salary for educational staff increased by only 1.6 percent in FY 2006-07, which is due, in part, to staff not receiving increases to base wages. Furthermore, when comparing selected steps throughout the salary schedule and considering the salary schedule as whole, the salary schedule for certificated staff appears comparable to the average of the salary schedules for the three peers in close proximity to YCSD. For instance, while the District's starting salaries were higher than the peer average in five of the seven schedules, YCSD's ending salary was lower than the peer average in all seven schedules. Lastly, the District's beginning bachelors and masters salaries were in line with the County averages, as reported by ODE in FY 2004-05. While ODE reported a higher average salary for YCSD (\$46,979) than the County average (\$45,009) in FY 2004-05, this is explained by the fact that 59.2 percent of the District's teachers have 10 or more years of experience compared to the County average of 54.8 percent.
- **Certificated Substitute Wages:** The District's daily rate for substitute teachers is comparable to other districts in Mahoning County. More specifically, YCSD's substitute rate for certificated personnel is \$70 per day, compared to a range of \$68 to \$72 per day for the other districts in the county.
- **Certificated Negotiated Agreement Provisions:** Certificated personnel are governed by a negotiated agreement between the Youngstown City School District Board of Education and the Youngstown Education Association. Based on comparisons to applicable sources, the following provisions did not warrant recommendations: maximum class size, reductions in force, leaves of absence, contractual days, employee evaluations, number of personal days, and employee retirement contributions and incentives.

- **Classified Negotiated Agreement Provisions:** YCSD's facilities, transportation, storeroom, food service, licensed practical nurses (LPN), educational and library assistants, secretaries, and security personnel are governed by negotiated agreements between the Youngstown Board of Education and the American Federation of State, County and Municipal Employees (AFSCME). Additionally, the crafts and trades personnel are governed by separate agreements with the International Union of Painters and Allied Trades, The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, International Brotherhood of Electrical Workers, Plasterers and Finishers, and The Northeast Ohio Council of Carpenters. Based on comparisons to applicable sources, the following provisions did not warrant recommendations: work week, employee evaluations, personal leave, retirement contributions, and retirement incentives.
- **Sick Leave Use:** YCSD employees used sick leave amounts that were comparable to averages reported for State employees by the Ohio Department of Administrative Services.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are 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 resources to pursue. AOS has identified the following issues:

- **Vocational Education Staffing and Expenditures:** YCSD operates its own vocational education program. In contrast, the peer districts participate in vocational programs that comprise multiple districts. As a result, YCSD employs more vocational FTEs per 1,000 ADM when compared to the peer average (see **Table 3-1**). However, the District's revenues covered 97 and 87 percent of the expenditures for vocational education in FY 2004-05 and FY 2005-06, respectively. In addition, when including only the four peers that reported expenditures for vocational education, YCSD's excess expenditures (exceeding revenues) per ADM of \$56 was 46 percent below the peer average of \$104 in FY 2005-06. Nevertheless, a high level review of vocational courses offered by YCSD indicated that some classes have fewer than 10 students in subjects offered at multiple times. Therefore, the District should further review its vocational programs to determine if it should continue offering classes with low demand, and whether it can consolidate certain classes and teaching assignments.

- **Psychologists, and Speech and Language Therapists:** The District has 0.75 FTE psychologists per 1,000 ADM, which is higher than the peer average of 0.28 FTEs per 1,000 ADM. OAC 3301-51-09 states that each school district shall provide services at a ratio of 1.0 FTE school psychologist per 2,500 students. YCSD provides 1.9 school psychologist FTEs per 2,500 students. YCSD also employs more speech and language therapists per 1,000 ADM (1.72) when compared to the peer average (0.63). According to OAC 3301-51-09, each school district shall provide services at a ratio of 1 speech and language therapist per 2,000 students. This requires the District to maintain a minimum of approximately 4.0 therapist FTEs. As shown in **Table 3-1**, YCSD employs 13.8 speech and language therapist FTEs, significantly higher than the minimum.

While the District exceeds the minimum ratios for psychologists and speech and language therapists based on overall student population, OAC 3301-51-09 contains additional staffing requirements that are based on the number of students with disabilities. More specifically, OAC 3301-51-09 indicates that a school psychologist is to provide services to no more than 125 school-age children with disabilities and no more than 75 preschool-aged children with disabilities. Similarly, OAC 3301-51-09 indicates that a speech and language therapist is to provide services to no more than 80 school-age children with disabilities; or no more than 50 school-age children with multiple disabilities, hearing impairments, and/or orthopedic/other health impairments; or no more than 50 preschool children with disabilities. According to ODE, a district's compliance with the ratios by student disability for psychologists and speech and language therapists would be determined by the actual number of students served by these positions, rather than the total number of students reported in the respective disability categories. Therefore, the District should review the caseloads of its psychologists, and speech and language therapists, and contact ODE for further clarification. Doing so would fully ensure compliance with the aforementioned ratios and help the District determine whether it should consider staffing reductions in these areas.

- **Technology Staff:** YCSD employs 4.0 computer support FTEs, which results in a ratio of 0.5 computer support FTEs per 1,000 ADM. This is higher than the peer average of 0.08 computer support FTEs per 1,000 ADM. While the number of students can impact technology staffing levels, variables such as the number of computers and technology services can also impact computer support staffing levels. This assessment was outside the scope of the performance audit. Therefore, the District should ensure its technology staffing levels are adequate by reviewing such variables.
- **Food Service Staffing:** YCSD employs 7.49 food service FTEs per 1,000 ADM, higher than the peer average of 6.45. However, the Food Service Fund is self-sufficient (see **financial systems**). Therefore, food service staffing levels were not further reviewed in this performance audit. Nevertheless, to ensure appropriate food service staffing levels,

the District should consider relevant variables like the number of meals served and the overall food service operations.

- **Early Retirement Incentives (ERIs):** While there is language in the negotiated agreements between AFSCME Local #1143, #1143-A, and #1143-B stating that the District has the option to offer ERIs to the classified employees, they are not required to do so. If the District were to offer ERIs in the future, it should conduct an analysis to ensure that doing so would be cost-effective.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of the human resources section:

- **Staffing Reductions:** Based on staffing information provided by the District, YCSD eliminated 92 positions from FY 2006-07 to FY 2007-08. This includes 3 administrative positions (see **R3.1**), 8 educational service personnel positions and 1 licensed practical nurse position (see **R3.3**), 29 regular education positions (see **R3.4**), 5 special education positions (see **R3.5**), 2 library aide positions (see **R3.6**), 4 teaching aid positions (see **R3.7**), and 6 clerical positions (see **R3.8**). Because the information was provided during the latter portion of this performance audit, the staffing data provided by the District to determine the above-mentioned reductions was not tested for reliability. However, the staffing data was reviewed for overall reasonableness. Although the District's staffing data provided for FY 2006-07 differs from the information used by AOS in this performance audit, it appears that the overall impact on the staffing recommendations in this performance audit is immaterial.
- **Salaries:** Staff did not receive negotiated pay increases in FY 2006-07. Additionally, certificated employees and staff covered by two of the three classified agreements will not receive negotiated wage increases for the duration of the newest contracts (FY 2007-08 to FY 2009-10). Negotiating freezes to base salary levels will help the District control personnel costs in an effort to improve its financial condition. It should be noted that the other bargaining agreement for classified staff expires December 31, 2007, and covers only security guards (9.6 FTEs in FY 2006-07). The District employs security guards on an as needed basis to provide security services during extra-curricular activities.
- **Vision Premiums:** YCSD's vision premiums are considerably lower than applicable data reported in the *Survey of School District Health and Life Insurance Plan* (Ohio Educational Association (OEA), 2006), and historical data reported by the State Employment Relations Board (SERB). SERB data was based on historical information, adjusted for inflation

- **Life Insurance Premiums:** During the course of this audit, the District negotiated a rate of \$0.16 per \$1,000 in coverage, which is lower than the average rate reported in the 13th *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2004) of \$0.1892, the last time when life insurance was reported by SERB. Furthermore, this lower rate saved the District approximately \$30,000 per year.
- **Workers' Compensation Premiums:** Although the District can further improve the workers' compensation program (see **R3.15**), it has worked with the Bureau of Workers' Compensation (BWC) to address high costs by establishing a transition to work program, receiving handicap reimbursements, and coordinating site visits. Additionally, the District has established a safety committee which involves the BWC and conducts trainings for classified and certificated staff members. As a result, the District significantly reduced its experience modifier from 1.79 in 2005 to 1.56 in 2006.

Recommendations

Staffing

The ensuing recommendations are primarily based on comparisons to the peer average of the ten districts classified as “Type 4” (urban – low median income, high poverty) by ODE. These ten districts were used for benchmarking purpose because they met a high number of performance standards at a relatively low cost per pupil and are the next closest demographic group to YCSD, which is classified as a “Type 5” district (major urban with a very high poverty rate). However, AOS also noted the average staffing ratios for five Type 5 districts in FY 2005-06 in the ensuing staffing tables, which include Akron City School District, Canton City School District, Euclid City School District, Hamilton City School District, and Warren City School District. The Type 5 averages confirm, in general, the staffing conclusions based on the comparisons to the Type 4 averages. Although the number of reductions in teaching aides and clerical staff could be much lower based on the Type 5 average FTEs per 1,000 ADM in these two categories (see **R3.7** and **R3.8**), the District will need to make considerable reductions in order to improve its financial condition (see the **financial systems** section).

In addition, the ensuing recommendations are based on staffing and building information for FY 2006-07. However, the District’s enrollment has been declining and is projected to continue to decline in the future (see **financial systems**). Likewise, upon completion of the Ohio Schools Facilities (OSFC) project (FY 2009-10), the District will have 16 schools, or three fewer than in FY 2006-07. Therefore, if enrollment continues to decline, and as the District completes the OSFC project, it should review staffing levels and consider additional reductions beyond the levels recommended in this performance audit.

R3.1 YCSD should consider eliminating the following administrative positions by combining roles and responsibilities:

- **10.0 FTE site based administrators;**
- **8.0 FTE central based administrators paid from the General Fund; and**
- **8.0 FTE teachers on special administrative assignment (TSA) that are paid by local funds.**

When the District determines which site based administrative positions to eliminate, it should ensure compliance with staffing requirements in OAC 3301-35-05. Furthermore, the District should determine whether eliminating additional TSA FTEs paid by non-local funds would have a positive impact on the General Fund.

Table 3-2 compares YCSD’s administrative staffing levels in FY 2006-07 to the peer average in FY 2005-06, based on the number of students, employees, and buildings.

Table 3-2: Administrative Staff

	YCS ¹ FY 2006-07	Peer Average FY 2005-06
Central Administrators	38.0	6.9
Site Based Administrators	33.0	5.7
Total FTE Administrators	71.0	12.5
Site Based Administrators per Building	1.7	1.2
Central Administrators per 1,000 ADM	4.7	3.7
Site Based Administrators per 1,000 ADM	4.1	2.8
Total Administrators per 1,000 ADM	8.9	6.5

Source: YCS¹ interviews and EMIS data.

Note: The Type 5 average number of administrators per 1,000 ADM was 6.2 and number of site based administrators per building was 1.7.

¹ Excludes two administrative assistant positions to provide a conservative comparison.

According to **Table 3-2**, YCS¹ employs 2.4 more administrative FTEs per 1,000 ADM than the peer average. It should be noted that the District employs 12.4 central administrator FTEs funded by grants, 1.0 FTE funded by the State Poverty Assistant Fund, 2.0 FTEs funded by State Unit Funding, and 1.0 FTE funded by private/tuition.

In addition to employing more site based administrators per 1,000 ADM, **Table 3-2** shows that the District employs more site based administrators per building when compared to the peer average. Furthermore, the District employs more site based administrators per building and more principals per building (1.2) when compared to OAC 3301-35-05, which requires 1.0 FTE principal per building where there are at least 15.0 FTE teachers. If the District eliminated 10.0 site based administrator FTEs, it would maintain a number of site based administrators per building and per 1,000 ADM similar to the peer average and still have enough site based administrators to ensure compliance with OAC 3301-35-05.

Similar to site based administrators, YCS¹ employs 1.0 more central administrator FTE per 1,000 ADM, than the peer average. If YCS¹ eliminated 8.0 central administrator FTEs, it would employ a similar number of central based administrator FTEs per 1,000 ADM compared to the peer average.

Along with the site based and central based administrative positions outlined in **Table 3-2**, the District has 12.0 FTE teachers on special assignment (TSA), of which 8.0 FTEs are paid by local funds, 2.0 FTEs are paid by Title I funds, 1.0 FTE by State Poverty Based Assistance funds, and 1.0 FTE by State Auxiliary funds. TSAs are being mentored by the District to provide future replacements of site based “building level” and central based administrative positions. Many of these positions are functioning in an administrative capacity as additional assistant principals and assistant directors in areas like EMIS and teacher license monitoring. Based on the staffing ratios in **Table 3-2** and the ability to

eliminate a total of 18 administrator FTEs, the District could eliminate the 8.0 FTE TSA positions that are locally funded.

The 1996 performance audit recommended the District eliminate four site based administrators (assistant principals) and 14 other administrative positions. The 1999 follow-up report noted that the District eliminated only two assistant principal positions and five other administrative positions.

Financial Implication: If the District eliminated 10.0 site based administrator FTEs, 8.0 central based administrator FTEs, and 8.0 locally funded TSA FTEs, it could realize cost savings of approximately \$2,380,000 in salaries and benefits. This is based on the average salary of administrators as they are not currently governed by collective bargaining agreements (see **R3.17** for more information). The savings are also based on the relationship between District-wide salaries and benefits in FY 2004-05 and FY 2005-06.

R3.2 YCSD should consider reducing curriculum specialist staffing levels by up to 18.8 locally funded FTEs by combining and reassigning duties. The District should also review funding sources for the curriculum specialist positions to determine whether eliminating an additional 1.2 FTEs would have a positive impact on the General Fund. A total of 20 FTE reductions would bring the District more in line with the peer average.

Table 3-3 compares curriculum specialist staffing for FY 2006-07 at YCSD to the peer average on a per 1,000 ADM and per building basis.

Table 3-3: Curriculum Specialist Staffing

	Youngtown CSD FY 2006-07		Peer Average FY 2005-06	
	FTE Reported	FTEs per 1,000 ADM	FTE Reported	FTEs per 1,000 ADM
Curriculum Specialist	24.00	3.00	0.3	0.14
Curriculum Specialist per Building	1.26		0.07	

Source: ODE

Note: The Type 5 average number of curriculum specialists per 1,000 ADM was 0.46 and 0.21 per building. When including only the three of five districts reporting curriculum specialist positions, the peer average becomes 0.76 FTEs per 1,000 ADM and 0.36 FTEs per building. Additionally, these three districts met 4, 6, and 16 of the performance indicators in FY 2005-06.

As reflected in **Table 3-3**, YCSD has significantly more curriculum specialists than the peer average. However, only three peer districts reported having curriculum specialists on staff. When including only these three peer districts, the peer average number of FTEs per 1,000 ADM and per building increases to 0.46 and 0.24, respectively. However, YCSD's ratios per 1,000 ADM and per building are still much higher than the average of these three peers. Despite employing significantly more curriculum specialists, the District only met 5 out of 25 performance indicators in FY 2005-06 and only 5 out of 30 performance indicators in FY 2006-07. In contrast, the three peer districts with curriculum specialists met 23, 24, and 25 performance indicators in FY 2005-06.

If YCSD reduced 20.0 curriculum specialist FTEs by combining and reassigning duties, it would employ 0.50 FTEs per 1,000 ADM, which is still slightly higher than the three-peer average. Similarly, the District would employ an average of 0.25 curriculum specialist FTEs per building after completion of the OSFC project, slightly higher than the three peer average. However, of the 24 FTEs, the FY 2006-07 EMIS reports show that four full-time positions are fully paid by non-local funds, and 80 percent of local funds are used to pay another full-time position. This equates to 5.2 FTEs. Assuming that the 5.2 FTEs do not impact the General Fund, the net reductions would total 18.8 FTEs in the General Fund.

Financial Implication: By reducing 18.8 curriculum specialist FTEs, the District could save approximately \$1,224,000 in salaries and benefits for the General Fund. The savings are based on staff with the lowest salaries and the relationship between District-wide salaries and benefits in FY 2004-05 and FY 2005-06.

R3.3 Based on the District's financial condition, it should consider eliminating 50 FTE education service personnel (ESP) positions paid from the General Fund. This would result in staffing levels that are still slightly higher than State minimum requirements. If the District chooses to eliminate librarian positions, it should review the corresponding impact on overall library staffing levels (see R3.6). Additionally, the District should consider eliminating 10 FTE licensed practical nurse (LPN) positions to be comparable to the peer average.

Table 3-4 compares ESP staff for YCSD to the peer average.

Table 3-4: Education Service Personnel (ESP)

	YCS FY 2006-07	Peer Average FY 2005-06	Difference
ESP Teachers ¹	48.0	8.6	39.4
Counselors	28.0	4.1	23.9
Librarian / Media Specialist	7.0	1.4	5.6
School Nurses	0.0	1.3	(1.3)
Social Workers	0.0	0.4	(0.4)
Visiting Teachers	4.0	0.0	4.0
Total Education Service Personnel (FTE)	87.0	15.7	71.3
Total ESP per 1,000 Regular Education Students	14.5	10.0	4.5
Total ESP per 1,000 ADM	10.9	8.5	2.4

Source: YCS interviews and EMIS data.

Note: The Type 5 average number of ESP per 1,000 regular students was 9.9 and per 1,000 ADM was 7.4

¹ ESP teachers include K-8 art, music, and physical education teachers only.

As illustrated by **Table 3-4**, YCS employs 4.5 more ESP FTEs per 1,000 regular students and 2.4 more ESP FTEs per 1,000 ADM, when compared to the respective peer averages. Based on the regular student population, the District employs approximately 27 more ESP FTEs than the peer average. Based on ADM, the District employs approximately 19 more ESP FTEs than the peer average. OAC 3301-35-05(A)(4) requires that a school district employ at least 5.0 ESP FTE per 1,000 regular education students. YCS employs approximately 56 more FTEs than required by OAC 3301-35-05(A)(4). Furthermore, the District employs 13 ESP personnel that are paid by grant funding (Title 1).

Although the District does not employ any registered nurses (RNs), it employs 16.0 FTE licensed practical nurses (LPNs) within the District who function as school nurses. These positions cannot be included in the ESP staffing totals because they do not meet the licensure requirements set forth by OAC 3301-24-05. However, when combining RNs and LPNs, YCS employs 2.0 FTEs per 1,000 ADM and 0.84 FTEs per building, compared to the peer averages of 0.63 FTEs per 1,000 ADM and 0.27 FTEs per building. When excluding the one peer not reporting RNs or LPNs, the peer average becomes 0.70 FTEs per 1,000 ADM and 0.30 FTEs per building. If the District eliminated 10 LPN FTE positions, it would employ 0.75 FTEs per 1,000 ADM and 0.32 FTEs per building. These ratios would be similar to the adjusted average of nine districts reporting RNs or LPNs.¹

Financial Implication: By reducing 50.0 FTEs in the ESP category, the District could save approximately \$2,247,000 in salaries and benefits. By reducing 10.0 FTE LPN staff, the District could save approximately \$291,000 in salaries and benefits. However, only

¹ The Type 5 average for the four out of five districts reporting RNs and/or LPNs was 1.02 FTEs per 1,000 ADM and 0.54 FTEs per building.

4.0 LPN FTEs are fully supported by local funds. Title I funds pay 100 percent of the costs for 1.0 FTE and 40 to 60 percent of the costs for each of the remaining LPNs, which equates to 7.4 FTEs. This results in a net impact of approximately 8.6 LPN FTEs for the General Fund, which equates to approximately \$250,000 in salaries and benefits. Furthermore, these estimates are based on the ESP teachers, counselors, and LPNs with the lowest salaries. ESP teachers and counselors comprised approximately 87 percent of total ESP staff in FY 2006-07.

R3.4 Based on the District’s financial condition, it should consider eliminating 83 FTE regular education teacher positions. This can be accomplished, in part, by negotiating to eliminate the restrictions on instructional periods (see R3.18). A reduction of 83 FTEs would result in an overall regular student to regular teacher ratio of 23:1, which exceeds the State maximum ratio of 25:1.

Table 3-5 compares the number of regular education students per regular teacher FTE, total ADM per regular teacher FTE, and report card results at YCSD to the peer average.

Table 3-5: Regular Classroom Teachers

	YCSD FY 2006-07	Peer Average FY 2005-06	Difference
Regular Students to Regular Teacher Ratio	17.2	18.0	(3.3%)
Total ADM / Regular Education Teacher	23.2	21.2	9.4%
2004-05 Performance Indicators Met (out of 23)	1.0	18.6	(94.6%)
2004-05 Performance Index (out of 120)	69.2	96.7	(28.4%)
2005-06 Performance Indicators Met (out of 25)	5.0	24.1	(79.3%)
2005-06 Performance Index (out of 120)	75.1	100.6	(25.3%)

Source: YCSD interviews and EMIS data

Note: The Type 5 average number of regular students per teacher was 16.3, total ADM per teacher was 21.8, average number of indicators met was 4.6 in FY 2004-05 and 8.0 in FY 2005-06, and performance index score was 79.8 in FY 2004-05 and 84.9 in FY 2005-06.

According to **Table 3-5**, YCSD’s ratio of regular students to regular teachers is slightly below the peer average, while its ratio of total ADM per regular teacher is higher than the peer average. **Table 3-5** also shows that the District’s performance indicators as measured by the number of indicators met and the performance index were significantly below the peer average in both 2004-05 and 2005-06. Although the District reduced its regular teaching staff by 20 FTEs from 2004-05 to 2005-06, its performance indicators increased in 2005-06.

While the District’s staffing ratios appear generally in line with the peer averages when considering both regular students and total ADM, the District’s regular teacher staffing levels are well above State minimum requirements. Specifically, OAC 3301-35-05 requires school districts to employ at least one classroom teacher for every 25 regular

education students on a district-wide basis. In light of the District's current financial situation (see **financial systems**), the District could reduce up to 104 regular education teacher FTEs and still meet OAC 3301-35-05 requirements. However, to be conservative, the District could increase its student to teacher ratio to 23:1, which would result in a reduction of 83 teacher FTEs.

The 1996 performance audit indicated that the District could reduce 33 and 37 teaching positions by eliminating classes with 15 or fewer students enrolled and increasing instructional periods by one for teachers with less than six periods, respectively. The 1999 follow-up report noted that the District partially implemented these recommendations. See **R3.18** for an assessment of instructional periods.

Financial Implication: If the District reduced 83.0 regular education teacher FTEs, it could achieve salary and benefit cost savings of approximately \$3,652,000 per year.

R3.5 YCSD should review its special education programs and related staffing levels. Following this review and a comparison to the requirements in OAC 3301-51-09, the District should consider eliminating 35 FTEs². Additionally, the District should ensure compliance with OAC 3301-51-09 by educating children with disabilities alongside non-disabled students, to the extent possible. Along with ensuring compliance with this legislation, this could help the District reduce special education FTEs. The District should obtain a waiver from ODE to justify deviations from OAC 3301-51-09.

YCSD is providing special education services to a total of 1,437 students, as reported in the District's December Child Count Report for FY 2006-07. **Table 3-6** illustrates the number of children by disability, the staffing ratios established by OAC 3301-51-09, and the FTEs needed by the District to comply with OAC 3301-51-09.

² Preschool special education funding is linked, in part, to the number of classroom units. Therefore, prior to eliminating preschool special education positions, the District should determine whether it would negatively impact preschool funding levels.

Table 3-6: Special Education Staffing

Category of Disability	Teaching Ratios Per OAC	Number of students within each category	FTEs Needed
Total Cognitive Disabilities		590	
Elementary, Middle, Junior High Level	1:16	296	18.50
Senior High School Level	1:24	294	12.25
Total Specific Learning Disability		275	
Elementary, Middle, Junior High Level	1:16	114	7.13
Senior High School Level	1:24	161	6.71
Hearing, visual, orthopedic and/or other health impairments	1:10	61	6.10
Emotional Disturbances	1:12	103	8.58
Multiple Disabilities	1:08	151	18.88
Autism, deaf-blindness, and/or traumatic brain injury	1:06	25	4.17
Preschool	1:16	232	14.50
Total		1,437	96.82

Source: December Child Count Report and OAC 3301-51-09

As reflected in **Table 3-6**, YCSD is required to have a minimum of approximately 97 special education FTEs. Currently, the District employs 155.0 FTEs (109.0 FTE special needs teachers and 46.0 FTE supplemental service personnel), which is 58 more FTEs than required by OAC 3301-51-09. According to ODE, when understaffing or overstaffing exists, districts are required to submit a waiver to ODE explaining the reasons for the staffing. According to the Director of Pupil Personnel, the District was unaware of the need to request a waiver for overstaffing.

YCSD averages 9.3 special education students per special education FTE. This ratio is slightly below the 1:10 ratio prescribed in OAC 3301-51-09 for children with hearing, vision, and orthopedic impairments. However, as shown in **Table 3-6**, YCSD has the greatest number of special needs students with cognitive or special learning disabilities (60 percent of total), with requirements of at least 1 teacher for 16 students or 1 teacher for 24 students, respectively. If the District increased its ratio to at least 12 special education students per special education FTE, it could reduce 35 FTEs and still be well above the minimum requirements in OAC 3301-51-09. A ratio of 12 students per teacher would be in line with the maximum number of students per teacher in the emotional disturbance category. It would also meet or exceed the certificated collective bargaining agreement requirement for self-contained special education units containing appropriate groupings of cross categorical special needs children. In these instances, the class size is not to exceed 12 in the elementary and middle/junior high, and 16 in the high school during any one instructional period.

According to OAC 3301-51-09(1)(a), to the maximum extent appropriate, children with disabilities are to be educated with children who are not disabled. In FY 2006-07, YCSD served approximately 27 percent of its special needs students outside the regular classroom at least 60 percent of the time, while the peer average was only 8.5 percent in FY 2005-06. Consequently, the District has more special needs students spending more time outside the regular classroom, which requires more special education teachers.

Financial Implication: If YCSD eliminated 35.0 special education FTE positions, it would save approximately \$1,795,000 per year in salaries and benefits, based on the staff with the lowest salaries.

R3.6 The District should consider eliminating 8.0 FTE library aide positions. However, if the District decides to eliminate librarian positions as a part of the ESP reductions (see R3.3), it should reduce the number of library aide reductions accordingly. Although the District can make these reductions under the current collective bargaining agreement, it should negotiate to eliminate the minimum staffing of 8.0 FTE library aide floater positions. During the course of this performance audit, the AFSCME contract was renegotiated (2008 – 2010), reducing the minimum staffing requirement of library aide floater positions to 5.0.

According to Clause 1.03 of the agreement between the YCSD Board of Education and AFSCME Local #1143-A, the District can not reduce library aide floater positions below a floor of 8.0 positions. **Table 3-7** compares librarian, technician, and aid FTEs per 1,000 ADM and per building to the respective peer averages.

Table 3-7: Library Staffing Analysis

	YCSD FY 2006-07	Peer Average FY 2005-06
Librarians, Technicians, and Aides (FTEs)	24.0	4.0
Per 1,000 ADM	3.00	2.02
Per School Building	1.26	0.86

Source: EMIS data

Note: The Type 5 average number of library support staff per 1,000 ADM was 1.82 and 0.96 per building.

According to **Table 3-7**, YCSD employs significantly more library staff when compared to the peer average, on both a per 1,000 ADM and per school building basis. To be more in line with the peer average FTEs per 1,000 ADM and per school building, the District would need to reduce 8.0 FTEs. The AFSCME Local #1143-A agreement establishes a minimum staff of 8.0 library aide floater positions, which restricts the District’s ability to make reductions.

Financial Implication: If YCSD reduced 8.0 FTE library aides (floaters), the District could generate salary and benefit cost savings of approximately \$189,000 per year, based on the library aides with the lowest salaries.

R3.7 YCSD should consider reducing staffing levels in the teaching aide classification by up to 43.0 FTEs supported by the General Fund.

Table 3-8 compares teaching aid and instructional paraprofessional (educational support) staffing levels at YCSD to the peer average on a per 1,000 ADM basis.

Table 3-8: Educational Support Staff

Employment Classification	YCSD FY 2006-07		Peer Average FY 2005-06	
	FTE Employees	Per 1,000 ADM	FTE Employees	Per 1,000 ADM
Teaching Aides	106.0	13.2	9.9	3.9
Instructional Paraprofessionals	0.0	0.0	1.1	0.6
Total	106.0	13.2	11.0	4.4

Source: EMIS data

Note: The Type 5 average number of teaching aides and instructional paraprofessionals per 1,000 ADM was 10.3.

As illustrated in **Table 3-8**, YCSD employs nearly nine more FTEs per 1,000 ADM than the peer average. The District would need to eliminate 70 FTE teaching aide positions to employ a number of FTEs per 1,000 ADM similar to the peer average. However, 27 of the 106 teaching aid FTEs focus on children with disabilities. According to EMIS, 33 of the teaching aide positions were funded from sources other than the General Fund.

The 1996 performance audit indicated that the District could reduce 44 to 52 teaching aide positions. However, the 1999 follow-up report noted that the District had not implemented this recommendation.

Financial Implication: If YCSD eliminated 43.0 FTE teaching aide positions, it could generate salary and benefit cost savings of approximately \$887,000 per year, based on the teaching aides with the lowest salaries.

R3.8 YCSD should consider reducing clerical staffing levels by 32 FTEs. This can be done by consolidating and pooling clerical duties.

Table 3-9 compares clerical staffing levels at YCSD to the peer average, on a per 1,000 ADM basis, per school building basis, and total employee basis.

Table 3-9: Clerical Staffing Analysis

	YCS FY 2006-07	Peer Average FY 2005-06	Difference
Total Clerical Staff	78.0	12.1	65.9
Clerical Staff per 1,000 Students	9.7	5.7	4.0
Clerical Staff per School Building	4.1	2.5	1.2
Employees per Clerical Staff	16.1	19.7	(3.6)

Source: YCS interviews and EMIS data.

Note: The Type 5 average number of clerical staff per 1,000 ADM was 9.4 and per building was 4.7, while the number of employees per clerical staff was 14.1.

As illustrated by **Table 3-9**, YCS has 4.0 more clerical FTEs per 1,000 ADM when compared to the peer average, which equates to 32.0 more FTEs. Likewise, the District employs close to 3.0 more FTEs per school building when compared to the peer average. When the District finishes the OFSC project, it will have 16 school buildings instead of the current 19. A reduction of 32 clerical FTEs would lower the number of clerical staff per building to 2.9, which would still be higher than the peer average. Furthermore, although the District maintains higher staffing levels in numerous classifications (see **Table 3-1, R3.1, R3.2, R3.3, R3.5, R3.6, R3.7, facilities, and transportation**), its clerical staff supports 3.6 fewer employees per FTE than the peer average.

Financial Implication: By eliminating 32.0 FTE clerical positions, the District could save approximately \$965,000 in salaries and benefits based on the clerical staff with the lowest salaries.

R3.9 YCS should establish a staffing plan to address current and future staffing needs. Specifically, the District should consider establishing staffing allocations for both certificated and classified personnel, which consider the impact of declining enrollment. By developing a staffing plan, the District will better ensure that it meets State requirements, maintains adequate staffing to serve students, and makes appropriate changes based on its specific circumstances. Furthermore, the District will have a better means for forecasting personnel costs.

YCS does not have a staffing plan, although staffing requirements for its custodial employees are expressed in the collective bargaining agreement (see the **facilities** section). While the District does not have a formal method for allocating staff, it informally evaluates staffing levels by using OSFC enrollment projections, current enrollment, and available buildings. However, this performance audit identifies numerous staffing levels that appear excessive.

Staffing for certificated personnel is governed by OAC 3301-35-05 for regular education students and OAC 3301-51-09 for special needs students, which establishes maximum student to teacher ratios for each of these student types. The Tulsa Public Schools have

established a staffing plan that outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. The instructional and administrative allocations are based on student enrollment or student caseload for special education. Custodial staffing levels are based on a calculation that considers the number of teachers, students and rooms, and the total area of the buildings. Food service allocations are based on a minimum target meals per labor hour calculation established by the district. The staffing plan also outlines the procedures for developing the allocations in each area.

Personnel expenditures account for a significant portion of the District's total expenditures. The lack of a formal staffing plan could hinder the District's ability to establish efficient and effective staffing levels.

Employee Compensation

R3.10 During future negotiations, YCSD should consider restructuring step schedules for secretary, teacher aide, maintenance worker, and mechanic positions. The District should also periodically review all salary rates and schedules to determine appropriateness and necessary adjustments. In addition, the District should consider postponing longevity payments until an employee attains at least 10 years of service or eliminating longevity pay altogether.

When reviewing the District's average salaries for classified staff in FY 2005-06 and FY 2006-07, the following categories appeared high:

- **Office/Clerical:** staff had an average salary of \$25,694 in FY 2005-06. Although the average salary dropped to \$24,318 in FY 2006-07, in FY 2005-06 it was 15.8 percent higher than the peer average of \$22,190 in FY 2005-06.
- **Maintenance Workers:** staff had an average salary of \$45,222 in FY 2005-06. While the average salary increased by only 1.5 percent to \$45,923 in FY 2006-07, it was 15.6 percent higher than the peer average of \$39,103 in FY 2005-06.
- **Technical:** staff had an average salary of \$24,278 in FY 2005-06, which was 37.1 percent higher than the peer average of \$17,711. Additionally, the average salary for technical staff increased by 6.0 percent in FY 2006-07.

Secretarial and teaching aides comprise the office/clerical category, while maintenance workers (e.g., carpentry, electrician, etc.) and mechanics comprise the maintenance worker category. **Tables 3-11 through 3-14** compare the salary schedules for these positions to three of the ten peers in close proximity to YCSD: Boardman Local School District (Boardman LSD), Girard City School District (Girard CSD), and Lowellville

Local School District (Lowellville LSD). As salary schedules for technical staff are not covered by the District’s collective bargaining agreements, further analysis of these salary levels could not be performed.

Table 3-11 compares YCSD’s secretary salary schedule to the three peers.

Table 3-11: Secretary Salary Schedule Comparison (Annual)

Part time Secretary					
	YCSD	Boardman LSD	Girard CSD	Lowellville LSD	Peer Average
First STEP (Step 0)	\$19,042	\$17,348	\$17,454	\$16,658	\$17,153
STEP 3	\$22,536	\$20,563	\$24,616	\$17,973	\$21,051
STEP 5	\$24,080	\$22,641	\$26,970	\$19,288	\$22,966
Last Salary / Step	\$29,192 / 10	\$24,768 / 8	\$30,022 / 32+	\$22,559 / 15	\$25,783 / 18
Full Time Secretary					
First STEP (Step 0)	\$24,576	\$21,586	\$21,405	N/A	\$21,496
STEP 3	\$28,302	\$24,248	\$24,616	N/A	\$24,432
STEP 5	\$30,849	\$26,022	\$26,970	N/A	\$26,496
Last Salary / Step	\$37,217 / 10	\$27,796 / 8	\$36,816 / 32+	N/A	\$32,306 / 18

Source: YCSD and peer negotiated agreements

Note: For the purposes of this analysis, part time secretaries were classified as positions working less than 260 days per year. Lowellville LSD was excluded in this analysis because all secretary positions work less than 260 days per year.

Table 3-11 shows that YCSD’s part-time and full-time secretary salaries are higher than the peer average at each step. Although Girard CSD’s last step is \$830 higher than YCSD’s last step for a part-time secretary, a part-time secretary for Girard CSD must work for the district 32 years before achieving this annual salary. In contrast, YCSD requires only 10 years to attain the maximum salary.

Table 3-12 shows the teaching aide salary schedule comparison.

Table 3-12: Teaching Aide Salary Schedule Comparison

	YCSD	Boardman LSD	Girard CSD	Lowellville LSD	Peer Average
First STEP	\$12.85	\$9.85	\$9.89	\$8.84	\$9.53
STEP 3	\$13.69	\$10.49	\$10.99	\$9.36	\$10.28
Last Salary / Step	\$14.47 / 4	\$11.45 / 6	\$13.26 / 15+	\$9.88 / 3	\$11.53 / 8

Source: YCSD and peers

Note: Teaching aide salary schedule reflect salaries after first year, third year, and fourth year of continuous service.

As seen in Table 3-12, the District’s hourly rates are significantly higher than the peers at each step.

Table 3-13 shows a comparison of maintenance staff salaries to the peers.

Table 3-13: Maintenance Staff Salary Schedule Comparison (Annual)

	YCSD ¹	Boardman LSD	Girard CSD	Peer Average
First STEP (Step 0)	\$48,471	\$32,232	\$30,963	\$31,597
STEP 3	\$48,471	\$34,006	\$35,424	\$34,715
STEP 5	\$48,471	\$35,189	\$39,622	\$37,405
Last Salary / Step	\$48,471	\$37,554 / 8	\$51,955 / 35	\$44,755 / 22

Source: YCSD and peer negotiated agreements

Note 1: Girard CSD’s employees are provided an hourly rate, not a salary. Therefore, the comparison was based on each employee working 2,080 hours per year or the equivalent of an 8 hour day, 260 days per year.

Note 2: Lowellville LSD annual salaries for staff were not located in the classified negotiated agreement obtained from SERB.

¹ This represents the average salary for a foreman and journeyman at YCSD. These positions only have a starting salary defined by the collective bargaining agreement.

As illustrated in **Table 3-13**, YCSD's maintenance staff salary schedules are higher than the peer average for beginning, middle, and ending steps. The first step for the District is \$16,873 or 53.4 percent higher than the peer average. Even at Boardman LSD's last step, YCSD's first step is nearly \$10,917 or 29 percent higher. A maintenance employee at Girard CSD would have to work for 32 years to make more than the starting salary of a YCSD maintenance worker.

Table 3-14 shows a comparison of the mechanic salaries to the peers.

Table 3-14: Mechanics Salary Schedule Comparison (Annual)

	YCSD ¹	Boardman LSD	Girard CSD	Peer Average
First STEP (Step 0)	\$41,992	\$32,232	\$26,244	\$29,238
STEP 3	\$41,992	\$34,006	\$30,445	\$32,225
STEP 5	\$41,992	\$35,189	\$33,076	\$34,132
Last Salary / Step	\$41,992	\$37,554 / 10	\$39,377 / 29	\$38,466 / 20

Source: YCSD and peer negotiated agreements

Note 1: Girard CSD’s employees are provided an hourly rate, not a salary. Therefore, the comparison was based on each employee working 2,080 hours per year or the equivalent of an 8 hour day, 260 days per year.

Note 2: Lowellville LSD annual salaries for staff were not located in the classified negotiated agreement obtained from SERB.

¹ This represents the average salary for a lead garage mechanic and garage mechanic. These positions only have a starting salary defined by the collective bargaining agreement.

As seen in **Table 3-14**, YCSD's mechanics salary schedules are higher than the peer average for all steps. The first step for YCSD mechanics is \$12,754, or 43.6 percent, higher than the peer average.

In addition to providing more generous salaries as indicated by **Table 3-11** to **Table 3-14**, YCSD provides each of the classified positions with longevity pay. After 5 years of service, employees receive \$350, with the amount increasing up to \$1,000 each year after 26 years of service. However, Girard CSD does not provide longevity to its classified employees, while Lowellville CSD’s longevity payments appear lower than those at YCSD (\$250 each year to employees with 10 years of service and up to \$450 per year for

employees with 20 years of service). Boardman LSD provides a longevity payment of 4 percent of the annual salary after the completion of 19 years of service, and an additional 4 percent at the completion of 24 years of service. Four percent of Boardman LSD's ending salary equates to approximately \$1,500, which is higher than YCSD's longevity pay.

By providing more generous salary schedules and rates to its classified employees, YCSD increases the expenditures associated with support services. This is further compounded by the District providing longevity to its employees at a much earlier point in time and at higher rates, with the exception of Boardman LSD's longevity pay amount.

R3.11 The District should consider options to bring administrator compensation more in line with the County and peer averages. These options include eliminating the administrative step schedules or at least reducing annual step increases, limiting negotiated wage increases, and reducing or eliminating longevity payments.

The last formal agreement between the District and YAASP was from 1996-1999 (see **R3.17**). However, the District has continued to update step schedules for administrators. Annual step increases continue to the eighth year of service. Based on a sample review of steps, salary step increases ranged from 2.0 to 4.0 percent in FY 2005-06. In addition to step increases, administrators received a negotiated wage increase of 4.0 percent per year in FYs 2003-04, 2004-05 and 2005-06. Moreover, the District provides annual longevity payments to administrators of \$1,000 after 5 years of administrative service, \$2,000 after 10 years of service, and \$2,500 after 15 years of service. For non-certificated administrators, the annual longevity payments are \$1,000 after 15 years of administrative service, \$2,000 after 20 years of service, and \$2,500 after 25 years of service.

The District's average administrative salaries in FY 2005-06 were 11.9 percent higher than the peer average. In addition, the District's average salaries were higher for each specific administrator classification, with the exception of assistant principals whose average salaries were 0.3 percent lower than the peer average in FY 2005-06. The increase in the average administrative salary of only 1.3 percent in FY 2006-07 is due, in part, to administrators not receiving negotiated increases to base wages. According to the Assistant Treasurer, administrators only received step increases in FY 2006-07 and FY 2007-08. Furthermore, ODE last reported that Youngstown's CSD salaries for administrators in FY 2004-05 averaged \$66,444, which was 12.1 percent higher than the County average (which includes YCSD) of \$59,274.

Although the District has taken some action to address the high compensation levels for administrators by not providing base wage increases in FY 2006-07 and FY 2007-08, continuing to provide annual step increases and longevity payments increases the relatively high administrator compensation levels. This subsequently increases the District's financial burden.

Financial Implication: If longevity pay for administrators was eliminated, the District could save approximately \$57,000 per year based on the actual longevity paid to administrators in FY 2006-07.

Benefits

R3.12 During future negotiations, YCSD should require certificated and classified employees to contribute at least 10 percent toward the premium costs for health insurance. This would be in line with the contribution rate paid by administrators and other non-bargaining staff, and provide for greater cost savings when compared to the current contributions that are tied to salaries. Furthermore, basing the employee contributions on the health insurance premiums rather than salaries would help offset inflationary increases in healthcare. Lastly, the District should consider eliminating the classified health plan and instead offering classified staff the same plans offered to the certificated staff, after determining the related impact on current premium costs.

Table 3-15 compares YCSD's monthly premium costs and employee contribution levels to applicable data reported in *14th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employment Relations Board (SERB), 2005), *Employer Health Benefits* (Kaiser Family Foundation and Health Research and Educational Trust, 2006), and *Survey of School District Health and Life Insurance Plans* (The Ohio Educational Association (OEA), 2006). Inflationary increases were added to each of these sources based on applicable historical trends in order to provide a reliable comparison to YCSD's premiums.

Table 3-15: Insurance Premiums and Employee Contributions FY 2006-07

	Monthly Single Plan Premium	Monthly Family Plan Premium	Full-Time Employee Share for Single Plan	Full-Time Employee Share for Family Plan
YCSD (January 1, 2007)				
Supermed Classic (Certificated)	\$426.78	\$1,080.81	0%	0%
Supermed Plus – PPO (Certificated)	\$426.78	\$1,066.97	0%	0%
Anthem - PPO (Classified)	\$447.97	\$1,214.25	0%	0%
SERB State Average	\$426.06	\$1,084.17	8.4%	10.4%
SERB Average for Warren/Youngstown Region	\$470.34	\$1,144.54	5.3%	8.1%
SERB Average for 2,500 to 9,999 ADM	\$376.75	\$971.84	7.3%	8.4%
SERB Average for PPO	\$419.48	\$1,081.56	Not Available	Not Available
Kaiser Average for Plan Type PPO for Government	\$437.93	\$1,069.54	All Plan Types	
			16%	27%
OEA Median Average – Classified	\$429.40	\$1,106.27	6.8%	8.9%
OEA Median Average – Certificated	\$392.20	\$1,000.64	6.8%	8.9%

Source: YCSD, Kaiser Family Foundation 2005 Annual Report, SERB 2005 Annual Report, Ohio Education Association 2006

Table 3-15 shows that for the most part, YCSD’s monthly premiums are competitive with industry data. However, the premiums reported by SERB for school districts with similar student populations and the OEA median average for certificated staff are lower than the three sets of premiums for YCSD. Additionally, the Anthem PPO premiums at YCSD are higher than the District’s two other plans. For the 2006-07 school year, YCSD’s administrative and other non-bargaining employees paid 10 percent employee of premium costs while certificated and classified employees were not contributing. However, as of July 1, 2007, classified employee contributions were negotiated to represent 2 percent of the employees’ annual salary for family coverage and 1 percent of the employees’ annual salary for single coverage. Starting July 1, 2008, the contributions will increase to 2.3 percent and 1.2 percent of the classified employees’ annual salary for family and single coverage, respectively.

By negotiating employee contributions based on employee earnings for classified employees, the cost sharing does not significantly help the District offset its cost of providing this benefit. Using the District’s established cost sharing, a classified employee making \$30,000 per year would have to contribute only \$600 for family coverage and \$300 for single coverage beginning July 1, 2007. However, a 10 percent contribution based on the premium costs would require the classified employee to pay \$538 for single coverage and \$1,457 for family coverage. It should be noted that office/clerical staff represent the highest number of classified staff, at an average salary of \$24,318 in FY

2006-07. At the conclusion of this audit, the District negotiated with the certificated bargaining unit an employee contribution of 1.225 percent and 0.65 percent of employees' annual pay for family and single coverage, respectively. Based on the average salary for educational staff in FY 2006-07 (\$51,017), this amounts to \$332 for single coverage and \$625 for family coverage. Moreover, as shown in **Table 3-15**, SERB, Kaiser, and OEA reported employee contributions for health insurance at varying levels. Lastly, Kaiser reported that health insurance premiums increased 9.2 percent in 2005 and 7.7 percent in 2006, while SERB reported medical premiums increasing by a weighted average of 12.2 percent in 2005.

Considering that plan benefits are comparable across all three plans (see **Table 3-16**), placing classified employees on a separate plan could contribute to the higher premium costs based on economies of scale. Consequently, the District may be able to achieve a lower premium rate by offering the same plans to all employees.

The 1996 performance audit recommended that the District begin requiring employees to contribute a portion of the cost of health insurance benefits. The 1999 follow-up report noted that the District had not implemented this recommendation.

Financial Implication: A 10 percent employee contribution for all staff would result in savings of approximately \$1,547,000 annually in healthcare costs. In addition, if the District offered the classified employees the Supermed Classic or Supermed PPO coverage and eliminated the Anthem plan, the District could save approximately \$666,000 per year. This is based on the Supermed Classic plan to be conservative and the number of Anthem participants. However, since other variables may influence the overall premium cost by including classified employees in the Supermed plans, AOS will assume a potential cost savings of approximately \$333,000 per year to remain conservative.

R3.13 YCSD should consider increasing employee cost sharing for health insurance benefits, including physician visits, annual deductibles, prescription coverage, out of pocket maximums, and hospital care. This would be particularly important if the District is unsuccessful in negotiating changes to employee contributions toward the monthly premium costs (see R3.12), or continues to experience financial difficulties (see financial systems). Also, the District should negotiate an increase in the hours worked threshold for classified employees to qualify for full benefits and institute a prorated contribution for part-time classified staff, similar to the certificated employees. Furthermore, the District should seek competitive proposals for health insurance on a periodic basis to help ensure that it receives the best rate and coverage.

Table 3-16 compares YCSD’s benefit levels to those reported by *Employer Health Benefits* (Kaiser Family Foundation and Health Research and Educational Trust, 2006), and *Survey of School District Health and Life Insurance Plans* (OEA, 2006).

Table 3-16: Key Medical Plan Benefits

YCSD			Kaiser Foundation 2006 Annual Survey	OEA 2006 Annual Survey
Medical Mutual SuperMed Classic	Medical Mutual SuperMed Plus	Anthem Blue Cross and Blue Shield		
Co-payments for physician visits ¹				
In Network: 10% (before non-network coinsurance has been reached) 0% after Non-network: 20%	In Network: 0% Non-network: 30% (before non-network coinsurance has been reached) 0% after coinsurance	In Network: 0% Non-network: 30%	PPO In Network Rate: 10-15% (28% Respondents) 20-25% (68% Respondents) 30-35% (4% Respondents) 40-45% (0% Respondents) Other (0% Respondents) Out Network Rate: 10-15% (2% Respondents) 20-25% (28% Respondents) 30-35% (32% Respondents) 40-45% (27% Respondents) Other (11% Respondents)	Median Rate: No Network: 20% Network: In-network: 10% Non-network: 20%
Co-insurance for drug plan and multi-tier drug plan co-payments ²				
Retail: 0% co-payment for generics 10% co-payment for brand name Mail Order: Only for maintenance drugs Generic - \$0 Brand name: 10%	Retail: 0% co-payment for generics 10% co-payment for brand name Mail Order: Only for maintenance drugs Generic - \$0 Brand name: 10%	Retail: 0% co-payment for generics 10% co-payment for brand name Mail Order: Only for maintenance drugs Generic - \$0 Brand name: 10%	Co-insurance: \$11 generic \$24 preferred \$38 non-preferred Multi-tier drug plan: Rate: 10/15%, 20/25%, 30/35%, 40/45%, Other PPO In Network: 28% 68% 4% 0% 0% PPO Out Network: 2% 28% 32% 27% 11%	Retail (50% offered 3-tiered plans): \$10 generic drugs \$15 formulary drugs \$30 non-formulary drugs For 30 day supplies Mail Order (48% offered 3-tiered plans): \$10 generic drugs \$30 brand name formulary \$40 brand name non-formulary For 90 day supplies
Annual Prescription Drug Deductible				
None Stated	None Stated	None Stated	20% for generic drugs 25% for preferred drugs 33% for non-preferred drugs	
Annual Deductible ³				
Single: \$50	\$0	Network:	Single Family	Single Family

YCS D			Kaiser Foundation 2006 Annual Survey	OEA 2006 Annual Survey
Medical Mutual SuperMed Classic	Medical Mutual SuperMed Plus	Anthem Blue Cross and Blue Shield		
Family: \$100		\$0 Out of Network: Single: \$50 Family: \$100	HMO \$352 \$ 751 PPO \$473 \$1034 (In Network) POS \$553 \$1227 (In Network) HDHP \$1,715 \$3,511 (In Network)	Medians: <u>No Network:</u> \$100 \$200 <u>Network:</u> In Network \$100 \$200 Non-network \$200 \$400
Hospital Care Provisions ⁴				
In network: 10% or co-insurance whichever is lesser Non-network: 10% or co-insurance whichever is lesser	In network: 0% Non-network: 0%	In patient hospital services: In network: 0% Non-network: 30% (R&C)	Average Hospital Deductible/Co-pay All Plans: \$231 PPO: \$238 Average Hospital Co-insurance: All Plans: 17% PPO: 17% Average Hospital Per Diem: \$170 Note: this data is for covered workers with these co-pays/coinsurance levels.	
Annual Out of Pocket Maximums/ Coinsurance Maximum				
In network: \$225 per person Non-network: \$2,000 per person	In network: \$0 Non-network: \$2,000 per person	In network: Single: \$225 Family \$450 Non-network: No maximum	Single Coverage 10%: \$999 or less; 22%: \$1,000 - \$1,499 23%: \$1,500 - \$1,999 20%: \$2,000 - \$2,499 8%: \$2,500 - \$2,999 18%: \$3,000 or greater Above data is for workers facing out-of-pocket maximums. 21 percent of workers have no limit. Family Coverage	

YCS D			Kaiser Foundation 2006 Annual Survey	OEA 2006 Annual Survey
Medical Mutual SuperMed Classic	Medical Mutual SuperMed Plus	Anthem Blue Cross and Blue Shield		
			14%: \$1,999 or less 16%: \$2,000 - \$2,999 25%: \$3,000 - \$3,999 18%: \$4,000 - \$4,999 10%: \$5,000 - \$5,999 18%: \$6,000 or greater Above data is for workers facing out-of-pocket maximums. 22% of workers have no limit.	

Source: YCS D, Kaiser Foundation 2005 Annual Survey and OEA Survey 2006

¹ Only 2 percent of covered workers in the Kaiser survey face both a co-pay and co-insurance for physician visits; 83 percent face only a co-pay; 10 percent face only coinsurance; and 5 percent neither.

² As reported by Kaiser, a small percentage of plans have added a fourth tier of prescription drug cost sharing, with an average copayment in that tier of \$74 and co-insurance of 43 percent. Kaiser also reports that 70 percent of covered workers have a three-tier prescription plan; 3 percent or less face both a co-pay and co-insurance for prescriptions; and 84 to 85 percent (excluding fourth tier) face only a co-pay.

³ The annual deductible data from the Kaiser survey is for covered workers with an annual deductible. Approximately 88, 30, and 68 percent of covered workers in HMOs, PPOs, and POS do not face annual deductibles, respectively. Among covered workers with no annual deductible, about 60, 55, and 55 percent face separate cost sharing for each hospital admission in HMOs, PPOs, and POS, respectively; and about 50, 43, and 48 percent face separate cost sharing for each outpatient surgery episode, respectively.

⁴ Only 3 percent of covered workers in the Kaiser survey face both a deductible/co-pay and co-insurance for hospital visits; 36 percent face only a deductible/co-pay only; 10 percent face only coinsurance; 2 percent face a charge per day; and 48 percent have no separate cost sharing for hospital visits.

As illustrated by **Table 3-16**, the District’s healthcare benefits appear generous when compared to the surveys performed by Kaiser and OEA. Reviewing and potentially altering these provisions provides another method for reducing healthcare costs. Furthermore, the District did not know the last time that health insurance was competitively bid.

Additionally, the District provides full healthcare benefits to part-time classified employees working at least 25 hours per week, with the exception of 20 hour per week bus drivers who are required to pay 40 percent of the premium costs. In contrast, the District’s certificated agreement indicates that certificated employees working less than 37.5 hours per week will be offered healthcare at prorated amounts, based on the number of hours worked per day. By providing more part-time classified employees with full health care benefits, the District increases its healthcare costs and offers benefits in an inequitable manner for part-time staff.

R3.14 YCSD should solicit proposals from dental insurance providers to help determine whether it can lower premium costs. Additionally, the District should consider requiring employees to contribute more toward the costs of providing dental coverage, especially if premium costs cannot be lowered by soliciting competitive proposals.

Table 3-17 compares the District’s dental premiums in FY 2006-07 to data published in *Survey of School District Health and Life Insurance Plans* (OEA, 2006) and *14th Annual Report on the Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2005).

Table 3-17: Dental Premiums

YCSD FY 2006-07	OEA ¹	SERB Statewide Average
All Employee: FY 2005-06 Single: \$34.23 Family: \$85.59 FY 2006-07 Single: \$36.31 Family: \$90.78	<u>FY 2005-06 Medians:</u> Single: \$39.00 Family: \$72.00	SERB 2005: Single: \$36.24 Family: \$69.74 SERB Inflated to Estimate FY 2006-07: Single: \$37.66 Family: \$73.57

Source: YCSD, OEA, and SERB Reports

¹OEA did not report historical increases in dental.

Table 3-17 illustrates that YCSD’s monthly dental insurance premium for the single plan is lower than both OEA and SERB surveys, but its monthly premium for the family plan is higher than both surveys. Additionally, according to the Treasurer, the District has not solicited competitive proposals for dental insurance as a means to potentially lower insurance premiums. Furthermore, dental benefit levels offered could be contributing to the higher family dental premiums, as shown in Table 3-18.

Table 3-18 compares the dental benefits by service type for YCSD to benefits typically offered in preferred provider dental plans, as mentioned in the article *Smile, You’ve Got Options* (Society of Human Resource Management, November 2004). YCSD’s dental plan benefits refer to network (preferred) and non-network providers.

Table 3-18: Dental Benefits

Benefits	YCSD	SHRM
Preventative - Diagnostic and Preventative Services	100%	100%
Basic Restorative - Primary Services	100%	80%
Prosthetic and Complex Restorative Services – Major Restorative	60%	50%
Orthodontic	60%	50%

Source: YCSD and SHRM

As shown in **Table 3-18**, YCSD pays more for the respective benefits, with the exception of diagnostic and preventative services. Coupled with the lack of competitive proposals from additional dental insurance providers, this can contribute to the higher family dental premiums.

Financial Implication: If the District reduced premiums to \$80 for family coverage, it could save approximately \$130,000 per year. An \$80 family premium would still be higher than data reported by SERB and OEA, which provides a conservative estimate.

R3.15 The District should coordinate with the BWC to implement the 10-step business plan and the Drug-Free Workplace Program (DFWP). Combining these approaches with its other initiatives would help the District reduce workers’ compensation costs. At the conclusion of this performance audit, the District indicated that it has instituted a drug free workplace policy.

In 2001, the District hired a risk manager to focus on reducing work related injuries that result in workers’ compensation claims. More specifically, this position is responsible for reviewing the workers’ compensation program and evaluating claims and expenditures to identify trends and provide resolutions. YCSD’s risk manager has been actively working with BWC to establish a transition to work program, receive handicap reimbursements, and coordinate site visits. Additionally, the District has established a safety committee which involves the BWC in site visits and incident meetings. The District also provides safety training for classified and certificated staff members. However, it is not participating in the ten step business plan or the drug free workplace discount program offered by BWC.

BWC’s experience modifier determines how much an employer pays in premiums based on its loss history. A rating of 1.0 is an average rating, but ratings above the 1.0 indicate that an entity is penalty rated. **Table 3-19** illustrates the workers compensation premium history, claims filed, average cost per claim, and YCSD’s experience modifier from 2004 to 2006.

Table 3-19: Workers’ Compensation History

Year	Total Claims Filed	Amount Paid for Claims	Average Cost per Claim	Workers Compensation Premium	BWC Experience Modifier
2004	78	\$147,005	\$1,885	\$552,290	1.76
2005	84	\$271,400	\$3,231	\$519,694	1.79
2006	73	\$92,339	\$1,265	\$614,048	1.56

Source: YCSD and Bureau of Workers Compensation

Note: **Table 3-19** does not include compensation, such as temporary total disability, lump sum payments, and vacated awards.

Table 3-19 shows that the District experienced reductions in claims filed, total amount paid, average cost per claim, and the experience modifier in 2006. Nevertheless, the District remains penalty rated as its experience modifier is well above 1.0.

BWC offers a Drug-Free Workplace Program (DFWP) as an incentive program to help employers establish safer and more cost-effective workplaces. For instance, BWC notes estimates of the cost of substance use to employers vary, ranging from \$7,000 to \$25,000 annually per substance user. At level 1 of the DFWP, which requires a written policy and certain types of testing, employers receive a ten percent discount. Levels 2 and 3 provide a 15 and 20 percent discount, respectively, and depend on certain factors. For example, employers must implement all ten steps in BWC's business plan as a part of the requirements for level 3. BWC's premium discount program (PDP) is an incentive program designed to help entities with a 0.9 or greater experience modifier establish a safer, more cost effective workplace. Entities participating in the PDP, which requires implementation of BWC's 10-step business plan, can save up to 10 percent of their premium costs in the first two years of participation and up to five percent in the third year. The premium discount, however, can not lower the premium rate below a 0.9 experience modifier. As additional incentives, entities can earn bonuses of 10 percent if they can achieve a 15 percent or greater reduction in claim severity in a given year, five percent if they achieve a 15 percent or greater claims frequency reduction, and another five percent if they achieve both incentives.

Financial Implication: If the District reduced premiums by 10 percent, it would save approximately \$61,000 annually.

Negotiated Agreements

During the course of the performance audit, YCSD negotiated a new agreement with the certificated bargaining unit and two of the three classified bargaining units. Based on the information provided by the District, the ensuing recommendations subject to negotiations are still applicable. However, key changes in the new collective bargaining agreements are noted where applicable.

R3.16 The Superintendent should work with the Board to develop a formal policy on collective bargaining that outlines the roles and responsibilities of designated team members. The District should provide periodic training to team members to enhance their knowledge of the negotiation process, issues, and legislative mandates. In addition, the District should formally determine the impact of potential provisions prior to agreeing to them with the bargaining units. Finally, the District should maintain appropriate records of the collective bargaining process, including the impact of potential provisions. Collectively, these measures would better ensure effective negotiations with the collective bargaining units.

YCSD's negotiating team is comprised of the Superintendent, Treasurer, Chief Negotiator (Attorney for the Board), HR Director, Director of Pupil Personnel, Administrative Assistant to the Superintendent, and a Middle School and High School Principal. While each team member has experience in negotiations, they have not received formal training. Likewise, the District lacks a formal policy that defines the District's negotiating process. As a result, roles and responsibilities for the collective bargaining process appear undefined. Additionally, no documentation could be obtained from the District which provides details of prior negotiations with either the certificated or classified bargaining units. Furthermore, YCSD's Treasurer indicated that calculations of the costs and savings to the District for each article are performed both before and during contract negotiations, but no examples were provided. Lastly, according to the Treasurer, the District negotiated the classified employee contributions to health insurance premiums without preparing information to determine the impact of such a provision.

According to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) which provides several best practices to ensure the effective operation of school districts within the State of Florida, school negotiators should receive training to enhance negotiation knowledge and skills, and the roles and responsibilities of the negotiator, superintendent, and school board during the negotiating process should be clearly defined. *Collective Bargaining and Labor Relations* (E. Edward Herman, 1998) notes that "costing out" is an important aspect of effective negotiations. Both sides need to accurately estimate the cost of contract provisions so they can be intelligently discussed and bargained for by either side. If it is an item that ultimately is given up by one side so another provision can be gained, then its relative weight is best estimated by knowing its costs. This publication also notes that many negotiators keep records of relevant information for each clause or section of a contract.

In the absence of a formal policy, periodic training for team members, and determination of the impact of potential clauses, the District increases the risk of negotiating clauses that negatively impact management rights, are costly, or are potentially ineffective (see **R3.6**, **R3.12**, and **R3.18**).

R3.17 The District should not update or formalize the collective bargaining agreement with the administrators. This would better enable it to make changes, when necessary, to individual contracts for personnel matters (e.g., salary and benefit levels). Administrators are not typically members of bargaining units, which helps to avoid the potential for conflict of interest and duplicating efforts to address employment matters.

In addition to individual employment contracts with administrators, the Youngstown Association of Administrative and Supervisory Personnel (YAASP) represents the directors, supervisors, coordinators, and all principals and assistant principals, but excludes the Superintendent, Treasurer, and Assistant Superintendent. According to its President, YAASP provides a mechanism for administrative employees to communicate with the Superintendent and Treasurer. For instance, administrative employees meet with the Superintendent on a monthly basis to discuss management issues. The President also noted that the collective bargaining agreement between YAASP and the District is being revised. The last formal agreement between the District and YAASP was for the period 1996-1999. However, the District has continued to update step schedules for administrators (see **R3.11**). Furthermore, only 5 of 613 school districts in Ohio maintain a collective bargaining agreement with administrators.

The 1996 performance audit recommended that YAASP be disbanded because the related agreement had no benefit to the District since the function of YAASP was very close to a bargaining unit. At the time, only one of the five peer districts had a similar supervisory agreement. The ten peers used for comparison purposes in this performance audit do not have collective bargaining agreements with administrative personnel.

By updating the collective bargaining agreement with administrators, the District could experience a conflict of interest by allowing the administrators to negotiate clauses on behalf of themselves. The District has numerous administrators on the negotiating team, in addition to the Superintendent and Treasurer (see **R3.16**). Furthermore, considering that the District already maintains individual employment contracts with administrators, formalizing the administrative collective bargaining agreement duplicates effort and time related to personnel matters and potentially limits the ability of the District to address matters related to the employment of administrators.

R3.18 During future negotiations, YCSD should eliminate the 740 employee floor for reductions in force and restrictions on instructional periods from the certificated agreement. Doing so would better enable YCSD to determine staffing levels that reflect the educational and financial needs of the District. During the course of this performance audit, the District renegotiated the minimum floor to 400.

YCSD's certificated negotiated agreement contains a reduction in force clause which stipulates that reductions to certificated personnel cannot decrease the number of personnel below 740 Full Time Equivalent (FTEs). In addition, the negotiated agreement limits the number of periods each teacher can instruct to a maximum of 6 periods for up to 75 and 67 percent of the junior/middle school teachers and high school teachers (excluding career and technical center), respectively. The remaining teachers can teach no more than five periods. No teacher can be assigned to six instructional periods for more than three consecutive years for junior/middle school teachers and two

consecutive years for high school teachers, unless the teacher volunteers to do so or teaches a foreign language. The agreement further indicates that while two daily preparation periods is ideal, three is the maximum. Moreover, the certificated agreement provides elementary school teachers with at least 135 planning minutes plus 125 “preparation” minutes before or after lunch, for a total of 260 preparation/planning minutes per week.

According to OAC 3301-35-05, teachers shall be provided sufficient time for designing their work, evaluating student progress, conferencing, and team planning. The schedule of full-time equivalent classroom teachers assigned to a school with a teacher day of six hours or longer, excluding the lunch period, shall include 200 minutes per week for these purposes. As a result, YCSD provides 60 more planning/preparation minutes per week than required by OAC 3301-35-05 for elementary school teachers. Additionally, assuming only 30 minutes per period, two preparation periods would equal 300 planning minutes per week for junior/middle and high school teachers. This is also higher than the minimum requirements in OAC 3301-35-05.

Restrictions on instructional periods limit the District’s ability to maximize instructional time for teachers and create the potential need for more teachers to staff the classrooms (see **R3.4**). For example, one of the middle schools has nine periods. Based on the collective bargaining provisions, a teacher at this school could be spending close to half of his or her periods on non-instructional duties.

R3.19 During future negotiations with the certificated and classified personnel, the District should seek to reduce the cap on the amount of sick leave paid at retirement. Doing so would lower the District’s future financial liability. The District should also consider negotiating to provide the same level of payout for all staff in order to instill fairness.

At the time of retirement, YCSD provides payment for 25 percent of up to 275 sick leave days for certificated staff, with a cap of 68.5 days. In addition, the District provides payment of 60 percent of up to 270 sick leave days, with a cap of 144 days paid for Locals #1143, #1143-A, and #1143-B. The agreement with Local #1143-C provides 50 percent of sick hours accumulated with a cap of 920 hours (115 days). The crafts and trades agreement provides 60 percent of the maximum accumulation of 200 days, with an additional 25 percent provided for days up to 240 accumulated or the maximum equivalent of 130 days. ORC § 124.39 states that sick leave payout shall not exceed the value of 30 days of accrued sick leave. However, section (C) permits political subdivisions to compensate employees for more than 30 days.

Lowering the cap on the amount of sick leave paid out at retirement would help the District reduce its long term costs, while providing a severance payment that could still be well above the minimum requirements in ORC § 124.39.

Financial Implication: The financial impact of reducing the cap in sick leave paid at retirement is not readily quantifiable. It is dependent on which and when employees retire, and the amount of their accumulated sick leave at that time.

R3.20 During future negotiations, YCSD should attempt to reduce the number of holidays and vacation days for its classified employees. This would increase productivity and potentially lower overtime and substitute costs needed to cover vacation leave.

The District's provides classified employees with 12 paid holidays per year. According to ORC § 3319.08.7, the District is required to provide 12 month employees with a minimum of only seven holidays. Similarly, YCSD provides vacation to classified staff that exceeds the minimum requirements in ORC § 3318.084 by one to three weeks, depending upon years of service. By providing more holidays and vacation days, the District is limiting productivity and potentially experiencing higher overtime and substitute costs related to vacation leave.

Financial Implication: Although not readily quantifiable, implementation of this recommendation could reduce overtime and substitute costs.

Financial Implications Summary

The following table presents a summary of cost savings in this section. For purposes of this table, only recommendations with quantifiable impacts are listed.

Financial Implication Summary

Recommendation	Annual Cost Savings
Recommendations Not Subject to Negotiations	
R3.1 Reduce administrator staff by 10 site-based administrator FTEs, 8 central based administrators, and 8 locally funded teachers on special assignment FTEs	\$2,380,000
R3.2 Reduce curriculum specialist staff by up to 18.8 locally funded FTEs	\$1,224,000
R3.3 Reduce ESP by 50 FTEs	\$2,247,000
R3.3 Reduce LPNs by 10 FTEs (8.6 FTEs in the General Fund)	\$250,000
R3.4 Reduce regular education teacher staff by 83 FTEs	\$3,652,000
R3.5 Reduce special education positions by 35 FTEs	\$1,795,000
R3.6 Reduce library aide positions by 8 FTEs	\$189,000
R3.7 Reduce teaching aide positions by up to 43 FTEs	\$887,000
R3.8 Reduce clerical positions by 32 FTEs	\$965,000
R3.11 Bring compensation for administrators more in line with County and peer districts	\$57,000
R3.15 Implement BWC programs to reduce workers compensation costs	\$61,000
Subtotal Not Subject to Negotiations	\$13,707,000
Recommendations Subject to Negotiations	
R3.12 Require employee contributions for healthcare of at least 10 percent	\$1,547,000
R3.12 Consolidate health plans	\$333,000
R3.14 Reduce dental premiums by competitive bidding and increasing employee co-pays	\$130,000
Subtotal Not Subject to Negotiations	\$2,010,000
Total	\$15,717,000

Facilities

Background

This section of the performance audit focuses on Youngstown City School District's (YCSD or the District) custodial, maintenance, and building operations. The objective is to analyze these areas and develop recommendations for operational improvements and reductions in expenditures. The District's operations are evaluated against recommended practices and operational standards from applicable sources that include the American Schools and University's (AS&U) *35th Annual Maintenance & Operations Cost Study* (2006), the National Center for Educational Statistics' (NCES) *The Planning Guide for Maintaining School Facilities* (2003), and to a peer average comprising ten school districts for benchmarking purposes (see the **executive summary** for a listing of the peer districts and an explanation of the selection methodology).

Organizational Structure and Function

During FY 2005-06, YCSD consisted of 24 buildings: 10 elementary schools, 4 middle schools, 3 high schools, and 7 other buildings (including an administration building, a vocational school, vacant buildings, a warehouse, and a leased building). However, the District is undergoing an Ohio School Facility Commission (OSFC) project to build new school buildings and demolish old school buildings. As a result, the District had 26 buildings in FY 2006-07: 10 elementary schools, 4 middle schools, 4 high schools, and 8 other buildings.

The mission of the facilities staff is to support and enhance a safe and healthy learning environment by using and managing District resources in an efficient manner. The Chief of Maintenance and Operations' ultimate responsibility is the direct supervision of all maintenance, custodial, and grounds personnel. The maintenance function consists of tradesmen and laborers who perform tasks assigned by the Maintenance Supervisor. The tradesmen include carpenters, electricians, painters, plasterers, and plumbers. The tradesman and laborer functions include building and equipment repairs, fabrication and installation of equipment, snow removal, and maintenance of athletic fields and grounds. The laborers may also be used to perform custodial duties, as needed.

The custodial function consists of head custodians, night custodians, licensed helpers, custodial helpers, substitute custodial helpers, student helpers, and utility firemen. The District has a custodian at each building. Head custodians directly oversee all custodial personnel assigned to their respective buildings. The head custodians are ultimately responsible for the cleanliness of the buildings, while night custodians and licensed helpers assist the head custodian in the

performance of his/her duties. Additional duties of the head custodian include ordering the necessary supplies and equipment, submitting work order requests for maintenance work, performing minor maintenance, and operating and maintaining the boilers. Custodial and student helpers are responsible for general cleaning in the buildings. Utility firemen work as custodians in the event of an absence and when not working as custodians. They can also be assigned maintenance, delivery, or laborer functions.

Table 4-1 illustrates the custodial and maintenance staffing levels and the number of full-time equivalents (FTEs) responsible for maintaining YCSD's facilities. FTEs are based on 260 days per year, 8 hours per day.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2006-07

Classification	Total Number of Positions	Number of Full-time Equivalents
Student Helpers	75	30.9
Custodians	101	99.0
Utility Firemen ¹	4	4.0
Total Custodial	180	133.9
Trades Staff	17	17.0
Laborers	4	4.0
Total Maintenance	21	21.0
Total Grounds ²	4	4.0
Total Staff	205	158.9

Source: YCSD

¹ There is a total of 5.0 Utility Firemen, but 1.0 is currently assigned to a school building as a custodian and was counted as such.

² Includes 3.0 FTE long-term substitutes. Custodians do allocate time for this function, but that time could not be quantified by the District.

Key Statistics

Key statistics related to facility maintenance and operations in YCSD are presented in **Table 4-2** and are based on the District's staffing and building data for FY 2006-07. In addition, results from the *35th Maintenance and Operations Cost Study* (AS&U, 2006, reflects 2005-06 school year) and statistics from the *Planning Guide for Maintaining School Facilities (The Planning Guide)* (NCES, 2003) are included in **Table 4-2** and throughout this section of the report.

Table 4-2: Key Statistics and Indicators (FY 2006-07)

Total District Square Feet Maintained in FY 2006-07	1,788,461
Total District Square Feet per Custodial FTE ¹	18,065
Total District Square Feet per Total Custodial FTE ²	13,353
Planning Guide Standard Square Feet per Custodial FTE ³	29,500
District Square Feet per FTE Maintenance Staff Member	85,164
AS&U 35th Annual Cost Survey (>3,500 Students) Median square feet per Maintenance FTE	116,272
AS&U 35th Annual Cost Survey National Median square feet per Maintenance FTE	100,720
Total District Acres	182
District Acres per Groundskeeper FTE	46
Planning Guide Standard Acres per FTE ⁴	18

Source: YCSD, AS&U 35th Annual Maintenance and Operations Cost Survey, NCES

¹ Excludes utility firemen or student helpers.

² Includes utility firemen and student helpers.

³ *The Planning Guide* staffing benchmark ranges from 28,000 to 31,000 square feet per FTE, with a mid-point of 29,500, at the NCES Level Three cleaning standard (the normal standard for most school facilities).

⁴ *The Planning Guide* ratios for staff-to-acres based on levels of service are as follows: Acceptable = 1:20; Standard = 1:18; High = 1:15.

As shown in **Table 4-2**, custodial staff cleans a significantly lower number of square feet per FTE when compared to *The Planning Guide* benchmark, even when excluding student helpers and utility fireman. Maintenance staff is responsible for maintaining the same structures and square footage as the custodians, resulting in square footage per maintenance FTE of 85,164. This is 15 percent below the AS&U national median of 100,720 square feet per FTE and 27 percent below the AS&U median for schools with more than 3,500 students. Conversely, grounds staff maintain significantly more acres per FTE when compared to *The Planning Guide* benchmark. See **R2.1** for further assessment of custodial, maintenance, and grounds staffing.

Financial Data

Table 4-3 shows actual expenditures for all funds to operate and maintain YCSD’s facilities for FY 2004-05 and FY 2005-06, and the appropriations for FY 2006-07.

Table 4-3: Operation and Maintenance Expenditures

Line Items	FY 2004-05 Expended	FY 2005-06 Expended	Percent Change FY05 - FY06	FY 2006-07 Appropriated ¹	Percent Change FY06 - FY07
Salaries and Leave	\$6,052,861	\$6,579,985	9%	\$6,404,370	(3%)
Benefits	\$2,359,990	\$2,694,405	14%	\$2,447,522	(9%)
Purchased Services	\$1,572,445	\$1,174,414	(25%)	\$1,173,291	0%
Utilities	\$3,118,723	\$4,151,152	33%	\$4,175,906	1%
Supplies and Materials	\$626,184	\$477,735	(24%)	\$459,266	(4%)
Capital Outlay	\$98,086	\$62,585	(36%)	\$0	(100%)
Other	\$104,696	\$128,858	23%	\$136,880	6%
Total	\$13,932,984	\$15,269,134	10%	\$14,797,235	(3%)

Source: YCSD Budwork

¹ During the course of this performance audit, actual expenditures became available for FY 2006-07. The actual all fund facility expenditures totaled \$15,118,799 in FY 2006-07, which is 2.2 percent higher than the FY 2006-07 total appropriations.

Explanations for the significant variances include the following:

- **Salaries and Wages** – According to the Treasurer, the increase in salaries from FY 2004-05 to FY 2005-06 is a result of step increases for staff (see **human resources** section for further salary analysis). The lower appropriation to the salary line item for FY 2006-07 is attributable to the District’s intention to reduce staff with the building of new schools and the closing of older ones during the OSFC project.
- **Benefits** – The increase in benefits from FY 2004-05 to FY 2005-06 is due, in part, to the increase in salaries. Similarly, the decrease of nine percent in the appropriation for FY 2006-07 can be partially linked to the reduction in salaries.
- **Utilities** – The increase in utilities of 33 percent from FY 2004-05 to FY 2005-06 is due to the opening of four new schools while only closing two as part of the OSFC project.
- **Supplies and Materials** – According to the Treasurer, the decrease in supplies and materials for FY 2005-06 and the budgeted decrease for FY 2006-07 is the result of the District having fewer students and staff. For instance, a review of EMIS staffing data shows that the District had 1,447 FTEs in FY 2005-06, compared to 1,330 FTEs in FY 2006-07. Likewise, enrollment was 9,252 in FY 2004-05, 8,819 in FY 2005-06, and 8,137 in FY 2006-07.
- **Capital Outlay** – According to the Treasurer, decreases in the capital outlay line item are due to the financial deficit. The Maintenance Supervisor also indicated that the OSFC project contributes to the decreases in capital outlay.

- **Other** – The increase in the other expenditures for FY 2005-06 is due to an increase in building insurance coverage.

Table 4-4 compares YCSD’s expenditures per square foot in FY 2005-06 to the ten district peer average and the AS&U medians.

Table 4-4: Expenditures per Square Feet for FY 2005-06

Categories	YCSD	Peer Average	AS&U Median	AS&U >3,500 Students
Salaries and Benefits	\$4.30	\$2.42	\$2.08	\$2.37
Purchased Services	\$0.49	\$0.57	\$0.17	\$0.33
Utilities	\$2.08	\$1.44	\$1.31	\$1.43
Supplies and Materials	\$0.24	\$0.24	\$0.33	\$0.29
Capital Outlay	\$0.03	\$0.03	N/A	N/A
Miscellaneous	\$0.07	\$0.01	\$0.20	\$0.31
Total General Fund	\$7.21	\$4.72	\$4.09	\$4.73
All Funds Utilities	\$2.14	\$1.45	\$1.31	\$1.43
Total All Fund Expenditures	\$7.84	\$5.13	\$4.09	\$4.73

Source: YCSD, Ohio Department of Education, district financial reports, AS&U

Note: N/A = not available

Table 4-4 shows that YCSD’s General Fund expenditures per square foot and total fund expenditures per square foot are both 53 percent higher than the peer averages. Similarly, the District’s total fund expenditures per square foot are above the AS&U medians. The higher costs are primarily driven by salaries and benefits and utilities. For instance, the District spent 78 percent more on salaries and benefits per square foot than the peer average. Furthermore, YCSD’s salary and benefit costs per square foot are much higher than both AS&U medians. The District’s high custodial and maintenance staffing levels (see **R4.1**), overtime costs (see **R4.2**), high maintenance salaries (see **human resources** section), and the absence of health insurance premium sharing for collective bargaining unit employees (see **human resources** section) contribute to the higher salary and benefit costs per square foot.

As indicated by **Table 4-4**, the District’s General Fund utility costs per square foot and total fund utility costs per square foot are well above the peer averages and AS&U medians. For instance, YCSD’s total fund utility costs per square foot are 48 percent higher than the peer average. By reviewing purchasing practices for gas and developing formal policies and procedures for energy conservation, the District would better ensure that it controls and potentially reduces utility costs (see **R4.7**). Although YCSD’s purchased service expenditures per square foot are above the AS&U medians, they are below the peer average by 14 percent. The District’s purchased services expenditures are primarily impacted by the OSFC project, as the District must use contract services to help with construction of the new schools.

Recommendations

During the course of the performance audit, YCSD negotiated a new agreement with the bargaining unit covering custodial, maintenance and grounds employees. The District identified changes related to the agreement reviewed in this performance audit. Based on the information provided by the District, the ensuing recommendations that are subject to negotiations are still applicable (**R4.1** and **R4.2**). However, the new collective bargaining agreement reduces the time granted for opening and securing the building for contractors by 30 minutes (see **R4.2**).

Staffing and Overtime

R4.1 Subject to negotiations, YCSD should consider eliminating a total of 67 custodial FTEs. YCSD should also consider eliminating 3 maintenance FTEs. Along with building square footage, the District should account for key variables impacting staffing when considering these reductions, such as the work order process (see R4.3), cleaning procedures (see R4.4), and type of flooring. Nevertheless, the proposed reductions would bring staffing levels more in line with industry standards while providing the District the flexibility to allocate additional staffing to grounds care, if needed.

The District should consider additional staffing reductions upon completion of the OSFC project because the related square footage will be lower than in FY 2006-07. For instance, the District could reduce staffing by an additional 16 custodian FTEs and 2.5 maintenance FTEs after the completion of the OSFC project. Lastly, the District should identify the number of acres that will require grounds care after completion of the OSFC project. This will help in determining whether grounds staffing levels need to be adjusted. If additional staff for grounds functions is necessary, it would offset the potential custodial and maintenance reductions of 18.5 FTEs upon completion of the OSFC project.

As shown in **Table 4-2**, the District's custodial staff cleaned 13,352 square feet per FTE during the 2006-07 school year. Although *The Planning Guide for Maintaining School Facilities* (NCES, 2003) notes that the actual number of square feet per shift a custodian can clean will depend on additional variables (e.g., the type of flooring, wall covers, and number of windows), it indicates that a five-tiered system is emerging to help guide decision making. *The Planning Guide* indicates that a custodian can clean approximately 28,000 to 31,000 square feet (or an average of 29,500 square feet) in eight hours under the Level 3 cleaning guideline, which is the normal standard for most school facilities. As a result, YCSD's ratio of square feet per custodial FTE is 16,148 square feet or 54.7 percent below the NCES standard.

The District's higher custodian staffing levels are due to requirements in the collective bargaining agreement, which specifies staffing assignments for each building. According to the agreement, each of the District's buildings has a required allocation of at least 1.0 regular custodians. The collective bargaining agreement also states the District needs to adhere to the following guidelines if adjusting the number of positions in the buildings:

- Every 25,000 square feet requires six hours of custodial helper services;
- Every 25,000 square feet requires one student helper; and
- Every 50,000 square feet requires one licensed helper.

According to the Assistant Superintendent of Business Affairs, the square feet and related staffing requirements in the collective bargaining agreement have not been updated in some time. The Assistant Superintendent of Business Affairs was also unsure whether the numbers were based on an established best practice.

Table 4-5 presents the District's current custodial staffing assignments. It also presents one example for reducing and reallocating custodial staffing levels in a manner that provides a more equitable distribution of square feet per custodian while simultaneously achieving *The Planning Guide* Level 3 cleaning benchmark. In order to be conservative, the adjusted FTEs are rounded up to the nearest 0.5 FTE.

Table 4-5: Custodial Square Feet Maintained per Building

Building	Current Staffing		Adjusted Staffing Based on the Planning Guide	
	FTEs	Square Feet Per FTE	Custodial FTEs	Square Feet Per FTE
Southside Upper Elementary Middle	3.0	19,667	2.0	29,500
Paul C Bunn Elementary School	1.8	25,714	1.5	30,000
Mary Haddow Elementary School	3.5	15,000	2.0	26,250
Harding Elementary	4.0	14,750	2.0	29,500
Kirkmere Elementary School	5.0	12,500	2.5	25,000
North Elementary	4.0	13,510	2.0	27,021
Taft Elementary	3.8	15,733	2.0	29,500
West Elementary	5.0	19,400	3.5	27,714
West Side Upper Elementary School	4.0	21,750	3.0	29,000
Williamson Elementary School	3.0	15,967	2.0	23,950
Elementary Total	37.0	16,836	22.5	27,686
Alpha Middle	6.0	17,450	4.0	26,175
P. Ross Berry Middle School	6.0	16,167	3.5	27,714
Hayes Middle	5.0	14,760	2.5	29,520
Volney Rogers Junior High School	5.8	11,652	2.5	26,800
Middle School Total	22.8	15,055	12.5	27,400
Chaney High School	7.0	29,714	7.5	27,733
Rayen High School	8.0	17,750	5.0	28,400
Wilson High School	5.0	30,800	5.5	28,000
Odyssey High School	4.5	8,311	1.5	24,933
High School Total	24.5	22,098	19.5	27,764
Choffin Vocational School	7.8	28,338	7.5	29,283
I. L. Ward - Administration Building	7.0	8,857	2.5	24,800
Other Buildings	14.8	37,195	10.0	28,162
District Total	99.0	18,065	64.5	27,728
District Total including Student Helpers & Utility Firemen ¹	133.9	13,353	N/A	N/A

Source: YCSD, EMIS, and *The Planning Guide for Maintaining School Facilities* (NCES, 2003)

As shown in **Table 4-5**, all schools would need to reduce the number of FTEs to come closer to the benchmark of 29,500, with the exception of Chaney and Wilson High Schools. When including student helpers and utility firemen, **Table 4-5** shows that the District is above the 29,500 square footage benchmark by 69.4 FTEs. However, based on the staffing requirements in the collective bargaining agreement and the square footage of each building, adjusting the FTEs as outlined in the example in **Table 4-5** would require negotiations with the collective bargaining unit.

As with custodians, the District's maintenance staffing levels appear high. More specifically, the District maintains 85,164 square feet per maintenance FTE, compared to the AS&U national median of 100,720 and the AS&U median for schools with more than 3,500 students of 116,272. If the District eliminated 3.0 maintenance FTEs, its square footage per FTE would increase to 99,359. This would be more consistent with the AS&U national median, but still below the AS&U median for schools with more than 3,500 students.

Unlike the custodial and maintenance staffing levels, the District's grounds staffing appears low when compared to *The Planning Guide* benchmarks. The *Planning Guide* presents the following recommended levels of service for basic grounds care:

- Acceptable – 1 staff per 20 acres;
- Standard – 1 staff per 18 acres; and
- High – 1 staff per 15 acres.

By comparison, YCSD's grounds staff maintain 46 acres per FTE. This is due, in part, to custodians performing some grounds duties. However, YCSD could not provide detail on the number of custodians or the percentage of time custodians spend performing grounds duties. Nevertheless, the District would still have sufficient custodial staffing levels to allocate to grounds if it followed the adjusted staffing example in **Table 4-5**, but transferred two of the potentially eliminated custodial FTEs to grounds. This would lower the potential custodial reductions from 69.4 FTEs to 67.4 FTEs. Specifically, **Table 4-5** shows that the overall square footage per custodian FTE increases to 27,728 after the proposed reductions, which is still below the range of 28,000 to 31,000 square feet per custodian benchmark in *The Planning Guide*. If the District achieved the average of 29,500 square feet per FTE, it would need 60.6 custodian FTEs. This is 3.9 FTEs lower than suggested in **Table 4-5**. If these 3.9 FTEs are added to the 2.0 FTEs transferred from custodial to grounds staff, the District's acres per grounds FTE decreases to 18.4. This is in line with the recommended standard ratio in *The Planning Guide* of 18:1.

The District's OSFC project will end in 2009 and will result in total square footage of 1,558,697, or 229,764 square feet less than in FY 2006-07. Assuming custodians and maintenance staff would be responsible for all of the 1,558,697 square feet, the District would need 52.8 FTE custodians to achieve the benchmark of 29,500 square feet per FTE and 15.5 maintenance staff to achieve the AS&U national median of 100,720 square feet per FTE. As a result, YCSD could eliminate an additional 16 custodial FTEs and 2.5 maintenance FTEs after accounting for the potential reductions explained in the above analyses. However, the District does not know how many acres it will need to maintain after the OSFC project, which could affect the future grounds staffing levels.

The Auditor of State (AOS) previously completed a performance audit of YCSD in 1996, which provided recommendations to reduce YCSD’s custodial staff by 52 FTEs and restructure negotiated agreements to provide greater flexibility for adjusting staffing levels to restore financial stability. However, the minimum custodial staffing requirements previously discussed have not been removed from the District’s negotiated agreement. The AOS follow-up report issued in 1999 indicated the District eliminated 18.4 FTEs through building closures and another 15.3 FTEs through contract negotiations.

Financial Implication: If the District eliminated a total of 67 custodial FTEs and 3.0 maintenance FTEs, it could save a total of approximately \$1,247,000 per year in salaries and benefits. The total savings includes \$787,000 from the elimination of 36.0 custodial FTEs and \$107,000 by eliminating 3.0 maintenance FTEs. These estimates are based on the average of the lowest staff salaries and District-wide benefit expenditures comprising 38.4 percent of salaries in FY 2005-06. Considering that facility-related benefit costs comprised 42.9 percent of salaries in FY 2005-06, this estimate is conservative. In order to remain conservative, this financial implication assumes the elimination of the student helper program (31 FTEs) to help reduce the number of custodial FTEs. Consequently, the total savings also includes \$353,000 for elimination of the student helper program, which was the average expenditures for the student program in FY 2004-05 and FY 2005-06.

R4.2 During future negotiations, YCSD should eliminate or reduce the number of overtime hours granted for inspecting buildings on weekends and holidays; providing contractors access to closed buildings; responding to emergency call outs; and performing duties related to after school activities. In addition, YCSD should review its computerized monitoring system to ensure it can minimize the need for frequent building checks. When regular building checks are required, the District should stagger staff schedules to avoid overtime. This approach would also help minimize overtime for after school events.

Table 4-6 illustrates YCSD’s overtime usage in FY 2004-05 and FY 2005-06.

Table 4-6: Overtime Usage in FY 2004-05 and FY 2005-06

Categories	FY 2004-05	FY 2005-06
Total Salaries	\$4,807,969	\$5,182,187
Total Overtime	\$309,724	\$323,506
Overtime as a Percent of Salaries	6.44%	6.24%

Source: YCSD

Table 4-6 illustrates that overtime usage comprised 6.44 and 6.24 percent of total salaries in FY 2004-05 and FY 2005-06, respectively, despite the fact the District maintains relatively high staffing levels (see **R4.1**).

The following provisions in the collective bargaining agreement impact overtime use:

- **Weekend and Holiday Building Checks:** According to the agreement, all elementary schools shall be approved for a maximum allocation of 112 overtime hours, and all secondary schools shall be approved for a maximum allocation of 130 overtime hours to complete building checks. The article also states that when Saturdays are included in the schedule, three hours will be allotted to Saturday and two hours to Sunday at the elementary schools, and four hours on Saturday and two hours on Sunday at the secondary schools. The District's agreement with Johnson Controls provides for a computerized monitoring system. In addition, the agreement indicates that Johnson Controls will give immediate response for special emergency and after hour service requests, which typically is within two to four hours.
- **Emergency Callouts:** The District pays an employee who is called out for an unscheduled emergency duty for a minimum of three and one-half hours at a rate of time and one-half.
- **Contractors:** In the event a contractor must perform work in a building when it is closed, a custodian is provided "two and one-half hours of overtime to open the building and two and one-half hours to secure the building."
- **After School Activities:** For activities after 5:00 P.M. with 50 or more attendees, the head custodian is required to work and be paid a minimum of three overtime hours. The only exception to this requirement is for proficiency programs for students in Kindergarten through grade 6. For grade 7 to 12 proficiency programs, a meeting is scheduled to discuss staffing levels and needs. Additionally, if there is no night helper or licensed helper on duty, custodians are paid a minimum of three hours for clean up and building security related to the football teams returning to the building after playing games away from the school. Although this provision does not specifically stipulate overtime hours, it may cause a custodian to incur overtime if he works additional hours during the week.

By using the computerized management control system and eliminating or reducing the number of work hours related to the aforementioned collective bargaining provisions, the District would be in a better position to control and minimize overtime costs.

Financial Implication: If the District reduced its overtime use to five percent of total salaries, it could save approximately \$64,400 annually based on expenditures in FY 2005-06.

Work Orders and Preventive Maintenance

R4.3 YCSD should purchase an automated work order system to effectively schedule and track maintenance tasks, including preventive maintenance (PM). To ensure PM is appropriately scheduled, the District should adopt a formal PM program that considers the manufacturers' recommendations. The District should also use an automated work order system to track costs, including materials and labor. Tracking such data would be helpful in measuring the productivity and performance of assigned personnel, estimating future costs and timeframes for potential projects, and planning for equipment repairs and replacements.

The District does not have a formal PM program or automated work order system that includes systematic and formal scheduling of PM for equipment. Instead, the preventative maintenance system is an informal approach using memorandums to convey when PM activities are to take place. In addition, YCSD's work order process is paper-based. YCSD indicated that the work orders are filed after completion and include labor and supply costs, but did not mention whether or how the information (e.g., labor and supply costs) in the work orders is used to manage facility operations. The use of a paper-based, manual work order system hinders the District's ability to accurately and easily track the costs associated with maintenance. This, in turn, hinders the District's ability to predict future costs and anticipate needed facility and equipment repairs and replacements. For example, the District is unable to easily determine if maintenance costs will exceed replacement costs of equipment.

The 1996 AOS performance audit recommended that YCSD develop and implement a PM program. However, the 1999 follow-up report shows that the District did not implement this recommendation. Furthermore, the 1996 AOS performance audit recommended the District implement an automated work order system to improve management's ability to allocate maintenance resources efficiently and effectively. YCSD's response to this recommendation was that it would look into a system during the 1997-98 school year. However, the 1999 AOS follow-up report indicated that the District still had not implemented this recommendation.

The Planning Guide for Maintaining School Facilities (NCES, 2003) indicates that once the items that should receive PM are identified, entities need to decide on the frequency and type of inspections. When developing a PM schedule, manufacturers' manuals are a good place to start. Ideally, the scheduling of PM tasks should be computerized. The *Planning Guide* also indicates that a work order system can be a manual, paper-based,

tracking tool. For large organizations, more efficient work order systems come in the form of computerized maintenance management systems (CMMS). The *Planning Guide* indicates that a CMMS is necessary when staff manage more than about 500,000 square feet of facility space. The purpose of a CMMS is to process work requests efficiently and provide basic information. Moreover, the CMMS should be network compatible with standard operating systems, have add-on modules, and track assets and key systems. In terms of utility, a good CMMS program should do the following:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Allow the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included; and
- Allow labor and parts costs to be captured on a per-building basis (or, even better, on a per-task basis).

At a minimum, the *Planning Guide* notes that work order systems should account for the following:

- The date the request was received;
- The date the request was approved;
- A job tracking number;
- Job status (received, assigned, ongoing, or completed);
- Job priority (emergency, routine, or preventive);
- Job location (where, specifically, is the work to be performed);
- Entry user (the person requesting the work);
- Supervisor and craftsperson assigned to the job;
- Supply and labor costs for the job; and
- Job completion date/time.

By purchasing and using a CMMS, the District would be able to easily schedule PM and ensure it is performed according to the appropriate schedule, track the time and costs involved to complete the work, and help prioritize tasks.

Financial Implication: Based on information from two vendors, the cost to purchase a CMMS would start at approximately \$6,000. Depending on the type of system purchased by the District, these costs could be annual or one-time. Furthermore, a portion of the costs related to one of the vendor's systems was based on a maximum of 10 network licenses. If the District chose to purchase a site license, the estimated costs would

increase. Therefore, in order to be conservative, the potential costs of a CMMS are estimated at approximately \$20,000 annually.

Procedures and Standards

R4.4 YCSD should develop a custodial procedures manual to ensure that all personnel are familiar with effective practices and perform at a high level. This, in turn, would better ensure that all District facilities are cleaned effectively and efficiently.

While the District provides training to staff, it does not have a formal manual that outlines cleaning procedures for custodial staff. The AOS 1996 performance audit recommended that YCSD prepare a handbook that documented cleaning procedures, and the follow-up conducted in 1999 indicated that the District had not implemented this recommendation.

The Association of School Business Officials International published the *Custodial Methods and Procedures Manual* (2000) to serve as a guideline for developing procedures for personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. Also, the International Sanitary Supply Association (ISSA) has developed a manual that details procedures, guidelines, and pointers on the following topics:

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

In the absence of a formal manual, the District increases the risk of staff being unfamiliar with effective practices and performing at less than optimal levels.

R4.5 YCSD should review its job descriptions for custodial, maintenance, and grounds staff and determine if they need to be updated to more accurately reflect the current

working environment and performance expectations. This would, in turn, help ensure that the job descriptions adequately serve as the basis of the performance evaluations.

Some of the maintenance and grounds job descriptions have not been updated for nine or more years. As a result, current job expectations and working environment may not be effectively conveyed in the job descriptions, which can impact the District's ability to effectively evaluate staff performance. For instance, the outcomes of the OSFC project may have altered some of the job duties and expectations for staff. According to *The Planning Guide for Maintaining School Facilities* (NCES, 2003), a good job description accurately identifies the knowledge, skills, and abilities needed by an individual to meet the expectations of the job.

Planning

R4.6 Upon completion of the OSFC project, YCSD should develop a plan to appropriately address its vacant properties by considering the advantages and disadvantages related to various options. The District should also ensure that it has a formal agreement with all entities that lease its buildings and ensure the agreements are cost-effective.

YCSD does not have a plan in place to address its vacant buildings, due in part to the lack of a comprehensive strategic plan (see **financial systems** section for further assessment). The District has four vacant buildings and one leased building. The four vacant structures are John White, Cleveland Elementary, Bennett, and Lincoln. Cleveland and Bennett are scheduled for demolition in the near future using OSFC funds. However, there are no plans for the other two vacant properties, John White and Lincoln. Of the four buildings, John White is the only structure that is being heated, as computer equipment is warehoused in the building. Although the District is not using utilities in the rest of the vacant properties, it must still keep them from deteriorating and becoming safety hazards. Furthermore, YCSD is leasing Adams elementary to the Mahoning County Educational Service Center (ESC). The lease between YCSD and the ESC was established in FY 1997-98 and has since expired. Consequently, the ESC is leasing this building without a formal contract with YCSD.

Jack W. Giljahn and Thomas R. Matheny wrote a *Guide for the Adaptive Use of Surplus Schools* (1981) which was published by the Columbus Landmarks Foundation. According to the *Guide*, keeping a school building an active, vital part of the community in the face of declining enrollments is psychologically very important to that community. This can be accomplished by using the school for a host of alternative educational programs: leasing the building to one of many public or private non-profit organizations

looking for economical space, or, after careful consideration of future needs, leasing or selling the building to the private sector.

According to the *Guide*, many schools are boarded up and “mothballed”. However, the vandalism and physical decay related to this practice and the effect on the neighborhood makes this less than a perfect choice. Rather than mothballing or completely demolishing a building, there are also leasing and selling options which have advantages and disadvantages. These are outlined as follows:

Leasing Advantages:

- Building can be reclaimed again if needed since ownership is retained;
- Inexpensive space can be made available to governmental, non-profit, and community organizations;
- Leasing is a hedge against fluctuating enrollments; and
- Income is obtained from unused space.

Leasing Disadvantages:

- Many ownership costs, such as maintenance, continue;
- Property still generates no tax revenue; and
- School systems are usually not prepared to be property managers.

Selling Advantages:

- Upkeep costs to the school system are eliminated;
- The property is returned to the community tax rolls;
- If reuse of the building is specified at the sale, preservation of the building is ensured;
- New use of the building can provide a psychological advantage to the community; and
- The school system obtains a financial return on space which is no longer needed.

Selling Disadvantages:

- School buildings usually have low market values;
- The zoning of school property is often limited;
- The school system might need the building again as a school; and
- The school system may be unable to determine a building’s impact on the community after the sale.

By adequately planning to address current and future building vacancies, the District would better ensure that it makes cost-effective decisions and considers the impact of potential actions on the community.

Energy Management

R4.7 YCSD should establish formal policies and procedures outlining energy efficient practices that District staff should follow to help minimize energy costs. Subsequently, the District should train staff and students on the policies and procedures. Identifying energy efficient practices and related training can be aided by external resources, such as the Ohio Energy Project. The District should also consider adjusting temperature settings. Furthermore, the District should review the Ohio Natural Gas Program and, after completing a formal price comparison, determine whether it can reduce costs by participating in the program.

The District has taken steps to implement energy management activities that include the following:

- YCSD entered into a consortium with the Ohio Schools Council for the purchase of electricity. The agreement is from 2005 to 2009 and provides the District a 10 percent discount on the cost of electricity.
- YCSD participated in the OSFC Energy Conservation Program (House Bill 264) for FYs 1986-87, 1988-89, 1990-91, 1993-94, and 2004-05. Most recently, YCSD used House Bill 264 funds to purchase a service agreement for an electric and pneumatic automatic temperature control system.
- YCSD contracted with Johnson Controls to upgrade lighting fixtures and controls, retrofit steam traps, and install water conservation devices. The sum of this contract was \$225,000 annually.

Despite these efforts, **Table 4-4** shows that YCSD spent \$2.14 per square foot for utilities in FY 2005-06, which is significantly higher than the peer average (\$1.45), AS&U national median (\$1.31), and AS&U median for schools with more than 3,500 students (\$1.43). Even if the District had spent \$405,000 less in utility costs in all funds and in the General Fund in FY 2005-06, its utility expenditures per square foot would have been \$1.94 and \$1.87, respectively. These amounts would still have been higher than the peer averages and AS&U medians in **Table 4-4** (see *Financial Implication* at the end of this assessment for the calculation of \$405,000). Therefore, it appears that the District could improve energy management strategies by reviewing purchasing practices for natural gas and developing formal policies and procedures for energy conservation.

YCSD has a contract with a private company from 2006 to 2007 for the purchase of natural gas. According to the District, it selected the company by watching the market and then selecting the lowest price. However, the Ohio Department of Administrative Services offers the State of Ohio Natural Gas Program for governments, including school districts. The program takes advantage of the buying power of many governments in order to reduce gas costs. The program estimates the entity's gas consumption for the next year, combines the entity's usage with many other customers, purchases natural gas in quantity for all customers, bills the entity monthly at the lower rate, and reports total savings at the end of each year. Moreover, the program states that entities should save 5 to 30 percent on gas costs.

The District maintains the temperature of buildings at 68 degrees when they are unoccupied and 72 degrees when in use. In the spring and summer months, when necessary, the District sets air conditioning at 75 degrees. In contrast, *The School District Energy Manual* (Ohio Association of School Business Officials, 1998) indicates that for heating, buildings should be kept at 68 degrees when occupied and 55 degrees when unoccupied. Moreover, *The School District Energy Manual* recommends that districts maintain a cooling temperature of 78 degrees (e.g., in the summer season).

The District lacks formal policies and procedures for energy management and conservation. The U.S. Department of Energy's Energy Smart Schools website (<http://www.energysmartschools.gov/>) 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*, prepared by Princeton Energy Resources International, HPowell Energy Associates, and the Alliance to Save Energy (2004). This 130 page guidebook provides detailed and practical guidance on how K-12 school districts can plan and implement enhancements to their current operations and maintenance programs to successfully maintain their facilities while reducing energy costs by up to 20 percent. Most of the energy management strategies detailed in the *Guidebook* require limited capital investment and in most cases, produce rapid paybacks of less than two years. Energy-efficient operations and maintenance program options include energy tracking and accounting, voluntary energy awareness, performance contracting, and quick and low-cost strategies. The quick and low cost strategies include the following:

- Repairing window and door glass and using weather-stripping;
- Reducing excessive lighting levels by careful delamping;
- Cleaning and repairing chilled water plants or package units;
- Conducting combustion testing and boiler tune-ups;
- Repairing leaking steam traps;
- Repairing pipe and vessel insulation for steam and hot water distribution lines;
- Instituting night and weekend temperature setbacks;

- Eliminating 24/7 operation of exhaust fans and vending machines;
- Replacing all incandescent light bulbs with equivalent compact fluorescent bulbs;
- Establishing district-wide vacation shut down procedures; and
- Repairing malfunctioning dampers on unit ventilators.

The *Guidebook* also indicates that the single most important energy cost management tool is a well conceived district energy policy that defines clear expectations for building performance. The overall objective of the policy is to define broad costs and performance objectives of the district. Furthermore, the policy is to define standardized building management practices that are to be employed by the custodial and maintenance staff.

The U.S. Department of Energy's Rebuild America Program selected the Ohio Energy Project (OEP), a nonprofit organization, to develop Ohio's EnergySmart Schools Program (OESSP). OESSP provides many materials and programs for teachers and students to improve the learning environment in schools while saving energy and money, utilizing the school building as a learning laboratory. OESSP helps reduce school energy consumption and costs by empowering teachers and students to make sustainable energy choices and affecting the attitudes and behaviors of teachers, students, and staff about energy conservation. OEP will work with teachers and administrators to design a program tailored to the district's curricular needs and efficiency improvement plans.

Financial Implications: Based on the total utility expenditures in FY 2005-06, and assuming the District could reduce costs by up to 20 percent as suggested by the *Guidebook*, YCSD could save approximately \$835,000 annually in all funds and \$810,000 annually in the General Fund. However, since the District has implemented some measures to improve energy management, the potential impact of the additional strategies in this recommendation are estimated to save approximately \$405,000 annually in the General Fund.

Financial Implications Summary

The following table summarizes estimated annual cost savings and annual costs for recommendations contained in this section of the report.

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings	Estimated Annual Costs
Subject to Negotiations		
R4.1 Reduce custodial staff by 67 FTEs	\$1,140,000	
R4.2 Reduce overtime costs	\$64,400	
Subtotal Subject to Negotiations	\$1,204,400	
Not Subject to Negotiations		
R4.1 Reduce maintenance staff by 3 FTEs	\$107,000	
R4.3 Implement an automated work order system		\$20,000
R4.7 Implement formal energy management policies and procedures	\$405,000	
Subtotal Not Subject to Negotiations	\$512,000	\$20,000
Total	\$1,716,400	\$20,000

Transportation

Background

This section of the performance audit analyses the Youngstown City School District's (Youngstown CSD, YCSD or the District) transportation operations. For benchmarking purposes, Youngstown CSD's transportation operations are compared to a peer average consisting of ten school districts (see the **executive summary** for a listing of the peer districts and an explanation of the selection methodology). The District's operations are also evaluated against recommended practices and operational standards from applicable sources that include The National Association of State Directors of Pupil Transportation Services (NASDPTS), Ohio Department of Education (ODE), and the American Public Works Association (APWA).

According to the Ohio Revised Code (ORC) § 3327.01, school districts must provide transportation services to "... resident school pupils in grades kindergarten through eight that live more than two miles from the school." ORC § 3327.01 goes on to indicate that the board, at its discretion, may "...provide transportation for resident school pupils in grades nine through twelve to and from the high school." Youngstown CSD's transportation policy states that transportation will be provided for "students in grades kindergarten through eight, if their residences are beyond a one mile radius of their regular schools of attendance" and for "students in grades nine through twelve, if their residences are beyond a four mile radius of their regular school of attendance."

The Chief of Transportation and Treasurer are responsible for completing the transportation reports (T-report). In completing the T-reports, the Transportation Department receives ridership information from bus drivers based on forms that are completed during the morning of the October count week. The principals verify the student counts. The Chief of Transportation reviews the miles and the routes. The Treasurer and Superintendent sign-off on the completed T-reports before they are submitted to ODE. According to the District's T-reports filed with ODE, Youngstown CSD provided Type-I pupil transportation services to 5,685 regular needs and 40 special needs riders in FY 2005-06. Type-I services pertain to those provided on District-owned yellow buses and comprise the majority of transportation-related costs for which school districts are reimbursed by ODE.

Operational Statistics

Table 5-1 compares the District's transportation costs, ridership, and operational statistics to the peer average for FY 2005-06. Since FY 2006-07 ridership data and transportation costs became available during the course of this performance audit, they are also included in **Table 5-1** for

YCSD. The T-1 form (ridership) was approved by ODE, while the T-2 form (costs) only indicated a submission status with a status date of August 2, 2006. FY 2006-07 data was not tested for reliability. Instead, the data for FY 2005-06 was tested for reliability because it was available for the duration of the performance audit.

Table 5-1: Youngstown CSD Transportation Cost Comparison

	YCSD FY 2005-06	YCSD FY 2006-07	Peer Average FY 2005-06
Riders	6,530	5,228	1,449
• Type I Regular Needs	5,685	4,461	1,428
• Type I Special Needs ¹	40	44	38
• Type IA	0	0	5
• Type II	805 ²	723 ²	2
Buses (Types I and II)	128	125	22.2
• Active	92.0	89.0	17.7
• Spare	36.0	36.0	4.5
• Spare Buses as Percentage of Fleet	28.1%	28.8%	23.4%
• Special Needs Buses	26 ³	24 ³	2.5
• Riders Per Active Bus	71.0	58.7	93.6
• Riders per Regular Bus	88.4	75.3	96.7
• Riders per Special Needs Bus	26.8	26.3	13.8
Annual Routine Miles	1,184,400	1,161,900	174,816
• Per Bus	9,253	9,295	7,992
TOTAL TYPE I EXPENDITURES	\$3,542,369	\$3,281,817	\$664,052
• Per Type I Rider	\$619	\$728	\$439
TOTAL TYPE IA EXPENDITURES	\$8,653	\$12,292	\$0
• Per Type IA Rider	NA	NA	NA
TOTAL TYPE II EXPENDITURES	\$2,182,794	\$2,175,018	\$101,235
• Per Type II Rider	\$2,712	\$3,008	\$50,618
GRAND TOTAL EXPENDITURES Types I-II	\$5,733,816	\$5,469,127	\$674,175
• Per Rider	\$878	\$1,046	\$441

Source: ODE T-1 and T-2 reports

Note 1: Type IA and Type II only include the average of the districts that reported Type IA and II riders and expenses. No districts reported Type IA expenditures and only two districts reported Type IA riders. Only one district reported Type II expenditures and riders.

Note 2: The Type I average special needs riders include only the five districts reporting these riders.

Note 3: Total special needs buses and riders per special needs bus include the four districts reporting special needs buses and corresponding riders.

¹ This is the number of special needs students transported by YCSD. The other special needs students are transported by a contractor and categorized as Type II.

² Includes 697 special education riders and 108 regular nonpublic school riders that are transported by contracted services for FY 2005-06. In FY 2006-07, this includes 602 special education riders, 65 regular public riders, and 56 regular nonpublic riders.

³ All contractor owned buses.

Table 5-1 shows the District's total Type I-II expenditures per rider in FY 2005-06 nearly doubled the peer average, with expenditures per rider increasing by 19 percent in FY 2006-07. The higher expenditure ratios are partially due to the District including non-routine costs, which are not tracked separately from routine costs (see **R5.3**). However, non-routine miles comprised only 12 percent of total miles in both FY 2005-06 and FY 2006-07. Therefore, the higher expenditure ratios are primarily due to transporting fewer riders per regular bus (see **R5.1**) and special needs transportation, including the related contract costs (see **Table 5-2** and **R5.2**). For instance, the District averaged 88.4 riders per regular bus in FY 2005-06 and 75.3 riders per regular bus in FY 2006-07, which are both lower than the peer average of 96.7. **Table 5-1** also shows that the District maintains a higher percentage of spare buses (see **R5.6**).

Table 5-2 compares the District's costs in various line items to the peer average. Because personnel, maintenance and repairs, fuel, and bus insurance line items include only Type I expenses, **Table 5-2** only accounts for riders, buses, and routine miles for Type I transportation in these four line items. As previously stated, FY 2006-07 data was not tested for reliability.

Table 5-2: Expenditure Comparison

	Youngstown CSD FY 2005-06	Youngstown CSD FY 2006-07	Peer Average FY 2005-06
Personnel ¹	\$2,416,806	\$2,292,831	\$508,559
• Per Rider	\$422.15	\$508.95	\$334.09
• Per Bus	\$25,711	\$24,922	\$22,759
• Per Routine Mile	\$2.92	\$2.98	\$2.95
Maintenance & Repairs ²	\$147,710	\$153,388	\$45,378
• Per Rider	\$25.80	\$34.05	\$31.54
• Per Bus	\$1,571	\$1,667	\$2,144
• Per Routine Mile	\$0.18	\$0.20	\$0.28
Fuel	\$379,030	\$366,804	\$82,626
• Per Rider	\$66.21	\$81.42	\$54.52
• Per Bus	\$4,032	\$3,987	\$3,670
• Per Routine Mile	\$0.46	\$0.48	\$0.47
Bus Insurance	\$276,696	\$148,217	\$14,932
• Per Rider	\$48.33	\$32.90	\$9.72
• Per Bus	\$2,944	\$1,611	\$710.00
• Per Routine Mile	\$0.33	\$0.19	\$0.09
Total Expenditures ³	\$5,733,816	\$5,469,127	\$674,175
• Per Rider	\$878.00	\$1,046	\$440.66
• Per Bus	\$44,795	\$43,753	\$30,041
• Per Routine Mile	\$4.84	\$4.71	\$3.91
Total Special Needs Expenditures	\$2,257,604	\$2,187,310	\$48,582
• Per Rider	\$3,063	3,386	\$2,331 ⁴

Source: Ohio Department of Education

Note 1: Figures include both regular and special needs-related expenditures and are rounded to nearest \$1.

Note 2: Even when excluding the 8 out of service buses for YCSD, the conclusions related to the expenditure comparisons in Table 5-2 remain the same. See R5.3 for reporting bus information.

¹ Includes salaries and wages, retirement, employee insurance, physical exams, drug tests, certification/licensing, and training.

² Includes maintenance, repairs, maintenance supplies, tires, and tubes.

³ Includes additional miscellaneous expenditures for utilities, facility rent, bus leases, and other, as well as Type IA and Type II. Also, includes costs for special needs.

⁴ Special Needs Expenditures per Rider only includes the 4 districts reporting both special needs expenditures and riders

As shown in Table 5-2, the District's personnel costs per rider and per bus were both higher than the respective peer averages in FY 2005-06 and the personnel costs per rider further increased by 21 percent in FY 2006-07. This is due to transporting a lower number of riders per bus (see R5.1) and reporting non-routine costs (see R5.3). Table 5-2 also shows that the District's insurance costs per bus decreased significantly in FY 2006-07. However, the insurance costs per bus in FY 2006-07 are more than two times higher than the peer average in FY 2005-06 (see *Issues for Further Study*). Additionally, Table 5-2 indicates that the District's special needs costs per rider were 31 percent higher than the peer average in FY 2005-06. YCSD's special needs costs per rider increased by 11 percent in FY 2006-07. See R5.2 for a further assessment of special needs transportation. The District also pays \$158,000 annually to rent a bus garage. See R5.7 for a further assessment of the bus garage.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of the District's transportation operations:

- **Maintenance and Repair Costs:** Table 5-2 shows that YCSD spent less per bus, per rider, and per mile for maintenance and repairs in both FY 2005-06 and FY 2006-07 when compared to the peer averages for FY 2005-06. The only exception is in maintenance and repair costs per rider for FY 2006-07.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted on other areas within the District's transportation operations that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Fuel Costs:** Table 5-2 shows that while the District spent more per rider and per bus, its fuel costs per mile were similar to the peer average in both FY 2005-06 and FY 2006-07. Furthermore, the reporting of non-routine expenses contributes to the higher fuel costs per rider and per bus (see **R5.3**).
- **Minimum Hours:** Youngstown CSD's collective bargaining agreement does not specify minimum guaranteed hours for bus drivers, thereby avoiding the potential of compensating staff for time not worked.
- **Cluster Stops:** According to the Chief of Transportation, the District uses cluster stops whenever possible since it has a highly dense population. Exceptions occur for more remote locations with fewer students.
- **Security of Fuel:** The District fuel system is controlled by a key maintained by transportation office staff. The District uses a fuel log to keep track of the drivers' name, bus number, and mileage. The log is also used to determine when buses with broken fuel gauges require fuel. The District sends monthly fuel reports to a company that reviews the amounts used for variances. However, as the District's financial condition improves, it may want to automate this function, which was a recommendation in the 1996 performance audits.
- **Security of Equipment:** According to the Chief of Transportation, YCSD's transportation garage is locked at night and is equipped with an alarm system. Only mechanics have garage access. According to the Chief of Transportation, the District has not experienced any parts loss.

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 resources to pursue. AOS has identified the following as issues requiring further study:

- **Bus insurance costs:** While the District's insurance costs per bus decreased significantly from FY 2005-06 to FY 2006-07, the insurance costs per bus in FY 2006-07 were more than double the peer average in FY 2005-06 (see **Table 5-2**). This may be due, in part, to demographic differences. In addition, bus insurance costs comprised only approximately 5 and 3 percent of total transportation expenditures in FY 2005-06 and FY 2006-07, respectively. Nevertheless, the District should consider further reviewing bus insurance costs to identify the potential for cost savings.
- **Public transit:** According to the Chief of Transportation, vouchers for students to use the Western Reserve Transit Authority (WRTA) cost the District approximately \$22 per student, per month or \$198 per school year. This is much lower than the District's Type I expenditure per rider in FY 2005-06 (\$619) and FY 2006-07 (\$728). Cleveland Metropolitan School District (CMSD) uses transportation vouchers for middle school students to ride on the Regional Transit Authority (RTA), Cleveland's public bus system. YCSD reported 26 and 51 students transported via the public transit system in FY 2005-06 and FY 2006-07, respectively, which amounts to less than one percent of its total riders in both years. By comparison, CMSD reported 3,598 public transit riders in FY 2006-07, which amounts to 27.5 percent of its total riders. Additionally, CMSD spent an average of \$571 per public transit rider in FY 2006-07.

The T-reports show the District spent an average of \$1,070 per public transit rider in FY 2005-06 and \$768 per public transit rider in FY 2006-07. These amounts are significantly higher than \$198 annually, and are more than the District's average Type I expenditures per rider in FY 2005-06 and FY 2006-07. However, the Chief of Transportation indicates that the District's actual cost for public transportation was \$259 per student. As a result, the District should further investigate this discrepancy and determine whether it would realize a true cost savings by increasing the number of students using WRTA. Assuming it would realize a true cost savings, YCSD should review the potential of increasing the use of WRTA as a transportation alternative. In doing so, the District should contact WRTA to determine whether it has the capacity to increase services for students. YCSD should also explain the potential increased use of WRTA to parents and students and solicit and address their concerns and feedback.

- **Payment-in-lieu of transportation:** The District can offer payment-in-lieu of transportation by following ORC § 3327.02. More specifically, a school district may determine that it is impractical to transport a pupil who is eligible for transportation under section ORC § 3327.01, after considering the following factors:
 - Time and distance required to provide transportation;
 - The number of pupils transported;
 - The cost of providing transportation in terms of equipment, maintenance, personnel, and administration;
 - Whether similar or equivalent service is provided to other pupils eligible for transportation;
 - Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and
 - Whether other reimbursable types of transportation are available.

Once a determination of impracticality has been made, the Board must offer payment-in-lieu of transportation to the pupil's parent/guardian. YCSD only had 37 and 20 payment-in-lieu of transportation riders in FY 2005-06 and FY 2006-07, respectively. The District should determine whether it can increase the use of payment-in-lieu of transportation agreements to help reduce transportation costs.

Recommendations

Routing Efficiency

R5.1 The District should consider eliminating at least 10 active buses through the following means:

- **Upgrade its routing software and subsequently use the upgraded software to evaluate and identify methods of improving routing efficiency and increasing bus utilization (e.g., determine whether combining riders who attend closely located schools and using shuttle runs would be more efficient than the current practice of a bus only transporting riders going to the same school);**
- **Further stagger its bell schedules and work with the nonpublic and community schools to adjust their bell schedules to enable buses to complete more runs; and**
- **Take into consideration the 30 minute allowable drop off time, which could help increase the number of runs per bus and/or accommodate more riders from other schools on a bus.**

When determining which of the 10 buses to eliminate, the District should analyze the maintenance costs of each bus and eliminate the buses with the highest maintenance costs. Based on the declining number of riders each year from FY 2004-05 to FY 2006-07, YCSD should ensure that its transportation program is effectively modified each year, in conjunction with ridership changes. This can be aided, in part, using upgraded routing software.

The District transports students at all grade levels to 39 public, private, and community schools. **Table 5-3** shows transportation data related to students directly transported by YCSD and the peers (Type I). Since YCSD's Type I riders are all transported on regular buses, the peer average reflects the Type I riders per regular bus.

Table 5-3: Type I Rider Capacity Comparison

	Youngstown CSD FY 2005-06	Youngstown CSD FY 2006-07	Peer Average ¹ FY 2005-06
Total Type I Riders	5,725	4,505	1,466
Active Buses¹	63	61	17.7
District Square Miles	46.0	46.0	26.6
Population Density	1,842	1,842	692.6
Riders			
• Per Active Bus	90.9 ²	73.9 ²	96.7
• Per Square Mile	124.5	97.9	75.5

Source: ODE

¹ Peer average includes the one district reporting 2 Type II regular riders on one Type II bus. When excluding the Type II riders and bus, this district’s average number of riders per regular bus increases from 79 to 81.

² These ratios will differ slightly from **Table 5-1** because they only include Type I riders and buses.

Table 5-3 indicates that despite having a higher population density and more riders per square mile, Youngstown CSD transported approximately six fewer riders per regular bus than the peer average in FY 2005-06. In addition, the District transported 17 fewer riders per bus in FY 2006-07, which is a 19 percent reduction when compared to FY 2005-06.

According to the article “*Hidden Savings in Your Bus Budget*” (American Association of School Administrators (AASA), December 2005)¹, an effective pupil-to-bus ratio should average at least 100 pupils on a double route, two tier bus system and actual capacity use should be measured using 80 percent of rated capacity as a goal. While the District operated an average of 2.5 runs per bus in FY 2006-07, it only transported 73.9 riders per bus. In addition, YCSD transported an average of approximately 32 riders per run in FY 2006-07, which equals only 45 percent of the total rated capacity of 71 riders. All but three buses owned by the District have a rated capacity of 71 riders. Based on the comparisons to the peer average and benchmarks in “*Hidden Savings in Your Bus Budget*”, the District can improve bus utilization.

While the District uses routing software, it is not using the most current system available, which can contribute to transporting a low number of riders per bus, per run. More specifically, the District’s software was purchased in 1990 or 1991 and is DOS-based. According to the company providing the current routing software for the District, an upgraded system would be easier to use and more intuitive, track more complex transportation situations (e.g., multiple destination, multi-day situations), better integrate with GIS applications, and provide for better use of hardware and operating systems. In general, the company currently claims that its routing systems provide the following benefits:

¹ “*Hidden Savings in Your Bus Budget*” was authored by a private school transportation firm that has conducted transportation audits for more than 30 school districts including New York City, New York and Kansas City, Missouri.

- Increase safety by being able to quickly and efficiently track riders, stops, and schedules;
- Quickly alter the transportation plan based on changing student enrollments, traffic patterns, construction, or weather;
- Increase efficiency when planning new school year transportation routes and schedules, and notify all students of their stop locations and times;
- Accurately determine the effect of district changes on transportation operations, such as transportation policies (see **R5.8**) and school configurations;
- More efficiently match special needs students with appropriate transportation resources (see **R5.2**); and
- Consider many routing combinations.

Since bell schedules can impact the ability to maximize the number of runs per bus, **Table 5-4** presents the bell schedules at YCSD's schools.

Table 5-4: Start and End Times for YCSD Buildings in FY 2006-07¹

School	Number of Schools	Start Time	End Time
YCSD Middle Schools	7	7:15 AM	2:15 PM
YCSD High Schools	3	7:50 AM	3:10 PM
YCSD Choffin High School	1	8:00 AM	2:50 PM
YCSD Elementary Schools	7	8:30 AM	3:30 PM
YCSD Harding Elementary	1	8:45 AM	3:45 PM

Source: YCSD

¹ Bell times reflect when buses have to arrive in order to provide breakfast for students.

As indicated by **Table 5-4**, the starting times at the District's seven middle schools, three high schools, and seven elementary schools are staggered in three tiers by 35 to 40 minutes. However, while the three high schools' ending times are 55 minutes after the seven middle schools' ending times, they are only 20 minutes before the ending times at the seven elementary schools. This may not provide enough time for buses to complete an additional run. For instance, the Chief of Transportation indicated that the bell times at the high schools and elementary schools are not far enough apart in the afternoon. Furthermore, the proposed consolidation of the high schools into two buildings for FY 2007-08 may result in more students being transported longer distances. Therefore, more time may be necessary between dismissals to transport elementary school students on the buses returning from high school runs.

In addition to the 19 YCSD buildings, the District transports nonpublic students to 18 other schools. **Table 5-5** presents the starting times and **Table 5-6** presents the ending times for all schools transported by YCSD. **Tables 5-5** and **5-6** also include the one private school and one community school transported by the contractor because the District may decide to directly transport these students in the future (see **R5.2**).

Table 5-5: Start Times in FY 2006-07 ¹

Number of Schools	Start Time
8 ²	7:15 AM
8	7:30 AM
3	7:50 AM
5 ³	8:00 AM
8	8:30 AM
1	8:45 AM
6	9:00 AM

Source: YCSD

¹ Bell times reflect when buses have to arrive in order to provide breakfast for students.

² Includes the one community school where students were transported by the contractor.

³ Includes the one private school where students were transported by the contractor.

Table 5-6: End Times in FY 2006-07

Number of Schools	End Time
7	2:15 PM
2 ¹	2:20 PM
6	2:30 PM
2	2:40 PM
1	2:50 PM
3 ²	3:00 PM
3	3:10 PM
8	3:30 PM
1	3:45 PM
6	4:00 PM

Source: YCSD

¹ Includes the one community school where students were transported by the contractor.

² Includes the one private school where students were transported by the contractor.

Tables 5-5 and 5-6 show that while the start and end times are staggered at various intervals, the number of schools that correspond to the start and end times vary. For example, **Table 5-5** indicates that the start times could be staggered at two sets of three levels (7:15-7:50-8:30 and 7:30-8:00-9:00), with the exception of the one school starting at 8:45 AM. However, the buses transporting riders to the eight schools starting at 7:15 AM would then transport riders to only three schools that start at 7:50 AM. Unless the number of riders for the three schools is similar to the number of riders for the eight schools, this can hinder YCSD from instituting three runs per bus and maximizing the number of riders transported per run. Additionally, 45 of the 61 buses had at least one run lasting longer than 30 minutes in FY 2006-07, while 31 of the 61 buses had at least one run lasting longer than 40 minutes (excluding time between runs to provide a conservative assessment). These run times could make all but the 8:00-9:00 run difficult to achieve. Furthermore, **Table 5-6** shows that there are three more end times than start times. Coupled with the run times, this assessment shows that the bell schedules for all

the schools transported by YCSD can inhibit the scheduling of each bus to complete three runs, as evidenced by the District averaging only 2.5 runs per bus in FY 2006-07.

The District has not approached the private or community schools about adjusting bell schedules or considering consolidating the routes to include various schools per bus run. However, according to ODE, districts can have some success in efficiently providing nonpublic bussing by requesting that schools modify bell schedules or allow students to arrive within 30 minutes of the school's start time. For example, Byzantine Central School and St. Luke's Catholic School are located within two miles of each other. Currently, the contractor transports students to Byzantine Central School on four buses. The students from these two private schools could ride together by adjusting bell times. Byzantine Central starts at 8:00 AM and ends at 3:00 PM, while St. Luke's starts at 7:30 AM and ends at 2:30 PM. If bell times are not adjusted, YCSD could still accommodate their schedules by dropping the students off up to 30 minutes prior to the respective start times. However, depending upon the number of riders transported to these two schools and the respective route times, YCSD may be able to efficiently transport the riders with the current bell times independently, without the use of the contractor.

Nonpublic and community school riders comprised approximately 34 percent of the District's Type I riders in both FY 2005-06 and FY 2006-07. This is significantly higher than the peer average of approximately four percent in FY 2005-06. According to the Chief of Transportation, students may reside far from the community schools. Consequently, the higher percentage of nonpublic and community school riders at YCSD can make it more challenging to efficiently transport students. However, altering the bell schedules to allow each bus to complete more runs along with an upgrade of its routing software would help the District improve efficiency and increase bus utilization. For example, the District could use an upgraded routing software system to help determine whether combining students going to different schools on the same bus and shuttling students to the appropriate location(s) would increase bus utilization and ensure student safety. The Chief of Transportation noted that students assigned to different schools have never been assigned to the same bus because of the District's large size and the lack of a hub/campus school. This also explains why the District does not shuttle students, with the exception of the vocational school.

If the District increased the number of riders per bus to the FY 2005-06 average of approximately 91 and transported all regular riders (including the 121 regular riders transported by contractor in FY 2006-07 – see **R5.2**), it could eliminate 10 buses. Based on the average number of runs per bus in FY 2006-07 of approximately 2.5, this would result in transporting an average of 37 riders per bus, per run, or 52 percent of bus capacity. By comparison, the District could potentially reduce 27 buses if it was able to increase bus utilization to 65 percent and make an average of three runs per bus. However, eliminating 10 active buses provides a conservative estimate in an effort to

consider the various obstacles to efficiently transporting students (e.g., nonpublic and community school riders, the District's ability to negotiate changes in bell schedules for the nonpublic and community schools, and the continual changes resulting from the OSFC project), and account for potential changes in the number of riders. For instance, if the number of Type I riders increased to the level in FY 2005-06 (5,725) and if each bus averaging approximately 2.5 runs, the District would be transporting an average of 46.6 riders per bus, which equals 65.6 percent of total capacity per bus. This would still be well below the 80 percent benchmark in "*Hidden Savings in Your Bus Budget.*" While the number of riders increased from FY 2003-04 to FY 2004-05, they have decreased each year since then.

It should be noted that during the course of this performance audit, the Chief of Transportation indicated the District has already taken steps to reduce its routes, such as combining Byzantine Central and St. Luke's Catholic School transportation on one bus. Also, according to the Chief of Transportation, the District changed the manner in which riders are counted to follow ODE's instructions, counting riders only in the morning. While the impact of this change on the District's average number of riders per bus in FY 2005-06 is unknown, eliminating 10 active buses remains a conservative estimate based on the aforementioned assessment. See **R5.3** for a further assessment of transportation data reporting.

Financial Implication: If the District eliminated 10 active buses, it could save approximately \$164,000 annually in salaries, benefits, and bus insurance. This is based on the lowest salaried bus drivers and the average bus insurance cost per bus in FY 2006-07. According to the District's routing software company, upgrading the software would be free, but training is strongly recommended. The provider indicated that training costs would be \$850 per day plus travel expenses, for a recommended level of 6 to 13 training days. If the District needed 13 training days, it would cost approximately \$11,000. Travel expenses could not be readily quantified.

Contracted Transportation

R5.2 The District should negotiate the following changes to the current contract for special needs transportation:

- **Lower the daily rate charged per student; and**
- **Lower the minimum number of students required to be transported and include a provision that requires this minimum level to be reviewed annually and updated accordingly.**

Along with lowering the minimum number of students required to be transported by the contractor, the District should review the disability types of the special needs students and determine whether they can be transported on regular routes, with regular riders. If the District transitions more special needs students to its regular routes, it should review the corresponding impact on the number of potential bus reductions (see R5.1). The District should also verify all riders transported by the contractor. In addition, it should seek competitive proposals for special needs transportation on a periodic basis to ensure that it is receiving the best price and service.

Alternatively, the District could cease contracting for special needs transportation and instead, transport special needs riders on its buses. However, prior to considering this option, the District should formally determine whether it can transport special needs riders at a lower cost than contracting for the service. Regardless of the process used to transport special needs riders, the District should provide its own buses to transport all regular riders and incorporate them into its routes. Lastly, the District should include the Chief of Transportation in individualized education program (IEP) meetings. Doing so would help ensure that all costs and constraints associated with transporting special needs students are considered before any commitments are made through the IEP.

YCSD contracts with an outside vendor to provide special needs transportation. In FY 2005-06, special needs expenditures per rider (\$3,063) were 31 percent higher than the peer average (\$2,331). The District's special needs expenditures per rider increased to \$3,386 in FY 2006-07. Special needs expenditures are primarily driven by the special needs contract as 95 and 93 percent of the District's total special needs riders were transported by the contractor in FY 2005-06 and FY 2006-07, respectively.

The District's current contract for special needs transportation commenced on July 1, 2003, continues through June 30, 2008, and is renewable for an additional five years with annual increases of 3.2 percent. The contractor is compensated for a minimum of 178 days and for a minimum of 699 students. Because the number of special needs riders has been less than 699, the District has asked the contractor to transport other students. Specifically, the contractor transported 697 special needs riders in FY 2005-06 and 602 special needs riders in FY 2006-07. However, the contractor transported a total of 805 riders in FY 2005-06 and 723 riders in FY 2006-07, at an average cost per rider of \$2,712 in FY 2005-06 and \$3,008 in FY 2006-07. Although these expenditure ratios include regular riders, they are still higher than the peer average cost per special needs rider in FY 2005-06 (\$2,331).

As shown in **Table 5-1**, the District averaged approximately 27 riders per special needs bus in both FY 2005-06 and FY 2006-07, which almost doubles the peer average of approximately 14 riders in FY 2005-06. YCSD's higher special needs expenditures per rider are attributable to the per student rates in the contract, rather than inefficient transportation operations. In FY 2005-06, the District paid \$2,955 per student for basic transportation up to 699 students. This increased by 3.2 percent to \$3,049 in FY 2006-07. For more than 699 students, the annual rate per student decreased to \$1,148 in FY 2005-06 and \$1,191 in FY 2006-07. By comparison, the District spent an average of \$619 in FY 2005-06 and \$728 in FY 2006-07 to transport riders on its own buses (99 percent of total riders transported by YCSD were regular riders in both FY 2005-06 and FY 2006-07). Therefore, the District's cost per rider was \$529 and \$463 lower than the contractor's cost per regular needs rider in FY 2005-06 and FY 2006-07, respectively. Furthermore, the contractor averaged 36 regular riders per bus in FY 2005-06 and 23 regular riders per bus in FY 2006-07. These averages are much lower than YCSD's respective averages of 91 and 74 riders per bus, although the District can improve efficiency and increase bus utilization related to its internal transportation operations (see **R5.1**).

According to the contract with the vendor, rates can be renegotiated if District transportation needs materially change. The daily cost per student may be adjusted by either party with written notice due to standard economic factors and either party may provide written notification of its intention to renegotiate the rate schedule. As a result, the District has the ability to renegotiate the current rates with the contractor. In addition, student enrollment has been declining and overall ridership has declined from FY 2004-05 to FY 2006-07, which may qualify as a material change (see **financial systems** for more information on enrollment trends). Moreover, the contract states that "the contractor and district may extend or otherwise modify the terms of this Agreement in whole or in part as circumstances may justify by mutual written agreement executed by the duly authorized representatives of the parties."

According to the Chief of Transportation, the District has always used the same company and the student limit of 699 has never changed. As noted above, the minimum level of 699 special needs students in the contract may no longer be appropriate. For instance, the number of special needs riders decreased from 737 (40 transported by YCSD and 697 by the contractor) in FY 2005-06 to 646 (44 transported by YCSD and 602 by the contractor) in FY 2006-07. In addition, the District does not competitively bid out the transportation contract for special needs students, despite a recommendation to do so in the 1996 performance audit.

According to the Chief of Transportation, the contractor reports each special needs student that is transported or does not show up each day to the Special Education Department every two weeks. However, there is no verification of community school

students that are transported each day to YCSD. This prevents the District from effectively managing the contract and avoiding the potential of the contractor transporting significantly more than the minimum of 699. For example, the contractor exceeded the minimum of 699 riders by 106 in FY 2005-06, which resulted in additional costs of approximately \$121,700.

The contract identifies the disabled students eligible for transportation as the following:

- Hearing impaired;
- Visually impaired;
- Orthopedically handicapped;
- Multiple handicapped;
- Learning disabled;
- Severe behavior handicapped; and
- Developmentally handicapped.

By comparison, Struthers CSD provides special needs transportation only to students who are unable to ride buses without a wheelchair lift. Otherwise, special needs students are transported with regular needs students. Continuing to pay for the contracted transportation for students who may be able to be included with regular students is expensive for the District. However, it should be noted that Struthers is 4 square miles, much smaller than YCSD (46 square miles).

Finally, the District does not include the Chief of Transportation in IEP meetings. Ohio Administrative Code (OAC) 3301-51-10 states that school district transportation personnel shall be consulted in the preparation of the IEP when transportation services are required as a *related service* and when the child's needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation. Including the Chief of Transportation in IEP meetings could assist the District in recognizing better cost containment approaches that would also address the needs of the students.

Financial Implication: If YCSD could reduce special needs expenditures per rider by half of the difference when compared to the peer average, it could save approximately \$236,000 annually. This estimate is based on FY 2005-06 costs and the number of special needs riders in FY 2006-07.

Reporting Procedures

R5.3 YCSD should establish formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled before submission to ODE. In developing these policies, the District should require the Treasurer's office and the Chief of Transportation to complete a thorough review of the T-reports prior to submission to ODE, including information submitted by the special needs transportation contractor. For example, the Treasurer's office and the Chief of Transportation could be responsible for reconciling the expenditures reported on the T-2 report to the 4502 financial statements and identifying and explaining significant variances from prior year reports, including a comparison of ridership and enrollment totals. The District should also adopt a policy that addresses tracking, billing, and reimbursement for non-routine transportation services. To facilitate an accurate billing procedure, the Treasurer and Chief of Transportation should devise a method to accurately track the costs associated with providing non-routine transportation services. Tracking non-routine costs would help the District determine the true cost of non-routine services and whether those costs can or should be reduced.

The District does not have formal policies and procedures to ensure accurate T-reports are prepared, reviewed, and reconciled prior to submission to ODE. During a review of the District's T-reports for FY 2005-06, several discrepancies were noted. The District reported \$8,653 for Type IA expenses (contracted with another district), while the T-1 report does not show any Type IA riders. The T-2 instructions do not allow for the listing of expenses for students who are not counted on the T-1. Additionally, the District included expenditures for the use of school buses for non-routine functions as the result of not tracking these costs separately. This could be due, in part, to the lack of a formal policy addressing the reimbursement and tracking of non-routine costs. ODE instructions indicate that the following costs are not to be included on the T-2 form:

- Expenditures for capital outlay and items placed in inventory;
- Salaries paid in whole by State Foundation Funds; and
- Expenditures for non-routine use of school buses.

According to OAC 3301-83-16, except for field trips on regular school days (for which no transportation charge may be imposed), school boards shall recover the operational costs associated with the non-routine use of school buses, including reimbursements to cover driver salaries and benefits. Furthermore, the ratio of non-routine miles per student (headcount) in FY 2005-06 was 17.9 and in FY 2006-07 was 19.6. These ratios are much higher than the peer average of 10.5 non-routine miles per student in FY 2005-06. However, it should be noted that the District's extracurricular expenditures per student (\$60) were much lower than the peer average in FY 2005-06 (\$350) (see **financial**

systems). According to the District, most non-routine miles are used for education and sports-related functions.

In addition, the District reported 31 spare buses in FY 2006-07. However, based on other information provided by the District, 8 of the 31 spare buses in FY 2006-07 are out of service. According to the T-1 instructions from ODE, vehicles not classified as an assigned bus will be marked as spare. However, vehicles can be coded as out of service and not be displayed on the T-1 inventory page.

By adopting policies and procedures, the District would strengthen its management controls and minimize the inherent risk associated with compiling and reporting data. More specifically, policies and procedures would better ensure the District appropriately tracks and bills non-routine costs and accurately portrays the composition of its fleet. Policies and procedures would also help train applicable staff in the event of turnover and serve as a guide for current staff.

Planning, Spares, and Bus Storage

R5.4 The District should develop a replacement plan for its buses. The plan should include criteria for replacement, such as maintenance costs, estimated cost at the time of replacement, condition, safety inspection results, mileage, and age. All bus replacements should be based upon economic modeling that allows for replacement at the most advantageous point in the vehicle's life cycle. Additionally, the bus replacement plan should be integrated into the District's strategic plan (see financial systems section).

The District does not have a formal bus replacement plan and only replaces buses when funds are available. Furthermore, the District does not track its bus mileage or repair costs over the life of the vehicles to make informed decisions about whether to replace or repair a bus. Without a formal replacement plan, the District increases the potential for making replacement decisions based on opinions about what is an excessive age, cost of repairs, and mileage and inappropriate condition of the bus, instead of documented criteria.

The Government Finance Officers Association (GFOA) recommends that governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.

Currently, no formal State guidelines for bus replacement exist beyond the requirement that buses must be able to pass the annual Highway Patrol inspection. As long as a bus can pass the inspection, a district may continue to use it for transportation, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests that Type C and D buses should be replaced after 12-15 years, and Type A and B buses (lighter duty design buses) after 8-12 years. It also reports that South Carolina replaces buses after 250,000 miles and/or 15 years of service. ODE's *A District's Guidebook to School Bus Purchasing in Ohio* (August 2002) indicates that on average, districts are matching the payment provided by the State for bus purchasing with an equal amount of local funding. This has resulted in an average Ohio bus lifespan of 17 years. The current average mileage and age of the YCSD fleet is 154,282 miles and fourteen years, respectively.

Although the District has no buses that exceed the 250,000 mile threshold, 26 of the District's 63 active buses are 17 years or older and 20 of the 23 spare buses are currently 17 years or older. The District purchased one bus in 2006 and no buses in 2005. However, it purchased six buses in 2004, three in 2003, and eight in 2002. Based on the mileage per bus reported on the T-1 form for FY 2005-06 and the accumulated mileage for each bus, the District will have 20 active buses exceeding 250,000 miles during the next five-years as shown below:

- FY 2006-07 - 2 buses;
- FY 2007-08 - 3 buses;
- FY 2008-09 - 6 buses;
- FY 2009-10 - 2 buses; and
- FY 2010-11 - 7 buses.

However, by increasing bus utilization, the District could eliminate at least 10 buses from its fleet (see **R5.1**), which would subsequently eliminate the need to replace half of the active buses exceeding 250,000 miles during the next five years. Based on the District's five-year forecast and AOS recovery plan, the District appears to have projected funds that could be used for bus purchases in the future (see **financial systems** for more information).

R5.5 YCSD should develop a formal preventive maintenance (PM) plan that specifies the frequency and level of vehicle inspections and maintenance activities. To help the District in achieving an effective PM plan, it should consider purchasing an automated work order system that has the capacity to schedule, track, and report on the District's building and bus maintenance activities simultaneously (see R4.3 in the facilities section). This would allow the District to automatically schedule future PM activities. In addition, this system would reduce the District's reliance on the

paper work orders, which would reduce the potential for lost or misplaced information.

The District does not have a formal PM plan. In the 1996 performance audit, AOS recommended that YCSD implement an automated tracking system for maintenance, repairs, and costs associated with the District's vehicles. In the follow-up to the performance audit conducted in 1999, it was reported that the District purchased a routing system. However, the District did not purchase the maintenance module due to the maintenance and support fees. Instead, it tracks maintenance manually on cards. Each bus has a maintenance card that includes columns for the name of the mechanic, date of service, mileage of the bus, and parts used. However, the number of labor hours and parts costs are not included on the card.

At YCSD, one mechanic focuses on preventative maintenance functions, while the other mechanics focus on repairs. Major repairs, such as transmission and body work, are outsourced because the equipment needed to perform the work in house is costly.

R4.3 in the **facilities** section of this report indicates that the District should consider purchasing an automated work order system in order to schedule, track, and report the District's building maintenance activities. A representative from one vendor that promotes work order systems indicated that most software packages have the ability to meet the District's facility and transportation management and reporting needs simultaneously. Another vendor advertises that an automated work order system would have the following benefits for a transportation department:

- Automatically tracks and updates inventory;
- Automatically updates preventive maintenance scheduling;
- Seamlessly integrates unit information, scheduling, and inventory records;
- Provides detailed knowledge of which parts are used on each vehicle; and
- Provides powerful analysis and reporting capability.

According to the *Public Works Management Practices Manual, Fourth Edition* (American Public Works Association (APWA), 2001), effective equipment management requires that repairs be made before equipment fails. This involves a PM approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned PM programs, which follow the manufacturer's recommendation and schedules, will result in a dependable fleet and extended equipment life with lower operation, maintenance and repair costs. Planning and scheduling PM activities requires providing the right maintenance at the right time, at the overall lowest cost.

Financial Implication: See **R4.3** of the **facilities** section.

- R5.6 The District should eliminate at least four spare buses. Furthermore, YCSD should eliminate additional spare buses in conjunction with reductions in its active fleet (see R5.1). The District should also review the buses classified as out-of-service and determine whether they still need to be kept for parts or could be sold to generate revenues.**

When excluding the contractor's fleet, the District-owned spare buses comprised 33.0 and 33.7 percent of the total fleet in FY 2005-06 and FY 2006-07, respectively. When excluding the eight out-of-service buses, the District-owned spare buses comprised 27.4 percent of the total fleet in FY 2006-07. This is higher than the peer average of 23.4 percent in FY 2005-06. Additionally, according to ODE, districts need only one spare for every four active buses, which results in spares comprising 20 percent of the total fleet. Moreover, the contractor's spare buses comprised 14.7 and 15.2 percent of its total fleet in FY 2005-06 and FY 2006-07, respectively.

Based on ODE's standard, the peer average in FY 2005-06, and the number of District-owned active buses for FY 2006-07 (61), the District should have 16 to 19 spares instead of 23 (excluding the 8 out of service buses). As a result, the District maintains 4 to 7 more spare buses than the peer average and ODE benchmark.

Financial Implication: By selling four spare buses, YCSD could generate approximately \$1,000 in one-time revenues. This is a conservative estimate based on market prices from First Student Inc., which show a potential sales price of \$500 per spare bus for YCSD. YCLSD can also achieve approximately \$6,400 in annual insurance savings, based on the average insurance cost per bus in FY 2006-07.

- R5.7 The District should periodically solicit multiple lease proposals for housing its buses and consider other alternatives for storing its buses by weighing the associated pros and cons. Taking these measures would better ensure the District uses the most cost-effective method for housing its buses.**

The District has a bus garage lease that costs \$158,000 per year. The initial bus garage lease was written in 1989. Since then, the District has used the same company without seeking other bus storage alternatives or other potentially less costly leases through the bidding process. In addition, the current five-year lease extends until July 2010 with an option to cancel after three years or July 2008.

According to the *Contract Management Manual* (Voinovich Center for Leadership and Public Affairs at Ohio University, 2001), effective contract management assures the community that taxpayer dollars are spent strategically and wisely, which includes 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. A professionally developed process and consistently applied contract administration procedures provide these assurances to the community.

AOS recommended in the 1996 performance audit that the District perform a cost/benefit evaluation of the leased bus garage. One option was relocating the garage and storing buses outdoors while providing security and heaters for diesel buses. Among the choices of locations was a City donated or minimal cost warehouse as an outdoor bus storage location. The 1999 follow-up to the 1996 performance audit indicates that that District partially implemented this recommendation by considering various options. However, the lease was extended for three more years at that time to allow the District to negotiate a fair lease rate while completing further analysis on other options.

The Chief of Transportation stated that housing buses inside the garage provides the following advantages:

- **Ability to maintain an older fleet:** According to the Chief of Transportation, YCSD would need to replace approximately 30 buses if the District were to store them outdoors. This is due to the age of the buses and the increased deterioration that would take place from being exposed to the weather.
- **Little or no risk of vandalism:** This is due to buses being stored in a locked environment, which means a reduction in insurance rates.
- **No warm up period in winter:** The District would need to pay for additional personnel time and fuel to start buses earlier in order to warm them up enough to drive.

By not soliciting competitive proposals and considering other alternatives, the District increases the risk of overpaying for the storage of its buses.

Policy and Service Levels

R5.8 The District should review its transportation policy and determine whether a significant cost savings can actually be achieved by adopting State minimum transportation requirements. In doing so, the District should work with ODE to determine any potential reductions in future State reimbursements as a result of reductions in transportation services. If significant cost savings are achievable and the District continues to experience financial difficulties (see financial systems), it should consider reducing transportation closer to State minimum requirements.

The District's current transportation policy exceeds State minimum standards. Furthermore, the District does not regularly monitor the financial impact associated with providing transportation services in excess of State minimum standards. The District's transportation policy states that the Youngstown Board of Education shall provide transportation to students between their residences and their regular schools of attendance if they are eligible based upon the following criteria:

"Students in grades K-8 will be transported if they live beyond one mile of their regular school and students in grades 9-12 will be transported if they live beyond four miles of their regular school with "safety hazards and health factors" as exceptions."

According to the ORC § 3327.01, school district's must, at a minimum, provide transportation to pupils in kindergarten through eighth grade who live more than two miles from school. OAC 3301-83-13 also states that students may walk up to one-half mile to a bus stop, but locations should provide for student safety.

When compared to ORC § 3327.01, the District's actual transportation practices exceed State minimum standards in the following areas:

- Transporting kindergarten through eighth grade students living less than 2 miles from school; and
- Transporting high school students.

The District could not provide a documented estimate of the number of buses that could be eliminated if it limited student transportation to State minimum standards. He also stated that limiting transportation could impact the District financially because more students would leave the District for community schools.

School districts receive reimbursement for students in grades K-12 that reside more than one mile from the school of attendance. The means used to calculate FY 2003-04 and FY 2004-05 transportation funding relied on a regression formula, which established the relationship between per pupil transportation costs for Type I and II riders and daily miles per pupil and percent of pupils transported. However, the State suspended use of this formula and instead set transportation funding to increase by 2 percent annually in FY 2005-06 and FY 2006-07. Subsequently, the State set transportation funding to increase by 1 percent from the prior year, per HB 119 (FY 2007-08 and FY 2008-09 biennial budget).

Financial Implications Summary

The following table summarizes the estimated one-time revenues and costs, and annual costs savings identified in this section of the report.

Summary of Financial Implications for Transportation

Recommendation	Estimated One-Time Revenue / (Costs)	Estimated Annual Cost Savings
R5.1 Eliminate at least 10 active buses	(\$11,000)	\$164,000
R5.2 Improve special needs transportation		\$236,000
R5.6 Eliminate at least four spare buses	\$1,000	\$6,400
Total	(\$10,000)	\$406,400

District Response

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

In its official response, the District provided some information about the ten peer school districts used for comparison purposes in the performance audit, which ODE classifies as Type 4 districts (Urban – low median income, high poverty). These ten school districts were used in the performance audit because they met a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. ODE classifies YCSD as a Type 5 district (Major Urban – very high poverty). However, most Type 5 districts did not meet a higher number of performance standards. As a result, Type 4 school districts, which represent the next closest demographic group to YCSD, were used for benchmarking purposes. Nevertheless, Type 5 districts were used when comparing some expenditure and personnel data in an effort to account for YCSD’s classification as a Type 5 district. The additional comparisons to the Type 5 school districts generally confirm the conclusions reached using the comparisons to the Type 4 school districts.

Youngstown City School District

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Office of the Superintendent

January 25, 2008

Mary Taylor, CPA
Office of the Auditor of State of Ohio
88 E. Broad Street
Columbus, Ohio 43215

Dear Ms. Taylor:

Let us extend our gratitude for the analysis and suggestions for improving the performance of Youngstown City Schools. The January 2008 audit comes in the midst of a multi year reduction process and will further assist us as we continue to assess the district in the area of cost containment. We have been working diligently for the past three years to appropriately manage our rapidly changing school district. The difficulty faced by this school district in managing change cannot be overstated.

We appreciate the noteworthy accomplishments presented in the performance audit for our proactive approach toward these difficult tasks and that the numbers reflect 2006-2007 data. Some of the initiatives our school district has already undertaken, which are reflected in the current audit, are:

1. Staff reductions last year which totaled 92 positions;
2. Successful negotiations with all of our unions yielded:
 - Three-year wage freeze;
 - Co-pay on insurance;
 - Reduction to minimum staffing floor from 740 to 400 YEA (Youngstown Education Association) bargaining unit positions.
 - We have also put into place a drug free workplace policy that should reduce workers' compensations costs.

Financial System

To provide a guidepost for finances, we have implemented a 5-year forecasting model that will be published and reviewed at least monthly. Under the direction of our new Treasurer, the Youngstown City School District will maintain and publish a comprehensive written, monthly strategic plan to improve the vision and direction for the District. Additionally, various fund balances will be closely monitored for possible impact on the General Fund expenses.

The Youngstown City School District has already explored the just-in-time delivery system and will continue to seek the necessary steps to make this a reality.

Human Resources

In our current plan, we are considering a reduction to 4 of the 8 recommended administrative positions and will continue to examine the remaining recommendations. Effective with the 2007-2008 school year, the District has reduced to seven Teachers On Special Assignment. In light of the school district's current financial constraints additional reductions will be considered without impacting our educational gains.

The reduction plan will be in correlation with the performance audit and negotiated agreements. The plan for further reductions includes decreases to all certificated and classified positions.

Administrators contribute 10 percent toward their health care benefits and all other groups are now contributing to medical benefits according to their base salary.

We have been able to maintain low cost insurance premiums for vision, life insurance and workers' compensation programs while operating a health insurance program that has been deemed competitive with others in the area.

Facilities

Youngstown City Schools has closed buildings and consolidated operations as per the changing enrollment of the district and in conjunction with the Ohio Schools Facilities Commission construction project. We have reduced custodial workforce as per the number of buildings decrease. As we continue to close older buildings we have reduced the custodial workforce, however, contractual constraints exist for weekend and holiday building checks and staffing levels.

Acknowledging the recommendation of an automated work order system as the current paper system has inefficiencies, will allow the District to improve the processes of the Maintenance Department.

Transportation

Transportation has long been a concern as it is difficult to provide low cost transportation in a city school setting to community schools, voucher recipients, and non-public school students. All the aforementioned require transportation provided by the Youngstown City School District. We have already been able to reduce 4 of 10 routes that have been recommended by the Performance Audit. Currently, the District adheres to a 30-minute drop-off time wherever possible. It is not our desire to go to state minimum transportation standards as it may compromise student safety and add to student population decline. However, this option may become a reality if additional public funds do not become available, i.e. failure of the levy. As per the audit's recommendation, the District plans to formally bid out the contract to transport our special needs students and considering the option to provide transportation of these students utilizing our transportation department.

It is the goal of the District to continue to work to improve and develop procedures for timely and accurately filing the necessary reports to ensure full funding of the transportation department.

We recognize the need to improve the operations of our Transportation Department by the implementation of:

- a. Updating routing and maintenance software
- b. Purchasing of new buses to update the age of our existing fleet

Unfortunately, like other Ohio school districts, the Youngstown City School District has had a difficult time passing levies to gain new revenue. The concern with the release of this document centers on the fact that the public may grasp the recommendations as a mandate without understanding contractual considerations and educational needs. Another concern is that the public will not support a levy until all recommendations are completely implemented. In addition, the District will take into consideration the audit's comparison to peer districts when it is not in contrast to the educational, financial, and operational objectives of the Youngstown City School District.

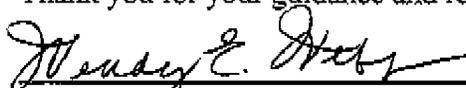
We will take strong consideration to comparison of the Youngstown City School District to the various type 4 and 5 peer districts.

Peer District Comparisons

District	Enrollment	Elem Bldg.	Middle Bldg	High Bldg	Alt. School	Career Center	Early College	Special Ed. Percent	Poverty percent	Community Schools (building)	Sq Miles	Median Income
Columbiana	1609	1	1	1	0	0	0	14.3	31.0	0	6.2	42,363
Bath	1922	1	1	1	0	0	0	11.1	30.5	0	22.5	99,202
Dover	2423	1	2	1	0	0	0	13.9	20.3	0	5.3	44,612
Girard	1685	3	1	1	0	0	0	13.1	42.8	0	6.6	41,587
Boardman	4773	4	2	1	0	0	0	11.4	24.5	0	16	52,709
Canton Local	2512	3	1	1	0	0	0		17.0	0		
Heath	1675	2	1	1	0	0	0	13.0	23.9	0	10.4	50,156
Lowellville	640	1		1	0	0	0	11.6	25.0	0	1.4	38,000
New Philadelphia	3127	5	1	1	0	0	0	19.8	33.7	0	7.9	42,896
Weathersfield	981	1	1	1	0	0	0	12.1	30.1	0	3.3	51,538
Youngstown (now)	7719	7	5	2	1	1	1	21.0	85.7	10	34.2	30,701
Youngstown (after 2009)	?	7	4	2	1	1	1	21.0	85.7	?	34.2	30,701

(Source of information Youngstown City Schools)

Thank you for your guidance and recommendations.


 Superintendent


 Treasurer