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STATE OF OHIO

VERMILION LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

FEBRUARY 24, 2000

EXECUTIVE SUMMARY

Project History

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

The Auditor of State Local Government Services Division (LGS) forecasted a \$1,348,000 deficit for fiscal year ending June 30, 1999 and the Auditor of State placed Vermilion Local School District (VLSA) in fiscal emergency on March 24, 1999. Under Ohio Rev. Code Section 3316.03, the Auditor of State is required to declare that a school district is in a state of fiscal watch if the Auditor of State determines that: (1) under the law relating to potentially insolvent school districts, the Auditor has certified an operating deficit for the school district for the current fiscal year exceeds eight percent of the district's General Fund revenue from the preceding year, (2) the unencumbered cash balance in the district's General Fund at the end of the prior fiscal year, less any advances of property taxes, was less than eight percent of the district's General Fund expenditures for such prior year, and (3) the district voters have not passed a levy that the Auditor of State expects to raise enough additional money in the next fiscal year so that the conditions described above in (1) and (2) will not exist in the next fiscal year.

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

1. An operating deficit of the General Fund, at June 30, 1999, in the amount of \$1,348,000. This amount exceeds eight percent of the general fund revenues for the prior fiscal year;
2. The district's unencumbered cash balance for the preceding fiscal year was a deficit of \$932,000. This amount is less than eight percent of the preceding fiscal year expenditures; and
3. The district has not passed a levy that will eliminate the first two conditions.

Section 3316.03, Revised Code, requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04, Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

On December 16, 1998, the Vermilion Local School District Board of Education adopted a resolution stating they would not be able to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of fiscal watch, pursuant to Section 3316.04, Revised Code.

Accordingly, on March 24, 1999, the Auditor of State declared the Vermilion Local School District to be in a state of fiscal emergency as defined by Section 3316.03(B), Revised Code. Pursuant to Ohio Rev. Code Section 3316.041, the Auditor of State's Office agreed to conduct a performance audit of the Vermilion Local School District.

The goal of the performance audit is to assist the district and the Financial Planning and Supervision Commission (the Commission) in making decisions with the objective of eliminating the conditions which brought about the declaration of fiscal emergency. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. Another objective of the performance audit is to perform an independent assessment of the district's financial situation, including developing a framework of a financial recovery plan. The recommendations contained within the performance audit will provide one major resource to the district and Commission in developing their financial recovery plan. However, the district and Commission are encouraged to assess their overall operations to develop other recommendations not contained within the performance audit.

The planning for the performance audit began in April, 1999, and the actual performance audit was conducted primarily from June through mid-September, 1999.

Based upon the review of VLSD information and discussions with the Superintendent and the Ohio Department of Education, the following four functional areas were selected for the performance audit:

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

Financial Planning and Supervision Commission

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

The Commission membership is as follows:

- ! The Director of Budget and Management or designee
- ! The Superintendent of Public Instruction or designee
- ! The Superintendent of Vermilion Local School District
- ! A representative of the County Auditor
- ! An appointment of the County Auditor
- ! An appointment of the Superintendent of Public Instruction who shall be a parent of a child attending school in the District
- ! An appointment of the Governor

Ohio Rev. Code Section 3316.06 requires the Financial Planning and Supervision Commission to adopt a financial recovery plan within 60 days of its first meeting. The fiscal emergency legislation stipulates that the plan must contain the following provisions:

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

The Commission has the following powers, duties and functions:

- ! Review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan;
- ! Inspect and secure pertinent documents;
- ! Review, revise and approve determinations and certifications affecting VLSD made by the County Budget Commission or the County Auditor;

- ! Bring civil actions to enforce fiscal emergency provisions;
- ! Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
- ! Assume responsibility for all debt issues;
- ! Make and enter into all contracts necessary or incidental to the performance of its duties; and
- ! Implement cost reductions and revenue increases to achieve balanced budgets and carry out financial recovery plan.

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

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

District Overview

The Vermilion Local School District (VLSD) is located in Erie and Lorain Counties. VLSD 's boundaries cover approximately 35 square miles and include the City of Vermilion, Florence and Brownhelm Townships and parts of the City of Lorain. The City of Vermilion and the City of Lorain have populations of approximately 11,000 and 68,000, respectively.

The district's average daily membership (ADM), per the October 1998 ADM count, is 2,593. VLSD's student attendance rate is 94.4 percent as compared to the peer group average of 95.4 percent and the statewide average of 93.9 percent. The district's ninth grade proficiency passage rate of 71 percent is higher than the peer group average of 66 percent and significantly higher than the statewide average of 56 percent. VLSD met 11 of the 18 standards on the school district report card issued in 1999, for the school year 1997-98.

The Auditor of State Local Government Services Division (LGS) forecasted a \$1,348,000 operating deficit for VLSD for the fiscal year ending June 30, 1999. As shown in **Table A-1** (Financial Systems Section), fund balance deficits are projected to be \$1.4 million for the fiscal year 2000, \$3.5 million for fiscal year 2001, \$5.1 million for fiscal year 2002, \$6.9 million for fiscal year 2003, \$8.8 million for fiscal year 2004 and \$11.9 million for fiscal year 2005. It should be noted however, that **Table A-1** was prepared to show the district's financial condition when the commission came into existence and therefore, it does not include the effects of the three-year 7.99 mill (\$2.45 million) emergency levy passed in November 1999. In the past three years, the district has utilized the spending reserve, state emergency loan and state solvency assistance fund as a means to end the year in a positive cash position. As these debt instruments require repayment, the district has been borrowing against future year's revenues to pay current operating costs. Once a school district enters this cycle, it becomes difficult to achieve financial solvency without the infusion of additional revenue or drastic reductions in operating costs.

The district's current financial condition is attributable to a significant loss in personal property tax revenue in recent years along with the inability to pass an additional tax levy to replace these revenues. Over the past five years, the district has experienced a 57.5 percent reduction in personal property tax revenue as a result of cutbacks in operations at the Lorain Ford assembly plant. In the fiscal year ending in 1995, personal property tax revenues totaled approximately \$3.5 million and represented approximately 32 percent of all local tax revenues collected. In fiscal year 1999, personal property tax revenue had decreased to approximately \$1.5 million, representing approximately 16 percent of all local revenues collected.

District voters passed a three year, \$2.45 million emergency operating levy on November 2, 1999. The district will begin receiving revenue from the levy in FY 1999-00, but would not realize the entire \$2.45 million until FY 2000-01. If this levy is renewed, these additional revenues along with recommended cost reductions and future years containment of costs should allow the district to

become financially solvent, contingent upon expenditures remaining within projected levels. VLSD's revenue statistics (relatively low effective millage rate and relatively high property valuation and median income) provide key statistics indicating the community's ability to support a property tax levy.

In fiscal year 1998, VLSD employed approximately 250 full time equivalent employees, of which 143 were teachers. Staffing levels at VLSD were consistent with the peer districts in most areas, although a staffing analysis did indicate minimal areas for reduction. While VLSD has effectively and efficiently structured the high school teachers' work day, consideration should be given to restructuring the middle school teachers' work day by utilizing contractual provisions and district policy to manage and maximize staffing levels and instructional operations. Maximizing middle school staffing levels could allow VLSD to achieve annual cost savings of \$420,824 through staff reductions.

VLSD currently pays the employee contribution amount to the STRS and SERS pension systems for all employees. When including this retirement pickup in a comparison of salaries by classification, VLSD has the highest average salaries in its peer group in three of 11 employee classifications. In the successor agreement to the current certificated employee contract, the district has negotiated the elimination of the STRS pickup over the term of the contract. Additionally, the district was able to negotiate a reduction in the pickup of employee retirement for classified staff from nine percent to four percent in the last year of the current contract. As a result of the district's current financial situation, the board should reconsider paying the employees' portion of SERS to bring employee compensation to a level that is more comparable to its peer districts. VLSD would realize annual cost savings of \$86,318 by negotiating the elimination of the SERS retirement pickup.

VLSD has the highest annual medical benefit cost per employee among its peer districts, which may be attributable to lack of full-time employee contributions towards medical, dental, vision and prescription benefits and lower annual deductibles. The successor agreement to the current certificated employee contract requires employees to contribute 5.1 to 6.3 percent of the cost of medical benefits. Requiring all employees to contribute ten percent of their medical benefit costs would result in annual savings of \$69,966 to the district.

VLSD's facilities consist of three elementary schools (includes one preschool), one middle school, one high school, and one administrative/other building. The average age of the school buildings is approximately 47 years. In 1990, the Ohio Public School Facility Survey estimated the cost to repair and upgrade VLSD's facilities to the minimum codes for health and safety. In July 1997, the Ohio Legislative Budget Office (LBO) updated the figures from the 1990 survey and estimated the current cost to repair the district's facilities to be about \$20 million.

VLSD has closed two of its schools since 1989. One of the school buildings (Lake Elementary School) is being leased to Vermilion Family YMCA. The other school building (Valley View Elementary School) currently houses the administrative offices with the remaining space being leased to various tenants. According to the district's enrollment projections and the current school building

configurations, VLSD will be operating at 74 percent of its functional capacity in 2006-07. However, it does not appear that additional school closings will be possible. VSLD should consider the option of selling the two closed facilities to realize a significant one time revenue enhancement.

In FY 1997-98, VLSD provided transportation services to approximately 1,994 regular and special needs students through various means. VLSD has the highest cost per student, cost per mile, and cost per bus for regular needs transportation when compared to its peer districts. The most significant contributing factor for VLSD's high operating costs is the heavy reliance on one and two run routes, which leads to a low student per bus utilization. The district should examine the possibility of increasing its transportation efficiency through adjusting bell schedules to allow for an increased number of routes consisting of three or more runs.

VLSD has elected to provide transportation services for all students subject to a 1.0 mile eligibility distance from the school of attendance. The service exceeds the state minimum standard of two miles for grades kindergarten through eight and the state minimum standard of providing no transportation services to high school students. During FY 1997-98, the district transported approximately 45 percent of its students above state minimum standards. Due to its current fiscal situation and the need to reduce costs, VSLD should consider changing its transportation policy to provide transportation either at state minimum standards or at a level below its current policy. Policy changes should be examined thoroughly so that the district is not compromising the educational needs or the safety of the students. Increasing transportation efficiency or reducing the number of students transported will allow VLSD to achieve significant operating cost reductions. In addition, significant future cost avoidance will be realized by reducing the number of buses which will need to be replaced.

VLSD is faced with the significant task of providing adequate educational services while their main source of revenue, local taxes, has been declining over the past five years. Although additional funding is being received through the state foundation program, legislative requirements such as H.B. 412 spending requirements, educational enhancements called for through H.B. 650 and S.B. 55, and inflation have caused the district to incur additional expenditures.

VLSD must reduce its operating costs to return to fiscal solvency. At a minimum, VLSD should negotiate equitable labor agreements which reduce district compensation and benefit costs to a level comparable to its peer districts. In addition, the district should restructure the teacher work day to allow for instructional staff reductions, reexamine its transportation policies, and consider selling its two excess facilities. However, cost reductions alone will not be sufficient to enable the district to balance its budget and emerge from fiscal emergency. VLSD management has aggressively reduced and monitored district operating costs, and district voters have responded by passing the emergency levy in November of 1999. In order to achieve and maintain long term financial stability, VLSD will need an ongoing revenue stream to fund operations in the future. The results of this performance audit reflect minimal opportunities to reduce expenditures to the level necessary to maintain a balanced budget. Therefore, VLSD should consider asking voters to pass a permanent operating levy

of approximately 7.99 mills to replace the three year emergency operating levy which expires in FY 2002-03 within the appropriate time frame to ensure no loss in the flow of revenues from these levies.

The ability of Vermilion Local School District to emerge from the current financial crisis and regain local control of the district will be contingent upon support from all vested parties including management, employees, the business community and the community as a whole. Sacrifices by all parties will be needed to ensure that Vermilion Local School District becomes financial solvent.

Summary Result

The summary result of the performance audit is contained within pages 1-8 through 1-17. The summary result is followed by overall performance audit information including a definition of performance audits, objective and methodology of performance audits, and peer district comparisons of key information.

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

The results of this performance audit should not be construed as criticisms of VLSD management. The performance audit should be used as a management tool by VLSD, the Financial Planning and Supervision Commission, and the community to improve operations within VLSD operations. Also, VLSD is facing a number of new issues as a result of recently passed legislation which must be implemented and which could have financial implications. As VLSD is considering these issues while trying to achieve financial stability, the performance audit provides a series of ideas which VLSD should consider in its decision-making process. Each section of the performance audit contains commendations concerning certain aspects of district operations which should not be diminished.

A table representing a summary of financial implications of the recommendations is presented on pages 1-18 through 1-19. However, the performance audit also contains a number of recommendations which may not generate cost savings but will result in enhanced service delivery within district operations which should not be diminished. If implemented, these recommendations would improve the operational efficiency of VLSD and its effectiveness in achieving its educational mission.

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

Financial Systems

This section focuses on the financial systems within Vermilion Local School District. The objective is to analyze the current financial condition of the district, including an evaluation of the internal controls and develop recommendations for improvements and efficiencies. Within this section, the district's financial forecast is assessed for reasonableness and an additional forecast is presented representing the Auditor of State's assessment of the district's financial condition.

Background: Because the district was facing a \$1,348,000 operating deficit in FY 1998-99 that met all the conditions identified in ORC § 3316.03, the Auditor of State placed VLSD in fiscal watch. ORC § 3316.04 requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district's board of education fails to submit an acceptable financial recovery plan to the State Superintendent within 60 days of being placed in fiscal watch. After being placed in fiscal watch, the board adopted a resolution stating that it would be unable to submit an acceptable plan within the statutory period. As a result, on March 10, 1999, the Auditor of State declared VLSD to be in a state of fiscal emergency. While in fiscal emergency, a financial planning and supervisory commission has been formed and given oversight authority to balance the district's budget.

Findings: The district's current financial condition is attributed to a significant loss in personal property tax revenue in recent years along with the inability to pass an additional tax levy to replace these revenues. Over the past five years, the district has experienced a 57.5 percent reduction in personal property tax revenue as a result of cutbacks in operations at the Lorain Ford assembly plant. In FY 1994-95, personal property tax revenues totaled approximately \$3.5 million representing approximately 32 percent of all local tax revenues collected. Subsequent reductions have reduced the personal property tax revenue to approximately \$1.5 million in FY 1998-99 which is approximately 16 percent of all local revenues collected.

The Auditor of State Local Government Services Division (LGS) forecasted a \$1,348,000 operating deficit for VLSD for the fiscal year ending June 30, 1999. As shown in **Table A-1** (Financial Systems Section), fund balance deficits are projected to be \$1.4 million for the fiscal year 2000, \$3.5 million for fiscal year 2001, \$5.1 million for fiscal year 2002, \$6.9 million for fiscal year 2003, \$8.8 million for fiscal year 2004 and \$11.9 million for fiscal year 2005. It should be noted however, that **Table A-1** was prepared to show the district's financial condition when the commission came into existence and therefore, it does not include the effects of the three-year 7.99 mill (\$2.45 million) emergency levy passed in November 1999. Although the district has reduced expenditures where possible, it has been forced to utilize numerous different debt instruments to avoid year end deficits. In the past three years, the district has utilized the spending reserve, state emergency loan and state solvency assistance fund as a means to end the year in a positive cash position. These debt instruments require repayment, therefore, the district has been borrowing against future year's revenues to pay current operating costs.

As of FY 1997-98, the district had a total voted millage rate of 61.9 mills, however, it was only collecting revenue from the 29.6 millage effective rate due to tax reform legislation passed in 1976 (HB 920). Although this effective rate is lower than the state average, the majority of the district's funding is provided through local sources due to higher than average property valuation. The local statistics of the district indicate the local community has the resources to provide additional funding. The district had been unsuccessful in gaining voter approval of eight new operating levies placed on the ballot over the past five years. District voters passed a three year emergency levy on November 2, 1999. This levy will generate approximately \$2.45 million annually. The district will begin receiving revenue from the levy in FY 1999-00, but would not realize the entire \$2.45 million until FY 2000-01.

Commendations: Although prior to this year, preparation of a financial forecast has not been required, the district's past practice of preparing financial forecasts has been a good management practice which allowed the district to identify and plan for future cash needs and other contingencies. The level of supporting documentation gathered by the current treasurer in making the various assumptions helps ensure the financial forecast accurately projects the financial condition the district is likely to encounter. In addition, it appears the district diligently monitored and reduced spending in FY 1997-98.

Recommendations: The commission should utilize the financial recovery plan presented in **Appendix B** in their duty to develop a plan which will allow the district to regain financial solvency. This plan is being presented to provide the commission with a management tool to aid them in analyzing the recommendations presented in this performance audit and determine the impact of the related cost savings on the district's financial condition. In addition, the district should utilize the format of the financial forecast presented in **Appendix B** to provide additional more detailed historical and projected information. In order to achieve and maintain long-term financial stability, VLSD should consider asking voters to pass a permanent operating levy of approximately 7.99 mills to replace the three year emergency operating levy which expires in FY 2002-03 within the appropriate time frame to ensure no loss in the flow of revenues from these levies and continue its expenditure reduction efforts.

Human Resources

Background: The Human Resources section evaluates the organizational structure of the human resources department (HRD), the number, makeup and compensation of VLSD employees, contractual issues, benefits administration and other employment and organizational issues. The primary functions of the human resources department are recruiting and selecting employees, monitoring compliance with employment standards, facilitating employee performance evaluations, administering and monitoring the district's grievance policies and procedures, placing substitutes, conducting disciplinary hearings and negotiating and administering labor contracts. The department has 1.70 full time equivalent employees and an operating budget of \$292,545, including a budget of \$185,900 for district substitutes.

Findings: Approximately 61.7 percent of VLSD's total FTEs are direct instructional personnel which is the second highest along with one of the other peer districts. However, VLSD has the second lowest total FTEs overall when compared to the peer districts. The district has 6.8 FTE clerical positions per 1,000 students enrolled as compared to the peer district average of 5.3 FTE. Also, VLSD has 6.3 FTE custodial positions per 1,000 students enrolled as compared to the peer district average of 5.6 FTE. VLSD maintains a 21.1:1 student teacher ratio in elementary schools, a 19.3:1 student teacher ratio in the middle school and a 22.6:1 student teacher ratio in the high school. The student teacher ratios in all three levels of schools exceed state minimum standards. VLSD had 33 high school periods with 15 or less pupils enrolled for FY 1997-98. VLSD teachers have the second highest average teaching salaries when compared to the peer districts.

VLSD required a substitute teacher for approximately six percent of the total teaching days for FY 1997-98. VLSD's teachers averaged 8.9 sick days per teacher in FY 1997-98, classified employee averaged between 3.7 and 10.5 sick days per person while the entire employee population averaged 8.1 sick days per person in FY 1997-98. The district spent \$172,125 on substitute services in FY 1997-98 and still had days where a qualified substitute was not available. VLSD does not have an automated substitute system in place for handling substitutes.

VLSD currently does not require a contribution from its full-time employees towards the cost of medical, dental, vision and prescription plans while an analysis of the percentage of contributions required by the peer districts revealed that the percentage of contributions range from zero to 10 percent. The successor agreement to the current certificated employee contract requires employees to contribute 5.1 to 6.3 percent of the cost of medical benefits. All VLSD employees are eligible to participate in the health care plan. The district does have a graduated scale in place for contributions from part-time employees towards premium costs. VLSD's fringe benefit expenditures for both certificated and classified personnel are higher than the statewide average and the peer districts' average for benefits in proportion to total operating expenditures. The district has an enhanced severance package available to those employees which retire in their first year of eligibility. The Bureau of Workers' Compensation conducted an analysis of VLSD's account for the 1998 activity period which reflected two lost-time claims.

Two labor agreements cover approximately 86 percent of all VLSD employees. The district currently pays the entire employee portion of SERS and STRS for all employees costing the district approximately \$955,996 in FY 1997-98. In the successor agreement to the current certificated employee contract, the district has negotiated the elimination of the STRS pickup over the term of the contract. The district was able to negotiate a reduction in the pickup of employee retirement for classified staff from nine percent to four percent in the last year of the current contract. The certificated employee contract provides a severance payout of 25 percent of a maximum of 195 days. The classified employee contract provides a severance payout of 25 percent of a maximum of 210 days.

VLSD currently has no Human Resource Information System (HRIS). Therefore, the HRD lacks tools for tracking and managing significant workload drivers such as the tracking of applicants, the monitoring and tracking of grievances and disciplinary actions, the tracking of employee evaluations and the monitoring of leave days by type by employee.

Commendations: The maximum number of periods taught in the high school is six. Approximately 94 percent of high school teachers teach six periods. The district has successfully implemented a graduated benefit scale designed to prorate the contributions required by part-time employees. The district has implemented an informal modified duty program to help gain productive work from employees who otherwise would have been off duty. The VTA contract contains several provisions which provide management with flexibility to effectively manage the work force. VLSD encourages and provides teachers opportunities for professional growth including professional leave and tuition reimbursement. The willingness of classified and certified staff to accept wage concessions has created an effective partnership to improve the district’s financial situation.

Recommendations: The following table summarizes possible staff reductions contained within the performance audit which the district could consider when evaluating alternatives to deal with its fiscal emergency status. VLSD should develop procedures to monitor and improve productivity to offset the operational impact of staff reductions.

Staff Reductions by Position				
Classification of Position	Basis	Section Number	Number Reduced	Estimated Savings
Clerical	Reducing clerical to average peer district ratio	3	1	\$33,556
Teacher	Reduction in middle school teachers from increasing instructional time of staff	3	7	\$420,824

VLSD should consider renegotiating the SERS pickup for its classified employees. If all employees were required to pay their own retirement contribution, the district could save approximately \$86,318.

VLSD should reduce the number of sick days being utilized by employees. Reducing sick leave taken by teachers by one to four days could save VLSD from \$9,180 to \$36,720 annually in substitute costs. Also, by reducing the sick leave usage of classified employees by one or two days would provide a savings of between \$4,027 to \$8,054 annually in substitute costs. The district should initiate efforts to define requirements to select and implement an automated substitute calling system which will improve operations by providing an efficient method of contacting qualified substitutes, reducing the amount of employee sick time and creating management reports of substitute rates, absenteeism and information for unemployment compensation claims.

VLSD should require higher employee contributions for medical, dental, vision and prescription benefits. Implementing benefit contributions ranging from 10 to 20 percent for all employee classifications could save VLSD approximately \$70,000 to \$212,000 annually.

VLSD should consider negotiating a reduction in the severance payout policy. One option to consider is the Ohio Revised Code section 124.9 which provides payout of 25 percent of accrued but unused sick leave credit, upon retirement, up to 120 sick days. This would result in a cost avoidance of approximately \$177,818. A second option the district may consider would be to cap the payout at 42 days (25 percent of the first 120 days and 10 percent of the second 120 days) which is comparable to Springfield's City School District's policy. This would result in a cost avoidance of approximately \$79,631.

Other significant recommendations include:

- ! Selecting a human resource information system to improve functionality
- ! Verifying qualifications for enhanced severance package before paying out

Financial Implications: It is estimated that the implementation of all the recommendations in this section of the report would result in an annual cost savings of approximately \$588,000 to \$731,000. Implementation costs would include one-time costs of approximately \$25,000 to \$71,000. Additional savings/cost avoidance could be realized by reducing the amount of sick days paid out for severance packages. The annual cost avoidance would be approximately \$80,000 to \$178,000.

Facilities

Background: The custodial and maintenance departments are responsible for maintaining Vermilion Local School District's (VLSD) facilities. The district consists of six facilities with a total of 385,537 maintained square feet. There are three elementary schools (includes one preschool), one middle school, one high school, and one administrative/other building. The average age of the school buildings is about 47 years old. The custodial and maintenance departments consists of 21 full-time equivalent (FTE) employees and has an annual budget of approximately \$1.5 million. In 1990, the Ohio Public School Facility Survey estimated the cost to repair and upgrade VLSD's facilities to the minimum codes for health and safety. In July 1997, the Ohio Legislative Budget Office (LBO) updated the figures from the 1990 survey and estimated the current cost to repair the district's facilities to be about \$20 million.

Findings: The district's enrollment peaked at 2,792 students during the 1995-1996 school year, and then decreased annually until 1998-99. According to the most recent enrollment projections, the student population is going to decrease to 2,369 students by 2006-07. Based on the current building configurations, all of the schools are operating under capacity. According to the district's enrollment projections and the current school building configurations, VLSD will be operating at 74 percent of

its functional capacity in 2006-07. However, it does not appear that additional school closings are possible.

Since 1989, VLSD has closed two schools. One of the school buildings (Lake Elementary School) is being leased to the Vermilion Family YMCA, which handles all cleaning and maintenance. The other school building (Valley View Elementary School) currently houses the administrative offices with the remaining space being leased to various tenants, which maintain their portion of the school building.

In the early 1990s, VLSD issued debt under the provisions of H.B. 264 Energy Conservation Measures to make repairs to the district's heating and lighting systems, to repair and replace the roof at the high school, and to install new HVAC units at the high school. Energy savings from the projects is used to repay the debt. As required by law, the district will maintain and annually update a report documenting the reductions in energy consumption and the operational and maintenance cost savings that result. The report is to be certified by an architect or engineer who is independent of the parties who provided the goods or services under the H.B. 264 project. The resultant savings are to be certified by the school district treasurer. The district did report energy usage for two years but did not have its report certified by an independent architect or engineer. In addition, the treasurer did not certify the report. Since the initial two years, the district has not monitored energy consumption.

The district has not joined the Electric Energy consortium through the Ohio Schools Council. Generally, participation allows school districts to obtain a 10 percent base rate discount on electricity purchases.

The average square footage per custodial staff member is 23,366. Completed performance audits and industry standards indicate that an effective custodial staff can maintain 20,000 to 25,000 square feet per custodial staff member. Based on this, VLSD's custodial staffing appears reasonable. Each custodial position has a job description. However, the job descriptions have not been updated since November of 1992. Performance evaluations are performed every other year on custodial workers. Custodial and maintenance employees averaged 10.5 days of sick leave in FY 1997-98, which is the highest of the peer districts.

Maintenance staff are each responsible for maintaining approximately 110,153 square feet, which is 2,379 more square feet per person than the peer district average, and 35,153 more square feet per person than the AS&U Region 5 average. VLSD's general fund maintenance and operations expenditures per square foot are significantly lower than the peer districts and is the same as the AS&U Region 5 average. The district does not have a well-organized planned preventive maintenance program. VLSD's maintenance overtime as a percentage of salaries is the highest of the four peer districts. The district was understaffed during FY 1997-98 due to the retirement of one of the maintenance employees in December of 1996 and the position not being filled until July of 1998. Per the OAPSE contract, there can be no substitutes contracted for maintenance.

Commendations: The district has been participating in a consortium through the Lake Erie Regional Council of Governments. Under this program, the consortium has purchased natural gas for the district and paid a fee to Columbia Gas of Ohio to have the gas transported to its facilities. VLSD has been using self-help gas since September of 1986 and has saved an estimated \$101,125 from July of 1996 to April of 1999.

Recommendations: VLSD should consider relocating its administrative offices to vacant space in the remaining schools and sell both Lake Elementary School and Valley View Elementary School.

Other significant recommendations include the following:

- ! Complete necessary steps to be in compliance with H.B. 264
- ! When opportunity becomes available, join an electric energy consortium
- ! Review and update the job descriptions on a regular basis
- ! Complete performance evaluations for all employees on a regular basis (at least annually)
- ! Look into means to reduce its sick leave usage by employees
- ! Develop and implement a comprehensive preventive maintenance program
- ! Monitor overtime use in the maintenance department

Financial Implications: It is estimated that the recommendations in this section of the report would result in an annual cost savings of \$3,000 with implementation costs of \$6,000, and a one-time revenue enhancement of approximately \$1.2 million to \$1.5 million with an annual revenue loss of roughly \$54,000. The Ohio Legislative Budget Office estimated the cost to repair the district's facilities to be about \$20 million in 1997.

Transportation

Background: In FY 1997-98, VLSD provided transportation services to approximately 1,994 students through various means. The transportation department employed 28 employees (16.9 FTEs) while maintaining operating expenditures of approximately \$700,000. The regular transportation program transported an estimated 1,946 kindergarten through high school students (1,781 public students and 165 non-public students) on district buses traveling 176,040 miles over 39 routes. The special needs program transported 47 students on district buses traveling 61,740 miles over six routes. One special needs student was transported through a parent/guardian contract.

Findings: During FY 1997-98, the district transported approximately 842 students above state minimum standards. Of these students, 434 were students in kindergarten through eight and 408 were high school students. This represents approximately 45 percent of the total number of regular students transported on district buses. The district operates a two tiered bell/bus schedule due to the proximity of the schools and the size of the school district (35 square miles). The high school and the middle school are located next to each other as are the two elementary schools.

VLSD experienced the highest cost per regular student for district bus transportation of \$309, as well as the highest cost per mile and cost per bus of \$3.42 and \$30,067, respectively. The district averages 97 students per bus, which is the second lowest of the peer districts. Studies of high performing districts, along with the capacity levels associated with the district's average 60-seat capacity bus fleet, suggest that efficiency improvements may be possible. The district had the lowest cost per student of \$1,908 for total special needs student transportation and the second lowest cost of \$1,945 for special needs students transported on district buses.

The district does not use routing software or optimization capability in the design of its bus routes. Instead, routes and stops are manually adjusted from the previous school year routes, with the majority of students assigned to historically established corner and cluster stops along with a private school shuttle.

The district submitted state forms with incorrect data to ODE, resulting in an excessive reimbursement. The forms are used by the state to calculate the district's transportation reimbursement. VLSD pays its transportation employees an overtime rate for all hours worked beyond the work week of five consecutive days and double time for hours worked on Sunday, except for scheduled student activities. Medical verification is required for any absence of five working days or more. The district has six regular buses and one special needs bus which exceed general replacement guidelines with an approximate cost of \$390,000 to upgrade the fleet. VLSD has the second highest ratio for buses per mechanic and all vehicles per mechanic compared to the peer districts. The district does not fully utilize the benefits of technology to better manage and increase the efficiency and effectiveness of its transportation department.

Commendations: VLSD has established and complied with a transportation policy which appears to provide adequate transportation for its students. The district recognizes the difference between driving time and waiting time and therefore pays its drivers a lesser rate for waiting time. VLSD's average sick days used per transportation employee is the lowest when compared to the peer districts. The low use of sick leave can be attributed to the district's incentive program. The limited use of sick leave enhances the quality of education by eliminating the interruptions in education and saves the district expenses incurred through the use of substitute drivers. By restricting the bidding for a run that becomes available during the year to those drivers whose current route is at least one hour less than the route that is available, the district allows the transportation supervisor to better manage keeping drivers on the same route year-to-year. This allows the drivers to become more familiar with the route and the students. The transportation department recognizes that handicap bus drivers need additional training to safely transport special needs students and requires drivers to have this training before they can bid on a special needs student run.

Recommendations: This report discusses various scenarios in the *Transportation Section* which could reduce transportation costs. The district should examine the possibility of increasing its transportation efficiency through adjusting bell schedules to allow for an increased number of routes

consisting of three or more runs. Also, the district should purchase routing software which could incrementally increase bus capacity levels for regular education students transported on district-owned yellow buses. Effective utilization of routing software could allow the district to reduce its fleet by one to four buses. If the district could reduce its fleet by two buses, it could realize annual costs savings associated with the reductions in salaries, benefits and operating costs of \$53,972 net of state reimbursements, plus a cost avoidance of \$110,000 in not having to replace these buses. Other significant recommendations include the following:

- ! VLSD should continually track and assess the financial and operational implications of board policy and district practices allowing for the transportation to students above state minimum standards with results reported to the board and made available for all levels of management and community stakeholders. If the district were to transport students at the state minimum standards, it could reduce transportation costs by an estimated \$216,000 and result in a cost avoidance of \$440,000.
- ! The district should develop procedures to ensure that accurate reports to the Department of Education are prepared.
- ! VLSD should try to promote the sufficient use of parent/guardian reimbursement to reduce at least one special needs bus.
- ! The district should negotiate its overtime policy to be more in line with the guidelines set forth by the FLSA and limit leaves that are included in the “active pay status” category when calculating overtime to only include vacation, holidays and bereavement leaves.
- ! The district should maintain an effective and pro-active preventive maintenance program and prepare a formal bus replacement plan.
- ! VLSD should consider the purchase of boundary planning/enrollment analysis software and fleet maintenance software to increase the efficiency and effectiveness of its transportation department.

Financial Implications: It is estimated that the implementation of the recommendations in this section of the report would result in annual cost reductions of approximately \$310,000, with minimal implementation costs. In addition, there are cost avoidances of not having to replace buses totaling an estimated \$610,000. However, there would be an estimated loss of revenue of \$43,000 from reporting the actual number of students receiving transportation versus the eligible number of students. The actual versus the estimated annual cost savings could vary greatly depending on the total number of buses reduced due to changes in transportation policies and efficiencies in routing. Therefore, the magnitude of the cost savings associated with some recommendations would be greatly affected by the implementation of other interrelated recommendations.

Summary of Financial Implications

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

Estimated Revenue Enhancements, Cost Savings, Cost Avoidance and Implementation Costs					
Ref. No.	Recommendations From All Sections	Revenue Enhancements	Cost Savings	Cost Avoidance	Implementation Costs
	<i>Financial Systems</i>				
R2.3	Renew three-year emergency levy	\$2,450,000 (annual)			
	<i>Human Resources</i>				
R3.1	Implement a Human Resources Information System				\$11,125
R3.2	Attain clerical levels similar to peers		\$33,556 (annual)		
R3.3	Reduction in middle school teachers by increasing staff instructional time		\$385,194 (annual)		
R3.5	Classified employees pay their own retirement contributions		\$86,318 (annual)		
R3.6	Reduction in sick leave usage - teachers		\$9,180 to \$36,720 (annual)		
R3.7	Implement automated substitute calling system				\$14,000 to \$60,000
R3.9	Reduction in sick leave usage - classified employees		\$4,027 to \$8,054 (annual)		
R3.11	Increase employee share of health care cost		\$69,966 to \$211,530 (annual)		

Estimated Revenue Enhancements, Cost Savings, Cost Avoidance and Implementation Costs					
Ref. No.	Recommendations From All Sections	Revenue Enhancements	Cost Savings	Cost Avoidance	Implementation Costs
	<i>Facilities</i>				
R4.4	Sell Lake and Valley View Elementary and associated loss of rental revenue from sale	\$1,217,000 to \$1,521,000	\$(54,107) (annual)		
R4.8	Purchase preventative maintenance software				\$6,000
	<i>Transportation</i>				
R5.1	Assess the transportation policy for high school students		\$107,944 (annual)	\$220,000	
R5.2	Assess the transportation policy for grades K-8 from one to two miles		\$107,944 (annual)	\$220,000	
R5.5	Increase the number of students per bus		\$53,972 (annual)	\$110,000	\$20,000
R5.6	Increase the number of parent/guardian contracts for special needs students		\$19,132 (annual)	\$60,000	
R5.7	Negotiate overtime be paid after 8 hours a day or 40 hours a week		\$20,892 (annual)		
	Total Range	\$3,667,000 to \$3,971,000	\$844,018 \$1,017,147 (annual)	\$610,000	\$51,125 to \$97,125

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

Objectives and Scope

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

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

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

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

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

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

The performance audit on the district covers the following areas of operations:

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

These particular subject areas were decided upon pursuant to discussions with the district and the Department of Education. Within school district operations, these areas are important to assess

because they normally are of concern in school districts, have historically been a problem or could create a significant financial or operational risk to district operations.

Methodology

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

Use of previous studies, reports and other data sources

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

- ! VLSD's annual reports of FY 1995-96, FY 1996-97, FY 1997-98 and general ledger for the period July 1998 through May 1999
- ! Actual taxes received for June 1999
- ! Board Policy Manual
- ! Board minutes including appropriation resolutions and amendments
- ! Ohio Revised Code and Administrative Code
- ! Various contracts with vendors and competitive contracting proposals
- ! Negotiated union contracts
- ! Current organizational charts, various policy and procedure manuals and departmental handbooks
- ! Various reports provided by the Department of Education and Educational Management Information System (EMIS)
- ! Prior studies conducted on the district, including the staffing service study performed by the Ohio Department of Education - 1998; the Ohio Public School Facility Survey performed by the Ohio Department of Education - 1990, updated 1997; and the Financial Accounting Report performed by Auditor of State's Local Government Services - 1999
- ! American School and University's 26th annual Maintenance and Operating Cost Study
- ! Financial forecasts
- ! Reports regarding the State Emergency Loan Program and State Subsidy Fund

Interviews, Discussions and Surveys

Numerous interviews and discussions were held with many levels and groups of individuals involved internally and externally with VLSD. These interviews were invaluable in developing the overall

understanding of VLSD operations, and in some cases, were useful sources in identifying concerns with VLSD operations and in providing recommendations to address these concerns. Examples of the organizations and individuals which were interviewed include:

- ! Teachers, principals, directors, and administrators
- ! The Ohio Department of Education
- ! Representatives for the Erie and Lorain County Auditor
- ! An employee of the Ohio School Council
- ! Representatives from other school districts including Amherst ELSD, Maumee CSD, and Buckeye LSD

Benchmark Comparisons with Other Districts

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

Certain other performance audits had information or suggested procedures drawn from their reports where applicable. These suggested procedures were selected to provide certain benchmark comparisons with VLSD regarding employees wages and benefits, and transportation.

Comparative Districts

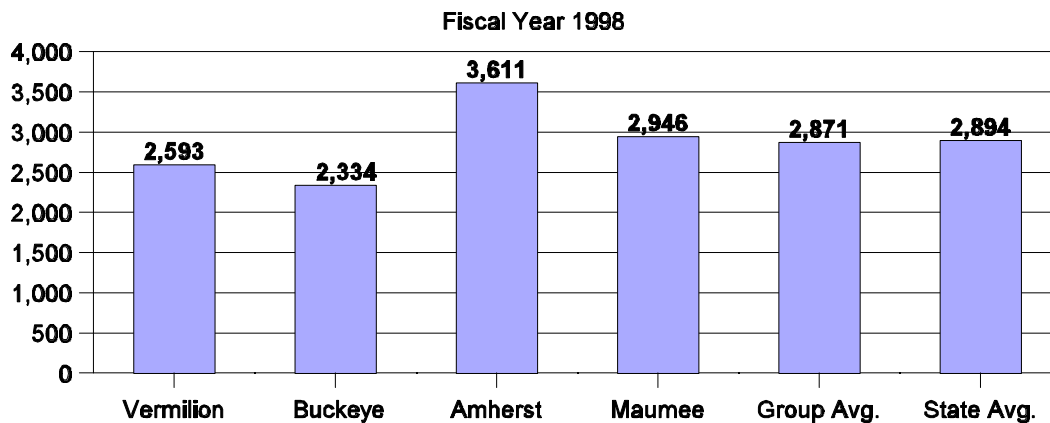
One important component of a performance audit is the selection of peer districts. The peer groups provide an ability to compare information and statistics while providing benchmarking data. The peer group selection for this performance audit includes Buckeye Local School District, Amherst Exempt Local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

Vermilion Local School District (VLSD) exhibited a nearly six and a half percent decrease in Average Daily Membership (ADM) over the four year trend period. VLSD had the second smallest ADM of the four peer districts and the district was significantly less than the state average in FY 1998 but only slightly less in FY 1995 through FY 1997. ADM differs from standard enrollment in that it makes adjustments for kindergarten and special education students.

Average Daily Membership					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	2,768	2,723	2,722	2,593	-6.32%
Buckeye	2,166	2,190	2,255	2,334	7.76%
Amherst	3,418	3,420	3,514	3,611	5.65%
Maumee	3,009	2,969	2,985	2,946	-2.09%
Group Avg.	2,840	2,826	2,869	2,871	1.08%
State Avg.	2,870	2,876	2,920	2,894	0.84%

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

Average Daily Membership

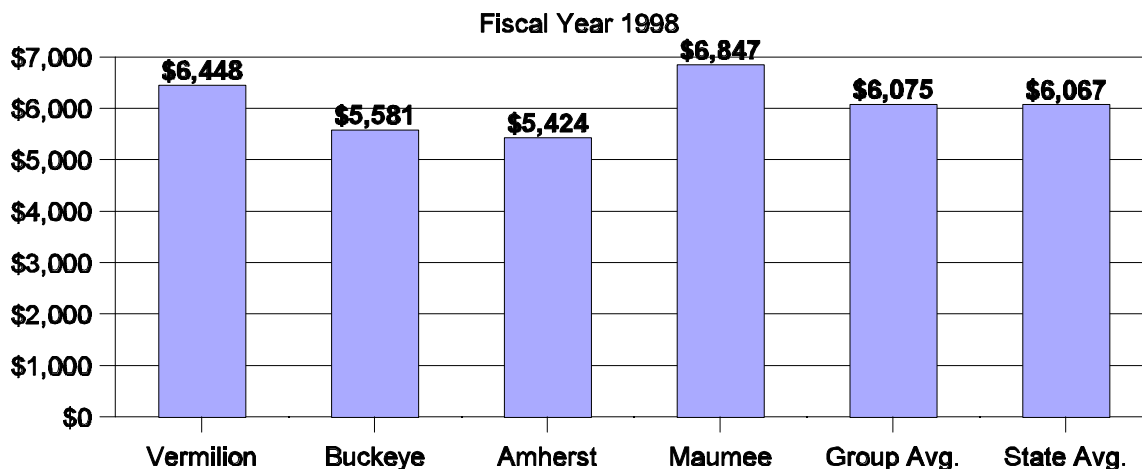


VLSD spent \$6,448 per student during FY 1998 which was the second highest of the four peer districts. Expenditures for VLSD increased by 6.54 percent over the four year period. The increase was significantly lower than the next highest increase and the state average. VLSD was spending approximately twelve percent more than the state average per pupil in FY 1995 but slowed expenditure increases from FY 1996 through FY 1998. In FY 1998, VLSD spending per pupil was only 6.3 percent above the state average.

Expenditures Per Pupil					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	\$6,052	\$6,046	\$6,123	\$6,448	6.54%
Buckeye	\$4,919	\$5,211	\$5,558	\$5,581	13.46%
Amherst	\$4,836	\$5,064	\$5,373	\$5,424	12.16%
Maumee	\$6,020	\$6,338	\$6,681	\$6,847	13.74%
Group Avg.	\$5,457	\$5,665	\$5,934	\$6,075	11.33%
State Avg.	\$5,391	\$5,446	\$5,939	\$6,067	12.54%

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

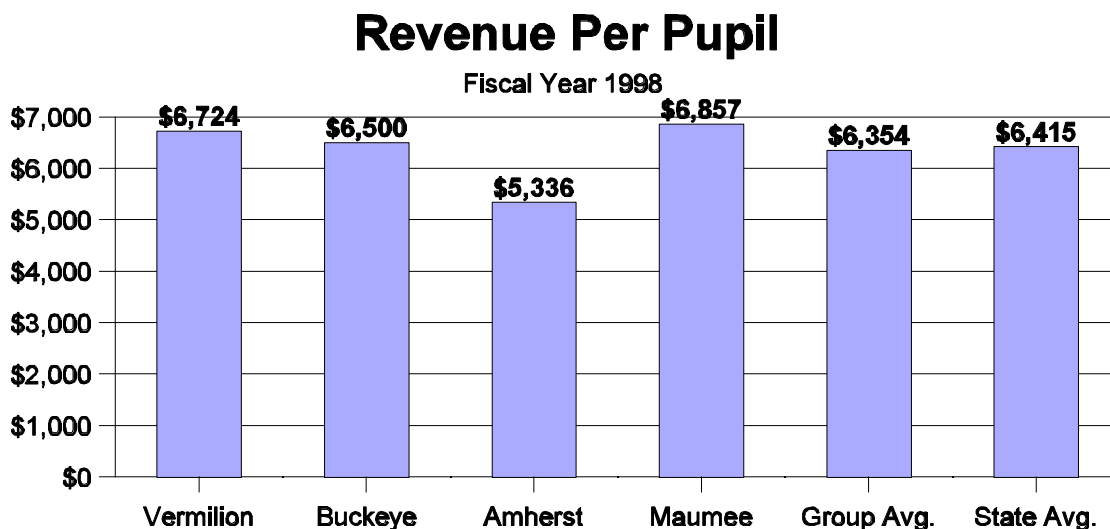
Expenditures Per Pupil



VLSD’s revenue per pupil in FY 1998 was \$6,724 which was the second highest per pupil revenue when compared to the peer districts for the same year and was above the state average. This scenario was the same for FY 1996 through FY 1997. For FY 1995, VLSD had the highest revenue per pupil when compared to the peer districts. VLSD has seen only slight increases in revenues over the five year trend period, but expenditures have grown at a slightly greater rate. When spending outpaces revenue, deficits increase.

Revenue Per Pupil					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	\$6,346	\$6,013	\$6,356	\$6,724	5.96%
Buckeye	\$4,793	\$5,618	\$5,918	\$6,500	35.61%
Amherst	\$4,439	\$4,542	\$5,037	\$5,336	20.21%
Maumee	\$5,606	\$6,096	\$6,622	\$6,857	22.32%
Group Avg.	\$5,296	\$5,567	\$5,983	\$6,354	19.38%
State Avg.	\$5,403	\$5,612	\$5,995	\$6,415	18.73%

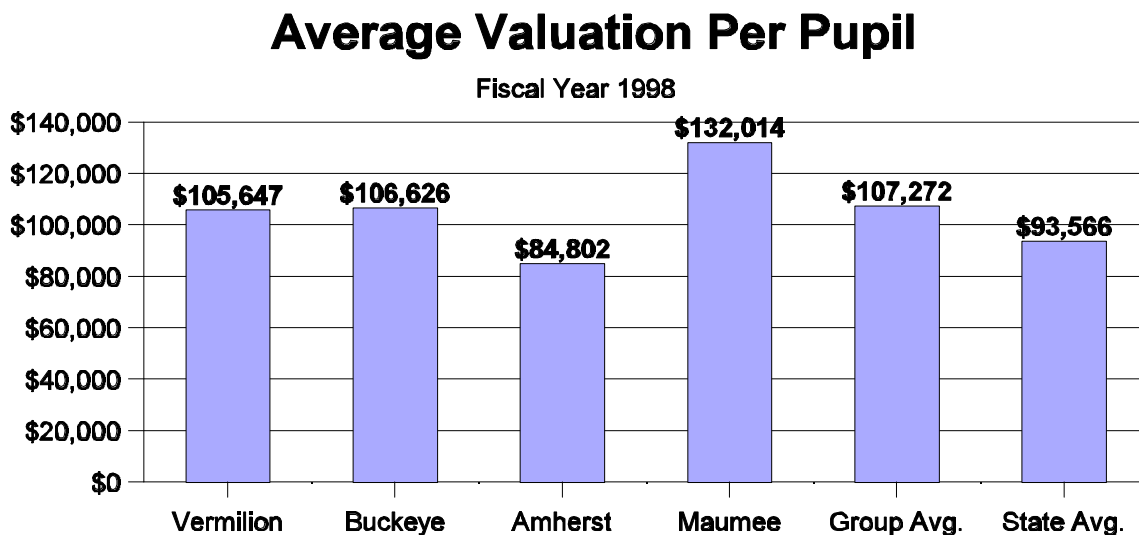
Source: Educational Management Information System (EMIS) final FY 1997-98 data



The average assessed property valuation per pupil is an important component in a school district’s funding. Average property valuation is a significant factor in determining the ability of the school district to remain financially viable. The higher the average property valuation, the greater the potential income source available to the district. School district funding in the state of Ohio is primarily local property tax driven, therefore a higher valuation per pupil has the potential to generate greater amounts of local property taxes, everything else being equal. VLSD’s average valuation per pupil in FY 1998 was \$105,647 which was slightly lower than the group average and 2.24 percent higher than the state average. The district exhibited the second highest gains in property valuation over the 4 year trend period, increasing by 15.91 percent. The average valuation per pupil will be negatively effected by the loss of any business interests.

Average Valuation Per Pupil					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	\$91,142	\$100,232	\$102,495	\$105,647	15.91%
Buckeye	\$85,909	\$90,225	\$108,144	\$106,626	24.12%
Amherst	\$75,029	\$84,436	\$84,101	\$84,802	13.03%
Maumee	\$117,921	\$128,821	\$130,857	\$132,014	11.95%
Group Avg.	\$92,500	\$100,929	\$106,399	\$107,272	15.97%
State Avg.	\$82,315	\$86,027	\$87,754	\$93,566	13.67%

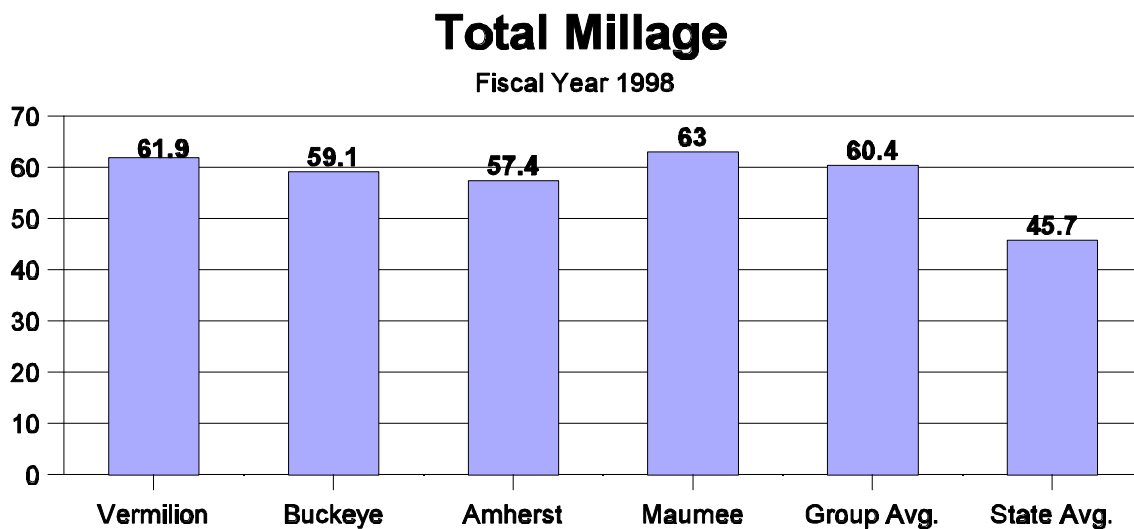
Source: Educational Management Information System (EMIS) final FY 1997-98 data



Both effective millage and total millage are the measurement units of assessed local property taxes. A mill will raise \$1.00 of tax revenue for every \$1,000 of taxable property value it is levied against. Total millage is the voted rate assessed to the entire local tax base, while effective mills are the rates applied to real property in each school district after the application of the tax reduction factor. Total millage did not change over the four year trend period while the peer districts had a 10.18 percent increase and the state average actually decreased by .44 percent. VLSD total millage for FY 1998 was 1.5 percent higher than the peer district average and 16.2 percent higher than the state average.

Total Millage					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	61.9	61.9	61.9	61.9	0.00%
Buckeye	46.6	53.5	56.3	59.1	26.82%
Amherst	52.5	52.5	57.4	57.4	9.33%
Maumee	58.1	58.1	58.1	63.0	8.43%
Group Avg.	54.8	56.5	58.4	60.4	10.18%
State Avg.	45.9	44.5	45.0	45.7	-0.44%

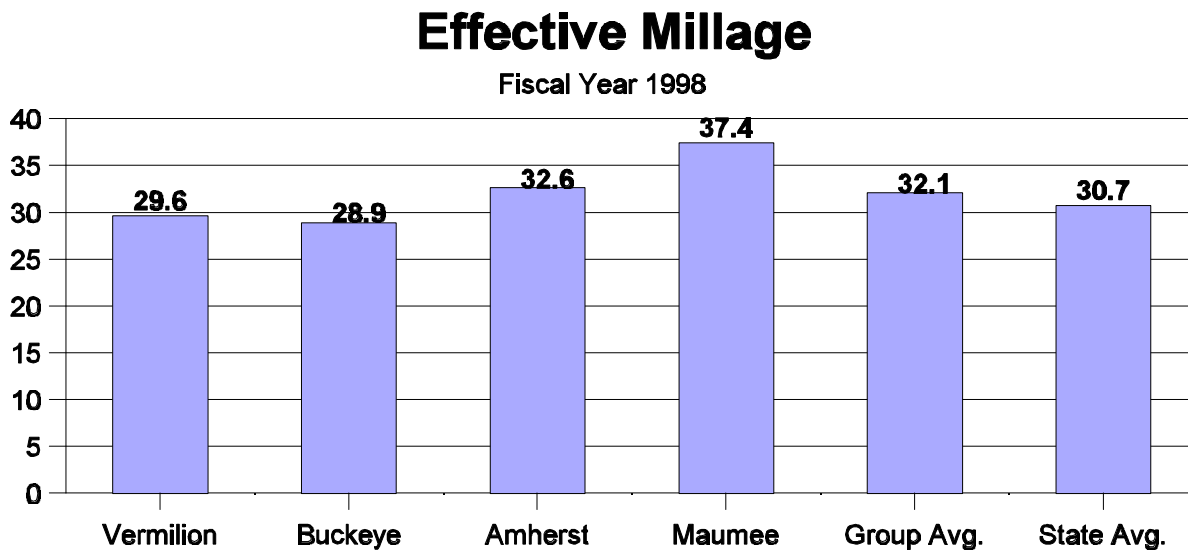
Source: Educational Management Information System (EMIS) final FY 1997-98 data



Because of the impact of House Bill 920, the effective millage is a more accurate gauge in assessing the amounts of money school districts generate from property taxes. The effective millage rate for VLSD was 29.6 in FY 1998 which was the second lowest among the peer districts and lower than the state average. The peer group was 1.4 mills above the state average while VLSD was 1.1 mills below the state average for the same year.

Effective Millage					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	34.6	30.7	29.7	29.6	-14.45%
Buckeye	23.7	30.4	26.3	28.9	21.94%
Amherst	31.0	28.1	32.7	32.6	5.16%
Maumee	34.3	32.5	32.6	37.4	9.04%
Group Avg.	30.9	30.4	30.3	32.1	3.96%
State Avg.	30.2	30.4	30.9	30.7	1.66%

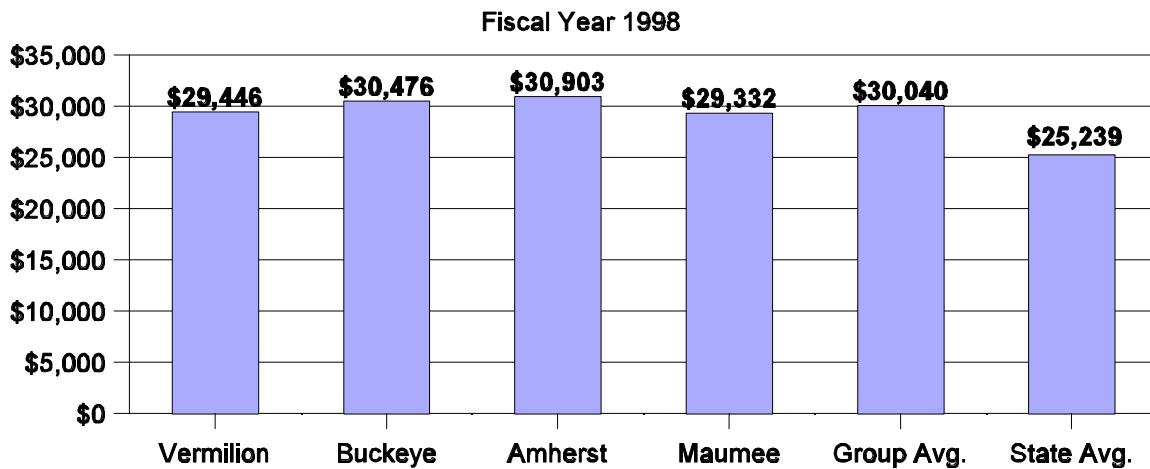
Source: Educational Management Information System (EMIS) final FY 1997-98 data



The median income for VLSD in FY 1998 was \$29,446, slightly lower than the peer district average, but well above the state average. Over the four year trend period, VLSD’s median income increased by 8.74 percent, which was the second lowest increase of the four districts and slightly above the state average.

State Median Income					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	\$27,079	\$27,944	\$27,169	\$29,446	8.74%
Buckeye	\$26,621	\$27,514	\$29,162	\$30,478	14.49%
Amherst	\$27,526	\$27,802	\$29,838	\$30,903	12.27%
Maumee	\$27,604	\$26,710	\$28,321	\$29,332	6.26%
Group Avg.	\$27,208	\$27,493	\$28,623	\$30,040	10.41%
State Avg.	\$23,361	\$23,478	\$24,588	\$25,239	8.04%

State Median Income

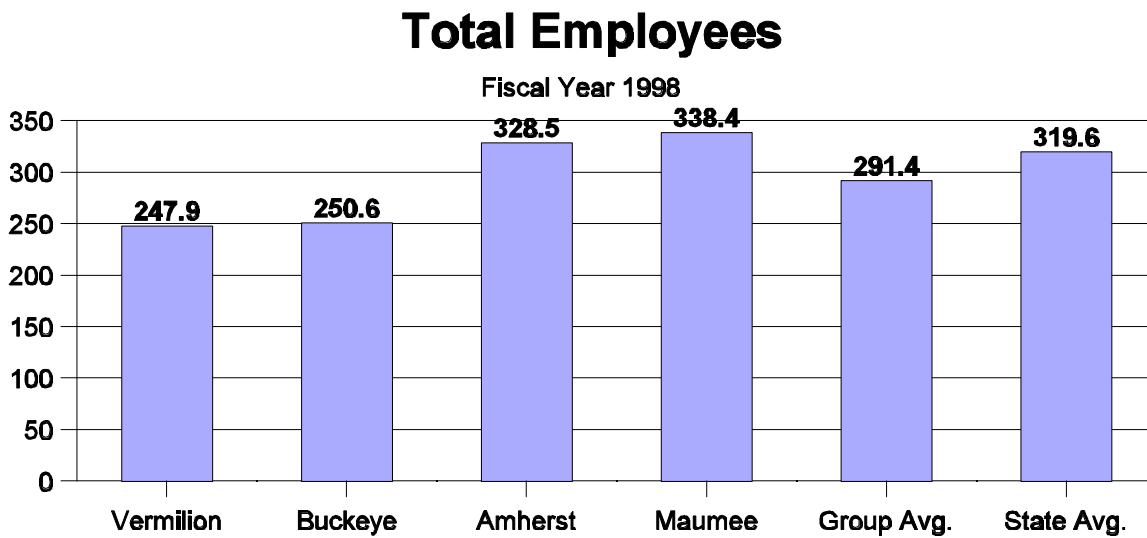


Source: Educational Management Information System (EMIS) final FY 1997-98 data

At 247.9, VLSD’s total number of employees was 22.4 percent below the state average and 14.9 percent below the group average. VLSD’s total employment declined over the four-year period while the peer districts, group average and state average showed increases between four and sixteen percent.

Total Employees					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	255.5	258.8	257.1	247.9	-2.97%
Buckeye	216.6	228.1	236.8	250.6	15.70%
Amherst	304.7	312.3	321.7	328.5	7.81%
Maumee	321.0	336.7	338.3	338.4	5.42%
Group Avg.	274.5	284.0	288.5	291.4	6.16%
State Avg.	306.9	306.6	310.8	319.6	4.14%

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

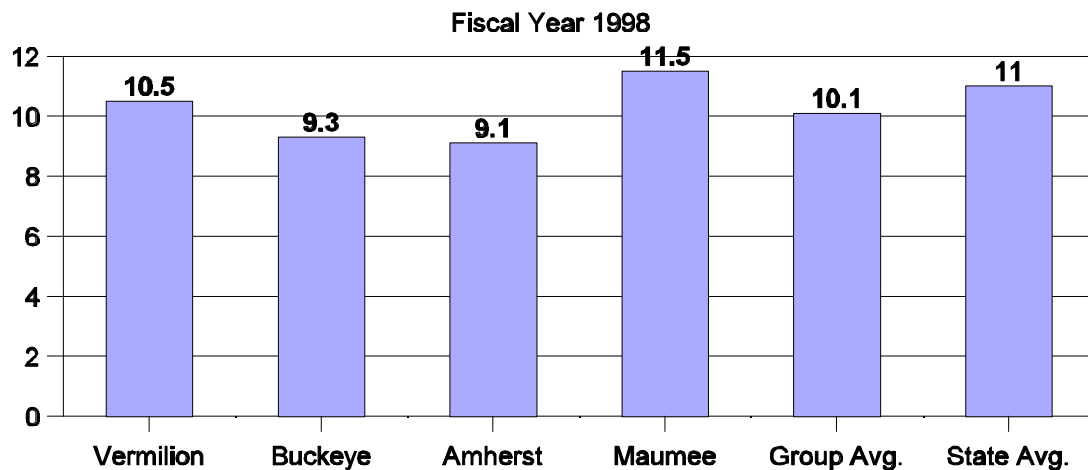


In FY 1998, VLSD had approximately four percent more employees per 100 students than its peer districts and 4.5 percent less than the state average. From FY 1995 to FY 1998, its employee/student ratio declined by almost 3.5 percent, while the group declined at a much lower rate. State averages showed a growth rate of 2.8 percent.

Employees Per 100 Students					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	10.8	10.5	10.6	10.5	-3.45%
Buckeye	10.0	9.6	9.5	9.3	-6.86%
Amherst	8.9	9.1	9.2	9.1	2.13%
Maumee	10.7	11.3	11.3	11.5	7.69%
Group Avg.	10.1	10.1	10.2	10.1	-0.15%
State Avg.	10.7	10.7	10.6	11.0	2.80%

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

Employees Per 100 Students

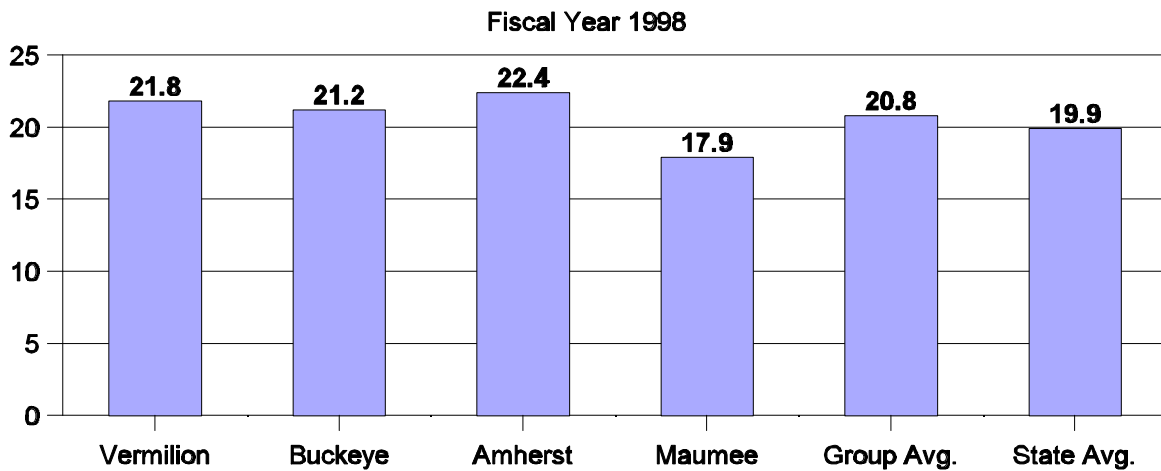


VLSD’s K-12 Pupil/Teacher ratio was the second highest in the peer group in FY 1998 at 21.8. Over the four year trend period, the ratio improved by over 10 percent. The district had approximately two more students per classroom than the state average. A detailed analysis of the K-12 Pupil/Teacher ratio is contained in the Human Resources section of the performance audit.

K-12 Pupil/Teacher Ratio					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	19.7	19.8	21.2	21.8	10.66%
Buckeye	20.8	20.2	20.6	21.2	1.92%
Amherst	21.1	21.6	21.7	22.4	6.16%
Maumee	18.8	18.1	17.5	17.9	-4.79%
Group Avg.	20.1	19.9	20.3	20.8	3.61%
State Avg.	20.8	20.8	20.7	19.9	-4.33%

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

K-12 Pupil/Teacher Ratio



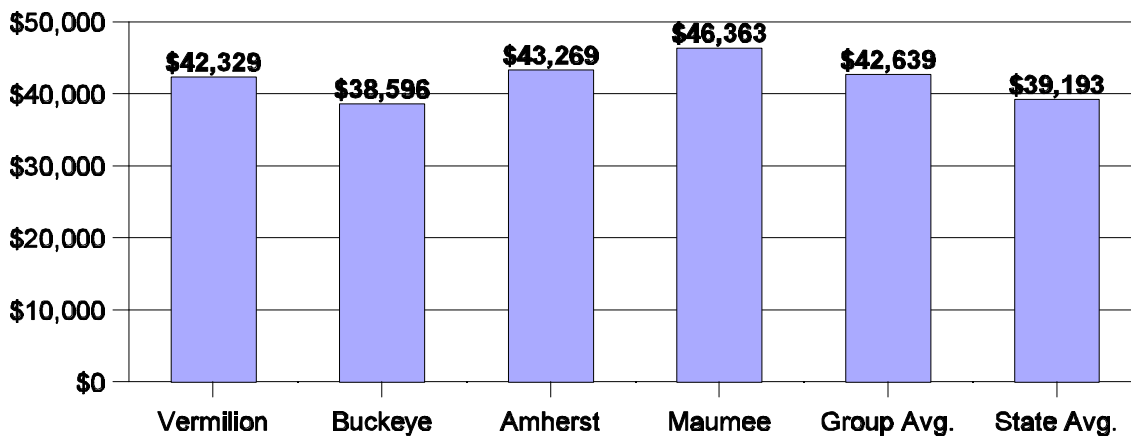
Average teacher salary for VLSD teachers was \$42,329 in fiscal year 1998, excluding the district’s payment of the employees portion of STRS retirement contributions. Over the four year trend period, the district experienced a 10.34 percent increase in teacher salary. VLSD’s average teacher salary was significantly higher than the average teacher salary in the state of Ohio, and slightly less than the peer group average.

Average Teacher Salary					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	\$38,364	\$40,469	\$41,591	\$42,329	10.34%
Buckeye	\$36,222	\$36,496	\$37,394	\$38,596	6.55%
Amherst	\$40,234	\$40,127	\$42,001	\$43,269	7.54%
Maumee	\$41,462	\$42,605	\$43,674	\$46,363	11.82%
Group Avg.	\$39,071	\$39,924	\$41,165	\$42,639	9.13%
State Avg.	\$36,973	\$38,064	\$38,914	\$39,193	6.00%

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

Average Teacher Salary

Fiscal Year 1998

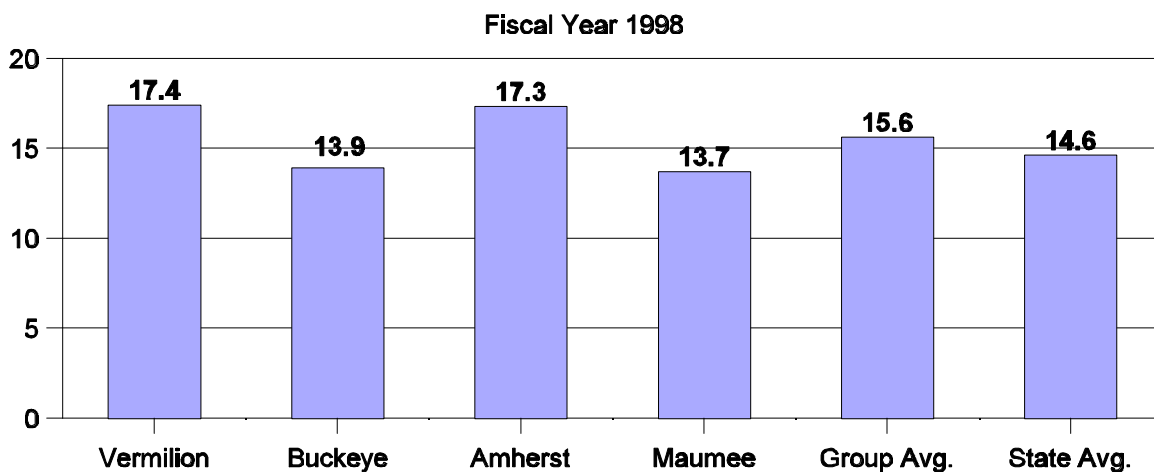


Average teaching experience normally correlates to average teacher salary. VLSD’s teachers averaged 17.4 years of experience which is the highest of the peer districts. Over the four year trend period, the average teaching experience increased by nearly 5.5 percent. VLSD’s average teaching experience was significantly higher than the state average and nearly 1.8 years greater than the group average.

Average Teaching Experience					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	% Change 1995-98
Vermilion	16.5	16.4	16.8	17.4	5.45%
Buckeye	14.3	13.4	13.8	13.9	-2.80%
Amherst	16.8	17.4	17.6	17.3	2.98%
Maumee	16.2	14.2	13.3	13.7	-15.43%
Group Avg.	16.0	15.3	15.4	15.6	-2.35%
State Avg.	14.8	14.8	15.0	14.6	-1.35%

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

Average Teaching Experience



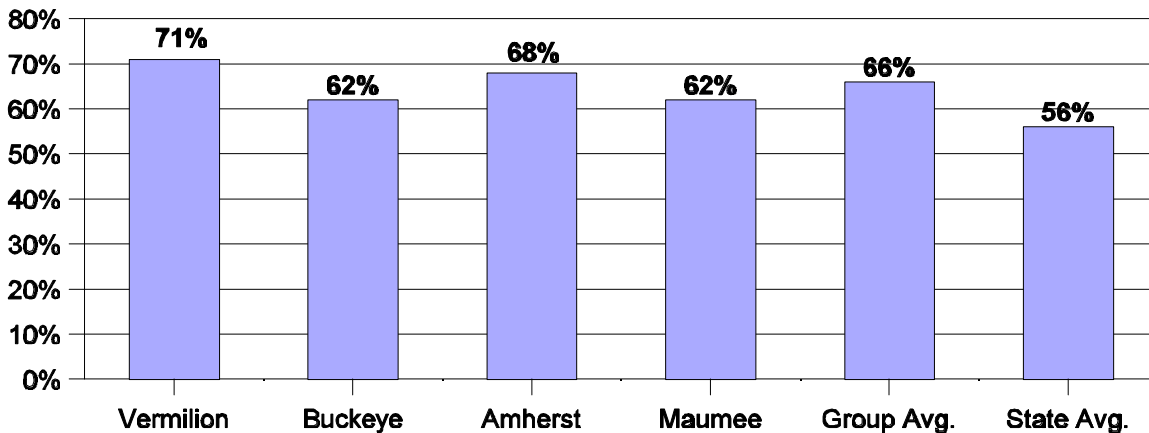
VLSD’s ninth grade proficiency test passage rate was 71 percent in FY 1998, a decrease of approximately 4.8 percentage points over the four year trend period. Through fiscal year 1998, VLSD’s passage rate increased steadily. Of the four districts, VLSD had the highest ninth grade proficiency test passage rate. VLSD surpassed the state average passage rate by 15 percentage points.

Nine Grade Proficiency Test Passage Rate						
	Fiscal Year 95	Fiscal Year 96	Fiscal Year 97	Fiscal Year 98	% Point Change 1995-98	%Change 1995-98
Vermilion	57%	69%	65%	71%	14%	24.56%
Buckeye	59%	59%	66%	62%	3%	5.08%
Amherst	79%	67%	72%	68%	-11%	-13.92%
Maumee	69%	59%	75%	62%	-7%	-10.14%
Group Avg.	66%	64%	70%	66%	0%	0.00%
State Avg.	55%	54%	56%	56%	1%	1.82%

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

Ninth Grade Proficiency Test Passage Rate

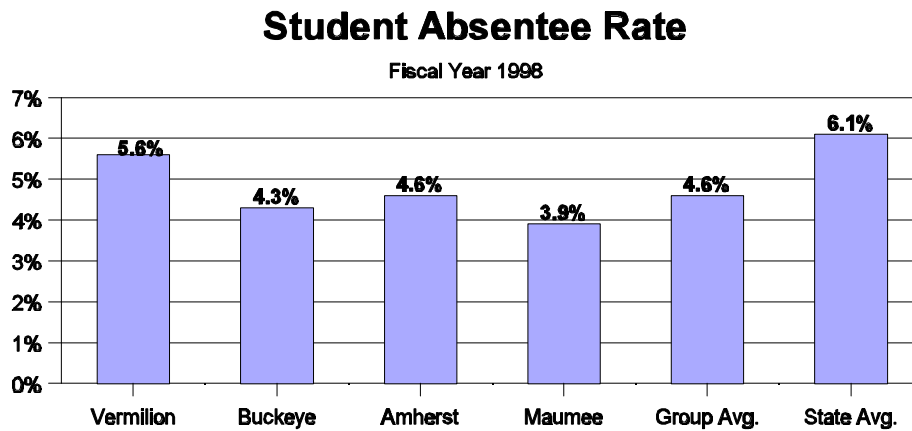
Fiscal Year 1998



The student absentee rate for VLSD decreased from FY 1995 to FY 1998 by 1.75 percent. VLSD's absentee rate was lower than the state average and higher than all members of the peer group in FY 1998.

Student Absentee Rate						
	Fiscal Year 95	Fiscal Year 96	Fiscal Year 97	Fiscal Year 98	% Point Change 1995-98	%Change 1995-98
Vermilion	5.7%	5.9%	6.0%	5.6%	-0.1%	-1.75%
Buckeye	4.7%	4.7%	4.3%	4.3%	-0.4%	-8.51%
Amherst	5.0%	5.2%	4.7%	4.6%	-0.4%	-8.00%
Maumee	5.0%	4.4%	4.0%	3.9%	-1.1%	-22.00%
Group Avg.	5.1%	5.1%	4.8%	4.6%	-0.5%	-9.80%
State Avg.	6.6%	7.0%	6.4%	6.1%	-0.5%	-7.58%

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

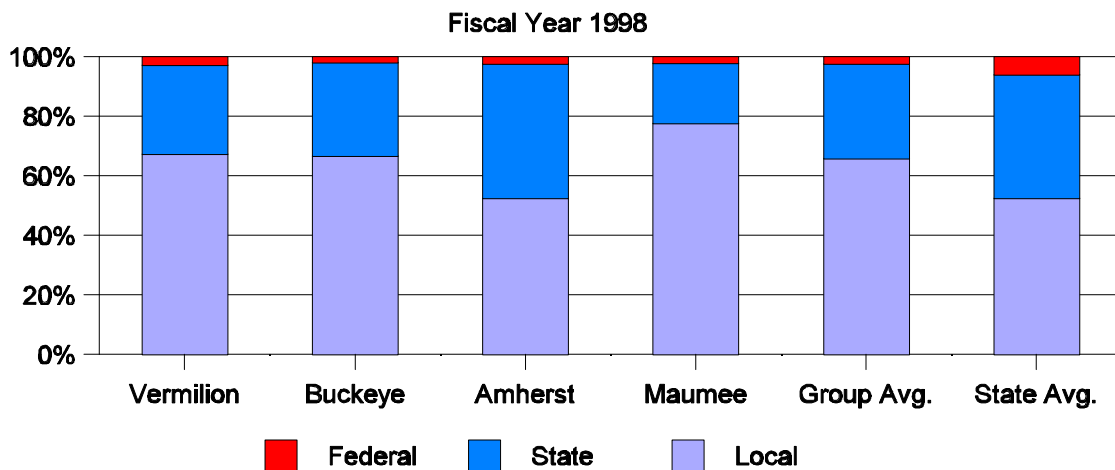


VLSD received the second highest level of local support of the four peer districts at 67.3 percent. This figure is 14.8 percentage points higher than the state average for local revenues. VLSD is below the group average for state revenues and above the group average for federal revenues at 29.7 percent and 3.0 percent, respectively.

1998 Revenue Breakdown by Source			
	Local	State	Federal
Vermilion	67.3%	29.7%	3.0%
Buckeye	66.6%	31.3%	2.1%
Amherst	53.9%	46.3%	2.5%
Maumee	77.5%	20.2%	2.3%
Group Avg	66.3%	31.9%	2.5%
State Avg	52.5%	41.3%	6.2%

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

Revenue Breakdown by Source



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Financial Systems

Introduction

This section focuses on financial systems within Vermilion Local School District (VLSD or the district). The objective is to analyze the current financial condition of the district, including an evaluation of the internal controls and develop recommendations for improvements and efficiencies. Within this section a forecast will be presented representing the Auditor of State's assessment of the district's financial condition and cost savings recommendations will be presented to aide the financial planning and supervision commission (the commission) in fulfilling their duty to produce a financial recovery plan for the district.

This section focuses on the General Fund, which accounts for approximately 87 percent of the monies collected in the district's 21 funds. The General Fund is the district's general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in a separate fund. The General Fund is available for any purpose, provided the expenditure or transfer is made according to the laws of Ohio. The district's utilization of grants was also analyzed for this report. Grants can be funded by the federal government, the state government or private sources and are accounted for in separate Special Revenue Funds.

Background

At the request of the Vermilion Local School District Board of Education dated December 16, 1998, the Office of the Auditor of State, Local Government Services Division (LGS), performed an examination of the financial forecast of the general fund of the district as required under Ohio Revised Code (ORC) section 3316.03. In conjunction with this review of the financial forecast, the Auditor determined and certified an estimated operating deficit for the year ending June 30, 1999 to the State Department of Education on March 10, 1999 in the amount of \$1,348,000.

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

- ! An operating deficit has been certified by the Auditor of State that exceeds eight percent of the district's general fund revenue for the preceding fiscal year;
- ! The unencumbered cash balance of the district, reduced by any advance of property taxes, was less than eight percent of the district's general fund expenditures for the preceding fiscal year; and

- ! A levy has not been passed by the voters that will raise enough additional revenue in the succeeding fiscal year that will result in the first two conditions not being met in the succeeding year.

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

- ! The Auditor of State certified an operating deficit of the general fund in the amount of \$1,348,000. This amount exceeds eight percent of the general fund revenues for the prior fiscal year;
- ! The Vermilion Local School District's unencumbered cash balance for the preceding fiscal year was a deficit of \$932,000. This amount is less than eight percent of the preceding fiscal year expenditures; and
- ! The district has not passed a levy that will eliminate the first two conditions.

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

On December 16, 1998, the Vermilion Local School District Board of Education adopted a resolution stating they would not be able to submit a financial plan acceptable to the Superintendent of Public Instruction within 60 days of the Auditor's declaration of fiscal watch. Accordingly, on March 24, 1999, the Auditor of State declared the Vermilion Local School District to be in a state of fiscal emergency.

While in fiscal emergency, the commission has been formed and given broad oversight authority to balance the district's budget and eliminate the conditions that caused the declaration of fiscal emergency. Once financial stability is restored and the district can offer a credible five-year plan to maintain that stability, the commission will be disbanded. The commission consists of a designee of the director of the state office of budget and management, a designee of the state superintendent of public instruction, the superintendent of VLSD, the mayor of the City of Vermilion, a district parent appointed by the state superintendent and two district residents appointed each by the governor and the mayor.

The district's current financial condition is attributed to a significant loss in personal property tax revenue in recent years along with the inability to pass an additional tax levy to replace these revenues. The loss in personal property tax is the result of cutbacks in operations at the Lorain Ford assembly plant. In FY 1994-95, personal property tax revenues totaled approximately \$3.5 million

dollars representing approximately 32 percent of all local tax revenues collected. The first reduction of approximately \$1.2 million occurred in FY 1995-96. Subsequent reductions have reduced the personal property tax revenue to approximately \$1.5 million in FY 1998-99 which is approximately 16 percent of all local revenues collected. Overall, the district has experienced a 57.5 percent reduction in personal property tax revenue over the past five years.

To offset projected year end deficits in recent years, the district has used numerous different debt instruments. In the past three years, the district has utilized the spending reserve, state emergency loan and state solvency assistance fund as a means to end the year in a positive cash position. These debt instruments require repayment, therefore, the district has been borrowing against future year's revenues to pay current operating costs.

The district's primary funding sources are state foundation support, local property taxes and federal programs. To increase the local contribution, VLSD has two tax options, and both require voter approval: a property tax levy or a school district income tax. Property taxes are levied on a calendar year basis against the assessed values of real estate, public utility property and tangible (business) personal property located in the district. Based on the property values in VLSD, one mill generates about \$306,000 of revenue for the district. The district passed a 7.99 mill, three year emergency levy in November 1999. The 7.99 mill levy will generate an estimated \$2.45 million yearly for the district. The district will receive one half of yearly levy proceeds in FY 1999-00, the entire levy amounts in FY 2000-01 and FY 2001-02 and one half of yearly proceeds in FY 2002-03. (See **Table 2-5** for a ten year levy history).

The Ohio General Assembly determines the level of state support for schools and distributes that support through the State Foundation Program. Allocations are based on a formula that guarantees each district will receive a specified amount per student which is deemed sufficient to support an adequate educational program at the state minimum level. The distribution formula, which incorporates Average Daily Membership (ADM) and millage minimums applied to the district's total assessed property valuation, has undergone significant change through new legislation which became effective in FY 1998-99.

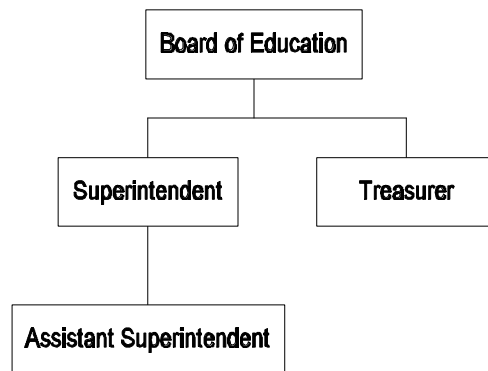
Federal monies are awarded primarily through grant programs directed at helping economically disadvantaged students or those with special educational needs. Federal budget balancing is expected to negatively impact grant awards. However, to maximize revenue, the district intends to closely examine and evaluate all restricted state and federal grants as potential funding sources.

Organization Function

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

Table 2-1 Financial Organization Chart

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



Summary of Operations

The current treasurer was hired at the beginning of FY 1997-98. The previous treasurer prepared a long range financial forecast for several years prior to the employment of current treasurer. The current treasurer has prepared financial forecast for the filing requirements of H.B. 412 and to provide valuable information to the district management and the commission in their attempt to reverse the district’s financial condition. The FY 1998-99 forecast prepared for H.B. 412 was adopted by the board and submitted to the Ohio Department of Education in December, 1998. This forecast has been revised numerous times since the original filing to reflect additional known information.

The financial forecast is prepared utilizing linked Excel spreadsheets on the treasurer’s computer. This is outside the financial system used for VLSD’s accounting system. Three years of historical data is provided for the purpose of determining trends in various accounts. Based on historical information, trend analysis and knowledge of current legislative developments, as well as other factors affecting property valuation, the treasurer projects anticipated tax revenues and state funding for the next five years. The treasurer then evaluates planned expenditures for the corresponding time-frame, using assumptions which consider such factors as contracted step increases, workforce changes, facility needs, negotiated levels of medical benefits, additions or deletions to academic programs, legislative requirements and inflation. An analysis of actual spending patterns is used to estimate other types of expenditures.

Financial Data

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

TABLE 2-2: Percent of Revenue by Funding Source

	Vermilion	Buckeye	Maumee	Amherst	Peer Average	State Average
FY 1995-96:						
Local	64.7%	60.4%	76.1%	52.9%	63.5%	50.2%
State	31.8%	37.2%	21.9%	44.3%	33.8%	43.3%
Federal	3.5%	2.5%	2.0%	2.8%	2.7%	6.1%
FY 1996-97:						
Local	65.0%	62.9%	77.6%	54.5%	65.0%	51.2%
State	31.7%	34.4%	19.3%	42.7%	32.0%	42.3%
Federal	3.3%	2.7%	3.1%	2.7%	3.0%	6.0%
FY 1997-98:						
Local	67.3%	66.6%	79.0%	56.9%	67.5%	52.5%
State	29.7%	31.3%	18.9%	40.8%	30.2%	41.3%
Federal	3.0%	2.1%	2.1%	2.3%	2.4%	6.2%

Source: EMIS District Profiles.

Note: **Table 2-2** does not include the 7.99 mill emergency levy passed on November 2, 1999.

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

TABLE 2-3: Local Statistics - Last Three Years

	Vermilion	Buckeye	Maumee	Amherst	Peer Average	State Average
FY 1995-96:						
Effective Millage	30.7	30.4	32.5	28.1	30.4	30.4
Average Valuation ¹	\$ 100,232	\$ 90,225	\$ 128,821	\$ 84,436	\$ 100,929	\$ 86,027
Area Median Income	\$ 27,168	\$ 27,514	\$ 26,710	\$ 27,802	\$ 27,299	\$ 23,478
FY 1996-97:						
Effective Millage	29.7	26.3	32.6	32.7	30.3	30.9
Average Valuation ¹	\$ 102,495	\$ 108,144	\$ 130,857	\$ 84,101	\$ 106,399	\$ 87,754
Area Median Income	\$ 27,944	\$ 29,162	\$ 28,321	\$ 29,838	\$ 28,816	\$ 24,588
FY 1997-98:						
Effective Millage	29.6	28.9	37.4	32.6	32.1	30.7
Average Valuation ¹	\$ 110,032	\$ 110,445	\$ 132,014	\$ 84,802	\$ 109,323	\$ 93,566
Area Median Income	\$ 29,446	\$ 30,478	\$ 29,332	\$ 30,903	\$ 30,040	\$ 25,239

Source: EMIS District Profiles.

¹ Average valuation per pupil will increase over a period of years, if the average daily membership (ADM) count declines.

Includes school district library millage where applicable.

Note: **Table 2-3** does not include the 7.99 mill emergency levy passed on November 2, 1999.

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

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

Fund Revenues Servicing Debt	Description	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
General Fund:					
Energy Conservation Bonds	General Obligation Bonds	6.20%	8/91	12/02	\$270,000
State Emergency	General Obligation Notes	4.95%	5/98	6/00	\$210,062
State Solvency Loan	General Obligation Notes		05/99	6/01	\$1,348,000
Total General Fund					\$1,828,062
Debt Service Fund:					
Library Improvement	General Obligation Bonds	Various	5/93	12/08	\$1,265,000
TOTAL OUTSTANDING DEBT					\$2,662,000

Source: Treasurer’s Office.

During FY 1998-99, the district paid off the energy conservation and spending reserve notes as well as a portion of the energy conservation bonds and state emergency loan. In addition, the district borrowed \$1.348 million through the state solvency assistance program.

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

Table 2-5: Ten Year Levy History

Year	Type of Levy	Millage	New/Renewal	Duration	Results
November 1992	Operating	6.0 mills	New	Continuing	Passed
May 1993	Operating	7.1 mills	Replacement	Continuing	Passed
May 1995	Operating	5.86 mills	New	Continuing	Failed
November 1995	Operating	5.95 mills	New	5 years	Failed
March 1996	Operating	8.75 mills	New	5 years	Failed
November 1996	Operating	8.75 mills	New	5 years	Failed
May 1997	Operating	10.99 mills	New	Continuing	Failed
August 1997	Emergency	11.4 mills	New	3 years	Failed
November 1997	Operating	8.75 mills	New	Continuing	Failed
November 1998	Emergency	9.2 mills	New	3 years	Failed
November 1999	Emergency	7.99 mills ¹	New	3 years	Passed

Source: District Records

¹ The 7.99 mill levy will generate an estimated \$2.45 million yearly for the district. The district will receive one half of the yearly levy proceeds in FY 1999-00, the full levy amounts in FY 2000-01 and FY 2001-02 and one half of yearly proceeds in FY 2002-03.

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

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

	Vermilion ¹	Buckeye	Maumee	Amherst
Property Taxes	64.2%	64.0%	76.0%	52.7%
Intergovernmental Revenues	32.4%	33.1%	20.3%	44.5%
Other Revenues	3.4%	2.9%	3.7%	2.8%
TOTAL REVENUES	\$ 15,548,790	\$ 14,273,023	\$ 20,029,430	\$ 18,745,784
Wages	59.3%	63.9%	67.5%	68.3%
Fringe Benefits	24.6%	18.4%	17.2%	20.8%
Purchased Services	8.6%	8.2%	6.4%	5.2%
Supplies & Textbooks	2.0%	2.9%	2.9%	2.8%
Capital Outlays	0.8%	1.8%	0.9%	0.0%
Debt Service	2.1%	0.0%	0.0%	0.0%
Miscellaneous	2.0%	2.4%	2.0%	1.8%
Other Financing Uses	0.6%	2.4%	3.0%	1.2%
TOTAL EXPENDITURES	\$ 15,078,659	\$ 12,373,757	\$ 18,721,687	\$ 17,352,145

Source: FY 1997-98 District Report 4502, Exhibit 2 and statement P.

¹ - The financial information reported in the table for VLSD does not include \$3,095,000 in proceeds from the sale of notes or the \$2,478,817 transfer from the general fund to the debt service fund for debt service payments.

Tables 2-7 and 2-8 show the amount of expenditures posted to the various USAS function codes for VLSD and for the peer districts. Function codes are designed to report expenditures by their nature or purpose. Table 2-7 shows the operational expenditure per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types. Governmental funds are used to account for a district’s governmental-type activities. Table 2-8 shows the total expenditures of the governmental funds, including facilities acquisition and construction, and debt service.

Table 2-7: Governmental Funds Operational Expenditures By Function

USAS Function Classification	Vermilion		Buckeye		Maumee		Amherst		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures	\$3,592	60.0%	\$3,165	56.9%	\$4,033	60.2%	\$3,311	63.0%	\$3,525	60.3%
Regular Instruction	2,915	48.7%	2,534	45.6%	3,391	50.6%	2,843	54.1%	2,921	50.2%
Special Instruction	583	9.7%	460	8.3%	499	7.4%	388	7.4%	482	8.1%
Vocational Instruction	84	1.4%	104	1.9%	128	1.9%	79	1.5%	99	1.7%
Adult/Continuing Inst.	6	0.1%	0	0.0%	0	0.0%	0	0.0%	2	<0.1%
Other Instruction	4	<0.1%	67	1.2%	16	0.2%	0	0.0%	22	0.3%
Support Services Exp.	\$2,236	37.3%	\$2,145	38.6%	\$2,304	34.4%	\$1,752	33.4%	\$2,109	35.6%
Pupil Support	259	4.3%	188	3.4%	302	4.5%	174	3.3%	231	3.9%
Instructional Support	257	4.3%	213	3.8%	359	5.4%	236	4.5%	266	4.6%
Board of Education	37	0.6%	7	0.1%	10	0.1%	3	<0.1%	14	0.2%
Administration	560	9.3%	465	8.4%	566	8.5%	460	8.8%	513	8.7%
Fiscal Services	146	2.4%	156	2.8%	153	2.3%	119	2.3%	143	2.4%
Business Services	51	0.9%	28	0.5%	60	0.9%	0	0.0%	35	0.6%
Plant Operation/Maint.	580	9.7%	538	9.7%	631	9.4%	548	10.4%	574	9.8%
Pupil Transportation	298	5.0%	420	7.5%	190	2.8%	212	4.0%	280	4.6%
Central Support Services	47	0.8%	130	2.3%	34	0.5%	0	0.0%	53	0.8%
Non-Instructional Services Expenditures	\$35	0.6%	\$2	<0.1%	\$153	2.3%	\$60	1.1%	\$63	1.1%
Extracurricular Activities Expenditures	\$127	2.1%	\$251	4.5%	\$213	3.2%	\$132	2.5%	\$181	3.0%
Total Governmental Fund Operational Expenditures	\$5,989	100%	\$5,563	100%	\$6,704	100%	\$5,323	100%	\$5,878	100%

Source: FY 1997-98 4502 reports

Table 2-8: Total Governmental Fund Expenditures By Function

USAS Function Classification	Vermilion		Buckeye		Maumee		Amherst		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Governmental Funds Operational Expenditures	\$5,989	82.7%	\$5,563	96.5%	\$6,704	96.6%	5,254	98.7%	\$5,878	93.5%
Facilities Acquisition & Construction Expenditures	\$51	0.7%	\$141	2.5%	\$224	3.2%	\$68	1.3%	\$121	1.9%
Debt Service Expenditures	1,199	16.6%	\$61	1.0%	\$15	0.2%	\$0	0.0%	\$319	4.6%
Total Governmental Funds Operational Expenditures	\$7,239	100%	\$5,766	100%	\$6,944	100%	\$5,323	100%	\$6,318	100%

Source: FY 1997-98 4502 reports

Table 2-9 shows selected discretionary expenditures by account from VLSD’s FY 1997-98 general fund. The expenditures are then calculated as a percentage of total general fund expenditures, and compared with similar spending by the peer districts.

TABLE 2-9 : Discretionary Expenditures

	Vermilion	Vermilion	Buckeye	Maumee	Amherst	Peer Avg
Prof. and Technical Services	\$274,319	1.6%	1.0%	1.5%	0.7%	1.2%
Property Services	\$149,731	0.9%	2.7%	1.2%	1.1%	1.5%
Mileage/Meeting Expense	\$17,704	0.1%	0.3%	0.2%	0.1%	0.2%
Communications	\$98,908	0.6%	0.3%	0.5%	0.2%	0.4%
Contract. Craft or Trade Svcs.	\$536	<0.1%	<0.1%	0.1%	0.0%	0.1%
Pupil Transportation Services	\$709	<0.1%	0.2%	0.2%	<0.1%	0.2%
Other Purchased Services	\$7,342	<0.1%	<0.1%	0.1%	0.1%	0.1%
General Supplies	\$103,224	0.6%	1.1%	1.1%	1.0%	1.0%
Textbooks/Reference Materials	\$57,310	0.3%	0.3%	0.7%	0.8%	0.5%
Supplies/Materials for Resale	\$0	0.0%	0.0%	0.0%	<0.1%	0.0%
Food & Related Supplies/Materials	\$2,879	<0.1%	<0.1%	<0.1%	0.0%	0.1%
Plant Maintenance and Repair	\$51,839	0.3%	0.7%	0.7%	0.5%	0.6%
Fleet Maintenance and Repair	\$90,107	0.5%	0.8%	0.3%	0.5%	0.5%
Other Supplies and Materials	\$148	<0.1%	<0.1%	0.1%	<0.1%	0.1%
Land, Buildings & Improvements	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
Equipment	\$49,687	0.3%	1.8%	0.4%	0.0%	0.6%
Buses/Vehicles	\$67,750	0.4%	0.0%	0.5%	0.0%	0.2%
Dues and Fees	\$296,774	1.7%	2.0%	1.9%	1.7%	1.8%
Insurance	\$12,143	<0.1%	0.2%	<0.1%	<0.1%	0.1%
Awards and Prizes	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OF THIS TABLE	\$1,281,110	7.3%	11.8%	9.6%	6.8%	8.9%

Source: FY 1997-98 4502 Reports, Statement P

Table 2-10 shows FY 1997-98 purchased items, excluding utilities and insurance, by category within the general fund as compared with FY 1996-97.

Table 2-10: District Purchases

	FY 1996-97	FY 1997-98	Increase (Decrease)
PURCHASED SERVICES:			
Professional and Technical Services	\$ 280,542	\$ 274,319	(2.22)%
Property Services	170,153	149,731	(12.00)%
Mileage/Meeting Expense	23,592	17,704	(24.96)%
Communications	46,396	98,908	113.18%
Contract Craft or Trade Service	229	536	134.06%
Tuition	241,469	322,047	33.37%
Pupil Transportation Services	2,374	709	(70.13)%
Other Purchased Services	24,199	7,342	(69.66)%
Total Purchased Services	\$ 788,954	\$ 871,296	10.44%
MATERIALS AND SUPPLIES:			
General Supplies	\$ 137,806	\$ 103,224	(25.09)%
Textbooks	49,253	50,142	1.81%
Library Books	6,105	2,960	(51.52)%
Periodicals and Films	5,457	4,208	(22.89)%
Food and Related	6,163	2,879	(53.29)%
Maintenance and Repair to Plant	56,085	51,839	(7.57)%
Maintenance and Repair to Fleet	82,937	90,107	8.65%
Other Supplies and Materials	518	148	(71.43)%
Total Materials and Supplies	\$ 344,324	\$ 305,507	(11.27)%

Source: FY 1996-97 and FY 1997-98 4502 Reports, Statement P.

Performance Measures

The following performance measures were used to analyze VLSD's financial planning process:

- ! Development of a long-range strategic plan
- ! Development of a long-range capital plan
- ! Assessment of financial planning process
- ! Assessment of federal, state and local funding levels
- ! Allocation of resources for instruction, support and administrative costs
- ! Assessment of district expenditures

Findings/Commendations/Recommendations

Financial Planning

F2.1 To meet the filing requirements of House Bill (H.B.) 412, the superintendent, treasurer and assistant superintendent prepared the district's first five-year financial forecast in December 1998. Subsequent to the district being placed in a state of fiscal emergency on March 24, 1999, the financial forecast has been revised several times by the district as additional information became available in an effort to develop an accurate representation of the district's financial condition. The most recent financial forecast was developed and presented to the financial planning and supervision commission on August 3, 1999 and projected deficit fund balances ranging from \$1.39 million in FY 1999-00 to \$6.65 million in FY 2002-03.

F2.2 In developing the district's projections, the treasurer has taken a conservative approach. Tax revenues are based on certified property valuations, current tax rates and historical growth patterns in property values. State foundation revenues are based on current SF-3 amounts reported to the district by the Ohio Department of Education as well as simulated SF-3 amounts for future years. These funding simulations take into account estimated student enrollment figures as well as the current per pupil funding amount approved by the state legislation. All other revenues are based on historical trends increased for anticipated growth and any issues known by the district which will likely affect future revenue streams.

Wages and benefits are based on the conditions set forth in the current union agreements with the employees and management assertions regarding future union negotiations. Step increases were determined through a detailed analysis of district employees to determine the total cost of step increases the district will likely encounter. Other expenditures reflect historical trends, new state requirements and known changes in spending patterns. An analysis was performed to determine the spending impact H.B. 412 will have on the district in future periods. Amounts from this analysis were included into projected expenditures to ensure the district met the anticipated spending levels. Debt service expenditures were projected according to debt schedules and are projected when due.

C2.1 Although prior to this year, preparation of a financial forecast has not been required, the district's past practice of preparing financial forecasts has been a good management practice which allowed the district to identify and plan for future cash needs and other contingencies. Furthermore, the level of supporting documenting gathered by the current treasurer in making the various assumptions helps ensure the financial forecast accurately projects the financial condition the district is likely to encounter.

R2.1 Although the treasurer has developed detailed analyses and gathered appropriate documentation to support her assumptions and projections, the notes which accompanied the

financial forecast did not represent the level of detail used to prepare the forecast. By presenting more detailed historical and projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates, the district will provide a more comprehensive understanding of the anticipated financial condition. To this extent, the district should use the format of financial forecast presented in **Appendix B** and update the information and projections as financial issues change or materialize. Given the current financial situation of the district, detailed information is needed to make sound management decisions in an effort to reverse the finances of the district.

- F2.3 The financial forecast presented in **Appendix A** represents the Auditor of State's projection of the district's present and future financial condition assuming no material changes in operating expenditures or revenues occur. The assumptions used in developing **Appendix A** are fairly consistent with those used in the financial forecast prepared by the treasurer on August 3, 1999, although certain individual line item projections have changed due to different assumptions, more detailed analyses, and new information.

The results reported in **Appendix A** indicate that the district is likely to incur a negative ending fund balance for FY 1999-00 and continuing throughout the projected period. The projected ending fund balance for FY 1999-00 is expected to be a deficit of \$1.4 million and by FY 2002-03, it is expected to grow to a deficit of approximately \$11.9 million.

- F2.4 Ohio Rev. Code Section 3316.06 states that "(w)ithin 60 days after the first meeting of a school district financial planning and supervision commission, the commission shall adopt a financial recovery plan regarding the school district for which the commission was created. During the formulation of the plan, the commission shall seek appropriate input from the school district board and from the community."

The Auditor of State declared the district in a state of fiscal emergency on March 24, 1999. A Financial Planning and Supervision Commission was established and given the authority to assume control of the district. The commission adopted a financial recovery plan dated June 21, 1999 to serve as a broad outline for the management decisions the commission must make to restore the district to financial solvency. The commission will seek community input, gather additional financial and operational data that will allow the development of a financial recovery plan that will ensure the fiscal integrity of VLSD. The commission will make adjustments to the financial recovery plan as needed.

- R2.2** **Appendix B** is being presented to provide the commission with a proposed recovery plan to assist with its efforts to adopt a plan which will allow the district to regain financial stability. This plan is being presented to provide a management tool to the commission to assist them with analyzing the recommendations presented within this performance audit and determine

the impact of the related cost savings on the district's financial condition. The recommendations are broken down into those which can be enacted immediately by the district and those that will require further management actions, such as renegotiating certain items within the union agreements.

For the district to achieve financial stability, it will be necessary to make difficult management decisions. This performance audit provides a series of ideas and recommendations which the district and commission should consider. However, this audit is not all inclusive and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of the district.

- F2.5 VLSD, as well as all other school districts in the State of Ohio, have recently been impacted by several major pieces of legislation which are changing the nature of education both financially and operationally. H.B. 650 will provide additional revenue to VLSD. However, H.B. 650 also includes important enhancements of certain educational programs including reduced class sizes and all day kindergarten. Recently passed H.B. 412 establishes additional accountability standards for school districts as well as requiring financial set-asides for critical educational items including textbooks and capital improvements. The provisions of S.B. 55 include many programmatic changes for school districts, many of which will have financial implications. Certain programmatic changes contained within the legislation include the creation of a three year continuous improvement plan for certain school districts, potential expansion of the summer school program and the increase in the number of units offered to high school students. Therefore, the additional revenue for VLSD is expected to be needed to fund the new requirements and may provide little or no additional net revenue to fund currently projected operating deficits.

The district has complied with various parts of the legislation, such as number of units offered, class size and the spending requirements of H.B. 412 and anticipated no additional costs to the district in the future. The district does not intend to offer full-day, every day kindergarten given the current financial constraints. The district also feels it has programs in place to address the requirements of S.B.55. The continuous improvement plan has been completed and contains no significant enhancements. The district has improved on it's school year 1996-97 preliminary report results (passed 9 of the 18 standards) for school year 1997-98 when it received passing marks in 11 of the 18 standards established.

- F2.6 To enter into fiscal emergency and to obtain authorization to borrow funds from the State Solvency Fund, the Local Government Services Division (LGS) of the Auditor of State's Office prepared a one-year financial forecast for FY 1998-99. In the forecast prepared by LGS, the district was anticipated to end FY 1998-99 with an unreserved fund balance deficit of approximately \$1.35 million. This is the amount of money the district borrowed from the state solvency fund. In reviewing the actual results of FY 1998-99, the district ended the year

with an unencumbered cash balance deficit of approximately \$242,000. The difference was mainly because of higher real estate revenues, unanticipated delinquent tax disbursements and lower spending levels due to management's efforts to contain costs.

Revenue Assessment

F2.7 **Table 2-2** indicates that VLSD receives approximately the same percentage of their total revenue from local sources as the peer district average, and a higher percentage than the state-wide average. A school district's local revenue sources are primarily limited to property taxes and income taxes, if applicable. All school districts receive real and personal property tax revenue. Only some districts collect income taxes, either through a school district or a joint city/school district income tax approved by the voters. Based on a State Department of Taxation report, VLSD is not eligible to collect revenue through a joint city/school district income tax levy.

Under Ohio law, property values are adjusted (updated) every three years, and a complete recalculation (reappraisal) is performed every six years. The 1998 assessment of property values within the district totaled approximately \$306 million which was reflected in taxes collected beginning in the 1999 calendar year. The next complete reappraisal will be conducted in calendar year 2000, which will affect tax collections beginning in calendar year 2001.

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

- ! Based on assessed valuation as of January 1, 1998, one mill of property tax would generate approximately \$306,000 of additional revenue for VLSD.
- ! Based on Ohio Department of Taxation estimates for 1998, a one-half percent school district income tax would raise approximately \$1.4 million of additional revenue for the district.

F2.8 Because the voted millage rates are applied to personal property (rather than effective millage), the effect on revenue resulting from the loss or devaluation of a major employer is significant. The district has incurred significant reductions in personal property taxes received due to cutbacks in operations at the Lorain Ford assembly plant. In FY 1994-95, personal property tax revenues totaled approximately \$3.5 million dollars representing approximately 32 percent of all local tax revenues collected. The first reduction of approximately \$1.2 million occurred in FY 1995-96. Subsequent reductions have lowered the personal property tax revenue to approximately \$1.5 million in FY 1998-99 which is approximately 16 percent of all local revenues collected. Overall, the district has experienced a 57.5 percent reduction

in personal property tax revenue over the past five years. Although real estate taxes are projected to increase over the next five years, the total forecasted tax revenues are not anticipated to exceed what was actually generated prior to the Ford cutbacks in FY 1995-96.

- F2.9 **Table 2-5** indicates the district has been unsuccessful in gaining voter approval of eight new operating levies placed on the ballot during the past five years. A replacement levy was approved in May 1993 which provided some additional operating funds. District voters approved a 7.99 mill emergency levy on November 2, 1999 which will generate approximately \$2.45 million annually for VLSD. The district will begin receiving revenue from the levy in FY 1999-00, but will not realize the entire \$2.45 million until FY 2000-01.
- F2.10 As noted in **Table 2-3**, prior to the passage of the 7.99 mill emergency levy in November, 1999, VLSD had the second lowest effective millage (29.6 mills, including school district library millage) when compared with its peers and a lower effective millage rate than the state average. Because the district's average property values are significantly higher than the state-wide average, VLSD is dependent on local sources for the majority of its funding. Tax reform legislation was passed in 1976 (HB 920), which effectively eliminated inflationary effects upon property taxes. Although the district has a total millage of 61.9 mills, due to HB 920 the district is currently only collecting revenue from the 29.6 effective millage rate.

Expenditure assessments performed in **Table 2-7** indicate that VLSD's expenditures per pupil (\$5,989) appear to be in-line with the peer districts and the peer average (\$5,878). Additionally, assessments within each section of this performance audit indicate that VLSD is operating fairly efficiently and there are minimal opportunities for the district to make significant expenditure reductions. Consequently, if VLSD is going to achieve long-term financial stability, the district will probably have to replace the revenues from the 7.99 mill emergency levy (\$2.45 million annually) when it expires in FY 2002-03.

- R2.3** In order to achieve and maintain long term financial stability, VLSD will need an ongoing revenue stream to fund operations in the future. The results of this performance audit reflect minimal opportunities to reduce expenditures to the level necessary to maintain a balanced budget. Therefore, VLSD should consider asking voters to pass a permanent operating levy of approximately 7.99 mills to replace the three year emergency operating levy which expires in FY 2002-03 within the appropriate time frame to ensure no loss in the flow of revenues from these levies. Assuming that this levy will be successfully renewed, **Appendix B** projects the district maintaining positive ending unencumbered cash balances for a period of five consecutive years.

Prior to asking the community to renew this levy in FY 2002-03, the district should continue showing that it is accountable by implementing the various recommendations identified in this performance audit, updating and implementing the cost reductions identified in its fiscal

recovery plan and managing the other costs in an effort to achieve and maintain financial stability. By taking these actions, VLSD will be able to justify the levy renewal by showing that it is proactively attempting to remedy its situation.

Financial Implication: If renewed prior to FY 2002-03, the three-year emergency levy would generate approximately \$1.1 million in FY 2002-03, \$2.2 million in FY 2003-04, \$2.2 million in 2004-05 and \$1.1 million in FY 2005-06.

District Expenditures

F2.11 A factor limiting administrators and staff in effectively controlling their allocations is the high percentage of expenditures that are fixed by negotiated employment contracts, utility costs and debt service payments. As shown in **Table 2-6**, wages and employee benefits account for approximately 71.9 percent of total budgeted expenditures for the general fund, which is the lowest among the peer districts. However, this percentage is skewed by the significant resources VLSD must expend for debt service. If the debt service (both the general fund debt service and general fund transfer to the debt service fund) expenditures are eliminated from the calculation, wages and benefits account for approximately 87.3 percent of the total general fund expenditures. Other fixed fees such as utilities, tuition and county auditor and treasurer fees account for another 5.5 percent of the expenditures. Therefore, less than 7.5 percent of the total budgeted general fund dollars are available for discretionary spending, such as textbooks, capital purchases and educational supplies.

F2.12 **Table 2-9** indicates that while VLSD has the lowest discretionary expenditure percentage among the peer districts, their spending percentage in the professional and technical services (1.6 percent) and Communication Services (0.6 percent) exceed the peer district percentage for these line items. The higher communications services expenditures can be attributed to the costs incurred by the district in installing T-1 communications lines within the district.

R2.4 Due to the present financial condition of the district and the magnitude of expenditures that are fixed by negotiated contracts, debt service agreements, utility costs and certain fees, it is extremely important that the district continue to diligently monitor those spending areas over which it can exercise discretion. **Table 2-9** indicates that VLSD is spending a higher percentage of its general fund revenues for professional and technical services than its peer districts. District management should closely review these costs to identify possible opportunities for reductions and savings.

F2.13 Although **Table 2-10** indicates the district increased spending for purchased services in FY 1997-98 over the levels experienced in FY 1996-97, this increase was due to two issues. One issue is the increasing cost of tuition the district must pay for educational service for their special needs students. The other issue is the one-time cost associated with the installation

of the T-1 communication lines within the district during FY 1997-98. Without these two issues, **Table 2-10** would indicate that management is monitoring expenditures and reducing unnecessary spending when possible.

C2.2 The district should be commended on their monitoring of expenditures and reducing unnecessary spending in FY 1997-98. Given the current financial condition of the district, it is important that management continues monitoring expenditures for any possible reductions which would not negatively affect the educational services students receive.

Allocation of Resources

F2.14 Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending pattern between the various functions should indicate where the priorities of the board and management are placed. **Table 2-7** details the district's governmental funds' operational expenditures for FY 1997-98 by function as captured and reported by the accounting system. VLSD's per pupil expenditures were the second highest among the peer districts and slightly higher than the peer average of \$5,878. The district's percentage of governmental fund operational expenditures spent on instruction (60.0 percent) was the second lowest among the individual peer districts and almost equal to the peer average of 60.3 percent. The district's support services expenditures (37.3 percent) were also the second highest among the peer districts and exceeded the peer average of 35.6 percent. Specifically, VLSD had higher percentages of expenditures in comparison to the peer averages for board of education, administration, business services and pupil transportation.

Table 2-8 shows the per-pupil operational expenditures, facilities acquisition and construction, and debt service for all governmental funds, as well as the percentage of these categories to total governmental fund expenditures. VLSD's operational expenditure percentage of 82.7 percent is approximately 11 percent less than the peer average of 93.5 percent. This is directly related to the high debt service requirements of the district. This table illustrates the importance of the district reducing the need to borrow against future years revenues so that available resources may be directed towards functions directly affecting the education of their students.

APPENDIX A

The financial forecast presented in **Table A-1** represents the Auditor of State's projection of the district's present and future financial condition. This forecast does not include revenues resulting from the November 2, 1999, passage of the 7.99 mill emergency levy. The assumptions and projections developed in the notes to the financial forecast presented in **Appendix B** were used to determine projected revenues and expenditures presented. This table projects the financial condition the district is likely to encounter without significant changes in revenues or reductions in expenditures. The results of this performance audit are not included in this forecast. They are presented for consideration in **Appendix B**.

The District developed a five-year forecast on August 3, 1999 that differs from **Table A-1**. Significant differences are the result of recent increases in District health care costs, changes in H. B. 412 set aside requirements, inclusion of certain changes in certified employee compensation and benefits as a result of the execution of a successor agreement to the current certified employee labor contract, and an estimate of cost-of-living wage increases for district employees which were not included in the District's forecast.

Table A-1: Five-Year Forecast (Amounts in 000's)

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05
Real Estate Property Taxes	7,601	7,535	7,376	7,800	7,901	8,020	8,140	8,262	8,386	8,512
Personal Property Taxes	2,247	2,435	2,606	1,461	1,245	1,245	1,245	1,245	1,245	1,245
Investment Earnings	154	244	248	156	156	156	156	156	156	156
State Foundation	4,043	4,055	4,153	4,568	4,587	4,673	4,673	4,673	4,673	4,673
Property Tax Allocation	757	797	824	833	840	852	864	877	890	903
Other Local, State & Federal	201	262	232	275	148	148	148	148	148	148
Total Operating Revenues	15,003	15,328	15,439	15,093	14,877	15,094	15,226	15,361	15,498	15,637
Salaries & Wages	9,412	9,480	8,938	9,381	9,289	9,646	10,055	10,481	10,833	11,197
Fringe Benefits	3,678	3,809	3,686	3,691	4,121	3,700	3,574	3,473	3,621	3,775
Purchased Services	1,182	1,209	1,305	1,655	1,678	1,691	1,795	1,815	1,869	1,925
Supplies, Materials & Textbooks	458	344	306	402	628	638	649	659	670	681
Capital Outlay	198	74	118	336	458	412	418	422	425	429
Other Expenditures	322	311	317	288	290	296	303	309	318	328
Interest on Loans	39	39	49	61	24	9	3	0	0	0
Total Operating Expenditures	15,289	15,266	14,719	15,814	16,488	16,392	16,797	17,159	17,736	18,335
Proceeds From the Sale of Notes	2,094	425	3,095	0	0	0	0	0	0	0
Ohio Solvency Assistance Loan	0	0	0	1,348	0	0	0	0	0	0
Debt Payments	(356)	(2,271)	(2,730)	(847)	(974)	(764)	(90)	0	0	0
Capital Leases	(3)	(2)	(21)	(13)	(8)	(6)	(7)	0	0	0
Net Transfers & Workers' Comp.	(93)	(248)	62	0	(146)	0	0	0	0	0
Net Financing	1,642	(2,096)	406	488	(1,128)	(770)	(97)	0	0	0
Results of Operations (Net)	1,356	(2,034)	1,126	(233)	(2,739)	(2,068)	(1,668)	(1,798)	(2,238)	(2,698)
Beginning Cash Balance	1,273	2,629	595	1,721	1,488	(1,251)	(3,319)	(4,987)	(6,785)	(9,023)
Ending Cash Balance	2,629	595	1,721	1,488	(1,251)	(3,319)	(4,987)	(6,785)	(9,023)	(11,721)
Outstanding Encumbrances	535	354	644	190	190	190	190	190	190	190
"412" Set-Aside/Budget Reserve	0	0	146	146	0	0	0	0	0	0
DPIA & Textbook Reservations	12	0	39	65	0	0	0	0	0	0
Textbook/Capital Outlay Res.	0	0	0	46	0	0	0	0	0	0
Ending Fund Balance	\$2,082	\$241	\$892	\$1,041	(\$1,441)	(\$3,509)	(\$5,177)	(\$6,975)	(\$8,833)	(\$11,911)

The following is a highlight of assumptions used in preparing the financial projection for the General Fund and Textbook Subsidy in **TABLE A-1** for the VLSD. See the notes to the financial forecast presented in **Appendix B** for a complete disclosure of assumptions and estimates used in preparing **Table A-1**.

- ! Real estate tax revenue is projected to increase approximately 1.5 percent over the projected period based on historical increases in property values and estimates provided by the county auditor. Personal property tax revenue is projected to decrease in FY 1999-00 due to the devaluation of personal property at the Ford manufacturing plant in Lorain and is projected to remain flat for years thereafter.
- ! The State Foundation - Basic Aid increases based on the per pupil formula amounts contained within H.B. 650 and H.B. 282. These amounts are \$3,851 (FY 1998-99), \$4,052 (FY 1999-00), and \$4,294 (FY 2000-01). State Department of Education projections were used to determine funding amounts for FY 1999-00 and 2000-01. As future increases in basic aid are expected to be offset by declining enrollment, foundation revenues are projected to remain at FY 2000-01 levels for the remainder of the forecast period.
- ! Wages and benefits are projected assuming staffing levels consistent with FY 1998-99. Contractual increases, step increases, anticipated future increase and staff turnover have been included in the projected amount. The district currently has negotiated agreements with the certified employees through FY 2002-03 and classified employees through FY 2000-01. For years after the current agreements expire, a two percent cost of living increase has been estimated for the projections presented.
- ! Set-asides as required by Sub. H.B. 412 are included in the projection for capital outlay, textbooks/instructional materials, general supplies, maintenance materials, and purchased services.

APPENDIX B

Table B-1 is being presented as a potential financial forecast for district management and the financial oversight commission. It is a management tool to be utilized by district management and the commission to assess the impact the implementation of the various performance audit recommendations will have on the district's financial condition. The forecast presented contains the same financial projections as shown in **Table A-1** with additional lines to include the financial implications associated with the performance audit recommendations, implementation costs for various performance audit recommendations and the effects of successfully renewing the 7.99 mill three-year emergency levy. Detailed notes regarding information and assumptions used to develop the projected amounts are also provided. Contained within the notes are tables (**Table B-15** through **Table B-17**) which summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the savings proposed. In addition, implementation costs and cost avoidances associated with the various recommendations are also summarized.

The performance audit recommendations which affect the district's general fund are broken down into two categories; those recommendations subject to negotiation and those recommendations not subject to negotiation. This breakdown can be seen in **Table B-15**. **Table B-16** summarizes commission recommendations, **Table B-17** summarizes implementation costs.

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

Table B-1: Proposed Financial Recovery Plan (Amounts in 000's)

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05
Real Estate Property Taxes	7,601	7,535	7,376	7,800	7,901	8,019	8,140	8,262	8,386	8,512
Personal Property Taxes	2,247	2,435	2,606	1,461	1,245	1,245	1,245	1,245	1,245	1,245
Emergency Levy	0	0	0	0	1,102	2,205	2,205	1,102	0	0
Levy Renewal - Perf. Audit Rec.	0	0	0	0	0	0	0	1,103	2,205	2,205
Investment Earnings	154	244	248	156	156	156	156	156	156	156
State Foundation	4,043	4,055	4,153	4,568	4,587	4,673	4,673	4,673	4,673	4,673
Property Tax Allocation	757	797	824	833	963	1,095	1,108	1,121	1,135	1,148
Other Local, State & Federal	201	262	232	275	148	148	148	148	148	148
Total Operating Revenues	15,003	15,328	15,439	15,093	16,102	17,541	17,675	17,810	17,948	18,087
Salaries & Wages	9,412	9,480	8,938	9,381	9,289	9,564	9,885	10,217	10,833	11,197
Fringe Benefits	3,678	3,809	3,686	3,691	4,121	3,700	3,574	3,473	3,621	3,775
Purchased Services	1,182	1,209	1,305	1,655	1,678	1,691	1,795	1,815	1,879	1,946
Supplies, Materials & Textbooks	458	344	306	402	672	665	711	722	733	743
Capital Outlay	198	74	118	336	458	445	484	488	492	495
Other Expenditures	322	311	317	288	314	345	352	358	367	377
Interest on Loans	39	39	49	61	24	9	3	0	0	0
Commission Rec. -Table B-18	0	0	0	0	(182)	(182)	(182)	(182)	(182)	(182)
Perf. Audit Rec. -Table B-17	0	0	0	0	(87)	(157)	(264)	(264)	(264)	(264)
Implementation Costs-Table B-19	0	0	0	0	0	11	26	60	0	0
Total Operating Expenditures	15,289	15,266	14,719	15,814	16,287	16,091	16,384	16,687	17,479	18,087
Proceeds From the Sale of Notes	2,094	425	3,095	0	0	0	0	0	0	0
Ohio Solvency Assistance Loan	0	0	0	1,348	0	0	0	0	0	0
Debt Payments	(356)	(2,271)	(2,730)	(847)	(974)	(764)	(90)	0	0	0
Capital Leases	(3)	(2)	(21)	(13)	(8)	(6)	(7)	0	0	0
Net Transfers & Workers' Comp.	(93)	(248)	62	0	(146)	0	0	0	0	0
Net Financing	1,642	(2,096)	406	488	(1,128)	(770)	(97)	0	0	0
Results of Operations (Net)	1,356	(2,034)	1,126	(233)	(1,313)	680	1,194	1,123	469	0
Beginning Cash Balance	1,273	2,629	595	1,721	1,488	175	855	2,049	3,172	3,641
Ending Cash Balance	2,629	595	1,721	1,488	175	855	2,049	3,172	3,641	3,641
Outstanding Encumbrances	535	354	644	190	190	190	190	190	190	190
"412" Set-Aside/Budget Reserve	0	0	0	0	146	0	0	0	0	0
DPIA & Textbook Reservations	12	0	39	65	0	0	0	0	0	0
Textbook/Capital Outlay Res.	0	0	0	46	0	0	0	0	0	0
Ending Fund Balance	\$2,082	\$241	\$892	\$1,041	\$15	\$665	\$1,859	\$2,982	\$3,451	\$3,451

Notes to Financial Recovery Plan

I. Nature and Purpose of Presentation

This financial projection presents the expected revenues, expenditures and fund balance of the General Fund and Textbook Subsidy Fund of the Vermilion Local School District for each of the fiscal years including June 30, 2000 through June 30, 2005, with historical (unaudited) information presented for the fiscal year ended June 30, 1996, 1997, 1998 and 1999.

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

The requirement under Sub. H.B. 412 for textbooks and instructional materials is satisfied in the proposed financial recovery plan through the Textbooks and Instructional Materials account within the Materials, Supplies and Textbooks line item. The requirement under Sub. H.B. 412 for capital improvements and maintenance is satisfied in this proposed financial recovery plan through the Capital Outlay line item. The budget reserve requirement of H.B. 412 has minimal impact on VLSD as revenues are not projected to increase by the required three percent. Per the instructions of the commission, the district will not spend the worker's compensation rebate funds placed into the budget reserve account in FY 1997-98.

II. Description of the School District

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

Annually, the district serves approximately 2,650 students, who are enrolled in one preschool, two elementary schools, one middle school and one high school. In addition, the district also operates one administrative office and a bus garage. The district employs approximately 250 individuals.

A. Financial Planning and Supervision Commission

On March 24, 1999, the Auditor of State declared the district to be in a state of fiscal emergency as defined by Ohio Rev. Code Section 3316.03 (B), and accordingly, the district was subject to the oversight of the Financial Planning and Supervision Commission (the "Commission").

In accordance with the legislation, the commission must adopt a financial recovery plan within 60 days of its first meeting. Such a plan, which is continuously amendable based on changes in facts and circumstances, requires a five-year financial projection delineating the district's return to financial stability. The commission adopted a plan dated June 21, 1999 which will serve as a broad outline for the management decisions the commission must make to restore the district to financial solvency. The commission will seek community input, gather additional financial and operational data that will allow the development of a financial recovery plan that will ensure the fiscal integrity of VLSD. The commission will make adjustments to the plan as needed.

B. Basis of Accounting

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

C. Fund Accounting

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

The accompanying projections are presented for the district's General Fund and Textbook Subsidy Fund only. The General Fund is the operating fund of the district and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the district for any purpose provided it is disbursed or transferred in accordance with Ohio Law. The Textbook Subsidy Fund is a fund used to account for monies received for textbook purchases. The district did receive funding under the Disadvantage Pupil Impact Aid (DPIA) program in FY 1995-96. Activity of this fund is reflected in the historical information presented for FY 1995-96 and 1996-97. Since FY 1996-97, there has been no activity in the DPIA fund nor does the district anticipate participating in the program in the future.

III. General Assumptions

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

A. Enrollment/ Average Daily Membership (ADM):

Enrollment has decreased from FY 1995-96 to FY 1998-99 by 5.5 percent as summarized below:

TABLE B-2: ADM Counts

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99
ADM	2,811	2,804	2,733	2,656

Source: EMIS District Profiles; EMIS Report for FY 1997-98 and FY 1998-99.

These total ADM counts include kindergarten students at 50 percent. Under current State Foundation funding standards, kindergarten students are only counted at 50 percent of a full-time equivalent (FTE) in determining average daily membership (ADM). Under H.B. 650's new DPIA provision, additional state foundation monies will be provided to school districts with above-average levels of poverty which provide full-day kindergarten. However, the district does not expect to change to all-day, every-day kindergarten based on the success of their current program, below average level of poverty in the district, and the additional cost potentially outweighing the additional funding for the all-day kindergarten. For the years included within this forecast, the district anticipates ADM counts to continue to decrease slightly or remain steady with the FY 1998-99 count.

B. Staffing

From FY 1997-98 to FY 1998-99, there were minimal changes in both the number of individuals employed by the district and the number of individuals charged to the general fund. The number of full time equivalent (FTE) employees for FY 1997-98 and FY 1998-99 is summarized below in the following table:

TABLE B-3: Staffing

POSITION	FY 1997-98	FY 1998-99
Administrators/Directors/Supervisors	12	13
Clerical/Support	18	17
Teachers	146	143
Professional	5	4
Custodial/Maintenance	21	20
Bus Drivers/Mechanic	17	16
Other	15	13
Total General Fund	234	226
Total Employees - All Funds	250	242

The district does not anticipate staffing levels in any of the categories noted above to change from the FY 1998-99 levels during the projected period. Projected salary and wage expenditures presented in **Table B-1** use the staffing levels of FY 1998-99. Any staff reductions noted in the performance audit have not been incorporated into the projected expenditures.

C. Inflation

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

IV. Revenues - Local, State and Federal

The district's primary sources of revenue are from the State of Ohio through the State Foundation Program and through the levying of property taxes on real and personal property located within the District's boundaries.

A. Local Sources

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

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

- ! Estimated FY 1999-00 Real Estate Taxes (residential, agricultural and public utility tangible), Tangible Personal Property Taxes and Rollback and Homestead are based on property valuation and effective millage amounts certified by the county auditor.
- ! On the millage in effect prior to November 1999 election, an annual growth of approximately 1.5 percent in real estate tax revenue from FY 2000-01 through FY 2004-05 is assumed based on historical trends. The voters of the district approved a 7.99 mill, three year, emergency levy at the November 1999 election. The 7.99 mill levy will generate an estimated \$2.45 million yearly for the district. The district will receive one half of the yearly levy proceeds in FY 1999-00, the full yearly levy proceeds in FY 2000-01 and FY 2001-02, and one half of yearly levy proceeds in FY 2002-03. Although this levy will expire half way through

FY 2002-03, it is assumed that a new levy will be passed to continue to generating \$2.45 million annually for the district.

- ! A decrease in personal property tax revenue is projected for FY 1999-00 based on the devaluation of personal property at the Lorain Ford manufacturing plant. This plant represents the single largest employer and commercial taxpayer in the district. The district has experienced a \$1.2 million and \$1.15 million loss in personal property taxes in FY 1995-96 and FY 1998-99 respectively as a result of reduced operations at the plant. Currently there is some uncertainty regarding the future of this plant. Some indications are that the plant will expand operations while others predict further reductions taking place. The projections presented in the forecast assumes the operations of the Ford plant will not change significantly.
- ! On the millage in effect prior to November 1999 election, Homestead and Rollback are projected to increase at 1.5 percent to correspond to the projected increase of real estate taxes. Additionally, Homestead and Rollback revenues are expected to increase by ten percent of the estimated increased tax revenue to be generated from the 7.99 mill, three year, emergency levy approved at the November 1999 election. Although this levy will expire half way through FY 2002-03, it is assumed that the levy will be renewed and the district will continue receiving an estimated ten percent as homestead and rollback revenue.

(2) Investment Earnings: Investment earnings will fluctuate based on the level of available cash during the forecast period. Investment earnings are based on the assumption that interest rates will remain fairly stable over the period covered by the projection. FY 1998-99 investment revenues are based on actual receipts during the fiscal year. It is assumed investment revenue will remain consistent with FY 1998-99 revenue over the projected period.

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

TABLE B-4: Other Local Revenues

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
Tuition	8,500	8,633	3,210	520	0	0	0	0
Classroom Materials & Fees	41,234	62,240	16,535	14,071	15,000	15,000	15,000	15,000
Rentals	20,480	24,684	25,406	44,989	0	0	0	0
Extracurricular Activities Fees	0	41,615	72,698	72,169	73,000	73,000	73,000	73,000
Contributions & Donations	858	8,449	9,725	0	0	0	0	0
Miscellaneous	1,006	3,657	1,001	7,887	5,000	5,000	5,000	5,000
Non-recurring	0	0	0	30,000	0	0	0	0
Total Local Other	72,078	149,278	128,575	169,636	93,000	93,000	93,000	93,000

- ! Tuition revenue represents money received from patrons and other school districts for educational services provided by VLSD. Due to the current financial situation and reduction in services being provided, the number of students outside the district receiving educational services at VLSD has declined significantly. District management does not believe this trend will be reversed during the projected period. Therefore, this funding source has been eliminated during the projected period.

- ! Classroom materials and fees revenue represents money received from the sale of classroom supplies, workbooks and materials to pupils, as well as the class fees collected. FY 1998-99 revenue amounts are based on actual revenues received as of June 30, 1999. This revenue source is projected to remain constant over the projected period given the intention of the district’s management to maintain the current fee structure and assuming a relatively stable student population.

- ! Rental revenue has increased significantly in the recent past due to the district leasing space within the administration building to outside parties and programs. There is no projected revenue for this line item for FY 1999-00 through FY 2004-05 based on the district’s decision to place rental revenue into a permanent improvement fund to provide resources for capital needs and repairs.

- ! Extracurricular activities fees were instituted by the district in FY 1996-97. This revenue account is projected to be flat throughout the projected period based on historical data and the district’s intention to retain the same fee schedule that is currently in place.

- ! Contributions and donations, like rental fees, are being placed in a separate trust fund beginning in FY 1999-00. Therefore, there is no revenue projected for this line item for the remaining years of the forecast.
- ! Non-recurring revenues represent a one-time telecommunications grant the district received in FY 1998-99. The district does not foresee receiving additional funds from this grant nor does it anticipate receiving any like funding sources during the projected period.

B. State Sources

(1) Foundation Program: State Foundation payments under the Ohio Revised Code are calculated by the State Department of Education on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the school district.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the school district to borrow against amounts anticipated to be collected from tangible personal property taxes after the school district's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the school district did not borrow under this program. However, they repaid \$422,000 borrowed in fiscal year 1998. Historically, school districts have relied on this borrowing to meet their cash flow needs at the end of the fiscal year. State statute has been amended to gradually decrease the annual amount that may be borrowed under this program.

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

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

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

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Basic Aid	3,130	3,133	3,197	3,737	4,138	4,265	4,265	4,265	4,265	4,265
Special Education	493	496	550	0	0	0	0	0	0	0
Vocational Units ²	177	209	156	0	0	0	0	0	0	0
Guarantee Amt	0	0	0	480	66	0	0	0	0	0
Transport.	216	217	250	266	315	340	340	340	340	340
DPIA	27	0	0	0	0	0	0	0	0	0
Other Categories	0	0	0	85	68	68	68	68	68	68
Total Foundation	4,043	4,055	4,153	4,568	4,587	4,673	4,673	4,673	4,673	4,673

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

² Under Am. Sub. H.B. 650, District projections do not include receipt of funds under Vocational Units.

Basic Aid - The projections for Basic Aid prepared by the district for FY 1999-00 through FY 2000-05 are based on the formula amounts as outlined in H.B. 650 and H.B. 282. The district projection assumed ADM counts will decrease slightly each year. FY 1998-99 revenue is based on actual revenues received by the district through June 30, 1999. Revenue projections for FY 1999-00 and 2000-01 are based on simulated SF3 reports provided by the State Department of Education. For FY 2001-02 through FY 2004-05, it is assumed that the district's declining enrollment will be offset by increasing per student foundation funding and as a result, this source of revenue is projected to remain the same as FY 2000-01.

Basic state aid increased significantly in FY 1998-99 due to the new funding formula provided by H.B. 650 and the inclusion of other categorical items previously reported outside basic aid, such as special and vocational education funding. The guarantee amount in FY 1998-99 and 1999-00 represents a provision of H.B. 650 which limits the exposure a district may incur under the new funding formula. This provision will be gradually phased out and will be eliminated under current plans in FY 2000-01. The transportation funding element has also undergone significant revisions under H.B. 650. Projections are based on funding simulations provided by the State Department of Education. Other categorical items represent funding outside the basic state funding for additional programs. The projections for these amounts were also based on the funding simulations provided.

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

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

TABLE B-6: Other State Revenues

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Drivers Ed. Reimb.	0	0	0	0	0	0	0	0	0	0
Bus Purchase Subsidy	32,954	37,604	48,275	64,629	50,000	50,000	50,000	50,000	50,000	50,000
Textbook Subsidy	0	38,544	38,675	38,765	0	0	0	0	0	0
Other	87,861	24,282	11,180	0	0	0	0	0	0	0
Total Other State	120,815	100,430	98,130	103,394	50,000	50,000	50,000	50,000	50,000	50,000

- ! Drivers education reimbursement: In prior years, districts were reimbursed a portion of the costs incurred to provide drivers education to their students. Beginning in FY 1999-00, the State Department of Education has informed districts that students will have to pay for these services themselves. Therefore, no revenue for this line item has been projected for FY 1999-00 and years thereafter.
- ! Bus purchase subsidy: Districts are provided funding by the State for the purchase of school buses provided they meet the established criteria. VLSD received additional funding in FY 1998-99 to purchase a nonpublic school bus as well as their normal allotment. Projected amounts are based on historical data and the district’s understanding of what funding will be provided in future periods under this program.
- ! Textbook subsidy: This is a relatively new funding source for districts in which the State provides additional funds for the purchase of textbooks based on a per student formula. These funds are required to be accounted for in a separate special revenue fund. VLSD has included the activity of this special revenue fund within the forecast presented. FY 1998-99 revenue is based on actual revenue received as of June 30, 1999. The State Department of Education has notified the district that they will not receive any funding in FY 1999-00 under this program. No additional revenue has been projected as the program itself will be eliminated after the 1999-00 school year.

V. Expenditures

A. Operating Expenditures

(1) Salaries and Wages: The amount reported as salaries and wages for certified, classified and Board Members for FY 1998-99 are based on actual results through June 30, 1999. The

projected salaries for FY 1999-00 through FY 2004-05 for classified and certified employees are based on current negotiated agreements with an estimate of cost of living increases for years following the expiration of the current contracts. The following table illustrates the effect of these issues on projected salaries and wage expenditures.

TABLE B-7: Salary and Step Increase

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Contractual % Increase	1.0%	2.5%	3.1%	3.1%	3.1%	N/A	N/A
Projected % Increase	N/A	N/A	N/A	N/A	N/A	2.0%	2.0%
Step Increase	N/A	1.1%	1.3%	1.3%	1.3%	1.3%	1.3%
Wage Increase - Certified	1.0%	3.6%	4.4%	4.4%	4.4%	3.3%	3.3%
Contractual % Increase	0.0%	0.0%	0.0%	N/A	N/A	N/A	N/A
Projected % Increase	N/A	N/A	N/A	2.0%	2.0%	2.0%	2.0%
Step Increase	N/A	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Wage Increase - Classified	0.0%	1.6%	1.6%	3.6%	3.6%	3.6%	3.6%

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

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Salaries & Wages - Certified	\$7,536	\$7,415 ¹	\$7,741	\$8,082	\$8,437	\$8,716	\$9,004
Salaries & Wages - Classified	\$1,841	\$1,870	\$1,900	\$1,969	\$2,040	\$2,113	\$2,189
Board Member Compensation	\$4	\$4	\$4	\$4	\$4	\$4	\$4
Total Salaries and Wages	\$9,381	\$9,289	\$9,646	\$10,055	\$10,481	\$10,833	\$11,197

¹ - Amount includes \$392,000 in savings realized due to turnover in staff for FY 1999-00.

- ! Staffing levels are assumed to remain at the same level as FY 1998-99.
- ! Cost of living adjustments or wage increases are based on current union contracts and the negotiated successor agreements. The wage increases for certified staff are based on the current union agreement which expires in August, 2000 and includes a two percent increase effective January 1, 1999 and a two and one-half percent increase effective July 1, 1999. The two percent wage increase on January 1, 1999 results in an effective increase of one percent for FY 1998-99 as represented in the table above. On November 15, 1999, the certified employee union and the district signed a successor agreement to the current contract. This agreement provides for a 3.1 percent annual wage increase for fiscal years FY 2000-01, FY 2001-02, and FY 2002-03. The current union agreement with classified staff includes a zero percent wage increase for FY 1998-99 through FY 2000-01. Although the district's financial

forecast utilized a zero percent wage increase for years not covered by current union agreements, concessions already made by employees and past history indicates this is unlikely to occur. Therefore, a conservative two percent wage increase for those years not covered by current union agreements has been factored into this forecast.

- ! The cost of step increases were determined by the treasurer. In determining these costs, the treasurer used FY 1998-99 actual salary amounts as the base, moved eligible employees up in the salary schedule for FY 1999-00 and determined the difference in total base salary for the various classification of employees. This difference then represented the cost of the step increase. Subsequent to this calculation, the district was notified that approximately 20 certified employees would resign after FY 1998-99. Seven of these employees retired. Because these employees will be replaced with new employees mainly at the bottom of the salary schedule, the cost of the step increases for FY 2000-01 through FY 2002-03 have been increased.
- ! Due to certain abnormalities in the payroll calendar, there are occasionally 27 pay cycles in a given fiscal year. VLSD experienced this abnormality in FY 1994-95 when the practice was to skip a pay in the year in which this occurred. The district attempted to correct this by only issuing 25 pays in FY 1997-98. The union representing the classified employees filed a grievance on this issue. This explains the fluctuation in this expenditure line for that year. The 27 pay abnormality was next scheduled to occur in FY 1999-00, and the treasurer's original forecast included an extra pay period in that fiscal year's forecasted expenditures. An arbitrator has subsequently ruled that the district may set pay cycles at its discretion. Consequently, the district intends to manage pay cycles so that there will be 26 pays in FY 1999-00 and in all subsequent years.
- ! The savings from personnel changes is a result of the turnover in certified staff for FY 1999-00 as noted above. To determine the cost savings from this turnover, the treasurer prepared a worksheet listing the salaries of the staff that resigned (\$954,958) and compared it to the salaries of those individuals hired to replace them (\$562,497).

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

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

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Retirement - Employer	2,373	2,420	1,439	1,440	1,425	1,480	1,543	1,608	1,662	1,718
Retirement - Pickup ¹	0	0	915	898	937	589	340	85	88	91
Health Care Costs	1,093	1,220	1,202	1,156	1,480	1,444	1,494	1,572	1,653	1,738
Workers Comp.	161	140	61	104	65	67	70	73	76	78
Medicare Tax	0	0	41	58	75	81	87	94	100	107
Unemploy.	6	5	1	1	3	3	3	3	3	3
College Reimb.	44	24	27	34	35	36	37	38	39	40
Total Benefits	3,677	3,809	3,686	3,691	4,121	3,700	3,574	3,473	3,621	3,775

¹ - Individual account information not available for FY 1995-96 and 1996-97. This account is included in Retirement - Employer line item for those two years.

- ! Retirement - employer share represents the 14 percent of an employee’s wages the district must contribute to STRS and SERS. However, certain issues such as the SERS surcharge actually increases the percentage the district must contribute. Therefore, the actual FY 1998-99 expenditures are approximately 15.35 percent of total salaries and wages for the same time period. Future year’s expenditures are projected to be the same percentage of wages as they were in FY 1998-99 and contribution rates are assumed to remain at the same level as well.

- ! Retirement - pickup for certified employees represents the 9.3 percent employee contribution to STRS paid by the district as required in the current certified contract which expires in August, 2000. On November 15, 1999, the district and the certified employee union negotiated a successor agreement to the current contract which will take effect September 2001, and will phase out the board pick up of the 9.3 percent contribution to STRS. The board will pay 6.2 percent for FY 2000-01, 3.1 percent for FY 2001-02. There will be no pick up for FY 2002-03, the last year of the contract. Retirement - pickup for classified employees represents employee contributions to STRS paid by the district. Based on the current union agreement negotiated with classified employees, the board will pickup the entire nine percent employee contribution to SERS until FY 2000-01 when the board pickup is reduced to four percent. It is assumed that the four percent pickup for classified employees will remain in effect for the remainder of the projected period.

The district is self-insured for health care. Premiums paid by the district into its self- insurance fund are intended to cover the costs of current claims and provide for a reasonable reserve. Premiums are subject to fluctuations due to positive or adverse claims experience. Self- insurance premiums have increased approximately twenty-eight percent retroactive to July

1, 1999 as a result of adverse claims experience during FY 1998-99. This increase has been included for FY 1999-00 and is projected into the future using a five percent inflation factor. On November 15, 1999, the district and the certified employee union signed a successor agreement to the current contract which will take effect in September, 2001, and provides that employees will contribute \$15 per month for single coverage and \$40 per month for family coverage. This agreement also provides that an employee who elects not to participate in the district's health care plan will be compensated \$100 per month for single coverage and \$200 per month for family coverage. At least 25 employees must elect not to have coverage for this option to take effect. It was assumed that the minimum number of employees will choose this option. Although the contract expires August 2004, it is assumed that the number of employees electing this option will remain the same through the end of the projection. It is unclear by what amount, if any, future health insurance premiums may increase as a result of decreasing the number of participants in the self-insured group.

- ! The medicare tax is a payroll related tax that must be paid on employees that began employment after a predetermined date. Given the significant staff turnover recently at the district, the projected amounts for this line item increased drastically.
- ! Unemployment tax was projected for FY 1999-00 through FY 2004-05 by taking a historical average the district has experienced over the past four years.
- ! College tuition reimbursement was projected using the four year historical average and then applying a three percent inflationary factor for FY 1999-00 through 2004-05.

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

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

	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Nursing Services ¹	0	0	53	53	54	56	58	59	60	61
DAS site Charges ¹	0	0	30	26	26	26	26	26	26	26
Legal Services ¹	0	0	52	99	100	57	100	60	61	62
Other Prof & Tech Services	253	281	139	134	138	142	146	151	155	160
Equipment Service & Repair ²	0	0	87	104	107	110	114	117	120	124
Property Insurance ²	0	0	30	28	28	28	28	28	30	30
Other Property Services	181	170	33	36	37	38	39	41	42	43
Travel & meeting Expenses	23	24	18	26	23	23	23	23	23	23
Electricity	302	277	320	331	317	326	336	346	356	367
Gas	109	127	98	107	106	109	112	115	118	121
Water & Sewer	16	16	15	19	17	17	17	17	17	17
Telephone ³	0	0	31	40	41	42	44	45	46	47
Other Communication Services	43	46	68	24	24	24	24	24	24	24
Contracted Trade or Craft	0	0	1	0	0	0	0	0	0	0
Tuition	229	242	322	619	650	682	717	752	790	830
Pupil Transportation	1	2	1	0	1	1	1	1	1	1
Other Purchased Services	25	24	7	9	9	10	10	10	10	10
Total Purchased Services	1,182	1,209	1,305	1,655	1,678	1,691	1,795	1,815	1,879	1,946

¹ - Individual account information not available for FY 1995-96 and 1996-97. These accounts are included in Other Professional and Technical Services line item for those two years.

² - Individual account information not available for FY 1995-96 and 1996-97. These accounts are included in Other Property Services line item for those two years.

³ - Individual account information not available for FY 1995-96 and 1996-97. This account is included in Other Communication Services line item for those two years.

The projections for FY 1998-99 were based on actual expenditures through June 30, 1999. The projections from FY 1999-00 though FY 2004-05 assumes all components of purchased services, with the exception of those explained below, will increase three percent per year based inflationary pressures.

- ! **DAS site charges:** The district pays a fixed annual fee plus a per pupil amount to the DAS for their data processing services. Assuming DAS fees remain the same and given the district's flat enrollment projections for the projection period, these expenditures were held constant at FY 1998-99 levels.

- ! **Legal services:** The increase in legal service expenditures in FY 1998-99 were due to the negotiations being conducted with the classified employees. The district will need to negotiate contracts with the certified employees in FY 1999-00 and with classified staff again in FY 2001-02. Therefore, legal service expenditures were projected at FY 1998-99 levels for those two years and the other years were projected using FY 1997-98 as the base with adjustments for inflation.

- ! **Travel and meeting expenses:** The fluctuation in this account is attributed to the timing that conferences and meetings are held. Therefore, expenditures were projected using a four year historical average.

- ! **Electricity and gas expenditures:** A four year historical average was determined to be used as the base amount given the fluctuation in this line item. The base amount was then projected to increase by three percent for each year of the projection period to account for rate increases.

- ! **Other communication services:** Other than the installation of the T-1 lines in FY 1997-98, the remaining expenditures in this line item (postage, advertisements and OECN fees) remained relatively constant. Therefore, this account was projected to remain at the FY 1998-99 level throughout the projected period.

- ! **Tuition payments:** The significant increase in this line item in FY 1998-99 is a result of the manner in which tuition payments are now being recorded by the district. Previously, a majority of these expenditures were not recorded by the district, however, funding is now passed through the district's state foundation payment and the corresponding expenditure must be recorded. Based on discussions with district management, the cost of special education tuition is expected to increase significantly in the projected periods. Therefore, a five percent inflationary factor was used to project future amounts using FY 1998-99 as the base year.

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

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

	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Educational Supplies ¹	0	0	49	62	65	67	69	71	73	75
Office Supplies ¹	0	0	43	38	39	40	42	43	44	45
Other General Supplies	176	138	11	9	9	10	10	10	10	11
Textbooks	122	49	50	156	415	445	439	442	444	446
Library Books	10	6	4	3	3	3	3	3	3	4
Newspapers, Periodicals and Films	10	5	4	3	3	3	3	3	3	3
Food Supplies & Materials	7	6	3	3	3	3	3	3	3	4
Plant Maintenance Supplies	50	56	52	65	67	69	71	73	75	78
Bus Supplies & Parts ²	0	0	54	36	37	38	39	41	42	43
Fuel ²	0	0	29	25	28	29	30	31	32	32
Other Vehicle Maintenance Supplies	82	83	7	2	2	2	2	2	2	2
Other Supplies and Materials	1	1	0	0	0	0	0	0	0	0
Total Materials, Supplies & Textbooks	458	344	306	402	672	665	711	722	733	743

¹ - Individual account information not available for FY 1995-96 and 1996-97. These accounts are included in Other General Supplies line item for those years.

² - Individual account information not available for FY 1995-96 and 1996-97. These accounts are included in Other Vehicle Maintenance Supplies line item for those years.

The projections for FY 1998-99 were based on actual expenditures through June 30, 1999. The projections from FY 1999-00 though FY 2004-05 assumes all components of materials, supplies and textbooks, with the exception of those explained below, will increase three percent per year based on inflationary pressures.

! Textbooks and instructional materials: These expenditures make up the majority of the required set-asides under H.B. 412 for textbooks and instructional materials. The base revenues for which the set-asides were calculated were based on the prior fiscal year’s estimate for state foundation basic aid and property taxes. The set-asides included in these accounts amount to at least two percent for FY 1998-99, three percent for FY 1999-00 and thereafter. Textbooks and instructional materials includes expenditures for textbooks, instructional materials, instructional supplies, instructional software and equipment of an educational nature including computers. The expenditures projected are in amounts necessary to cover the anticipated spending requirements of H.B. 412. The expenditures in FY 1999-00 are projected to include not only the spending requirement for that year, but also the set-aside amount from the prior year.

(5) Capital Outlay: Projected capital outlay for FY 1998-99 are actual expenditures through June 30, 1999. The district has adopted a five-year buildings and grounds budget for needed repairs and additions. Projected expenditures in the forecast will equal the H.B. 412 capital improvements spending requirement. Other projects will be funded through the permanent improvement fund. This plan has been presented to the commission and subsequently approved. The table below shows the details of the buildings and grounds plan as well as the corresponding general fund expenditures.

TABLE B-12: Capital Outlay (Amounts in Thousands)

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Equipment	119	63	50	279	94	110	189	17	46	46
School Buses	79	11	68	57	195	195	195	195	200	200
Building/Land Improvements	0	0	0	0	169	140	100	276	246	249
Total Capital Outlay	198	74	118	336	458	445	484	488	492	495

- ! Based on the district’s five-year buildings and grounds plans, the district will replace three school buses for FY 1999-00 through 2002-03.
- ! Equipment purchases were determined by reviewing the buildings and grounds plan and noting any equipment purchases for the respective year.
- ! Building and land improvements were determined by calculating the district’s capital improvement spending requirement mandated by H.B. 412 and deducting the anticipated expenditures related to equipment and school buses. It is assumed the district will spend at least that years spending requirement on capital outlay. Expenditures contained in the buildings and grounds plan which exceed the spending requirement amount will be funded through the permanent improvement fund or postponed to future periods.

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

TABLE B-13: Other Expenditures

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Co-op Extended Service ¹	0	0	103,575	91,936	94,694	97,535	100,461	103,475	106,579	109,776
Auditor & Treasurer Fees ¹	0	0	175,833	155,381	178,142	204,632	206,653	208,705	213,496	218,431
Audit Fees ¹	0	0	9,779	20,772	21,395	22,037	22,698	23,379	24,080	24,803
Other Dues & Fees	298,185	291,377	7,588	6,766	6,969	7,178	7,393	7,615	7,844	8,079
Liability Insurance	14,655	15,033	12,143	13,153	13,548	13,954	14,373	14,804	15,248	15,705
Judgements	0	453	4,250	0	0	0	0	0	0	0
Taxes & Assessments	4,079	4,079	4,079	0	0	0	0	0	0	0
Miscellaneous	4,492	69	0	69	71	73	75	78	80	82
Total Other Expenditures	321,411	311,011	317,247	288,077	314,819	345,409	351,654	358,056	367,327	376,877

¹ - Individual account information not available for FY 1995-96 and 1996-97. These accounts are included in Other Dues and Fees line item for those two years.

The projections for FY 1998-99 were based on actual expenditures through June 30, 1999. The projections from FY 1999-00 though FY 2004-05 assumes all components will increase three percent per year based on inflationary factors except for the Judgements and Taxes and Assessments line items. It is anticipated that no expenditures will occur within these accounts during the projected period. In addition, it is estimated that the auditor and treasurer fees will increase by two percent of the new tax revenue generated from the 7.99 mill, three year, emergency tax levy passed November 1999.

VI. Debt Service

The table below represents the debt service requirements of the district. This assumes no additional debt will be issued during the projected period.

TABLE B-14: Debt Service Requirements

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
H.B. 264 Bonds	90,000	90,000	90,000	90,000	0	0	0
State Emergency Loan	199,938	210,062	0	0	0	0	0
Spending Reserve Note	422,000	0	0	0	0	0	0
H.B. 264 Note	135,000	0	0	0	0	0	0
Solvency Fund Loan	0	674,000	674,000	0	0	0	0
Capital Leases	12,609	8,181	6,346	6,707	0	0	0
Total Principal	859,547	982,243	770,346	96,707	0	0	0
H.B. 264 Bonds	19,865	14,243	8,573	2,858	0	0	0
State Emergency Loan	18,717	9,057	0	0	0	0	0
Spending Reserve Note	14,778	0	0	0	0	0	0
H.B. 264 Note	5,924	0	0	0	0	0	0
Capital Leases	1,544	931	552	192	0	0	0
Total Interest	392,840	24,231	9,125	3,050	0	0	0
Total Debt Service	1,252,387	1,006,474	779,471	99,757	0	0	0

Source: District Debt Schedules.

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

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

The district has borrowed \$1,348,000 from the State Solvency Assistance Fund which is the amount the Auditor of State determined and certified to be the operating deficit at June 30, 1999. In addition, the district is obligated to repay energy conservation notes and bonds as well as capital leases.

VII. Other**A. Transfers and Advances In/Out**

The projection assumes that there will not be any transfers or advances out for years FY 1999-00 through FY 2004-05. Historically the district has accounted for the repayment of operating debt by transferring funds out of the general fund and into the debt service fund. The current treasurer has eliminated this practice and will pay the operating debt out of the general fund.

B. Encumbrances

The district uses the encumbrance method for budget management and control. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation for future payment.

Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as year-end. The treasurer chose not to include projected encumbrance amounts in her forecast. The current treasurer plans on closely monitoring the encumbrances and limiting year-end amounts to actual obligations of the district. Therefore, projected amounts are expected to remain relatively consistent with FY 1998-99 amounts.

C. Reservation of Fund Balance

- ! The DPIA fund balance reservation was included in FY 1995-96 to indicate the ending fund balance of the special revenue fund used to account for this program. The district has not received any DPIA funding since FY 1995-96 and the funds within the special revenue fund were expended in FY 1996-97. Therefore, no additional reservation was needed. The district does not anticipate receiving any DPIA funding in the future.
- ! The textbook subsidy fund balance reservation was included in FY 1997-98 and FY 1998-99 to account for the ending fund balance of the special revenue fund used to account for this program. The district has received notification from the State Department of Education that beginning in FY 1999-00, the district will not receive any funding through this program. It is assumed the district will spend the balance of the textbook subsidy fund in FY 1999-00 as part of their textbook and instructional materials expenditures.
- ! The budget reserve fund balance reservation was included to account for the worker's compensation rebate the district received in FY 1997-98. Based on historical and projected revenue amounts, as well as the district being classified in a state of fiscal emergency, no additional increases in the budget reserve account are anticipated. Based on the recommendation of the commission, the district will not spend the funds currently included the budget reserve account, although permission to do so by the state superintendent has been

obtained. To that end, the treasurer does not anticipate expending the worker's compensation amount in FY 1999-00 and is showing this in a separate account.

- ! The textbook and capital outlay fund balance reservation was included in FY 1998-99 to account for the unspent portion of the H.B. 412 requirements. This amount was added to the spending requirements for subsequent years in the forecast and included in the appropriate line item. At a minimum, the district anticipates spending the required amounts in future years on textbooks and instructional supplies, as well as capital outlay. Therefore, no additional reservations are anticipated.

VIII. Performance Audit Recommendations

With the District's current financial situation, changes need to be made in order for VLSD to recover from their fiscal emergency status. This performance audit report outlines ways the district can enhance their revenues and implement cost savings. The recommendations have been categorized as to those which require negotiation and those which do not.

Table B-15 is further divided into categories included in the forecast, and those not included in the forecast.

TABLE B-15: Summary of Performance Audit Recommendations

Recommendations	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
RECOMMENDATIONS INCLUDED IN FORECAST (TABLE B-1)						
Recommendations Subject to Negotiation						
R3.4 Eliminate SERS Retirement Pickup			\$86,318	\$86,318	\$86,318	\$86,318
R3.10 Increase Employee Share of Health Care Costs		\$69,966	\$69,966	\$69,966	\$69,966	\$69,966
R5.7 Re-Negotiate Overtime Policy			\$20,892	\$20,892	\$20,892	\$20,892
Total Recommendations Subject to Negotiation	\$0	\$69,966	\$177,176	\$177,176	\$177,176	\$177,176
Recommendations Not Subject to Negotiation						
R2.3 Renew Three-year Emergency Levy				\$1,102,000	\$2,205,000	\$2,205,000
R3.2 Attain clerical levels similar to peers	\$33,556	\$33,556	\$33,556	\$33,556	\$33,556	\$33,556
R5.5 Increase the Number of Students per Bus	\$53,972	\$53,972	\$53,972	\$53,972	\$53,972	\$53,972
Total Recommendations Not Subject to Negotiation	\$87,528	\$87,528	\$87,258	\$1,366,704	\$2,292,528	\$2,292,528
TOTAL RECOMMENDATIONS INCLUDED IN FORECAST (TABLE B-1)	\$87,528	\$157,494	\$264,704	\$1,543,880	\$2,469,704	\$2,469,704
Recommendations Not Subject to Negotiation						
R3.3 Increase Middle School Instructional Time		\$385,194	\$385,194	\$385,194	\$385,194	\$385,194
R3.6 Reduction of sick leave usage - Teachers	\$9,180 to \$36,720	\$9,180 to \$36,720	\$9,180 to \$36,720	\$9,180 to \$36,720	\$9,180 to \$36,720	\$9,180 to \$36,720
R3.9 Reduction of Sick Leave Usage - Classified	\$4,027 to \$8,054	\$4,027 to \$8,054	\$4,027 to \$8,054	\$4,027 to \$8,054	\$4,027 to \$8,054	\$4,027 to \$8,054
R5.1 Assess the Transportation Policy for High School Students	\$107,944	\$107,944	\$107,944	\$107,944	\$107,944	\$107,944
R5.2 Assess the Transportation Policy for Grades K-8	\$107,944	\$107,944	\$107,944	\$107,944	\$107,944	\$107,944
R5.6 Increase the Number of Parent/Guardian Contracts for Special Needs Students	\$19,132	\$19,132	\$19,132	\$19,132	\$19,132	\$19,132
R4.4 Sell Lake and Valley View Elementary Schools	\$1,217,000 to \$1,521,000					
Loss of Rental Revenue Associated with Schools	(\$54,107)	(\$54,107)	(\$54,107)	(\$54,107)	(\$54,107)	(\$54,107)
Total Recommendations Not Subject to Negotiation	\$1,411,120 to \$1,746,687	\$579,314 to \$610,881	\$579,314 to \$610,881	\$579,314 to \$610,881	\$579,314 to \$610,881	\$579,314 to \$610,881
TOTAL RECOMMENDATIONS NOT INCLUDED IN FORECAST	\$1,411,120 to \$1,746,687	\$579,314 to \$610,881	\$579,314 to \$610,881	\$579,314 to \$610,881	\$579,314 to \$610,881	\$579,314 to \$610,881
Total Performance Audit Recommendations	\$1,498,648 to \$1,834,215	\$736,808 to \$768,375	\$844,018 to \$875,585	\$2,123,194 to \$2,154,761	\$3,049,018 to \$3,080,585	\$3,049,018 to \$3,080,585

Table B-16 summarizes the various recommendations the commission made and the District implemented for FY 1999-00. These cost savings are expressed in FY 1999-00 dollars.

TABLE B-16: Summary of Commission Recommendation/Reductions

Recommendations	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Eliminate One Administrator	\$96,104	\$96,104	\$96,104	\$96,104	\$96,104	\$96,104
Eliminate One Counselor	\$85,665	\$85,665	\$85,665	\$85,665	\$85,665	\$85,665
Total Commission Recommendations / Reductions	\$181,769	\$181,769	\$181,769	\$181,769	\$181,769	\$181,769

Source: Commission’s June 17, 1999 Financial Recovery Plan

Table B-17 summarizes the implementation costs associated with various recommendations contained within this performance audit. These costs are dependent on the implementation of the associated recommendation and the period in which the recommendation is implemented. It should be noted that cost savings noted in **Table B-15** will potentially offset the implementation costs related to certain recommendations.

TABLE B-17: Implementation Costs

Recommendations	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
IMPLEMENTATION COSTS INCLUDED IN FORECAST (TABLE B-1)						
R5.10 Purchase and Implement Routing Software ¹			\$20,000			
R3.1 Implement a Human Resources Information System		\$11,125				
R3.5 Implement Automated Substitute Calling System				\$14,000 - \$60,000		
R4.8 Purchase Preventative Maintenance Software			\$6,000			
TOTAL IMPLEMENTATION COSTS	\$0	\$11,125	\$26,000	\$14,000 - \$60,000	\$0	\$0

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

¹ - Implementation cost would potentially be offset by cost savings identified in **Table B-15**

IX Commission Considerations

- A. State foundation payments under the Ohio Revised Code are calculated by the State Department of Education on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. Projected state foundation revenues for FY 2001-02 through FY 2004-05 are projected to remain at the same level as projected for FY 2000-01. While it is anticipated that per pupil foundation funding will increase during this period, it is estimated that projected declines in enrollment will offset such increases.

- B. Based on discussions with district personnel and others, there is some uncertainty regarding the future of the Ford assembly plant. Some indications point towards possible expansion at the plant while others indicate further cutbacks in operations. Either situation would affect the district's financial condition. The projected revenues included in the forecast assumes the operations at the plant will not change significantly during the projected period.

- C. For periods beyond negotiated contracts, projected expenditures for salaries and wages are based on the assumption that management will be able to negotiate annual employee wage increases of two percent. If management is not successful, the expenditures for salaries and wages could increase significantly from those presented in the forecast. Classified personnel agreed to a contract in FY 1998-99 which contained no contractual increases for that year as well as the two subsequent years and reduced the amount of the employee's portion of SERS paid by the district. Certified employees and the District have negotiated a successor agreement to the current contract that grants wage increases, however, these wage increases are offset by the elimination of the District's payment of the employee portion of STRS and a requirement that employees contribute to health insurance costs. Such past concessions could effect management's ability to negotiate limited wage increases in the future.

- D. The \$2.45 million emergency operating levy passed in November of 1999 will expire in fiscal year 2002-03. Passage of a levy replacing this revenue will be necessary for the district to achieve financial solvency in the future.

Financial Implications Summary

The following table represents a summary of the revenue enhancements from various recommendations contained in this section of the report. For purposes of this table, only recommendations with quantifiable financial impacts are listed.

Recommendation	Revenue Enhancements
R2.3 Renew three-year emergency levy	\$ 2.45 Million
TOTAL	\$ 2.45 Million

Conclusion Statement

VLSD is faced with the significant task of providing adequate educational services while their main source of revenue, local taxes, has been declining over the past five years. Currently, local taxes collected are only 75 percent of the level received five years ago, due primarily to reductions in personal property revenues as a result of cut backs in operations at the Lorain Ford assembly plant. In an attempt to maintain a balanced budget, district management has reduced staffing levels virtually to state minimum levels. Although additional funding is being received through the state foundation program, legislative requirements such as H.B. 412 spending requirements, educational enhancements called for through H.B. 650 and S.B. 55, and inflation has caused the district to incur additional expenditures.

The district is currently borrowing against future year's revenues to fund its operations. Once a district enters this cycle, it becomes difficult to achieve financial solvency without the infusion of additional revenue or drastic reductions in operating costs. The results of this performance audit and the financial recovery plan adopted by the commission have identified some areas where the district may be able to reduce operating costs. However, these reductions will not be enough for the district to balance their budget and emerge from fiscal emergency.

The District passed a three year, \$2.45 million emergency operating levy in November, 1999. If a levy is passed which will continue to provide this level of funding upon the expiration of the emergency levy, these additional revenues along with recommended cost reductions and future years containment of costs should allow the district to become financially solvent, contingent upon expenditures remaining within projected levels. The statistics of the district (relatively low effective millage rate and relatively high property valuation and median income) indicate the local community's ability to support a property tax increase. If the district is able to regain some form of financial stability, it should ensure that resources currently being allocated towards debt service are allocated to functions which directly impact student instruction.

The ability of Vermilion Local School District to emerge from the current financial crisis and regain local control of the district will be contingent upon support from all vested parties including management, employees, the business community and the community as a whole. Sacrifices by all parties will be needed to ensure that Vermilion Local School District becomes financial solvent.

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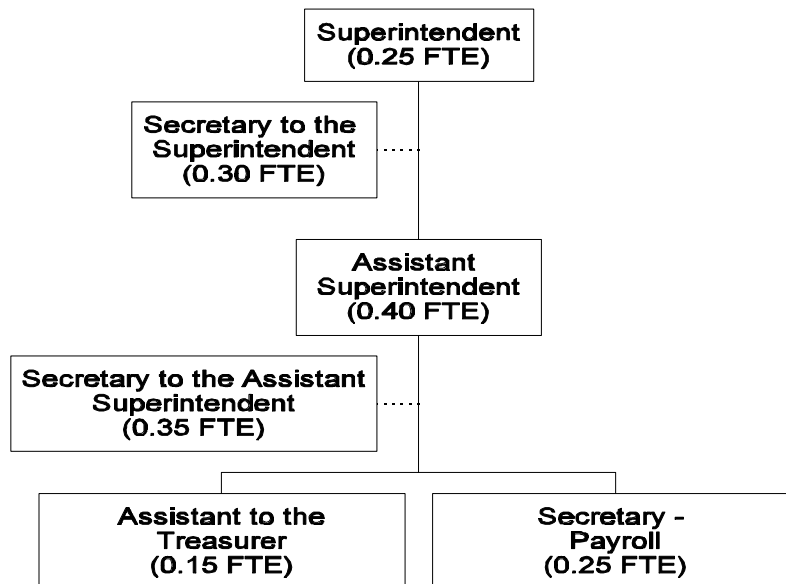
Human Resources

Background

Organizational Chart

The following section summarizes the performance review of Vermilion Local School District's (VLSL) human resources and the operations of the human resources department (HRD). The chart below provides an overview of the HRD's organizational structure and staffing levels.

Human Resources Department



Organization Function

The human resources department (HRD) is responsible for coordinating the activities and programs for the recruitment and selection of employees, monitoring compliance with employment standards (criminal record background check and teacher certification), facilitating employee performance evaluations, administering and monitoring grievance policies and procedures, negotiating and administering union contracts, conducting disciplinary hearings and placing selected substitutes. The HRD is also responsible for processing and distributing benefit information and participating in new employee orientation. Included in the summary of operations are the individual responsibilities of each employee and the percentage of time spent performing human resources functions.

Summary of Operations

All VLSD employees are categorized as either certificated or classified staff. Certificated staff includes principals, teachers, counselors, therapists, librarians and psychologists. The classified staff includes secretarial and clerical personnel, cafeteria personnel, custodial personnel, maintenance personnel, bus drivers, mechanics, aides/attendants, monitors, library managers.

The superintendent's responsibilities include recruitment, selection, assignment, retention and supervision of all district certificated and classified personnel, coordination of contract administration and negotiation of certificated and classified agreements, maintenance of personnel records, compliance with state and federal employment laws and district labor contracts, administration of salary and benefits, allocation and monitoring of funds for substitute usage, development and publication of the school calendar, administration of employee performance and evaluation and discipline policies and procedures and development, interpretation and implementation of human resources policies consistent with the district's strategic plan and long range planning goals. The human resources related duties performed by the superintendent normally require 25 percent of the work day.

The assistant superintendent's responsibilities include recruitment, selection, assignment, retention and supervision of all district classified personnel, coordination of contract administration and negotiation of classified agreements, maintenance of personnel records, compliance with state and federal employment laws and district labor contracts, administration of salary and benefits, allocation and monitoring of funds for substitute usage, development and publication of the school calendar, administration of employee performance and evaluation and discipline policies and procedures, administration of special education department, and development, interpretation and implementation of human resources policies consistent with the district's strategic plan and long range planning goals. The human resources related duties performed by the assistant superintendent normally require 40 percent of the work day.

The secretary to the superintendent's responsibilities include maintaining certificated personnel files including current certification, training, salary and leave information, preparing employment contracts, notices of salary adjustments and position assignments, issuing supplemental contracts and assisting in the posting of vacancies for administrative and certificated positions. Additional responsibilities include entering personnel data into the Education Management Information System (EMIS), maintaining records for the reimbursement of college tuition costs, providing appraisal and certification lists to school administrators as well as assisting certificated personnel in the application procedures for state licensure, preparing personnel agenda for board meetings, updating and preparing personnel publications such as staffing and seniority books and training and experience grids and providing pertinent employee information to the payroll office for processing. The human resources related duties performed by the secretary to the superintendent normally require 30 percent of the work day.

The secretary to the assistant superintendent's responsibilities include maintaining classified personnel files including current employee certification, training, salary and leave information, providing notices of salary adjustments and position assignments, processing professional meeting forms and assisting in the posting of vacancies for classified positions. Additional responsibilities include processing fingerprinting for new hires and substitute employees, processing applications for classified and substitute classified positions, providing annual evaluation forms, assisting classified personnel in the application procedures for state certification (monitor, teacher aide and library aide), updating job descriptions, providing a monthly database of classified substitute personnel to all schools, processing workers' compensation claims, annual renewal of insurance coverage and providing pertinent employee information to the payroll office for processing. The human resources related duties performed by the secretary to the assistant superintendent normally require 35 percent of the work day.

The responsibilities of the secretary - payroll include the administration of health, dental and vision claims and life insurance benefits including monthly reporting of additions, deletions and changes to the insurance companies and the distribution of payments to the proper provider. In addition to insurance related duties, the secretary prepares annual employee contracts and salary notices, maintains payroll leave records, updates payroll related EMIS data, prepare verifications of employment and paperwork for employees retiring and resigning and calculates school year contract days for administrators and classified employees. The human resources related duties performed by the secretary-payroll require 25 percent of the work day. The remaining 75 percent is spent performing payroll functions for the treasurer.

The assistant to the treasurer is responsible for recruiting substitutes and preparing absence and substitute payroll reports.

Staffing

Table 3-1 represents current HRD staffing for VLSD for FY 1998-99.

Table 3-1: Human Resources Staffing

Position	# Staff	FTEs
Superintendent	1	.25
Assistant Superintendent	1	.40
Secretary to Superintendent	1	.30
Secretary to Assistant Superintendent	1	.35
Payroll Clerk/Secretary	1	.25
Assistant to Treasurer	1	.15
Total	6	1.70

Source: Superintendent and Treasurer’s Office

Financial Data

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

Table 3-2: Budget - Human Resources Department

Appropriation Account	Actual FY 1996-97	Actual FY 1997-98	Budget FY 1998-99
Salaries	\$78,407	\$80,989	\$82,035
Fringe Benefits	\$23,522	\$24,297	\$24,610
Total Substitutes	\$169,256	\$172,125	\$185,900
Total	\$271,185	\$277,411	\$292,545

Source: Treasurer’s Office

Performance Measures:

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

- ! Clearly defined roles, responsibilities, accountabilities and authorities of key participants in the affairs of personnel administration
- ! Appropriate allocation of resources in relation to workloads
- ! Appropriateness of human resources system for retention and utilization of critical personnel data
- ! Assessment of staffing classifications and respective ratio to total full time equivalents
- ! Assessment of the allocation of the ratio of direct instructional personnel to district educational support personnel
- ! Appropriateness of staff levels and mix
- ! Analysis of teachers' work day as defined by the union contract versus actual work day in practice
- ! Assessment of number of instructional minutes taught per teacher, class sizes and staffing ratios
- ! Assessment of total FTE employees in comparison of the ratio of total salaries per classification to total district salaries
- ! Assessment of salary schedule and maximum step structure
- ! Assessment of W-2 wages in correlation to salary schedules
- ! Assessment of utilization and compensation for supplemental pay and stipends
- ! Appropriate use of substitute personnel
- ! Utilization of paid leaves
- ! Assessment of employee benefit costs and administration including workers' compensation
- ! Assessment of contract administration (collective bargaining) and contractual issues

Findings/Commendations/Recommendations

Organizational Issues:

- F3.1 **Table 3-3** illustrates that Vermilion Local School District’s human resources FTE staffing levels are comparable to Maumee’s which are the second highest when compared to the peer districts.

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

	Amherst	Buckeye Local	Maumee	Vermilion
Director/Professional	1.50	.50	.60	.65
HRD Staff Member	.35	.45	1.10	1.05
Total	1.85	.95	1.70	1.70
FTE Regular Employees	329.9	250.7	339.4	248.0

Source: FY 1997-98 EMIS profile

- F3.2 **Table 3-4** presents the ratio of full-time equivalent (FTE) employees per the HRD staff. VLSD has 248.0 FTE regular employees and 1.70 FTE human resources staff members. The ratio of VLSD employees assigned to the HRD staff is 145.9:1. This ranks VLSD’s HRD as servicing the lowest number of employees per personnel staff member when compared to the peer districts.

Table 3-4: FTE Employee Per HRD Staff

	Amherst	Buckeye Local	Maumee	Vermilion
Total HRD FTE Employees	1.85	.95	1.70	1.70
FTE Regular Employees	329.9	250.7	339.4	248.0
Ratio	178.3:1	263.9:1	199.6:1	145.9:1

Source: FY 1997-98 EMIS profile

- F3.3 The Education Management Information System (EMIS) is currently maintained by two staff members who report directly to the superintendent and one who reports to the treasurer. Personnel related data is maintained by the secretary to the superintendent and the secretary-payroll. Pupil related data is entered at the building level and consolidated by the EMIS coordinator. Approximately 20 percent of the EMIS coordinator's time is devoted to EMIS pupil data including generating reports, and troubleshooting and coordinating error reports. The remaining time is spent as a receptionist and in performing secretarial functions for the director of curriculum.
- F3.4 VLSD uses the Uniform Staff Payroll System (USPS) which is the state payroll software. The interface capabilities between EMIS and USPS allows the district to avoid the duplication of efforts in maintaining current employee master file information. An integrated EMIS and payroll system provides the district with the tools to effectively and efficiently manage workload drivers, eliminates the need for duplicate databases and the time spent maintaining and reconciling them, reduces the amount of staff needed to maintain the information, provides immediate access to all employee information and decreases the time and cost associated with processing duplicate information.
- C3.1** As a result of VLSD's current financial situation, the district is fully using the EMIS systems capabilities in combination with the USPS system to compensate for the lack of a Human Resources Information System (HRIS).
- R3.1** VLSD needs to initiate efforts to define requirements for selecting and implementing a HRIS solution to meet the HRD's critical business needs if it is determined to be feasible considering the district's current fiscal emergency situation. Alternatively, the district could collaborate with other school districts using state software and approach the Ohio Department of Education (ODE), as a group, about the feasibility of creating a HRIS as part of the USPS.

Financial Implications: The costs involved with implementing an HRIS vary by product, vendor, hardware required and the size of the district. Middletown-Monroe City School District estimated they spent approximately \$11,125 for "School Base", a custom designed HRIS. However, lower cost options may be available by obtaining a commercial HRIS software package.

Staffing/Compensation Analysis:

F3.5 **Table 3-5** presents the staffing levels of FTEs per 1,000 students enrolled for VLSD and the three peer districts. In comparison to the peers, VLSD has the highest FTEs in two categories (noted by bolded numbers) and the second lowest overall staffing level.

Table 3-5: Peer District Staffing Patterns (FTE Staff per 1,000 Students Enrolled)

Category	Amherst	Buckeye Local	Maumee	Vermilion	Peer District Average
ADM	3,622	2,334	2,990	2,632	2,895
Administrators: Sub-total	3.4	6.0	5.7	4.6	4.9
Central	0.6	0.4	1.0	0.8	0.7
Site Based	1.9	3.0	3.0	2.3	2.6
Supervisor/Manager/Dir.	0.3	1.7	1.0	1.1	1.0
Other	0.6	0.9	0.7	0.4	0.6
Professional Education: Sub-total	54.9	62.1	68.4	57.7	60.7
Curriculum Specialists	0.0	0.0	0.0	0.0	0.0
Counselors	1.7	1.7	2.7	1.9	2.0
Librarian - Media	0.6	0.9	1.0	0.9	0.8
Remedial Specialists	0.0	0.0	1.7	0.0	1.7 ¹
Teachers - Elem and Sec	49.5	56.1	62.0	54.5	55.5
Others	3.1	3.4	1.0	0.4	1.9
Professional - Other	1.7	1.7	1.7	0.4	1.4
Technical: Sub-total	0.0	0.0	0.3	0.0	0.3 ¹
Computer Operator	0.0	0.0	0.0	0.0	0.0
Computer Programmer/Analyst	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.3	0.0	0.3 ¹
Office/Clerical: Sub-total	12.7	14.1	11.7	11.9	12.6
Clerical	3.9	5.1	5.4	6.8	5.3
Teaching Aides	6.4	6.0	2.0	3.6	4.5
Library/Media Aides	1.8	2.1	2.3	1.5	1.9
Others	0.6	0.9	2.0	0.0	0.9
Crafts/Trades	1.1	1.7	1.7	1.3	1.5
Transportation	5.9	8.7	5.4	5.5	6.4
Laborer - Groundskeeping	0.6	0.0	0.0	0.0	0.6 ²
Custodial	5.2	4.7	6.0	6.3	5.6
Food Service	4.0	5.3	8.0	4.7	5.5
Service Work - Other	1.7	3.1	4.7	1.9	2.8
Total	91.2	107.4	113.6	94.3	101.6

Source: FY 1997-98 EMIS profile

¹ Peer district averages calculated using Maumee only

² Peer district averages calculated using Amherst only

F3.6 **Table 3-6** below illustrates the full time equivalent (FTE) staffing levels of the district during the past four fiscal years. As a result of reductions in revenue from personal property taxes and an overall reduced tax base, VLSD has experienced financially difficult conditions and has made significant staffing reductions in FY 1996-97 and again in FY 1998-99. The majority of the reductions were associated with attrition and the elimination of positions.

Table 3-6: Staffing Levels - Last Four Years

Fiscal Year	Staffing Level	Percentage of Increase/Decrease
FY 1995-96	264.65	n/a
FY 1996-97	254.14	- 4.0%
FY 1997-98	249.76	- 1.7%
FY 1998-99	241.95	- 3.1%

Source: Treasurer's Office

The four percent overall staffing reductions made during FY 1996-97 combined with the reductions in FY 1997-98 and FY 1998-99 contributed to the district having the second lowest staffing level of the peer districts as indicated in **Table 3-5**.

F3.7 VLSD has approximately 6.8 FTEs per 1,000 students in the clerical classification which is the highest when compared to the peer districts. It was determined that one of the clerical FTEs was funded through a flow-thru grant. Reducing FTEs for clerical staff by one resulted in approximately 6.4 FTEs per 1,000 student which is still the highest when compared to the peer districts. Because EMIS guidelines pertaining to the coding of some classifications are non-specific, school districts often times are required to make decisions regarding coding which results in districts coding the same types of employees in different categories. An analysis of clerical staffing has indicated that many school districts include clerical staff in both the clerical classification and the "other clerical" classification. When the clerical classification is combined with the "other clerical" classification, VLSD's average of 6.4 FTEs per 1,000 students is the second highest when compared to the peer districts but still above the peer district average of 6.2 FTEs per 1,000 students.

R3.2 VLSD should review the staffing levels for secretaries/clerical staff to determine the effectiveness and necessity of maintaining the current staffing levels. In order to achieve the peer district FTE average of 6.2 FTEs, VLSD could possibly reduce one clerical position.

Financial Implications: Assuming an average salary of \$25,812 for a clerical position and benefits constitute 30 percent of the annual salary, reducing one clerical position would create annual savings of approximately \$33,556.

F3.8 VLSD has approximately 6.3 FTEs per 1,000 in the custodial classification which is the highest when compared to the peer districts. Refer to the **facilities section** of the performance audit report which conducts a more detailed assessment of VLSD’s custodial staff and responsibilities.

F3.9 The district’s total FTEs were divided into six classifications of personnel as defined in **Table 3-7**. These classifications are used for further assessments in **F3.10** and **F3.11**.

Table 3-7: Personnel Classifications and Positions Descriptions

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

F3.10 **Table 3-8** illustrates the ratio of six classifications of personnel to the district’s total number of FTE employees and the percentage of total employees in each classification for each of the peer districts. As illustrated in **Table 3-8**, VLSD along with Amherst Exempt Village School District has the highest percentage of teacher FTEs, as indicated by the bolded numbers above, when compared to the peer districts. Also, VLSD along with Buckeye Local School District have the highest percentage of support service FTEs, as indicated by the bolded numbers above, when compared to the peer districts.

Table 3-8: Breakdown of Total FTE Employees and Percentage of Total Employees Classification

Classification	Amherst		Buckeye Local		Maumee		Vermilion		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Administrative	12.0	3.6%	14.0	5.6%	17.0	5.0%	12.0	4.8%	4.8%
Teachers	190.8	57.8%	138.9	55.4%	193.4	57.0%	143.4	57.8%	57.0%
Pupil Services	14.3	4.3%	9.9	4.0%	16.0	4.7%	9.5	3.8%	4.2%
Support Services	60.7	18.5%	47.7	19.0%	63.0	18.6%	47.0	19.0%	18.7%
Other Classified	52.1	15.8%	40.2	16.0%	49.0	14.4%	36.1	14.6%	15.2%
Technical	0.0	0.0%	0.0	0.0%	1.0	0.3%	0.0	0.0%	0.1%
Total	329.9	100.0%	250.7	100.0%	339.4	100.0%	248.0	100.0%	100.0%

Source: FY 1997-98 EMIS Profile

F3.11 **Table 3-9** presents employees categorized by instructional personnel as compared to educational support personnel. Included in the instructional personnel classification are teachers and pupil services employees. The educational support personnel classification includes administrative, support services and other classified positions.

Table 3-9: Ratio of Direct Instructional Personnel to District Educational Support Personnel

Classification	Amherst		Buckeye Local		Maumee		Vermilion		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Direct Instructional Personnel	205.1	62.2%	148.8	59.4%	209.4	61.7%	152.9	61.7%	61.2%
District Educational Support Personnel	124.8	37.8%	101.9	40.6%	130.0	38.3%	95.1	38.3%	38.8%
Total	329.9	100.0%	250.7	100.0%	339.4	100.0%	248.0	100.0%	100.0%

Source: FY 1997-98 EMIS Profile

As illustrated in **Table 3-9**, 152.9 or 61.7 percent of VLSD’s total FTEs make up the direct instructional personnel. When compared to the peer districts, VLSD, along with Maumee, has the second highest percentage of direct instructional personnel, only 1.5 percent lower than Amherst which has the highest percentage. This high percentage may be attributed to the higher percentage of teachers as reflected in **Table 3.8**.

C3.2 VLSD, along with Maumee, has the second highest percentage of direct instructional personnel. The district is only 1.5 percent lower than the highest average, maintained by Amherst. The high average maintained by VLSD demonstrates effective deployment of district resources and is indicative of management’s commitment to focus available resources on educational efficiency.

F3.12 **Table 3-10** compares the number of full-time equivalents (FTEs) to the number of administrators responsible for supervising and coordinating the staff for VLSD and the peer districts.

Table 3-10: Comparison of FTEs to Administrators

	Amherst	Buckeye Local	Maumee	Vermilion	Peer Average
Administrators	12.0	14.0	17.0	12.0	13.8
TOTAL FTEs (Excluding Administrators)	317.9	236.7	322.4	236.0	278.3
FTE per Administrator	26.5	16.9	19.0	19.7	20.5

Source: FY 1997-98 EMIS Profile

F3.13 The table above shows that VLSD has approximately 19.7 FTEs per administrator which is the second highest when compared to the peer districts.

F3.14 **Table 3-11** illustrates a traditional middle school and high school teacher’s day as defined by the Vermilion Teachers Association (VTA) contract and a middle school and high school teacher’s actual day as defined by the average minutes being taught and other variables as defined below. The VTA contract states that the maximum regular work day for all full-time teachers is to be seven hours and forty-five minutes.

Table 3-11: Analysis of Teachers’ Work Day FY 1998-99

Description of Activity	Middle School Per Contract	High School Per Contract	Average Middle School	Average High School
Length of Teachers’ Day as Defined by Contract	7 hours/45 minutes or 465 minutes	7 hours/45 minutes or 465 minutes	7 hours/45 minutes or 465 minutes	7 hours/45 minutes or 465 minutes
Pre-defined Minutes Specified in Contract:				
Time prior to start of classes	N*	N*	15 minutes	25 minutes
Homeroom / home base	N*	N*	7 minutes	n/a
Planning/preparation	1 class period or approximately 40 minutes	1 class period or approximately 50 minutes	1 class period or approximately 40 minutes	1 class period or approximately 50 minutes
Regular class period	N*	N*	5 periods or approximately 212 minutes	6 periods or approximately 292 minutes
Team duty or duty period	N*	N*	2 periods or approximately 84 minutes	n/a
Duty-free lunch	1 period of not less than 30 minutes	1 period of not less than 30 minutes	1 period or approximately 30 minutes	1 period or approximately 38 minutes
Time after school	N*	N*	50 minutes	30 minutes
Hall passing	N*	N*	27 minutes	30 minutes
Total Pre-defined Minutes Specified in Contract or Actual Average Minutes	70 minutes	80 minutes	465 minutes	465 minutes
Balance of Minutes Not Defined or Accounted for	395 minutes	385 minutes	0 minutes	0 minutes
Average Length of Student Day	6 hours/40 minutes or 400 minutes	6 hours/50 minutes or 410 minutes	6 hours/40 minutes or 400 minutes	6 hours/50 minutes or 410 minutes

Source: VTA contract, bell schedules and master teaching schedules

N* - Nothing stated in contract

Table 3-11 details the teachers' workday. When compared to other school districts having a performance audit conducted, it appears VLSD's middle school teachers teach a lower number of instructional minutes. Furthermore, VLSD teachers are the highest paid when compared to the peer districts. The low number of instructional minutes taught by middle school teachers indicates an inefficient utilization of the district's largest expense which directly correlates to the current financial condition of the district as further detailed in the **financial section** of the performance audit report.

- F3.15 **Tables 3-11** indicates that teachers at the middle school and high school levels have an excess of 395 and 385 minutes per day, respectively, when analyzed in relation to the contract definition. Upon analyzing the actual middle school and high school teachers' day as presented in the master schedules for each building, teachers at the middle and high school levels appear to have zero excess minutes per day.

A review of the master schedule for Sailorway Middle School reflects a nine period day with the majority of middle school teachers teaching five periods per day and performing two duty periods. The two duty periods consist of either study hall, lunch duty, gifted intervention or office duty. The two other periods are scheduled for planning and a duty free lunch

An analysis of the master schedules for Vermilion High School indicate that the majority of traditional high school teachers teach six periods per day (or the equivalent class load). A review of the master schedule shows that teachers with less than six instructional periods are performing one or more duty periods such as lunch duty, office duty and/or hall monitoring duty per day. Each high school teacher is provided one planning period (or the equivalent) per day.

- F3.16 **Table 3-12** illustrates the number of traditional middle school and high school teachers and the number instructional minutes and periods per day spent teaching for FY 1998-99. The following high level analysis does not take into consideration the curriculum provided by the district.

Table 3-12: Teachers per Instructional Minutes - FY 1998-99

Middle School Teachers				High School Teachers			
Teaching Minutes Per Day	Number of Periods per Day	Number of Teachers	Total Minutes Taught	Teaching Minutes Per Day	Number of Periods per Day	Number of Teachers	Total Minutes Taught
N/A	N/A	N/A	N/A	50	1	N/A	N/A
120	3	N/A	N/A	100	2	1	100
160	4	N/A	N/A	150	3	N/A	N/A
200	5	26	5,200	200	4	N/A	N/A
240	6	2	480	250	5	1	250
280	7	4	1,120	300	6	31	9,300
Total		32	6,800	Total		33	9,650

Source: Master teaching schedules
 N/A - not applicable

F3.17 **Table 3-12** above shows that approximately 100 percent of the middle school teaching staff teach five periods or more per day (200 to 280 minutes per day). Approximately 81 percent or 26 of the middle school teaching staff teach five periods, receive one conference/planning period, perform two duty periods and receive a duty free lunch which is the equivalent of one full period. The remaining 19 percent or 6 of the middle school teaching staff have an instructional period in place of either one or both of their duty periods. Approximately 6,800 minutes are actually being taught by 32 middle school traditional teachers. This averages out to approximately 212 minutes per teacher. If each of the 26 middle school teachers teaching only five periods were required to teach two additional periods, in place of their two duty periods, the district could possibly reduce seven middle school teachers. In place of teachers performing duty periods, the district could hire monitors and educational aides which would be more cost efficient

R3.3 The district should evaluate the effectiveness of utilizing middle school teachers to perform two duty periods. Currently, twenty-six middle school teachers teach only five periods per day. If all middle school teachers taught instructional periods in place of their two duty periods, the district could possibly reduce seven teaching positions.

Financial Implications: Based upon VLSD’s fiscal emergency situation, the district will need to reduce operating costs. One possible area VLSD could consider would be to reduce teaching positions at the middle school level. However, reductions should not be in excess of those needed to balance the budget or state minimum requirements. Maximizing the number of periods taught per teacher could possibly reduce seven middle school teaching positions. Assuming the average salary of a teacher is \$42,329 and benefits constitute 30 percent of the salary, this reduction would create an annual savings of \$385,194.

F3.18 **Table 3-12** above also shows that approximately 94 percent or 31 of the high school teaching staff teach six periods (300 minutes per day). Most teachers at the high school teach six periods, receive one conference/planning period and receive a duty free lunch of not less than 30 minutes. Approximately 9,650 minutes are actually being taught by 33 traditional high school teachers. This averages out to approximately 292 minutes per teacher.

C3.3 VLSD, in cooperation with the district’s teachers, has effectively and efficiently structured the high school teachers’ work day by using contractual provisions and district policy to manage and maximize staffing levels and instructional operations. In addition to fully utilizing the teachers’ time with specific focus on instructional effectiveness and efficiency, the following points are recognized as other positive features highlighting VLSD’s management of instructional time and teacher utilization:

- ! Teachers are in the classroom for six teaching periods.
- ! If less than six periods are taught, teachers perform duty periods.
- ! High school teachers instruct an average of 283 minutes per day (see **F3.18**).
- ! Zero minutes per day are unaccounted for in the teachers’ work day (see **Table 3-11**).
- ! Approximately 49.6 percent of the teachers have a masters’ degree (see **Table 3-21**).

F3.19 **Table 3-13** presents a review of the middle schools’ FY 1998-99 master teaching schedule which revealed one traditional period with 15 or less pupils. The only class with 15 or less pupils was Language Arts.

Table 3-13: Middle School Teaching Periods with 15 or less Pupils

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

Source: Master teaching schedules

F3.20 **Table 3-14** presents a review of the high schools' FY 1998-99 master teaching schedule which revealed 33 traditional periods with 15 or less pupils. These classes do not include special education or vocational classes. Examples of classes with 15 or less pupils include Computer Application, Accounting, Personal Business, Business Law, Coll Speed/WP, Computer Basic, Advanced Application, Creative Writing, Spanish III, Spanish IV, Latin IV, Visual Technology, Manufacture II, Eng Design I, Eng Design II, Woods II, Power/Cons Tch, Interven Math, Integ Math III, Algebra I, Pre-Calculus, Calculus, Anatomy/Physiology and Government.

Table 3-14: High School Teaching Periods with 15 or less Pupils

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

Source: Master teaching schedules

F3.21 Minimum standards for elementary and secondary education provide for a ratio of teachers to pupils on a district-wide basis of at least one full-time equivalent classroom teacher per 25 pupils in average daily membership. A building ratio less than 25 to one potentially increases the number of teaching positions.

Table 3-15: Elementary Staffing Levels

	Average Daily Membership (ADM)	Non-Special Education Students	Non-Special Education Teachers	Student/Teacher Ratio
Elementary Schools:				
South Street	447	434	21	20.7
Vermilion Interm.	577	515	24	21.5
Elementary Totals:	1,025	950	45	21.1

Source: EMIS School Enrollment Report and Special Education Office

- F3.22 As **Table 3-15** illustrates, the student/teacher ratio of traditional students to traditional teachers in the elementary schools is currently 21.1:1. Although VLSD's student/teacher ratio at the elementary level exceeds state minimum guidelines, Am. Sub. H.B. 650, effective FY 1999, requires each district with a Disadvantaged Pupil Impact Aid (DPIA) index of greater than 1.00 to use a portion of their DPIA money to implement all day kindergarten. A portion of the remaining DPIA money must be used to implement the "third grade guarantee." The third grade guarantee consists of increasing the instructional attention given to each pupil in kindergarten through third grade by reducing the ratio of students to instructional personnel, extending the length of the school day or extending the length of the school year. H.B. 650 also specifies that districts must first ensure a ratio of instructional personnel to students of no more than 15:1 (in kindergarten and first grade). VLSD is not required to implement the preceding guidelines, as the district has not received any DPIA monies since FY 1996-97.
- F3.23 **Table 3-16** illustrates the staffing levels at the middle and high school buildings for FY 1998-99. The student/teacher ratios are representative of the number of traditional students which excludes special education, talent and gifted and vocational education students to the number of traditional teachers which exclude special education, vocational education and traveling/itinerant teachers.

Table 3-16: Middle School and High School Staffing Levels

	Average Daily Membership (ADM)	Non-Special Education Students	Non-Special Education/ Teachers	Student Teacher Ratio
Sailorway Middle School	632	540	28	19.3
Vermilion High School	870	813	36	22.6

Source: EMIS School Enrollment Report and Special Education Office

- F3.24 Traditional student to traditional teacher class size ratios in the middle school and high school average 19.3:1 and 22.6:1 respectively as illustrated in **Table 3-16**. Average class sizes less than minimum standards will require more teaching positions for the same number of students. Currently, VLSD maintains a 19.3:1 student/teacher ratio at the middle school which results in six additional middle school teaching positions. Also, maintaining a 22.6:1 ratio at the high school level results in three additional high school teaching positions. Continuing to maintain levels which exceed minimum standards will cost VLSD approximately \$495,249 annually in teachers' salaries and fringe benefits. These levels are subject to variances in ADM.

- F3.25 Ohio Admin. Code (OAC) Section 3301.35.02 provides guidelines for educational programs. The OAC provides general guidance for topics of study including career education, citizenship and human relations. The district currently requires 20 units of study for graduation for the classes of 1999. For 1999, 10 units must be in required subjects and 10 units in elective subjects. The district has established graduation requirements for the class of 2000 and 2001 at 20 credits which includes 12 required credits and eight electives. However, Am. Sub. S.B. 55 revises the minimum course requirements necessary for graduation for students graduating after September 15, 2001. The total number of units that must be taken in grades nine through 12 increases from 18 to 21 units and reduces the number of elective units that count toward the required number for graduation. Furthermore, S.B. 55 increases the required units of English language arts, mathematics, science and social studies. VLSD has revised course curriculum as required effective with the class of 2002. Effective with the graduates of the class of 2002, 15 units must be in required credits and eight units in electives. The greater the number of units scheduled, the more likely the district will have undersized classes.
- F3.26 **Table 3-17** compares the average salary of each classification to the peer districts for FY 1997-98. VLSD has the highest average salaries in three of the 11 classifications as indicated by the bolded numbers.

Table 3-17: Average Salary by Classification

	Amherst		Buckeye Local		Maumee		Vermilion		Peer District Average	
	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary
Official/Admin.	12.0	\$65,358 ³	14.0	\$51,902 ³	17.0	\$60,131 ³	12.0	\$58,943 ³	13.8	\$59,084
Prof/Education	198.8	42,871	144.9	37,936	204.4	46,346	151.9	43,026 ¹	175.0	42,545
Prof/Other	6.3	46,500	3.9	31,621	5.0	39,653	1.0	49,950 ¹	4.1	41,931
Technical	0.0	0	0.0	0	1.0	33,634	0.0	0	1.0 ⁴	33,634 ⁴
Office/Clerical	46.1	17,143	32.9	15,861	35.0	17,781	31.2	22,230 ²	36.3	18,254
Crafts/Trades	4.0	37,924	4.0	27,854	5.0	25,290	3.5	31,515 ²	4.1	30,646
Transportation	21.3	9,992	20.4	17,994	16.0	10,765	14.5	15,171 ²	18.1	13,481
Laborer	2.0	29,755	0.0	0	0.0	0	0.0	0	2.0 ⁵	29,755 ⁵
Custodians	18.9	30,749	11.0	23,507	18.0	24,747	16.5	30,751 ²	16.1	27,439
Food Service	14.5	14,712	12.3	9,457	24.0	5,960	12.5	14,194 ²	15.8	11,081
Other Service	6.0	13,553	7.3	11,120	14.0	2,715	4.9	5,843 ²	8.1	8,308

Source: FY 1997-98 EMIS Profile

¹ Average salary does not include 9.3% STRS picked up by board

² Average salary does not include 9.0% SERS picked up by board

³ Average salary does not include STRS or SERS picked up by board. The percentage of pickup varies by school district and position within the classification.

⁴ Peer district averages calculated using Maumee only

⁵ Peer district averages calculated using Amherst only

VLSD has only one FTE, a speech/hearing therapist, in the professional other classification. The peer districts have speech/hearing therapists, psychologists, dieticians and interpreters in this classification. When comparing only speech/hearing therapist average salaries, VLSD has the second lowest average. **Table 3-17** also reflects higher salaries for office/clerical and custodial employee classifications. As indicated in **F3.29** VLSD and the classified staff agreed to accept a zero percent increase for the fiscal years 1998-99, 1999-00 and 2000-01 which should bring classified salaries more in line with the peer districts.

F3.27 **Table 3-18** indicates VLSD’s average salaries for certificated and classified employee classifications including the employee portion of STRS and SERS picked up by the board. VLSD’s average salaries exceed the peer district average for eight of the nine employee classifications identified in **Table 3-18**. VLSD has the highest average salaries as a result of the retirement pickup in five of the nine employee classifications as indicated by the bolded numbers below. See **F3.28** and **R3.4**, **F3.29** and **R3.5** for more information.

**Table 3-18: Average Salary by Classifications
Including STRS and SERS pickup**

Classification	Average Salary Including SERS & STRS Pickup	Peer Average
Official/Admin	\$64,382	\$62,706
Prof/Education	\$47,027	\$42,545
Prof/Other	\$54,595	\$41,931
Office/Clerical	\$24,231	\$18,254
Crafts/Trades	\$34,351	\$30,646
Transportation	\$16,536	\$13,481
Custodians	\$33,519	\$27,439
Food Service	\$15,471	\$11,081
Other Service	\$6,369	\$8,308

Source: FY 1997-98 EMIS Profile

- F3.28 Currently, VLSD provides full pickup of the 9.3 employee portion of STRS. For 1997-98, the district spent approximately \$752,444 to pickup the employee portion of STRS.
- F3.29 An analysis of the district's average teacher salary as reflected in **Table 3-18**, indicates that VLSD has the highest average salary when including the pickup of the employee portion of STRS. On November 15, 1999, the certified employee union and the district signed a successor agreement to the current contract. This agreement provides for a 3.1 percent annual wage increase for fiscal years FY 2000-01, FY 2001-02, and FY 2002-03. As part of this agreement, the district will eliminate the employee portion of STRS currently paid by the district in three equal installments of 3.1 percent. Additionally, there will also be a .01 increase to the index in the salary schedule in FY 2001-02 and a .02 increase in FY 2002-03. The effect of this increase on individual certificated employee compensation varies due to years of service and amount of the employee's higher education. As an example, a teacher with 15 years of service and a masters degree will receive wage increases totaling 1.68 percent over the term of the successor agreement as a result of this provision. Other provisions of the new agreement include employee health care contributions, discontinuance of the "enhanced" severance pay for new employees, and an option to attend a one-half day professional development seminar in addition to the regular school calendar. All other provisions of the current contract are maintained in the successor agreement.

F3.30 In the past, OAPSE Local 332 negotiated board pickup of the nine percent employee portion of SERS. In the most recent contract, the board has agreed to continue picking up the nine percent of the employee portion for the 1998-99 and 1999-00 contract years. The district renegotiated the board pickup for FY 2000-01, which decreases from nine percent to four percent of the employee portion. For FY 1997-98, the district spent approximately \$203,552 to pickup the employee portion of SERS. In the 2000-01 contract year, the board will save approximately \$117,234 based on FY 1997-98 payroll figures.

C3.4 The combined efforts of the district and the classified staff to negotiate the reduction in the board pickup from nine percent to four percent provides the district with additional money to be put towards student instruction and to assist with remedying the fiscal emergency situation.

R3.4 An analysis of the district's average salary as reflected in **Table 3-18**, indicates that VLSD has the highest average salary for the Office/Clerical, Custodians and Food Service classifications when including the pickup of the employee portion of SERS. The current financial situation warrants budgetary sacrifices. Collectively, the district should collaborate with the union to bring compensatory levels into line with the remaining peer districts. This could be realized through a reduction in the SERS contribution, COLA, or a combination thereof.

Financial Implication: The district would additionally save approximately \$86,318 annually as a result of no longer picking up the four percent employee portion of SERS.

F3.31 **Table 3-19** illustrates total FTEs and salaries presented in **Table 3-17** but have been re-categorized into the ratio of six classifications of personnel as defined in **Table 3-7** and further compares the ratio of total salaries per classification to total district salaries.

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

Classification	# of Employees	% of Total Employees	Total Salaries	% of Total Salaries
Administrative	12.0	4.8%	\$707,310	7.8%
Teachers	143.4	57.8%	\$6,069,958	67.2%
Pupil Services	9.5	3.8%	\$515,712	5.8%
Support Services	47.0	19.0%	\$1,015,102	11.2%
Other Classified	36.1	14.6%	\$722,219	8.0%
Technical	0.0	0.0%	\$0	0.0%
Total	248.0	100.0%	\$9,030,301	100.0%

Source: FY 1997-98 EMIS Profile

As indicated in **Table 3-21**, VLSD’s average teacher’s salary is the second highest among the peer districts. As reflected in **Table 3-19**, teachers make up 57.8 percent of total FTEs. However, teachers’ salaries account for 67.2 percent of total salaries.

F3.32 **Table 3-20** illustrates VLSD’s percentage of employee salaries in proportion to total district salaries and compares the respective employee classifications to the peer districts. As indicated by the bolded numbers, the percent of total salaries for VLSD’s support services and other classified employees are the highest of the peer districts which correlates to district’s office/clerical and custodial classifications higher salaries as reflected in **Table 3-17**.

Table 3-20: Percentage of Total Employees and EMIS Salaries by Classification

Classification	Amherst		Buckeye Local		Maumee		Vermilion		Peer Average	
	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary
Administrative	3.6%	6.7%	5.6%	9.3%	5.0%	8.3%	4.8%	7.8%	4.8%	8.0%
Teachers	57.8%	69.2%	55.4%	67.4%	57.0%	72.5%	57.8%	67.2%	57.0%	69.1%
Pupil Services	4.3%	6.2%	4.0%	4.7%	4.7%	6.3%	3.8%	5.8%	4.2%	5.7%
Support Services	18.5%	10.4%	19.0%	10.9%	18.6%	7.2%	19.0%	11.2%	18.7%	10.0%
Other Classified	15.8%	7.5%	16.0%	7.7%	14.4%	5.4%	14.6%	8.0%	15.2%	7.1%
Technical	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.0%	0.0%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

F3.33 **Table 3-21** indicates that VLSD’s average teachers’ salary of \$46,266 is the second highest among the peer districts. Average teachers’ salary among peer districts will be affected by experience and educational attainment. **Table 3-21** provides information concerning educational attainment and total years of experience.

The table below indicates VLSD has the second highest paid teachers, the highest number of years of experience and the second highest number of teachers with masters and above when compared to the peer districts.

Table 3-21: Average Teachers' Salary

	Amherst	Buckeye Local	Maumee	Vermilion
Average Teaching Salary	\$43,270	\$38,596	\$46,364	\$46,266 ¹
Average years of experience	17.3	13.9	13.7	17.4
% Non-degree	0.6	0.0	0.5	0.0
% Bachelors Degree	15.3	56.5	11.9	13.2
% Bachelors Degree + 150 hours	47.6	19.1	33.4	37.2
% Masters and above	36.5	24.4	54.2	49.6

Source: FY 1997-98 EMIS Profile

¹ Average salary includes 9.3% STRS picked up by board

- F3.34 **Table 3-22** illustrates that VLSD has the lowest salary when comparing teachers' bachelors beginning salary, bachelors 5th step salary and masters 5th step salary. VLSD has the second lowest bachelors maximum salary. VLSD has the second highest masters maximum salary which corresponds to **Table 3-21** reflecting the average teacher salary also being the second highest. VLSD's teachers contract does have a Ph.D. or Doctorate maximum salary specified. None of the peer districts have a Ph.D. or Doctorate maximum salary specified. The starting salary for a VLSD teacher effective September 1, 1998 was \$24,265. Effective January 1, 1999 the starting salary for a VLSD teacher increased to \$24,750. Starting salary includes 9.3 percent of STRS picked up by the board. VLSD's teachers contract has the second highest number of steps in the salary schedule when compared to the peer districts with 24 steps. Additionally, the district has no provisions for longevity while Buckeye Local School District and Maumee City School District's salary schedules provide longevity pay.

Table 3-22: Teachers Salary Schedule

District	Bachelors Beginning Salaries	Bachelors Salary 5 th Step	Bachelors Maximum Salary ¹	Masters Salary 5 th Step	Masters Maximum Salary ¹	Ph.D. or Doctorate Maximum Salary ¹	# of Steps in Salary Step Schedule
Amherst	\$26,331	\$32,019	\$51,662	\$35,099	\$56,586	N/A	27
Buckeye Local	\$26,013	\$31,216	\$45,523	\$34,597	\$51,246	N/A	19 ⁴
Maumee	\$26,449	\$32,064	\$50,454	\$37,404	\$61,129	N/A	18 ⁵
Vermilion ³	\$24,750	\$30,937	\$49,500	\$33,412	\$59,400	\$61,875	24
Average	\$25,886	\$31,559	\$49,285	\$35,128	\$57,090	\$61,875 ²	22

Source: FY 1998-99 salary schedules

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

¹ Maximum salaries are calculated after longevity increments

² Calculated using only Vermilion.

³ Vermilion salaries are as of the increase on January 1, 1999. This represents a mid-year 2% increase. Additionally, the salaries include the employer pickup of full employee portion of STRS (9.3%) have been applied.

⁴ A review of the contract shows that several steps require more than one year to advance to the next step. Twenty-two years are needed to reach the 19th step.

⁵ A review of the contract shows that several steps require more than one year to advance to the next step. Twenty-five years are needed to reach the 17th step.

F3.35 Although VLSD’s average teaching salary per EMIS for FY 1997-98 was \$42,329, a review of W-2’s for teachers reflected actual salaries paid to full-time teachers ranged from \$22,644 to \$67,162. Approximately 42 percent of VLSD’s teachers received more than \$50,000 in wages for the calendar year of 1998 which corresponds to the percentage of teachers with a masters degree and above as is reflected in **Table 3-21**. **Table 3-23** represents the range of actual teacher salaries based on the IRS Form W-2 for 1998.

Table 3-23: Range of Actual Teacher Salaries for Calendar Year 1998

Salary Range	# of Teachers per 1998 W-2 Report
\$60,000-\$69,999	5
50,000-59,999	52
40,000-49,999	41
30,000-39,999	25
22,644-29,999	12
Total	135

Source: W-2 Gross Pay Report - Payroll Secretary

F3.36 **Table 3-24** illustrates the types of supplemental contracts which are outlined in the VTA contract that impact the average salary. Each of the supplemental contracts are granted on a one year basis. Supplemental contracts for extra duty assignments and additional compensation are specific as to assignment, salary and time of payment and signatures of both parties. A job description for each supplemental contract is on file in the superintendent’s office. A review of job descriptions for supplemental positions indicated that each supplemental contract was provided a job description. The supplemental contracts do not contain provisions for release time.

Table 3-24: Supplemental Contract Types, Positions Included and Salaries for FY 1997-98

Extracurricular Supplemental Contracts	Supplemental Salaries for FY 1997-98
Athletics	156,572
Advisors	30,918
Department Heads	26,087
Team Leaders	10,101
Music	19,235
Computer Coordinators	6,616
Other	2,831
Total Supplemental Contracts FY 1997-98	\$252,360

Source: Treasurer’s Office

Substitutes:

F3.37 **Table 3-25** shows the overall substitute payments made by the district for FY 1997-98. Of the \$172,125 spent on substitute costs, teacher substitutes made up 69 percent of the group. The remaining 31 percent was spread across five other employee classifications.

Table 3-25: Substitute Payments for FY 1997-98

Classification	Amount Paid
Teachers	\$117,935
Clerical	5,210
Custodians	18,879
Bus Drivers	19,926
Food Service	2,243
Other	7,932
TOTAL	\$172,125

Source: Payroll Secretary

F3.38 **Table 3-26** compares VLSD and the peer districts' substitute costs and procedures. This information will be used in numerous findings when assessing substitute costs.

Table 3-26: Comparison of Substitute Costs

	Amherst	Buckeye Local	Maumee	Vermilion
Auto/Manual Substitute Placement	Manual	Manual	Manual	Manual
Daily Cost of Teacher Substitutes	\$65/day - 1-15 days \$75 day - 16-45 days \$95 day - 46+ days Base Salary + sick leave benefits (\$143/day) - 60+ days	\$70/day - 0-15 days Base salary - 16-59 days (\$141.38) Base salary + benefits (\$141/day) - 60+ days	\$70/day - 0-10 days \$75/day - 11-20 days \$80/day - 21-59 days Base salary (\$143/day) - 60+ days	\$60/day - 0-10 days \$75/day - 11-60 days Step 0 of teacher's salary schedule (\$123/day) - 60+ days in same assignment
Hourly Cost of Bus Drivers	\$12.36/hr	\$10.93/hr	\$9.84/hr - reg. routes \$9.45/hr - filed trip	\$7.80/hr
Hourly Cost of Clerical & Aides	\$6.80/hr	Clerical - \$10.08/hr Aides - \$8.13/hr	Clerical - \$7.45/hr Monitor/Aides - \$6.20/hr	Clerical - \$6.20/hr Monitors - \$5.15/hr Ed. Aides - \$5.60/hr
Hourly Cost of Custodial / Maintenance	\$9.95/hr	\$11.72/hr	\$7.45/hr	\$7.50/hr
Hourly Cost of Lunchroom	\$6.50/hr	\$8.22/hr	\$6.25/hr	\$5.15/hr

Source: Payroll Secretary

Certificated Substitutes:

- F3.39 Teacher positions requiring substitutes can be filled by casual/short-term or long-term substitutes. Casual/short-term substitutes are defined as substitutes who work in the district in the same position or varying positions and are paid \$60 per day. Long-term substitutes work in the same position for 11 or more days. On the 11th day, the substitute teacher is paid \$75 per day. On the 61st consecutive day, the substitute teacher is placed on the salary schedule at step one of the Bachelors level on the teachers' salary schedule or approximately \$22,644 per year as of January 1999, divided by the number of work days in the school calendar (184 teaching days), or approximately \$123 per day.
- F3.40 In FY 1997-98, VLSD used 143.4 FTE teachers who were contracted to teach 178 days (school year) for a total of 25,525.2 school days requiring a teacher. **Table 3-27** shows approximately six percent of total teaching days for FY 1997-98 were taught by a substitute teacher. The table also illustrates that, of the ten individual periods defined, there were two periods, as indicated by the bolded number, where more than seven percent of available teaching days were taught by a substitute teacher.

Table 3-27: Substitute Teachers Report for FY 1997-98

Month	Teaching Days Per Period	Total Teaching Days ¹	Total Substitute Days	% of Total Teaching Days Requiring Substitutes
8/14 thru 9/17/97	16	2,294.4	109.5	4.8%
9/18 thru 10/15/97	19	2,724.6	137.0	5.0%
10/16 thru 11/12/97	20	2,868.0	150.5	5.2%
11/13 thru 12/10/97	17	2,437.8	151.5	6.2%
12/11/97 thru 1/21/98	18	2,581.2	166.0	6.4%
1/22 thru 2/18/98	19	2,724.6	195.5	7.2%
2/19 thru 3/18/98	19	2,724.6	181.0	6.6%
3/19 thru 4/15/98	16	2,294.4	159.0	6.9%
4/16 thru 5/13/98	18	2,581.2	225.5	8.7%
5/14 thru 6/10/98	16	2,294.4	141.0	6.1%
TOTAL	178	25,525.2	1,616.5	6.3%

Source: Payroll Secretary

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

F3.41 **Table 3-28** illustrates the number of leave days used by VLSD’s teachers for FY 1997-98 thus requiring either a substitute or another staff member to cover for the absence.

Table 3-28: Teachers’ Leave Days Taken FY 1997-98

Classification	# Sick days taken	# Personal days taken	# Prof. days taken	# Other ¹ days taken	Total Leave Days Taken	# Teachers	Average # Days taken per Teacher
Teachers	1,367.5	196.0	323.0	0.0	1,886.5	153	12.3

Source: Payroll Secretary

F3.42 **Table 3-29** illustrates the average number of sick, personal, professional and other leave days taken per teacher during FY 1997-98 for each of the peer districts.

Table 3-29: Teacher Average Number of Leave Days Taken per Peer District

	Amherst		Buckeye Local		Maumee		Vermilion		Peer Average
	# Days Taken	Ave. Per Teacher	# Days Taken	Ave. Per Teacher	# Days Taken	Ave. Per Teacher	# Days Taken	Ave. Per Teacher	
SICK LEAVE	1,172.0	5.5	910.8	6.0	1,388.8	7.0	1,367.5	8.9	6.9
PERS. LEAVE	193.3	0.9	226.0	1.5	324.9	1.6	196.0	1.3	1.3
PROF. LEAVE	338.5	1.6	495.5	3.3	406.0	2.0	323.0	2.1	2.3
OTHER LEAVE	8.0	0.1	58.5	0.4	24.0	0.1	0.0	0.0	0.1
TOTAL ALL LEAVE	1,711.8	8.1	1,690.8	11.2	2,143.7	10.8	1,886.5	12.3	10.6
# of eligible teachers	212		152		199		153		179

Source: Payroll Secretary

F3.43 VLSD’s teachers averaged 8.9 sick days per teacher in FY 1997-98 which is above the peer district average of 6.9 sick days. Data provided by the Bureau of Labor Statistics indicates that 12 month government workers average 4.7 sick days per person in 1997 which is significantly lower than the peer group average and VLSD’s teachers average. In addition to the increased cost of substitute teachers, excessive leave creates interruptions in the flow of teachers’ curriculum and may have an impact on the quality of education provided to students.

F3.44 The assumptions used for the following statistics are based on the average daily substitute rate of \$60/day. VLSD’s teachers, provided with 15 days of sick leave annually, averaged 8.9 days of sick leave per teacher or approximately \$81,702 for total substitute salaries in FY 1997-98. VLSD’s teachers are provided three days of personal leave per year. In FY 1997-98, teachers averaged 1.3 days or approximately \$11,934 for total substitute salaries. VLSD’s union agreement does not stipulate a specific number of professional leave days available to each teacher. In FY 1997-98, VLSD’s teachers averaged 2.1 days of professional leave or \$19,278 for total substitute salaries. Using the three types of leaves as defined above, VLSD had a maximum exposure for teacher substitute costs of \$112,914. Approximately \$117,935 was actually spent on substitute teachers for FY 1997-98, the difference being attributed to the costs associated with the use of teachers in substitute roles. The district does not maintain records which separately identify reasons for substitute teachers.

R3.5 VLSD spent \$117,935 on substitute teacher payments for FY 1997-98. Contributing to this expense was sick days used by all employees. If VLSD could reduce the amount of sick leave taken, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the flow of teachers’ curriculum and would reduce the overall substitute costs incurred as shown in **Table 3-30** below. Reducing sick leave taken by four days would bring VLSD in line with the average taken by 12 month government workers of 4.7 days as reported by the Bureau of Labor Statistics.

Table 3-30: Annual Savings Calculated for Reduction in Usage of Teacher’s Sick Leave

	Annual Savings Calculated at			
	Sick leave reduced by one day	Sick leave reduced by two days	Sick leave reduced by three days	Sick leave reduced by four days
Teachers	\$9,180	\$18,360	\$27,540	\$36,720

Financial Implication: Reducing the number of sick days taken by each teacher by one day would save VLSD approximately \$9,180 annually in substitute costs. Reducing the number of sick days taken by each teacher by two days would save VLSD approximately \$18,360 annually in substitute costs. Reducing the number of sick days taken by each teacher by three days would save VLSD approximately \$27,540 annually in substitute costs. Further reducing the number of sick days taken by four days which would bring VLSD in line with the average taken by 12 month government workers of 4.7 days as reported by the Bureau of Labor Statistics would save VLSD approximately \$36,720 annually in substitute costs. The financial implications may be greater depending on use of long-term substitutes whose salaries are considerably higher.

- F3.45 As specified in the VTA contract, any teacher assigned by a building principal to cover the classes of another teacher shall receive additional pay equal to the hourly rate of the teacher’s base salary (base salary divided by 184 contract days divided by 7.75 equals the hourly rate).
- F3.46 **Table 3-31** illustrates that all four districts pay teachers for coverage when a standard substitute is not available. The district could not identify the total cost paid to teachers in FY 1997-98 to cover classes when a substitute could not be provided.

Table 3-31: Rates Paid for Teachers to Fill in for Substitutes

Amherst	Buckeye Local	Maumee	Vermilion
\$22.38/hr	\$18.93/hr	1/99 - \$19.00/hr 1/00 - \$19.50/hr 1/01 - \$20.00/hr	Per Diem Hourly Rate of Teacher Filling in for a Substitute

Source: Teacher Contracts

- F3.47 During the 1997-98 school year, VLSD requested substitute classroom coverage for a total of 1,617 days which averaged approximately nine substitute requests per day. The district experienced a substitute shortage of approximately one percent or approximately 16 requested but unfilled substitute days.
- F3.48 In order to reduce the shortage of substitute teachers, the following efforts were made by the HRD prior to and/or during the 1997-98 school year:
- ! Advertised in the local newspaper
 - ! Mailed letters to teacher applicants file
 - ! Maintained contact with interested retirees stating re-employment standards
 - ! Screened all substitutes looking for full-time employment
 - ! Developed and printed substitute teachers’ handbook
 - ! Held interviews with all interested substitutes prior to start of school year
 - ! Investigated automated substitute calling system
 - ! Compared pay rates in the area
 - ! Established regular substitute teachers that report to the schools on a daily basis

R3.6 The district should initiate efforts to define requirements to select and implement an automated substitute calling system which will meet the district’s needs if it is determined feasible considering the district’s current fiscal emergency situation. An automated substitute placement system will improve operations in the following areas:

- ! *Extent of Automation:* There are several functions that a substitute placement system offers that are not available with a manual substitute placement operation. For example, such a system can record instructions from the absent teacher that are automatically played for the substitute who accepts the position.
- ! *Availability of Data:* An automated substitute placement system provides management with reports concerning substitute placement rates, teacher absenteeism and other useful information. Furthermore, the system can generate reports to respond to unemployment compensation claims by substitute teachers.
- ! *Future Improvements:* For an additional investment, such a system can be interfaced with the payroll system to eliminate manual payroll processing and can be expanded to accommodate non-teaching substitute placement such as substitute school clerks.
- ! *Site-based Management:* An automated substitute placement system calls substitutes based on a prioritized roster established by each school.

Several additional benefits of the computerized substitute system may include an efficient method of contacting qualified substitutes which will eliminate the time spent by district personnel in obtaining substitutes, an overall reduction in employee sick time and a convenient reporting system which will improve management's access to substitute data.

Financial Implication: VLSD should consider purchasing an automated substitute placement system. The estimated costs associated with implementing a teacher substitute system range between \$50,000 and \$60,000 depending on the level of software and hardware required. Ongoing technical support and technology upgrades would be approximately \$3,000 in annually. The district should also discuss the possibility of a centralized automated substitute placement system with their local educational service center (ESC) and other member school districts. If the system was purchased by the ESC, all schools which work with the ESC would be able to take advantage of the system. The cost would be shared by the participating districts based on ADM. For the New Lexington City School District (NLSD) audit, an estimate for the system was obtained by the Perry County ESC from Telecommunication Support Systems for use by its member districts. If the ESC purchased the system, the annual cost of maintaining and operating the system was estimated at \$14,000. The estimated annual cost to NLSD, which is of comparable size to VLSD, was \$2,800.

R3.7 Additional strategies VLSD should consider implementing to reduce the shortage of substitute teachers include the following:

- ! Utilizing para professionals with the approval of the ODE
- ! Proposing an increased rate of compensation for substitutes
- ! Mailing letters to student teachers
- ! Placing flyers in university placement offices

Classified Substitutes:

F3.49 Classified positions which require substitutes are usually filled by casual/short-term substitutes. Substitutes are paid an hourly wage based upon the classification of employees as shown in **Table 3-26**. Classified substitutes receive the same hourly rate regardless of the number of days worked in the same position. Benefits are not provided to casual/short-term substitutes at any time.

F3.50 **Table 3-32** illustrates the number of days of leave used by VLSD’s classified staff for FY 1997-98 which could have required either a substitute or another staff member to cover for the vacancy.

Table 3-32: Classified Personnel Days Taken FY 1997-98

Classification	# Sick days taken	# Pers. days taken	# Prof. days taken	# Vacation Leave	# Other days ¹	Total days taken	# Empl. per Class	Average # Total Days Taken per Employee
Clerical/Office	132.0	29.5	1.0	97.5	5.0	265.0	18	14.7
Custodian/Maint	210.0	39.5	0.0	297.0	0.0	546.5	20	27.3
Food Service	74.0	14.5	1.0	0.0	30.0	119.5	20	6.0
Transportation	150.0	37.5	1.0	28.0	35.0	251.5	29	8.7
Educational Aides	136.0	28.5	4.0	0.0	8.0	176.5	15	11.7
Totals	702.0	149.5	7.0	422.5	78.0	1,359.0	102	13.3

Source: Payroll Secretary

¹ Other days include days off without pay and jury duty

F3.51 **Table 3-33** illustrates the average number of leave days taken per employee category for FY 1997-98.

Table 3-33: Average Days Leave Taken FY 1997-98 - Classified Personnel

Classification	Ave. # Sick Days Taken	Ave. # Per. Days Taken	Ave. # Prof. Days Taken	Ave. # Vacation Days Taken ¹	Ave. # Other ² Days Taken
Clerical/Office	7.3	1.6	0.1	16.3	0.3
Custodian/Maintenance	10.5	2.0	N/A	14.9	N/A
Food Service	3.7	0.7	0.1	N/A	1.5
Transportation	5.2	1.3	0.0	9.3	1.2
Educational Aides	9.0	1.9	0.3	N/A	0.5
Totals	6.9	1.5	0.1	14.6	0.8

Source: Staff Attendance Reports

¹ Calculated based on eligible employees

² Other days include days off without pay

N/A - not eligible for vacation

F3.52 **Table 3-34** presents cost information for FY 1997-98 substitute costs for classified employees assuming an average daily substitute rate as defined in **Table 3-26** and an average number of total leave days taken per employee as established in **Table 3-33** for each classification of employees.

Table 3-34: Classified Personnel Substitute Costs FY 1997-98

Classification	Ave. # total days taken per employee	Hours per day	Rate per hour	# of Employees included in group	Estimated Substitute Cost to the District
Clerical/Office	14.7	8.0	\$6.20	18	\$13,124
Custodian/Maintenance	27.3	8.0	\$7.50	20	\$32,760
Food Service	6.0	4.7	\$5.15	20	\$2,905
Transportation	8.7	4.5	\$7.80	29	\$8,856
Others	11.7	8.0	\$5.60	15	\$7,862
Total	13.3				\$65,507

F3.53 Using the assumptions above, VLSD had a maximum exposure for classified substitute services of \$65,507 versus the approximate amount of \$54,190 which was actually spent on substitute services for classified employees.

Custodial employees primarily use their vacation time through the summer months, therefore; no substitute would be required. As a result, the actual amount expended during FY 1997-98 is substantially lower than the amount estimated above.

F3.54 **Table 3-35** compares the average number of sick days taken by VLSD’s classified staff to the peer districts for FY 1997-98.

Table 3-35: Average Number of Sick Days Taken FY 1997-98

	Amherst		Buckeye Local		Maumee		Vermilion		Peer District Average
	# Sick days taken	Ave. Per Empl.	# Sick days taken	Ave. Per Empl.	# Sick days taken	Ave. Per Empl.	# Sick days taken	Ave. Per Empl.	
Clerical/Office	131	7.7	75	6.3	154	8.5	132	7.3	7.4
Custodian/Maintenance	299	13.6	147	10.5	193	6.9	210	10.5	10.4
Food Service	238	9.1	196	13.1	170	6.3	74	3.7	8.1
Transportation	195	10.3	235	7.8	106	5.9	150	5.2	7.3
Others ¹	493	10.5	272	7.8	103	5.7	136	9.0	8.3
Totals	1,356	10.2	925	9.1	726	6.7	702	6.9	8.2

Source: Peer district benchmarking surveys

¹ Others classification includes monitors and educational assistants

VLSD’s classified staff averaged the second lowest sick days taken per employee when compared to the peer districts as illustrated in **Table 3-35**. However, two of the five classifications averaged nine or more sick days per person, as indicated by the bolded numbers in the table.

The classified staff provides critical resources to the educational process by:

- ! Functioning as a support resource for staff and students
- ! Providing a clean and secure environment
- ! Ensuring nutritious lunches
- ! Fulfilling additional functions as required by curriculum and/or other district needs

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

R3.8 VLSD spent approximately \$54,190 on classified employee substitute payments for FY 1997-98. Contributing to this expense were sick days used by these employees. The classified employee population averaged 6.9 sick days per person in FY 1997-98 which is two days higher than the average taken by 12 month government workers of 4.7 days as reported by the Bureau of Labor Statistics. Assuming full utilization of substitutes by the district, if VLSD could reduce the amount of sick leave taken, it would eliminate additional

administrative time, enhance the quality of education by eliminating interruptions in the flow of work and reduce the overall substitute costs incurred as shown in **Table 3-36** below.

Table 3-36: Annual Savings Calculated from Reductions in Classified Sick Leave Usage

Employee Classification	Annual Savings	
	Sick leave reduced by 1 day	Sick leave reduced by 2 days
Clerical/Office	\$893	\$1,786
Custodian/Maintenance	960	1,920
Food Service	484	968
Transportation	1,018	2,036
Miscellaneous	672	1,344
Totals	\$4,027	\$8,054

Financial Implication: Reducing the number of sick days taken by each employee by one day would save VLSD approximately \$4,027 annually in substitute costs. Further reducing the number of sick days taken by two days which would bring VLSD in line with the average taken by 12 month government workers of 4.7 days as reported by the Bureau of Labor Statistics would save VLSD approximately \$8,054 annually in substitute costs

R3.9 VLSD’s sick leave days taken per teacher is currently averaging 8.9 days and classified employees are currently ranging between 3.7 and 10.5 days. The district needs to make managing and reducing the amount of sick leave taken a high level of priority among the district’s administration. VLSD’s HRD should provide departmental management with sick leave reports containing at a minimum, the amount of leave taken by employees, leave balances by employee, reasons for absences and any additional information regarding sick leave taken. This information is easily gathered through an effective automated calling system (see **R3.6**).

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

- ! Implement a sick leave abuse policy such as a rolling year occurrence policy where employees are held accountable for the number of times taken off rather than the length of each time taken off.
- ! Implement an attendance incentive where teachers are rewarded for perfect attendance for all employees.
- ! Require a certified statement from the employee's physician if the employee is off sick for three or more consecutive days.
- ! Require all employees to complete a standardized sick leave explanation form.
- ! Require sick leave taken to be a component of the employee's evaluation.
- ! Do not include sick leave days in the "active pay status" category when calculating an employee's overtime eligibility.

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

Benefits Administration:

F3.55 The administration of benefits for VLSD is handled by the treasurer's department. The secretary-payroll is responsible for new employee orientation and distributing benefit information packets to employees, processing enrollment additions and changes, reconciling carrier coverage records and ensuring that corresponding payroll deductions are processed properly. In addition, the administration of health, dental, vision and life insurance claims are handled by the secretary - payroll. The secretary to the assistant superintendent is responsible for the processing of Workers' Compensation and unemployment claims.

F3.56 VLSD is self-insured for medical, prescription, dental and vision plans. VLSD signed a 12-month agreement effective July 1998 with Self-Funded Plans, Inc., a third party administrator. Self-Funded Plans Inc. is contracted by the district to administer the district's self-insured hospitalization, major medical, dental, prescription and vision plans. Self-Funded Plans, Inc., the claims administrator, is responsible for receiving and processing claims for benefits, disbursing claims payments, providing VLSD with a weekly check register of payments made, preparing I.D. cards and claims kits and notifying and communicating with claimants and area providers. As the plan sponsor, VLSD, is responsible for providing a current listing of all members to the claims administrator, reimbursing the amount of claims paid upon receipt of the weekly check register and notifying the administrator of any revisions to the plan. Self-Funded Plans, Inc. obtained a report for the period of November 1, 1997 through October 31, 1998 from Samuel, Kellogg & Co., Inc., which indicated internal control policies and procedures had been placed in operation and were operating with sufficient effectiveness to provide reasonable assurance the control objectives were achieved during the audit period.

The district maintains financial activity for the self-funded plan in an Internal Service fund. At the beginning of FY 1997-98, the fund balance was \$79,233. The claims disbursements during the fiscal period was \$868,764. The fund balance at June 30, 1998 was \$332,293. The fund balance at June 30, 1998 appears to be in line with industry standards as established by the Ohio Revised Code (ORC).

F3.57 The district uses National Administrative Services for the life insurance plan coverage for district employees. It is the responsibility of the superintendent and the assistant superintendent to annually review the district's benefit package and to obtain quotes for renewal and evaluate whether any changes are needed.

F3.58 For purposes of determining eligibility for insurance coverages, VLSD defines a full-time employee as one who works a regular schedule of 35 hours or more per week. Such employees are entitled to full participation and benefits in all insurance programs provided by the board of education (see **Table 3-39, Table 3-41, Table 3-42** and **Table 3-43** for employee contribution requirements). Part-time employees are allowed to participate in the medical, prescription, dental and vision programs. Those who wish to participate are required to contribute towards the monthly premium on a prorated basis. The payroll secretary determines the percentage each part-time employee is required to contribute based on the number of hours worked per week and the sliding scale established by the board.

F3.59 As indicated in **Table 3-37**, a single plan under the current health plan is \$272 per month (which is above the average monthly medical premium cost of \$184.09 for single coverage as reported by SERB, see **F3.60**) and a family plan is \$575 per month (which is also above the average monthly medical premium cost of \$469.17 for family coverage as reported by SERB). For FY 1997-98, a single plan under the health plan was \$211 per month and a family plan was \$348 per month. The substantial increase was a result of high number of claims in FY 1998-99. Previously, Full-time participating employees contributed zero percent toward the cost of single medical insurance coverage and zero percent toward the cost of family medical insurance coverages as indicated in the following table. The SERB report indicated that 46 percent of employers require an employee contribution toward the cost of single insurance coverage and 60 percent require an employee contribution toward the cost of family insurance coverage. In the new teachers agreement (see **F3.29**), the teachers union has agreed to make monthly health care contributions at the rate of \$15.00 for single coverage and \$40.00 for family coverage. There is also a provision in the new agreement in which teachers who elect not to take the health care coverage shall be paid by the district in monthly amounts of \$100 for single coverage or \$200 for family coverage. At least 25 teachers must elect not to take health care coverage for this provision to take effect.

Table 3-37: Health Plan Cost Obligations

Coverage Elected - Full-time Employees	% paid by employee	\$ paid by employee	\$ paid by employer
Single Plan - \$271.75/month			
Certified	0.0%	\$0.00	\$271.75
Classified	0.0%	\$0.00	\$271.75
Family Plan - \$574.64/month			
Certified	0.0%	\$0.00	\$574.64
Classified	0.0%	\$0.00	\$574.64

Source: VLSD's schedule of benefits FY 1999-00

F3.60 VLSD has implemented a graduated benefits scale designed to prorate the contributions required by part-time classified employees. Those part-time employees who wish to have medical, prescription, dental or vision coverage are required to contribute towards the premium costs based on the percentage of a full-time schedule that each employee works as shown in **Table 3-38**.

Table 3-38: Graduated Benefits Scale

Hours Worked	Percentage of Employee Contribution Required
35 or more hours per week	0%
25 to 34 hours per week	25%
15 to 24 hours per week	50%
5 to 14 hours per week	75%
4 or less hours per week	No payment by employer
Any remaining premium will be paid by the employee via automatic payroll deduction.	

Source: Board approved sliding scale

C3.5 VLSD has successfully implemented a graduated benefit scale designed to prorate the contributions required by part-time employees. Requiring part-time classified and part-time certificated employees to contribute toward the benefit costs based on the percent of a full-time schedule that each employee works provides a significant cost savings to the district.

F3.61 A report on the *Cost of Health Insurance in Ohio’s Public Sector* was completed by SERB. Based on the 1998 study, approximately 60 percent of the responding employers required their employees to pay a proportion of the cost of a family premium. Forty-six percent required their employees to share the cost for the single plan. The average monthly employee contribution is \$21.44 for single and \$61.72 for family. These rates amount to 11.7 percent of the cost of a single plan and 13.1 percent of the monthly family premium. Other findings from the study include the following:

- ! Estimated cost of medical and other health care benefits will average \$5,376 per covered employee in 1998.
- ! Monthly medical insurance premiums currently average \$184.09 for single coverage and \$469.17 for a family plan.
- ! Average total monthly cost of employee health care benefits stands at \$223.92 and \$536.43 for single and family coverage, respectively.
- ! Approximately 87 percent of public employers offer some level of dental coverage, 50 percent provide a vision plan and 93 percent offer life insurance.

- ! Dental coverage costs an average of \$26.59 a month for single and \$47.16 a month for family. The cost of optical insurance averages \$7.40 for single and \$13.03 for family coverage.
- ! Twenty-nine percent of employers offer insurance coverage through an HMO. Forty-three percent contract at least some health services through a provider network.

F3.62 **Table 3-39** provides certain details about health care information. Two of the peer districts are self-insured, Amherst and VLSD. Buckeye Local School District is the only peer district which requires contributions from employees for its traditional plan. Amherst requires an employee contribution for its family plan.

Table 3-39: Hospitalization

School	Provider(s)	Monthly Premium For Single Plan	Full-Time Emp. Share	Monthly Premium for Emp. + one	Full Time Emp. Share	Monthly Premium For Family	Full-Time Emp. Share	# of Emp. In Each Plan	Self Insured
Amherst	L.E.R.C. ^{1 2}	\$149.37	\$0.00	N/A	N/A	\$395.83	\$39.58	101/160	Yes
Buckeye Local	<u>Medical Mutual</u> Traditional	\$223.86 ³	\$11.19 ³	N/A	N/A	\$476.80 ³	\$23.84 ³	29/85	No
	PPO	\$204.40 ³	\$2.76 ³	\$353.56 ³	\$2.76 ³	\$428.15 ³	\$2.76 ³	24/28/57	No
Maumee	<u>Paramount</u> ¹ PPO	\$168.00	\$0.00	N/A	N/A	\$428.40	\$0.00	0/9	No
	HMO	\$151.29	\$0.00	N/A	N/A	\$385.80	\$0.00	38/157	No
	HMO	\$151.29	\$0.00	N/A	N/A	\$385.80	\$0.00	31/22	No
Vermilion	Self Funded Plans, Inc. ¹	\$210.71	\$0.00	N/A	N/A	\$438.32	\$0.00	32/176	Yes

Source: Schedule of benefits FY 1997-98

¹ Prescription plan is included in medical benefits premium costs

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

³ Buckeye Local Prescription Insurance premiums have been added for comparison.

F3.63 Certain benefits affect the overall cost of medical plans. **Table 3-40** compares some key benefits which are considered when comparing benefits to cost when choosing a medical plan.

Table 3-40: Key Medical Plan Benefits

	<u>Amherst</u> L.E.R.C. ¹	<u>Buckeye Local</u> Medical Mutual of Ohio - Super Med Plus	<u>Maumee</u> Paramount	<u>Vermilion</u> Self-Funded Plans, Inc.
Office Visits	90/10	Traditional: 90/10 PPO: \$10.00 Copay 80/20 outside PPO	HMO: \$10.00 Copay PPO: 90/10 if PPO 70/30 outside PPO	85/15 if PPO 80/20 outside PPO 100% over \$1,000 (certified) 100% over \$4,000 (classified)
Employee Annual Deductible	\$50 single \$100 family	\$100 single \$200 family	HMO: No Deductible PPO: \$400 S/\$800 F if PPO \$200 S/\$400 F outside PPO	\$ 100 S/\$ 200 F (certified) \$ 200 S/\$ 400 F (classified)
Prescription Plan Included?	Yes	No	Yes	Yes
Need to Choose Primary Physician	No	No	Yes	No
Maternity	100%	100%	100%	85/15 if PPO 80/20 outside PPO 100% over \$1,000 (certified) 100% over \$4,000 (classified)
Well Child Care	0 - 1 yrs - \$500 1 - 9 yrs - \$150	\$500 max per year	HMO: \$10.00 copay per visit PPO: 90/10 if PPO 70/30 outside PPO	0 - 1 yrs - \$500 1 - 9 yrs - \$150 (certified) 85/15 if PPO 80/20 outside PPO 100% over \$4,000 (classified)
Inpatient Hospital Care	100%	100% - 365 days/yr	HMO: 100% PPO: 90/10 if PPO 70/30 outside PPO	85/15 if PPO 80/20 outside PPO 100% over \$1,000 (certified) 100% over \$4,000 (classified)

Source: Schedule of benefits FY 1997-98

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

An analysis of VLSD’s key medical plan benefits indicates that only one plan is offered to employees of the district. **Table 3-40** also reflects that of the four districts, a prescription plan is included in three of the districts’ medical plans.

F3.64 **Table 3-41** illustrates that all four districts provide dental benefits to their employees. VLSD and Maumee City School District pay 100 percent of monthly dental benefits provided to eligible employees. **Table 3-41** shows the average premiums paid for both single and family dental plans. VLSD’s dental plan does not require an employee contribution for single or family dental coverage.

Table 3-41: Dental Insurance

School	Provider(s)	Monthly Premium For Single Plan	Full-Time Emp. Share	Monthly Premium For Emp. + one	Full-Time Emp. Share	Monthly Premium For Family	Full-Time Empl Share	Number Enrolled: Single/Family	Self-Insured
Amherst	L.E.R.C. ¹	\$48.07	\$16.01	N/A	N/A	\$48.07	\$16.01	42/202	Yes
Buckeye Local	Benefit Services	\$47.84	\$2.39	N/A	N/A	\$47.84	\$2.39	44/186	No
Maumee	Delta Dental	\$19.10 \$18.05	\$0.00 \$0.00	\$36.94 \$34.86	\$0.00 \$0.00	\$65.70 \$61.13	\$0.00 \$0.00	35/53/135 15/23/11	Yes
Vermilion	Self Funded Plans, Inc.	\$19.01	\$0.00	N/A	N/A	\$46.44	\$0.00	33/179	Yes

Source: Schedule of benefits FY 1997-98

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

F3.65 **Table 3-42** shows the average premiums paid for both single and family vision plans. The board provides vision insurance not to exceed a maximum contribution by the employer of \$3.06 for the single plan and \$7.17 for the family plan per month per employee. VLSD is the only district that provides employees with vision coverage.

Table 3-42: Vision Insurance

School	Provider(s)	Premium Cost/Mth per Emp. Single	Full-Time Emp. Share	Premium Cost/Mth. per Emp. Family	Full-Time Emp. Share	Number Enrolled: Single/Family	Self-Insured
Amherst	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Buckeye Local	N/A - reimburse up to maximum \$200/employee	N/A	N/A	N/A	N/A	N/A	N/A
Maumee	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vermilion	Self Funded Plans, Inc.	\$3.06	\$0.00	\$7.17	\$0.00	39/181	Yes

Source: Schedule of benefits FY 1997-98

F3.66 **Table 3-43** shows the average monthly premiums paid for both single and family prescription insurance plans. Prescription coverage is included with hospitalization coverage for VLSD, Amherst, and Maumee. Buckeye Local is the only district which provides a separate prescription coverage requiring employee contributions.

Table-3-43: Prescription Insurance

School	Provider(s)	Cost/Mth per Emp. Single	Full-Time Emp. Share	Cost/Mth. per Emp. - Family	Full-Time Emp. Share	Number Enrolled: Single/Family	Self Insured
Amherst	L.E.R.C. ¹	Included in health plan	N/A	N/A	N/A	N/A	Yes
Buckeye Local	IPS	\$55.23	\$2.76	\$55.23	\$2.76	50/170	No
Maumee	Paramount	Included in health plan	N/A	N/A	N/A	N/A	No
Vermilion	Self Funded Plans, Inc.	Included in health plan	N/A	N/A	N/A	N/A	Yes

Source: Schedule of benefits FY 1997-98

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

F3.67 **Table 3-44** presents the average yearly total cost for certain benefits for FY 1997-98 for all peer districts. VLSD has the highest annual cost per employee among the peer districts at \$5,425, which is slightly higher than the annual cost of health care of \$5,376 per covered employee in 1998 as estimated in the SERB report. VLSD’s annual cost is high in comparison to the peer districts for the following reasons:

- ! The district requires minimal contributions from full-time employees for medical and prescription coverage
- ! The district does not require contributions from full-time employees for dental coverage
- ! VLSD was the only district to provide vision insurance
- ! The district does not require contributions from full-time employees for vision coverage
- ! VLSD employees pay low annual deductibles

Table 3-44: Yearly Total of All Insurance Costs for FY 1997-98

School	Health Care Costs	Dental Costs	Prescription Costs	Vision Costs	Life Insurance Costs	Totals	Annual Cost per Employee ¹
Amherst	\$907,895	\$98,967	N/A ²	N/A	\$21,428	\$1,028,290	\$3,885
Buckeye Local	\$886,962	\$132,038	\$145,807	N/A	\$17,793	\$1,182,600	\$5,214
Maumee	\$1,013,230	\$204,082	N/A ²	N/A	\$33,550	\$1,250,862	\$4,693
Vermilion	\$1,049,589	\$111,283	N/A ²	\$17,743	\$14,086	\$1,192,701	\$5,425

Source: Treasurer's Office

¹ Does not include life insurance costs

² Included in health care premiums

F3.68 **Table 3-45** indicates that VLSD's fringe benefit expenditures for certificated personnel and classified personnel are above the peer average and the statewide average. VLSD has the highest percentage among the peer districts, which reflects the fact that VLSD is the only district to pick up the entire employee contribution of STRS.

Table 3-45: Fringe Benefit Expenditures as a Percentage of Total Operating Expenses

Expenditure Breakdown	Amherst	Buckeye Local	Maumee	Vermilion	Peer Average	State Average
Certificated Benefits	14.8%	12.5%	14.0%	18.1%	14.9%	13.0%
Classified Benefits	4.4%	5.1%	2.8%	6.0%	4.6%	4.2%

Source: FY 1997-98 EMIS profile

R3.10 In the new teachers agreement (see **F3.29**), the teachers union has agreed to make monthly health care contributions at the rate of \$15.00 for single coverage and \$40.00 for family coverage. However, these contributions amount to 5.1 and 6.3 percent of monthly premiums for single and family coverage, respectively. There is a provision in the new agreement in which teachers who elect not to take the health care coverage shall be paid by the district in monthly amounts of \$100 for single coverage or \$200 for family coverage. This is only in effect if 25 or more teachers elect not to take health care coverage. VLSD does not require full-time classified employees to contribute towards the monthly premium for benefits. Certificated and classified part-time employees are required to contribute towards the monthly premiums on a prorated basis. If VLSD would require contributions consistent with other school districts for full-time employees enrolled in all medical, dental and vision plans, the overall insurance expenses would be further reduced as shown in **Table 3-46** below. Implementing this recommendation would require future negotiations.

Table 3-46: Annual Savings Resulting from Increased Employee Contributions for Insurance

	Annual Savings Calculated at		
	10%	15%	20%
Medical Plan - Single	\$10,726	\$16,922	\$23,118
Medical Plan - Family	\$109,126	\$167,394	\$225,663
Dental Plan - Single	\$919	\$1,379	\$1,838
Dental Plan - Family	\$9,977	\$14,966	\$19,955
Vision Plan - Single	\$166	\$249	\$332
Vision Plan - Family	\$1,572	\$2,358	\$3,144
Total Annual Savings	\$132,486	\$203,268	\$274,050
Estimated Teacher Contribution Under New Agreement	(\$62,520)	(\$62,520)	(\$62,520)
Total Additional Savings	\$69,966	\$140,748	\$211,530

Financial Implications: Negotiating a 10 percent contribution from all employees for medical, dental and vision benefits would additionally save VLSD approximately \$69,966 annually. Increasing the contributions to 15 percent would save VLSD approximately \$140,748 annually. Employee contributions at 20 percent would save VLSD approximately \$211,530 annually.

- F3.69 VLSD offers employees who separate employment continuous medical benefits in compliance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) put into law by the federal government in 1986. The administration of COBRA benefits is handled by VLSD’s third-party administrator, Self-Funded Plans, Inc.

- F3.70 The contractual agreement between the VTA and the board of education for the period September 1, 1997 through August 31, 2000 defines an enhanced severance payout available to eligible certificated employees. The plan was in effect for the life of the contract. In the new teachers agreement (see **F3.29**), the enhanced payout has been eliminated leaving all teachers hired after September 1, 1999 subject to the regular severance provisions (25% of 195 days). However, teachers employed by the district prior to September 1, 1999 can still receive the enhanced severance payout if they meet the following provisions:

- ! Employee elects to retire at the end of the school year during which the member first becomes eligible for full service retirement.
- ! A letter of retirement must be submitted to the superintendent by May first of the year in which he/she will retire.
- ! Employees who elect to participate receives severance pay for unused sick leave up to a maximum of 180 days at the member's per diem rate.

Although the contract specifies the eligibility requirements for the enhanced severance, the district has indicated that its actual practice is to provide the enhanced severance payout to employees if they reach any one of the following eligibilities:

- ! Completion of 30 years of service credit.
- ! Reaching age 55 with 25 to 30 years of service credit.
- ! Reaching age 60 with 5 years of service credit.

In FY 1997-98, a total of seven employees were eligible for the enhanced severance payout. All seven employees elected to participate in the enhanced severance payout. The district calculated an approximate cost of \$647,172 for implementation of the enhanced severance package which included \$403,819 in related salary cost and \$243,353 in severance costs. The district calculated a salary cost of \$204,040 for replacement personnel resulting in an actual positive impact to the district of \$443,132.

All employees that apply for the enhanced severance package must have their service credits certified by the employee's retirement system. Of the employees that were initially eligible for the enhanced severance package, one employee's service credits were reported by STRS at a higher amount than what district records originally indicated. The amount reported by STRS meant that the individual was not eligible for the enhanced severance package under the terms identified by the union agreement. However, because the district pays the enhanced severance based on current practice rather than the negotiated contract, VLSD compensated the individual approximately \$32,000 above the requirements set forth in the union contract.

R3.11 The district should review the current enhanced severance payout language in the contract and work with the union to clarify that the requirement for enhanced severance payout is based upon the employee's first retirement eligibility date. Additionally, the district should review all enhanced severance package applicants and determine if they qualify based on the contractual language. Those that do not qualify, should not receive the enhanced severance package payment, but rather the regular severance package as determined in the contract.

Workers' Compensation:

F3.71 VLSD has been enrolled in the Ohio Association of School Boards' (OSBA) group experience rating plan since 1997. Ohio employers who are substantially similar can apply for group workers compensation coverage and potentially achieve lower premium rates than they could individually. The employers within the group must be members of an organization formed for a purpose other than obtaining group workers' compensation coverage and must reapply each year to be considered for group premium rates. Group members are expected to have an effective workplace safety program in place which the Bureau of Workers' Compensation (BWC) annually reviews. VLSD's claims history indicates that the group status will be maintained for the next several years.

F3.72 **Table 3-47** illustrates workers' compensation benefits for the four peer districts for 1998. The district filed 13 medical claims which was the second highest number of claims per employee while the average number of workers' compensation medical claims filed by the four peer districts in 1998 was 11. VLSD had two lost time claims, defined as the number of workers' compensation claims exceeding eight days. Additionally, VLSD had the highest premium cost per employee among the peer districts.

Table 3-47: Peer District Comparison of Workers' Compensation Benefits for FY 1998

District	Total Employees	# Medical Claims Allowed	# Lost Time Claims Allowed	Claims/Employee	Premium	Premium Cost/Employee	Experience Modifier Status	Retro Rating
Amherst	329.9	4	2	0.018	\$79,140	\$240	0.53	Yes
Buckeye Local	250.7	8	1	0.036	\$51,698	\$206	0.53	No
Maumee	339.4	18	2	0.059	\$83,704	\$247	0.53	No
Vermilion	248.0	13	2	0.060	\$110,376	\$445	1.03	No
Group Avg	292.0	11	2	0.043	\$81,230	\$285	0.66	N/A

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

F3.73 VLSD's medical and lost time claims have fluctuated over the past four years. As the number of lost time claims has fluctuated, the Experience Modifier (EM) status has also changed accordingly as reflected in **Table 3-48**. However, as a result of the district entering the group experience rating plan in 1997, the district's EM was reduced significantly. The EM status is based upon factors such as the number of total claims in any previous time period, the severity of those claims and the extent to which lost time claims went into effect.

Table 3-48: Approximate Number of Claims

	# Medical Claims Allowed	# Lost Time Claims Allowed	Experience Premium Costs	Experience Modifier
1995	9	1	\$179,658	1.46
1996	5	2	\$116,699	1.15 ¹
1997	5	0	\$57,033	0.48 ²
1998	13	2	\$110,376	1.03 ³

Source: Bureau of Workers' Compensation

¹ In 1996, VLSD received a dividend credit of \$23,340.

² In 1997, VLSD received a dividend credit of \$42,774.

³ In 1998, VLSD received a BWC rebate in the amount of \$145,873.

The district experienced a large increase in experience premium costs and a high premium cost per employee in 1998. The district indicated that this was a result of the district settling a large death claim during the year. The death claim settlement also affected the group rating. They moved from Group A to Group B which has higher premium rates as a result of higher workers' compensation claims.

F3.74 The district has implemented an informal return to work program for the purpose of controlling workers' compensation costs. The National Council on Compensation Insurance (NCCI) has reported that of the nearly 600,000 employees who are disabled annually, 50 percent do not return to work. Frequently, this translates into long-term outlays in benefits payments, as well as losses in productivity and costs incurred to train adequate replacements.

As a result, many employers are implementing a return to work program in which injured employees are encouraged to accept light duty work at the work site as an alternative to lost time claims. A proactive modified duty program may allow many potential lost time claims to become simply "medical only" claims, thereby significantly decreasing the experience modifier. Benefits of a return to work, or modified duty program include:

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

In the past two years, there have been two employees which have returned to work under the modified duty program.

C3.6 The district's implementation of an informal modified duty program has helped the district gain productive work from employees who other wise would have been off duty. This in turn has helped the district control workers' compensation costs.

F3.75 Sources at the BWC indicate the single most effective method of controlling workers' compensation costs is to prevent claims from the outset. Moreover, the best way to prevent claims is to increase safety training and awareness, managerial awareness of safety problems and the use of equipment designed to reduce strain, as well as implementing brief exercise periods. The district currently performs quarterly safety inspections of all buildings and grounds.

Although the district does not currently employ a risk coordinator, VLSD contracts with GatesMcDonald who serves as a risk management consultant. The assistant superintendent, in conjunction with the consultant, administers facilitating organizational safety systems and processes. The district, in conjunction with GatesMcDonald, has provided valuable safety training to employees of the district, with specific emphasis on training that applies to the employee's position

C3.7 The district's focus on safety and training programs for all employees is an effective means of creating an accident free workplace and reducing worker's compensation costs.

In addition to the current training effort at VLSD, the district also has a close, working relationship with their BWC business consultant. They have taken advantage of various services provided by the business consultants in the past. The district also takes advantage of safety and training programs offered by BWC whenever possible.

Contractual Issues:

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

F3.76 **Table 3-49** compares the number of bargaining groups for each of the peer districts. Each of the four peer districts, including VLSD, has two bargaining groups.

Table 3-49: Comparison of Organized Labor Environment

	Amherst	Buckeye Local	Maumee	Vermilion
Bargaining Groups	2	2	2	2

F3.77 **Table 3-50** shows that VLSD has two primary collective bargaining units. Of the 263 VLSD permanent employees, 86 percent of VLSD employees were covered by a union agreement as of FY 1998-99. The remaining 14 percent consist of administrative personnel and district secretaries.

Table 3-50: Union Staffing Report

Classification	Union Affiliation	# of members
Teachers, therapists, tutors, librarians and counselors - Certificated	Vermilion Teachers Association	148
Transportation personnel, custodial personnel, food service personnel, educational aides, maintenance personnel, monitors and handicapped aides - Classified	Ohio Association of Public School Employees (OAPSE) Local 332	79
Total Union Employees		227

Source: Superintendent’s Office and Payroll Secretary

F3.78 Teachers and classified employees hired by the district are required to join the union or pay a fair share fee. Currently, there are no district employees who pay fair share fees.

F3.79 VLSD’s union agreement with the Vermilion Teachers Association (VTA) expires August 31, 2000. VLSD has come to terms with the VTA on a new agreement beginning September 1, 2000 and expiring August 31, 2003. See **F3.29** for a summary of changes. The union agreement with Ohio Association of Public Schools Employees (OAPSE) Local 332 expires on June 30, 2001.

VTA - Contractual Issues:

F3.80 **Table 3-51** compares some key VTA contractual issues between VLSD and the peer districts.

Table 3-51: VTA Contractual Issues

VTA Section	Description	Amherst	Buckeye Local	Maumee	Vermilion
	Academic Instructional Minutes?	N*	N*	N*	N*
Section 14.01	Length of Work Day	Grades K-12 7 hours and 30 minutes or 450 minutes	Grades K-12 7 hours and 15 minutes or 435 minutes	Grades K-12 7 hours and 5 minute or 425 minutes	Grades K-12 7 hours and 45 minutes or 475 minutes
Section 15.01	Maximum Class Size	N*	N*	N*	N*
Section 22.01	# <u>Contract days</u> # of Instructional Days # of In-service Days # of Parent-Teacher Conferences # of Professional Development Days # of Paid Holidays	184 180 4 0 1 0	184 180 2 2 0 0	185 K-8:178 HS: 179 5 K-8:2 HS: 1 0 0	184 178 2 2 2 0
Section 8.05 (A1)	Maximum # of Sick Days Accrued	Unlimited	300 days	1998-99: 280 days 1999-00: 285 days 2000-01: 290 days	255 days
	Sick leave incentives? Paid out or additional days?	Yes. \$50 school purchase credit for each quarter in which there are no absences due to sick leave, personal business, or payroll deduction.	Yes. \$400 for perfect attendance. \$200 for 1 day or less of combined sick, personal and unpaid leave used.	Yes. In 1998-99 receive \$50 for perfect attendance for 1 semester and \$150 for both semesters of the school year.	N*
Section 9.01 and 9.02(A)	Maximum # of sick days paid out at retirement/ % of payout.	33% of accumulated sick leave up to a maximum payout of 80 days	25% of 255 days: 96/97 260 days: 97/98 265 days: 98/99 (in general) 25% of 245 days plus \$10,000 (1 st yr of eligibility)	27% of accumulated sick leave plus 3 additional days if retirement letter is submitted prior to March 15.	195 days/ 25% (in general) 180 days/ 100% (1 st year of eligibility)

VTA Section	Description	Amherst	Buckeye Local	Maumee	Vermilion
Section 9.01 and 9.02(C)	# of years required for severance pay	Eligibility requirements under STRS	Eligibility requirements under STRS plus 5 years with the district	Eligibility requirements under STRS plus 10 years with district or 15 years with district and permanently leaving government service	Eligibility requirements under STRS
Section 8.04	# of Personal Days, Notice required?	1 day of unrestricted personal leave and 2 days of restricted personal leave, 2 days notice required	3 days of personal leave, 5 days notice required.	3 days of personal leave, 2 days notice required.	2 days personal business leave, 1 day unrestricted personal business leave, 3 days notice when feasible
	# of other leave days	N*	N*	N*	N*
	Sabbatical/Professional leave; Requirement to return? Compensated?	Yes. If employed by district for a minimum of five years. Must agree to return for at least one year to receive 50% of salary.	Yes. Must return for a period of one year or repay the full amount of pay received from the Board for said leave.	N*	N*
Section 10.02	# of Association leave days	10 days	12 days	N*	8 days - Members 10 days - Officers
Section 4.03	# of days to file grievance	20 days	30 days	15 days	15 days
Section 9.02(A)	Notice of separation required?	N*	Yes	N*	Yes - enhanced severance program only
	Cost of Living Increase per each year of contract	7/98 - 4.0% 7/99 - 3.1% 7/00 - 3.0%	7/97 - 3% 7/98 - 3% 7/99 - 3%	1/99 - 3% 1/00 - 3% 1/01 - 3%	7/97 - 0% 1/99 - 2% 7/99 - 2.5%
	Past Practice Clause.	N*	N*	N*	N*

Source: Teacher Contracts
 N* - nothing stated in contract

F3.81 The VTA contract specifies a total of 184 contract days. The board adopts an annual school calendar which further establishes the structure of the teachers’ contract year. For FY 1997-98, VLSD established 178 instructional days, four in-service days and two parent-teacher conference days.

F3.82 The VTA contract contains several provisions which provide management with flexibility to effectively manage the work force including determining employee placement and administering disciplinary procedures. Examples of these provisions include the following:

- ! Article 13.03 states the initial assignment of new staff is at the sole discretion of the superintendent.

- ! Article 13.05 states that all involuntary transfers shall be made by the superintendent as he determines to be in the best interest of the VLSD only after first considering volunteers.
- ! Article 13.06 states that when more than one employee requests a voluntary transfer to a vacant position, the superintendent may award the position based on qualifications, experience and performance.
- ! Article 29.01 addresses reduction-in-forces and states that a reduction in staff may be made in the event the board deems a reduction necessary.
- ! Article 33.01 addresses management rights and states that the board has the right to establish, maintain or abolish positions, determine the number and qualification of its employees and to determine the number, location and type of programs.

C3.8 Contractual language providing management with decision-making power in regard to effectively managing the employee work force, including placement based on factors such as evaluation scores, allows the district the flexibility to make sound personnel decisions based on qualifications, training and performance. In addition, there are no contractual provisions restricting the board's disciplinary discretion, which is beneficial to the district.

F3.83 VLSD provides reimbursement towards the tuition costs of courses taken at an accredited college or university in the teacher's area of certification, assignment and all other education courses. Other credit courses which directly relate to the performance of the teacher may be reimbursed with prior approval of the superintendent. The total reimbursement for courses is 50 percent of the cost of the courses taken or \$1,000 annually for masters or doctorate courses, whichever is less, providing a grade of "C" or better is earned. Also, the teacher must be employed by VLSD and complete the ensuing school year as a teacher to be eligible to participate in the program. During the 1998 calendar year, VLSD expended a total of \$26,620 in tuition reimbursement costs.

C3.9 The initiation of a tuition reimbursement program for certificated employees encourages continued growth and development of employees and benefits the district by pro-actively advancing educational goals and technological skills. In addition, establishing requirements such as advance approval of course work, a minimum period of employment and the attainment of a specific grade level enhances employee accountability and focus toward the purpose of the tuition reimbursement program which is educational growth. The superintendent and the secretary to the superintendent work closely to ensure the college credit courses taken by the professional staff are linked with the certificate/license renewal process. The district has developed a Local Professional Development Committee which also helps to oversee the certificate/license renewal process.

F3.84 Full-time teachers are granted two days personal business leave and one day unrestricted personal business leave per school year which does not accumulate from year to year.

Effective with the 1998-99 school year, an employee who does not use the personal leave days during the school year shall receive an additional day of accumulated sick leave. VLSD has restricted the use of unrestricted personal leave on any particular day based on the size of the teaching staff at a particular building. Additionally, personal days are not permitted the first or last day of school, parent-teacher conference days, the day before or after school holidays or to extend a vacation period.

C3.10 Granting of two personal leave days and one unrestricted personal leave days per school year and restricting the use of personal leave by limiting the number of employees permitted on leave on any given day at a particular work site prevents excessive interruptions in the flow of curriculum and other educational services provided and reduces/controls substitute costs.

F3.85 VLSD provides eight days release time to authorized VTA delegates and ten days release time to elected officers of the association. Release time for authorized delegates is limited to two days per meeting per semester. Release time for elected officials is limited to ten days per year per employee for a maximum of two employees. The contract requires that the association reimburse the district for the full cost of substitutes for all release time used. The contract also states that additional release time for association business may be purchased through full payment of the substitute salary and approval of the superintendent.

C3.11 Requiring the association to pay for the salary of substitute teachers needed to cover for the authorized delegates or elected officers when on association business compels the union to take ownership for approved association leave.

F3.86 Severance pay is granted to VTA members who are eligible to retire under the State Teachers Retirement Systems (STRS). Severance pay is calculated by multiplying the daily rate of current contract by one-fourth of the bargaining unit member's accumulated but unused sick leave to a maximum of 195 days resulting in severance pay being limited to a maximum payment of 48.75 days. If a member of the bargaining unit elects to retire at the end of the school year during which the member first becomes eligible for retirement, they shall be paid a lump sum of the member's accrued but unused sick leave up to a maximum of 180 days multiplied by the per diem rate of such member's base salary at retirement.

R3.12 The payout of severance has a significant effect on the district's overall budget. VLSD should consider negotiating the severance payout policy to lessen the financial burden to district.

One option VLSD should consider is the Ohio Revised Code section 124.39 which provides payout of 25 percent of accrued but unused sick leave credit, upon retirement, up to 120 sick days (30 day payout), for persons with 10 or more years of service. The law permits

districts to provide for more than 25 percent (but not less) and the number of years to be less than 10 (but not more). A second option the district may consider would be to cap the teachers’ payout at 42 days (25 percent of first 120 days and 10 percent of the second 120 days) which is comparable to Springfield City School District’s policy. However, a renegotiated severance payout policy would only apply to employees hired after the new policy was implemented. **Table 3-52** illustrates the cost savings resulting from implementation of either of these two options.

Table 3-52: Cost Avoidance Resulting from Severance Payout Restructure

	Payout Structures			
	Current Policy	Option 1 Payout at 25 Percent of 120 days	Option 2 Maximum Payout of 42 Days	Cost Avoidance
Sick Leave Payout Total Cost Avoidance	\$468,126	\$303,259	\$396,055	\$72,071 to \$164,867

Financial Implication: Based on current sick leave balances, re-negotiating the provisions of the contract to limit the severance payout for sick leave to 25 percent (maximum of 120 days) or a maximum payout of 42 days could potentially result in a cost avoidance of \$72,071 to \$164,867 providing employees elect to retire upon eligibility. Because a renegotiated severance payout policy would only apply to newly hired employees, the district would not realize a financial benefit until such time new employees are eligible for retirement.

F3.87 The VTA contract states that any sick leave earned may be transferred to the district from other boards of education or other political sub-divisions in Ohio up to a maximum of 255 sick days, provided the district obtains verification of the accumulated sick leave from the fiscal office of the agency from which it is to be transferred.

R3.13 VLSD should consider negotiating a policy which can reduce costs associated with severance payout. One option might be to limit the use of transferred sick days to long-term sick leave only and to stipulate that the days are not eligible for payout at retirement.

F3.88 The entire evaluation process is specifically outlined in Article 26 of the contract which may limit the district’s flexibility in the format and timeliness of evaluations

R3.14 Evaluation issues should be written in board policy and not detailed in the contract. Linking the evaluation process to board policy gives VLSD some flexibility in the format and timeliness of evaluations.

OAPSE Local 332 - Contractual Issues:

F3.89 **Table 3-53** compares some key classified contractual issues between VLSD and the peer districts.

Table 3-53: OAPSE (Classified) Contractual Issues

OAPSE Section	Description	Amherst	Buckeye Local	Maumee	Vermilion
Section 18.02	Evaluations required?	N*	N*	N*	N*
Section 37.12	Minimum call in hours paid to employees for unscheduled emergencies? (Custodians)	N*	\$400 annual stipend +paid for actual hours worked at appropriate overtime rate.	2 hours	2 hours
Section 36.03 and 36.04	Vacation time to accumulate	12 month employees: 1-5 years: 10 days 6-10 years: 15 days 11+ years: 20 days Maximum carryover: 10 days per year (Office personnel only)	11 or 12 month employees: 1-8 years: 10 days 9-15 yrs: 15 days 16-22 yrs: 20 days 23+ yrs: 25 days Maximum carry-over: 5 days per yr	12 month employees: 0-10 years: 10 days 11-20 years: 15 days 21+ years: 20 days No carryover between years.	12 month employees: 0-1 years: 0 days 1-6 years: 10 days 7-13 years: 15 days 14+ years: 20 days No carryover between years.
Section 26.08	Sick leave incentive?	N*	Yes. Perfect attendance incentive: 1 hr employee - \$115 up to 8 hr employee - \$450. For less than 1 day of combined sick, personal, & unpaid, ½ of rates noted above	Yes. Perfect attendance incentive: 1 hr employee - \$50 2-3.5 hr employee - \$100 3.5-6 hr employee - \$200 6-8 hr employee - \$300	Yes. Employees that use 3 days or less of sick leave and personal leave will receive \$75.00 of extra pay.
Section 25.01	# of sick days to accumulate	Unlimited	290 days	240 days	225 days
Section 31.01 and 31.03	Max # of sick days paid out at retirement/ % of payout.	50% of accumulated sick leave up to a maximum payout of 80 days.	25% of accumulated sick leave up to a maximum payout of 63.7 days - 96/97 65 days - 97/98 66.25 days - 98/99	27% of accumulated sick leave up to a maximum payout of 55 days.	210 days - 25% (general) 210 days - 50% (1 st year of eligibility)
Section 26.01	# of Personal Days, Notice required?	1 day of unrestricted personal leave and 2 days of restricted personal leave. Two days notice when feasible.	3 days, 5 days notice required.	3 days, 2 days notice required	3 days, 3 days notice required

OAPSE Section	Description	Amherst	Buckeye Local	Maumee	Vermilion
Section 35.01 and 35.03	Holiday Paid	9-10 month employees: 6 days 12 month employees: 7 days	9 month employees: 9 days 12 month employees: 11 days	12 days. Applies to all employees provided they work at least 3 days per week and work the last working day before and after the holiday.	10 holidays 9 holidays for less than 12 month employees. Applies to all employees provided the employee works the last scheduled day before and after the holiday.
Section 12.04	# of days to file a grievance	10 days	7 days	10 days	15 days
Section 14.01	Labor-Management Committee	N*	Yes	N*	Yes - referred to as Concerns Committee in the master contract
	Cost of Living Increase per each year of contract	8/96 - 3.0% 8/97 - 3.5% 8/98 - 4.0%	7/97 - 3% 7/98 - 3% 7/99 - 3%	12/96 - 3% 7/98 - 3% 7/99 - 3%	7/98 - 0% 7/99 - 0% 7/00 - 0%

Source: OAPSE Contract
N* - Nothing stated in contract

F3.90 Currently, it is the district’s practice to compensate employees for a minimum of two hours for all emergency call in situations. The employee is compensated for the full two hours regardless if less time is actually worked. Additional compensation is provided for hours worked in excess of the minimum.

R3.15 Providing a minimum of two hours compensation for all emergency call in situations appears to be consistent with the majority of school districts having performance audits conducted. However, in order to further optimize the district’s efficiency, VLSD should also consider negotiating the contract so that, if an employee is called in and paid for two hours of work, the employee is required to work the entire two hours.

F3.91 During the prior contractual period of fiscal year 1994-95, 1995-96 and 1997-98, the classified staff received a two percent, two and one-quarter percent and two and one-half percent salary increase respectively. The current OAPSE contract includes a provision for the salary schedules to reflect a zero percent increase for the fiscal years 1998-99, 1999-00 and 2000-01. The classified staff agreed to accept the pay freeze due to VLSD experiencing financially difficult conditions as a result of reductions in revenue from personal property taxes and an overall reduced tax base.

C3.12 The combined efforts of the district and the classified staff to negotiate a wage freeze for OAPSE members created an effective partnership aimed at improving the district’s financial condition. Additionally, the agreement displayed a commitment to education and a shared sacrifice among the employees.

F3.92 Severance pay is granted to OAPSE members who are eligible to retire under the State Employees Retirement Systems (SERS). Severance pay is calculated by multiplying the daily rate of current contract by one-fourth of the bargaining unit member’s accumulated but unused sick leave up to a maximum of 210 days. However, employees eligible to participate in the enhanced severance program can receive the daily rate of current contract multiplied by one-half of the bargaining unit member’s accumulated but unused sick leave up to a maximum of 210 days.

R3.16 The payout of severance has a significant effect on the district’s overall budget. VLSD should negotiate the severance payout policy to lessen the financial burden to district.

One option VLSD should consider is the Ohio Revised Code section 124.39 which provides payout of 25 percent of accrued but unused sick leave credit, upon retirement, up to 120 sick days (30 day payout), for persons with 10 or more years of service. The law permits districts to provide for more than 25 percent (but not less) and the number of years to be less than 10 (but not more). A second option the district may consider would be to cap the teachers’ payout at 42 days (25 percent of first 120 days and 10 percent of the second 120 days) which is comparable to Springfield City School District’s policy. However, a renegotiated severance payout policy would only apply to employees hired after the new policy was implemented. **Table 3-54** illustrates the cost savings resulting from implementation of either of these two options.

Table 3-54: Cost Avoidance Resulting from Severance Payout Restructure

	Payout Structures			
	Current Policy	Option 1 Payout at 25 Percent of 120 days	Option 2 Maximum Payout of 42 Days	Cost Avoidance
Sick Leave Payout Total				
Cost Avoidance	\$34,923	\$21,972	\$27,364	\$7,560 to \$12,951

Financial Implication: Based on current sick leave balances, re-negotiating the provisions of the contract to limit the severance payout for sick leave to 25 percent (maximum of 120 days) or a maximum payout of 42 days could potentially result in a cost avoidance of \$7,560 to \$12,951 providing employees elect to retire upon eligibility. Because a renegotiated severance payout policy would only apply to newly hired employees, the district would not realize a financial benefit until such time new employees are eligible for retirement.

F3.93 Article 13.04 states that the board agrees to work with the union to allow members to attend union meetings when possible. At no time will a building or work site be closed or unable to operate because of employees attending a union meeting. Employees that attend union meetings must complete all of their assigned work duties at no extra cost or time charged to the district.

C3.13 Requiring the union employees to complete all of their assigned work duties at no extra cost or time charged to the district compels the union to take ownership for approved association leave. In addition, requiring the union to complete all of their work assignments at no extra costs prevents the need of the district to hire and pay for substitutes and pay for unnecessary overtime.

F3.94 The Fair Labor Standards Act (FLSA) sets forth the minimum wage that must be paid to employees covered by the act. In addition, it requires a premium wage (overtime) to be paid for hours worked in excess of forty during a given work week. These requirements are also reflected in Ohio law. For non-teaching employees that are covered under the FLSA, the school district is only required to pay overtime for actual hours worked in excess of forty per week. In determining the total hours worked, the school district is not required to include personal leave, professional leave, compensatory leave and vacation leave used however, VLSD, currently provides more than is required by the FLSA. Specifically, the district pays overtime for hours worked in excess of eight hours per day or 40 hours per week. The district includes holidays, vacation, paid sick leave, personal days and any other time spent in active pay status when calculating the total hours worked for overtime pay. Providing overtime provisions which are much greater than outlined in the FLSA and Ohio law is a costly practice to the district.

R3.17 The district should review its current overtime policy and consider negotiating the policy to be more in line with the guidelines set forth by the FLSA. The district should consider limiting leaves that are included in the “active pay status” category when calculating overtime to only include vacation, holidays and bereavement leaves.

F3.95 VLSD’s classified employees working 12 months per year earn vacation on a graduated basis. This vacation time can be taken anytime during the fiscal year. Department heads must approve any vacation time to be taken. However, the district reserves the right to limit the number of employees off at any given time in order to insure efficient operations.

R3.18 The district should consider negotiating a policy which requires VLSD’s classified employees working 12 months per year to take their vacation during the summer when regular school is not in session or during the winter (Christmas) or spring (Easter) periods. This would reduce the number of required substitutes and overtime while employees utilize vacation time. Additionally, requiring advance notification of vacation dates would assist department heads in scheduling for efficient operations within the district.

F3.96 Vacation days may not be accumulated from one year to succeeding years. Failure to utilize accrued vacation within the 12 month period following the employee’s anniversary date will result in a loss of the accrued vacation.

C3.14 The establishment of a “use it or lose it” policy for vacation days encourages the annual use of vacation earned, may allow employees to operate at a higher level of efficiency and encourage employee morale. Additionally, it limits the accumulation of excessive vacation days and the potential financial liability for the district and may also reduce eventual expenses incurred by increased sick leave utilization.

F3.97 Ohio Revised Code Section 3317.01 allows the superintendent to declare up to five calamity days for teaching and non-essential employee. Calamity days are defined as days in which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the district. Any calamity days in excess of the five provided by the ORC must be made up by the district and teaching and non-essential employees are not provided with additional compensation. The ORC does not provide for calamity days for essential or 12 month employees. Currently, VLSD provides calamity days compensation for all employees. All district personnel receive straight time for all calamity days taken. Any employee required to work on a calamity day will have an option of taking additional pay at straight time for hours actually worked and time and a half for time over eight hours or an equal amount of time off within the following five days.

R3.19 During the current FY 1998-99, VLSD experienced five calamity days as a result of weather conditions. The district should negotiate a policy which defines essential employees including administrators, building custodians, assistant custodians, snow plow personnel, 12 month, exempt employees and other personnel necessary to prepare the district for re-opening following a calamity day. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- ! Use of a compensatory day
- ! Use of a sick leave day, if ill
- ! Use of a vacation day
- ! Use of a personal leave day
- ! Use of a day without pay

F3.98 In an effort to further a good working relationship between the parties, a concerns committee was formed to discuss employee problems that are relative to the current negotiated contract and those outside the terms of the contract, to interpret board rules and contract terms and to provide a regular vehicle for the discussion and possible correction of employee problems. Meetings are held on a quarterly basis with an agenda of items to be discussed provided prior to the established meeting.

C3.15 The establishment of a concerns committee creates an avenue of open communication between staff and management which has a positive effect on the general morale of the district, informs management of potential contractual problems and involves bargaining unit members in managerial discussion providing them a sense of contributing to district policy.

F3.99 VLSD's attendance policy for classified employees was updated in 1998. The policy states that the district's sick pay plan is intended as a salary continuation plan for employees disabled by sickness or injury rather than as a grant of discretionary paid time off and that occurrences of absenteeism are disruptive to the operations of the district.

The district's attendance policy is as follows:

- ! Three unexcused days will result in a written warning
- ! A fourth unexcused day will result in a disciplinary hearing
- ! A fifth unexcused day may result in termination

C3.16 VLSD's classified employees averaged 6.9 sick leave days during FY 1997-98. This was the second lowest average among the peer districts. The provisions of the attendance policy provide management with an effective tool to manage and control sick leave abuse.

F3.100 Employees who do not use any personal leave for the 12-month period (July through June) are eligible for a pay incentive of \$75.00. Employees who use three days or less of sick leave and personal leave for the 12-month period (July through June) are eligible for an additional pay incentive of \$75.00 extra pay. In July, 1998, a total of 30 classified employees were paid attendance bonuses totaling \$3,075.

C3.17 The district has indicated that the implementation of a perfect attendance bonus policy has resulted in a decrease in the average number of leave days taken by the classified employees of VLSD.

F3.101 VLSD permits classified employees to attend accredited training courses pertinent to the employee's position. The fees shall be reimbursed provided there is advance clearance by the supervisor, presentation of a receipt for the course fee and presentation of a certificate of satisfactory completion of the course.

C3.18 The initiation of a staff development training budget for classified employees encourages continued growth and development of employees and benefits the district by pro-actively advancing educational goals and technological skills. In addition, establishing requirements such as advance approval of course work, documentation of payments and satisfactory completion of the courses enhances employee accountability and focus toward the purpose of the staff development training budget which is educational and technological growth.

F3.102 The VTA contract contains a detailed description of the grievance process. The contractual agreement requires a grievance to be filed with the principal or other appropriate supervisor within 15 days, if after the grievant has informally met with the principal or other immediate supervisor there is not a satisfactory resolution of the issue.

The OAPSE contract also contains a detailed description of the grievance process. The contractual agreements require a grievant to timely file the grievance with the office of the Assistant Superintendent, if after informally meeting with the grievant's supervisor and/or principal, there is not a satisfactory resolution of the issue.

R3.20 In order to resolve grievance issues in a timely manner, the district should consider negotiating a requirement that all grievances are to be filed within five or 10 days of the act or condition which is the basis of the grievance. Establishing a maximum of five or 10 days to file grievances precludes duplicate grievances from being filed as a result of an unresolved issue. Filing written grievances sooner should initiate prompt responses from all parties which can lead to more timely resolutions.

F3.103 Classified employees are granted three days personal leave per school year which does not accumulate from year to year. The district reserves the right to limit the number of employees off at any given time in order to insure efficient operations.

C3.19 Providing the district the right to limit the number of employees off at any given time, prevents excessive interruptions in the flow of district operations and other educational services provided as well as reduces/controls substitute costs.

Financial Implications Summary

The following table summarizes the total estimated savings, cost avoidance and implementation cost from the above recommendations. VLSD should consider the potential educational effect certain of the recommendations might cause.

Recommendation	Estimated Annual Cost Savings	Implementation Cost
R3.1 - Implement a HRIS		\$11,125
R3.2 - Establishing clerical staffing levels comparable to peer districts	\$33,556	
R3.3 - Reduction in middle school teachers from increasing instructional time of staff	\$385,194	
R3.4 - Reduce SERS retirement pickup	\$86,318	
R3.5 - Reduction of sick leave usage - teachers	\$9,180 - \$36,720	
R3.6 - Implement automated substitute calling system		\$14,000 - \$60,000
R3.8 - Reduction of sick leave usage - classified	\$4,027 - \$8,054	
R3.10 - Increasing percentage of employee contribution towards health care premiums	\$69,966 - \$211,530	
Total	\$588,241 - \$731,372	\$25,125 - \$71,125

Conclusion Statement

Because VLSD's current financial situation reflects fiscal emergency status, the district will be forced to make difficult decisions about how to reduce operating costs and balance the district's budget. Staffing levels at VLSD were consistent with the peer districts in most areas. However, staffing analysis did indicate possible areas for reduction. Peer district comparisons indicate that VLSD may be overstaffed in the areas of clerical staff and should consider staff reductions in this area. VLSD has effectively and efficiently structured the high school teachers' work day by utilizing contractual provisions and district policy to manage and maximize staffing levels and instructional operations. This is evidenced by a seven hour and forty-five minute work day, a high average number of minutes taught per day, a high percentage of teachers with masters degrees and a high percentage of direct instructional personnel which may be attributed to the high percentage of teachers. VLSD should consider restructuring the middle school teachers' work day by utilizing contractual provisions and district policy to manage and maximize staffing levels and instructional operations. Currently, the average middle school teacher only teaches five periods out of a nine period day. The remainder of the day consists of two duty period, one duty free lunch and a planning period. If teachers were required to teach in place of their two duty periods, the district could possibly reduce seven middle school teachers. In place of teachers performing duty period, the district could hire monitors and educational aides which would be more cost efficient.

Currently, VLSD pays the employee portion of STRS and SERS for all employees. When including this retirement pickup in a comparison of salaries by classification with the peer districts, VLSD has the highest average salaries in eight of 11 employee classifications. The district was able to negotiate the elimination of the teachers STRS pickup in the new teachers agreement over a three year period. The district was also able to negotiate a reduction in the board pickup of employee retirement for classified staff from nine percent to four percent in the last year of the contract. However, VLSD could additionally save approximately \$86,318 annually by requiring classified employees to pay the remaining four percent of retirement.

Approximately six percent of the total teaching days for FY 1997-98 were taught by a substitute teacher resulting in \$117,935 spent on teacher substitutes. VLSD's teachers average 12.3 leave days per teacher which includes 8.9 sick leave days. This was the highest average among the peer districts. Because of the high average of sick leave used by teachers, VLSD should aggressively manage and monitor the amount of sick leave taken. In addition to the increased substitute costs, excessive time off creates interruptions in the flow of work and may have an impact on the quality of education provided to students. Classified employees averaged the second lowest number of sick days taken when compared to the peer districts which may be partially attributable to the attendance incentive outlined in the OAPSE contract.

VLSD has the highest annual cost per employee among the peer districts at \$5,425 per employee which may be attributed to lack of full-time employee contributions towards medical, dental, vision

and prescription benefits and lower annual deductibles. The district was able to negotiate contributions to health care premiums by the teachers in the new contract. These contributions amount to 5.1 and 6.3 percent of FY 1999-00 monthly premiums for single and family coverage, respectively. VLSD could additionally save approximately \$69,966 annually if the district required employees to contribute 10 percent towards all medical, dental and vision premiums. The district provides an enhanced severance payout to all eligible certificated and classified employees which resulted in significant savings to the district. VLSD participates in the OSBA group experience rating plan for workers' compensation. However, the district needs to enhance its efforts to control workers' compensation costs by enhancing programs such as accident prevention, return to work, formal safety and training, claims closure and safety incentives.

VLSD has negotiated contracts which contain favorable contractual language providing management with flexibility to effectively manage the work force. Examples of such provisions include multiple provisions which provide management with flexibility. Additionally, the VTA contract establishes the teachers' annual contract days at 184 days, establishes a seven hour and forty-five minute teacher work day, provides for tuition reimbursement, restricts the use of personal leave and requires the association to pay for the salary of substitutes needed to cover for association members when on association business. In regard to classified employees, the OAPSE contract also contains provisions which positively impact the operations of the district such as requiring union employees that attend union meetings to complete all of their assigned work at no extra cost or time charged to the district, establishing a "use it or lose it" policy for vacation days, establishing a concerns committee for staff and management communication, providing reimbursement for accredited training courses, restricting the use of personal leave and implementing an attendance policy.

Areas within the contracts that VLSD may need to negotiate include reducing the severance payout structure, limiting the payment of calamity days for classified personnel, establishing a faculty advisory committee, calculating overtime based on hours beyond 40 in a given work week, excluding sick leave and vacation leave from overtime calculation, requiring classified employees to take vacation time when school is not in session, limiting the number of days to file a grievance and requiring deadlines for notification of retirement in order to qualify for severance benefits.

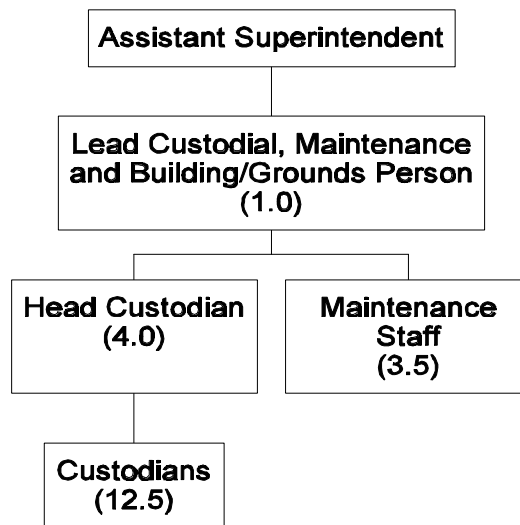
Facilities

Background

Organizational Chart

The Vermilion Local School District (VLSD) facilities are maintained through two departments that have one supervisor: Building Operations (Custodial Services) and Maintenance. The following chart shows the organizational structure and staffing levels:

Chart 4-1: Building Operations and Maintenance



Organization Function

The operation and upkeep of the VLSD facilities is the responsibility of the lead custodial, maintenance and buildings/grounds person (supervisor). The head custodians are responsible for maintaining all VLSD facilities in a serviceable condition including making minor repairs to the buildings and ordering the materials and equipment to do the work.

The building operations department has an authorized staff of 17 employees (16.5 FTEs) which includes 4 head custodians (4.0 FTEs) and 13 custodians (12.5 FTEs) who are responsible for providing students with a safe, attractive, comfortable, clean and efficient place to learn, play and develop.

The maintenance department maintains the physical school plants and all school grounds in a safe operating condition so that full educational and extra-curricular use is possible. The maintenance staff level consists of three full-time employees and one part-time employee. However, during fiscal year 1998 there were only two full-time employees and one part-time employee.

Summary of Operations

The lead custodial, maintenance and building/grounds person (supervisor) supervises both the maintenance and operations departments and has an office in the South Street Elementary Maintenance Shop. Requests for maintenance work are submitted by teachers or other staff members who need work completed. Requests go to the principal of the school and then to the assistant superintendent for approval. If approved, the supervisor reviews the request and prioritizes it depending on the type of request and its urgency. The supervisor, maintenance staff, and head custodian of the high school all carry two-way radios so that they can be reached anytime during the day to handle emergency requests and to communicate with the administrative office. According to the supervisor, VLSD performs most of the maintenance work in-house, only contracting out large jobs requiring expertise or equipment the district does not have.

In the building operations department, the custodial staff is assigned to specific buildings. The district has 17 custodial employees, 16 who work full-time and one who works part-time. Custodians report to head custodians, head custodians report to the building principal and the supervisor, who reports to the assistant superintendent. The custodial employees are responsible for the overall operation of their building, including cleaning, heating, ventilation, and some minor maintenance repairs.

Staffing

The two departments have a total of 22 employees (21.0 FTEs). Of the 22 employees, 20 work full-time doing maintenance or custodial work, while the two remaining employees work part-time. The staffing of the two departments is depicted in **Table 4-1**:

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

Classification	Admin. Office	School Based	Mobile	Total	FTEs
Lead Custodial, Maintenance and Building/Grounds Person	1			1	1.00
Total Administration	1			1	1.00
General Maintenance and Electrician			1	1	1.00
General Buildings and Grounds Maintenance Worker			1	1	1.00
Grounds Custodian - General Maintenance			1	1	1.00
Grounds Custodian - General Maintenance (Part-time)			1	1	.50
Total Maintenance			4	4	3.50
Head Custodian		4		4	4.00
Custodian		13		13	12.50
Total Custodial		17		17	16.50
Total	1	17	4	22	21.00

Source: VLSD's business office

Key Statistics

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

Table 4-2: Indicators

Number of Sites	6
- Preschool	1
- Elementary Schools	2
- Middle School	1
- High School	1
- Administrative and Other	1
Total Square Feet Maintained	385,537
- Elementary Schools	146,160
- Middle School	88,610
- High School	137,421
- Administrative and Other	13,346
Square Feet Per Custodial Staff (16.50)	23,366
- Elementary Schools (6.25)	23,386
- Middle School (4.00)	22,153
- High School (6.00)	22,904
- Administrative and Other (.25)	53,384
AS&U Cost Study Region 5 Average	23,875
AS&U Cost Study National Average	20,612
Urban 21 District Average	20,488
Peer District Average	21,582
VLSD Square Feet Per Maintenance Staff (3.5)	110,153
AS&U Cost Study Region 5 Average	75,000
AS&U Cost Study National Average	73,245
Urban 21 District Average	114,749
Peer District Average	107,775
1997-98 Maintenance and Operations Expenditures per square foot	\$3.79
- Schools & Admin. Sites Custodial (Including Utilities)	\$3.11
- Schools & Admin. Sites Custodial (Excluding Utilities)	\$2.04
- Maintenance	\$.68
AS&U Cost Study Region 5 Average	\$3.79
AS&U Cost Study National Average	\$3.64
Peer District Average	\$4.49
1997-98 Facilities Expenditures as a percentage of Total VLSD General Fund Expenditures	10.03%
AS&U Cost Study Region 5 Average	9.20%
Peer District Average	9.98%

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

Financial Data

The following two tables show the expenditures to maintain and operate VLSD facilities for FY 1996-97 and FY 1997-98, and the budget for FY 1998-99. VLSD records the expenditures for maintenance and operations in separate accounts.

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

Accounts	Maintenance	Operations	FY 1996-97 Total	FY 1997-98 Total	Difference	Percentage Change
Salaries	\$131,170	\$514,219	\$645,389	\$628,663	(\$16,726)	(2.6)%
Benefits	59,998	251,281	311,279	297,314	(13,965)	(4.5)%
Purchased Services ¹	64,286	41,691	105,977	92,243	(13,734)	(13.0)%
Utilities	0	410,425	410,425	422,656	12,231	3.0%
Supplies/ Materials	39,480	18,290	57,770	55,238	(2,532)	(4.4)%
Capital Outlay	319	347	666	7,208	6,542	982.3%
Other	14	0	14	0	(14)	(100.0)%
Total	\$295,267	\$1,236,253	\$1,531,520	\$1,503,322	(\$28,198)	(1.8)%

Source: Expense budget work sheet

Explanations of significant variances, from 1996/97 to 1997/98, were provided by the Treasurer as follows:

- Decrease in salaries and benefits was due to one less pay in FY 1998 compared to FY 1997
- Purchased services was less in FY 1998 due to boiler repairs at Vermilion Intermediate School and Sailorway Middle School in FY 1997
- FY 1998 capital outlay was higher than in FY 1997 due to the purchase of a turf mower.

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

Accounts	Maintenance	Operations	FY 1997-98 Total	FY 1998-99 Budget	Difference	Percentage Change
Salaries	\$117,240	\$511,423	\$628,663	\$668,100	\$39,437	6.3%
Benefits	55,380	241,934	297,314	307,130	9,816	3.3%
Purchased Services ¹	64,014	28,229	92,243	104,480	12,237	13.3%
Utilities	0	422,656	422,656	413,810	(8,846)	(2.1)%
Supplies/ Materials	27,402	27,836	55,238	70,395	15,157	27.4%
Capital Outlay	6,924	284	7,208	10,400	3,192	44.3%
Other	0	0	0	0	0	0.0%
Total	\$270,960	\$1,232,362	\$1,503,322	\$1,574,315	\$70,993	4.70%

Sources: VLSD treasurer's office; expense budget work sheet

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

Explanations of significant variances, from 1997/98 to 1998/99 (budget), was provided by the treasurer as follows:

Due to certain abnormalities in the payroll calendar, there is occasionally 27 pay cycles in a given fiscal year. VLSD experienced this abnormality in FY 1994-95 when the practice was to skip a pay in the year in which this occurred. The district attempted to correct this by only issuing 25 pays in FY 1997-98. Salaries are higher in FY 1998-99 than FY 1997-98 due to one additional pay period during the 1999 fiscal year.

Purchased services are expected to be higher in FY 1998-99 than FY 1997-98 because additional repairs were completed at the high school consisting of a waterline repair of nearly \$6,000 and bleacher repair at a cost of over \$6,000.

Supplies are higher due to additional purchases of parts such as electrical and lumber.

A review of actual expenditures for FY 1998-99 shows that total expenditures is \$1,678,603, which is \$104,288 above the budget. The increase in expenditures is mostly due to higher expenditures in salaries, purchased services/utilities, and capital outlay.

Performance Measures

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

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

Findings / Commendations / Recommendations

- F4.1 VLSD consists of six buildings with a total area of 385,537 square feet. There is one preschool, two elementary schools, one middle school, one high school, and one administrative building. The average age of the school buildings is about 47 years. The district has two schools over 60 years old and three schools that are between 22 to 46 years old. The middle school, completed in 1977, is the most recently constructed building. The school district has one additional elementary building, Lake Elementary School, but it is not included in any of the calculations because it is leased to the YMCA, which performs all maintenance and custodial functions.
- F4.2 In 1996, the district contracted with Tremco Roofing to inspect the roof areas of all of the district's facilities. The purpose of the inspection was to gain information on the overall condition of the roofing systems. Through the bidding process, the contract for the roofing project at Vermilion Intermediate School and Sailorway Middle School was awarded to West Roofing Systems and the total project cost was \$45,980.
- F4.3 During its annual budgetary process, the district takes into consideration capital improvement projects it wants to complete. The district has not been able to pass an operating levy since 1993 to provide a definitive stream of funds for making capital improvements. There have been nine levy failures since the last levy was passed. The latest attempt was May 4, 1999 for 9.5 mills. The issue failed by a vote of 1,882 to 1,485. In addition, the district has not tried to pass a permanent improvement levy since November of 1978.

The following table represents detailed expenditures per square foot for VLSD and the three peer districts. VLSD has the lowest total facilities expenditures per square foot of the peer districts and the same total facilities expenditures per square foot as the AS & U Region 5 average. In addition, VLSD was among the lowest of any school district for which a performance audit was conducted by the Auditor of State.

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

Expenditure	Vermilion	Amherst	Buckeye Local	Maumee ¹	Peer Average	AS&U Region 5 Average
Custodial Salaries and Benefits	\$1.90	\$2.78	\$1.49	\$1.67	\$1.96	\$1.43
Maintenance Salaries and Benefits	\$0.44	\$0.66	\$0.59	\$0.34	\$0.51	\$0.33
Purchased Services	\$0.23	\$0.37	\$1.30	\$0.94	\$0.71	\$0.67
Utilities	\$1.07	\$1.12	\$1.07	\$0.64	\$0.97	\$1.07
Supplies/Materials	\$0.14	\$0.27	\$0.36	\$0.35	\$0.28	\$0.29
Capital Outlay	\$0.02	\$0.00	\$0.15	\$0.05	\$0.05	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.05	\$0.01	N/A
Total M&O Budget	\$3.79	\$5.20	\$4.95	\$4.03	\$4.49	\$3.79
Total M&O Budget as % of District Budget	10.03%	9.67%	10.15%	10.08%	9.98%	9.20%

Source: Expenditure reports; square footage support; AS & U Cost Study

¹ Maumee CSD does not record custodial and maintenance expenditures within separate account codes. Total salaries and benefits were prorated to custodial and maintenance based on the number of full time equivalent (FTE) employees in each department.

F4.4 In 1985, the state legislature passed H.B. 264 which authorizes school districts to issue debt without voter approval to finance capital projects that produce energy savings. The district repays the debt over a 10-year period (since increased to 15 years) from the energy savings resulting from the projects, which should equal or exceed the project cost.

The VLSD issued \$900,000 in bonds in August of 1991 and \$255,000 in notes in July of 1994 under the provisions of H.B. 264 Energy Conservation Measures. VLSD used H.B. 264 funds to hire various firms, including Bay Mechanical and Electrical Corporation; Kiley, Inc.; Guenther Mechanical, Inc. (Trane Commercial Systems Group); and West Roofing, Inc. to make repairs to the district’s heating and lighting systems, to repair and replace the roof at the high school, and to install new HVAC units at the high school. A detailed listing of energy conservation projects funded by H.B. 264 are as follows:

Roof/insulation, reduce light power, and optimize HVAC units at the High School
 Retrofit tube lights, install new ballasts in flourescent fixtures, install light sensors, replace incandescent fixtures, and optimize heating (microprocessors) on varying levels at Sailorway Middle School, Vermilion Intermediate School, South Street Elementary School, and Valley View Elementary School (Administrative Offices).

Insulate flat roofs at Sailorway Middle School, Vermilion Intermediate School, South Street Elementary School, and Valley View Elementary School (Administrative Offices).

One of the improvements to the district's heating system was the installation of a computer system which monitors the operation of the boilers in its schools except Vermilion Intermediate School. The supervisor has a computer terminal in her office which allows her to remotely monitor and control the operation of the boilers. With the lighting improvements, it was estimated that VLSD could reduce utility costs approximately \$40,479 per year.

- F4.5 The law specifies that, as long H.B. 264 debt remains outstanding, the board of education shall monitor the energy consumption of the buildings in which modifications were made, and the district will maintain and annually update a report documenting the reductions in energy consumption and the operational and maintenance cost savings that result. The report is to be certified by an architect or engineer who is independent of the parties who provided the goods or services under the H.B. 264 project. The resultant savings are to be certified by the school district treasurer.

The district did report energy usage for two years but did not have its report certified by an independent architect or engineer. In addition, the treasurer did not certify the report. Since the initial two years, the district has not monitored energy consumption.

- R4.1** In order to be in compliance with H.B. 264, VLSD should monitor its energy consumption and annually update a report documenting the reductions in energy consumption and the operational and maintenance cost savings that result. In addition, VLSD should have an independent architect or engineer review the annual report of cost savings and certify the accuracy of the calculations and the savings. This report should also be certified by the treasurer and should be retained in the district files and available upon request.

- F4.6 Due to deregulation of the gas industry in 1984, school districts can purchase gas from any supplier and pay the local utility to transport the gas. Vermilion has been using self-help gas since September of 1986. The district purchases its gas from Columbia Gas through Lake Erie Regional Council of Governments. Cost savings information was not available for years prior to fiscal year 1996. Through April, 1999, the district's estimated savings is \$101,125. Since 1986, the district has been participating in a consortium through the Lake Erie Regional Council of Governments. Under this program, the consortium has purchased natural gas for the district and paid a fee to Columbia Gas of Ohio to have the gas transported to its facilities. For the 1998-99 school year, the Vermilion School Board again adopted a resolution to enter into an agreement with Columbia Gas and will continue to purchase deregulated gas through the consortium.

- C4.1** The district is commended for using self-help gas and saving an estimated \$101,125 from July of 1996 to April of 1999.
- F4.7 The Ohio Schools Council, in cooperation with the Bay Area Council of Governments and Lake Erie Regional Council of Governments, will be sponsoring a Natural Gas Prepay Program, which will result in additional savings. The district's board has passed a resolution to participate in this program.
- F4.8 The district has not joined the Electric Energy consortium through the Ohio Schools Council. Generally, participation allows school districts to obtain a 10 percent base rate discount on electricity purchases.
- R4.2** Unfortunately, enrollment in the Electric Energy consortium is closed at this time. Vermilion should monitor this situation in the future so that another opportunity is not lost to join an electric consortium and take advantage of the energy savings that can be achieved. If Vermilion had participated in a consortium during FY 1998, based on the 10 percent base rate discount, the district would have saved \$32,599.
- F4.9 In May of 1999, the district developed a 5-year plan which documents the capital improvement projects that need to be completed in the district. The plan includes building maintenance schedules and cost projections through FY 2003-04. The district has not been able to pass an operating levy to provide a revenue stream for making capital improvements.
- F4.10 H.B. 412 requires school districts to establish financial set-asides for critical education items including textbooks and capital improvements. Beginning in FY 1998-99, districts must phase in these set-asides with two percent of general fund revenue. General fund revenue is defined as property taxes, other than homestead and rollback, and basic state foundation aid. The set-aside amount increases to three percent in FY 1999-00 and is capped at three percent thereon.
- F4.11 As part of the performance audit, functional capacity was determined for each of Vermilion's schools. Functional capacity is the optimum number of students a building can accommodate, excluding portable classrooms. Elementary school capacities were determined by taking the total number of classrooms, subtracting rooms for art, music, computer labs, library and special education and multiplying the remaining rooms by 25 students per class. Special education rooms were added back at 10 students per class. In the middle and high schools, capacities were determined by taking the total number of teaching stations and multiplying by 25 students per station, and then multiplying by a utilization factor of 85 percent. For the high school, 5 classrooms were calculated at 15 each because they could not accommodate 25 students. Using the functional capacity formulas, the functional capacity of the district's schools was calculated to be 3,190: 1,320 in the elementary schools, 744 in the middle school,

and 1,126 in the high school. Based on these figures, VLSD is utilizing its capacity at a rate of 80.8% for fiscal year 1999.

F4.12 The following table represents the head count history of VLSD from the 1991/92 school year through the 1998/99 school year.

Table 4-6: Head Count History

School Year	Head Count	Change From the Previous Year	Cumulative Change
1991-1992	2,617	N/A	N/A
1992-1993	2,659	42	42
1993-1994	2,704	45	87
1994-1995	2,743	39	126
1995-1996	2,792	49	175
1996-1997	2,781	(11)	164
1997-1998	2,733	(48)	116
1998-1999	2,596	(137)	(21)

Sources: VLSD Superintendent’s office

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

F4.13 The district’s enrollment projections were developed by Erie-Ottawa County E.S.C. The projections are based on historical trends, birth data and new housing development. The district does some of its planning based on the projection. The projection indicates student attendance will gradually decrease to 2,369 students by the 2006-07 school year. **Table 4-7** shows the projection developed by Erie-Ottawa County E.S.C. The figures include all students, regular and special education, in grades pre-K to 12. The possibility exists that projected enrollment could be affected by potential expansion at the Lorain Ford assembly plant.

Table 4-7: Enrollment Projection

School Year	Head Count	Change From the Previous Year	Cumulative Change
1999-2000	2,730	N/A	N/A
2000-2001	2,670	(60)	(60)
2001-2002	2,598	(72)	(132)
2002-2003	2,538	(60)	(192)
2003-2004	2,472	(66)	(258)
2004-2005	2,447	(25)	(283)
2005-2006	2,415	(32)	(315)
2006-2007	2,369	(46)	(361)

Source: Erie-Ottawa County E.S.C.

F4.14 The actual head count for FY 1998-99 is 2,596 and the history shows a trend of decreasing, but the projected enrollment for FY 1999-2000 is 2,730, an increase of 134. There appears to be some discrepancy between the two schedules.

R4.3 VLSD should review its enrollment projections, which are prepared by Erie-Ottawa County E.S.C., and compare them to the actual head count figures to ensure that the same methodologies are being used. This would ensure that VLSD is basing its management decisions on accurate projections.

F4.15 **Table 4-8** shows VLSD's capacity utilization for FY 1998-99. VLSD is currently operating at 81 percent of its functional capacity. The lowest capacity utilization is at the high school with 75.9 percent.

Table 4-8: VLSD 1998-99 Capacity Analysis

School	Year Built	Capacity	1998-99 Head Count	Variance From Capacity	Percent
Elementary Schools (2): South Street Elementary Vermilion Intermediate	1923 1953	615 705	529 569	(86) (136)	86.0% 80.7%
Total Elementary Schools		1,320	1,098	(222)	83.2%
Middle Schools (1): Sailorway Middle	1977	744	624	(120)	83.9%
Total Middle Schools		744	624	(120)	83.9%
High Schools (1): Vermilion High	1968	1,126	855	(271)	75.9%
Total High Schools		1,126	855	(271)	75.9%
Overall Total		3,190	2,577	(613)	80.8%

Sources: VLSD Business & Superintendent’s Offices; EMIS

Note: The capacity represents 25 students to a classroom, with the actual number of special education rooms set aside for elementary schools, and a utilization factor of 85 percent applied to the middle and high schools. Special Education rooms at the elementary levels were assumed to house 10 students.

F4.16 **Table 4-9** shows VLSD’s capacity utilization for FY 2006-07 based on the enrollment projections from **Table 4-7**. Based on the 2006-07 enrollment projection, VLSD will be operating at 74 percent of its functional capacity in 2006-07. Using the highest head count projection in **Table 4-7** and the capacity in **Table 4-9**, Vermilion will be under capacity by 460 students when enrollment is at its peak. Based on functional capacity calculations and enrollment projections, it does not appear that additional school closings are possible.

Table 4-9: VLSD 2006-07 Capacity Analysis

School	Year Built	Capacity	2006-07 Projected Enrollment	Variance From Capacity	Percent
Elementary Schools (2): South Street Elementary Vermilion Intermediate	1923 1953	615 705	542 523	(73) (182)	88.1% 74.2%
Total Elementary Schools		1,320	1,065	(255)	80.7%
Middle Schools (1): Sailorway Middle	1977	744	509	(235)	68.4%
Total Middle Schools		744	509	(235)	68.4%
High Schools (1): Vermilion High	1968	1,126	795	(331)	70.6%
Total High Schools		1,126	795	(331)	70.6%
Overall Total		3,190	2,369	(821)	74.3%

Sources: VLSD Business & Superintendent's Offices; EMIS

Note: The capacity represents 25 students to a classroom, with the actual number of special education rooms set aside for elementary schools, and a utilization factor of 85 percent applied to the middle and high schools. Special Education rooms at the elementary levels were assumed to house 10 students.

F4.17 VLSD closed two elementary school buildings, Lake Elementary School and Valley View Elementary School, in 1989 due to the loss of revenue. The district currently leases out Lake Elementary School to Vermilion Family YMCA. Vermilion Family YMCA takes all responsibility for cleaning and maintaining the school. Therefore, that area is not included in square footage calculations. Vermilion Family YMCA currently pays a monthly rent of \$1,388.89. Commencing on August 1, 2001, and continuing through July 1, 2003, rent will increase to \$1,777.78 per month. However, the school district and the Vermilion Family YMCA are considering signing a new lease that would be for 50 years. The school district does have an out clause whereby they must give a one year notice to cancel the lease. Currently, a portion of Valley View Elementary School is being used for the district's administrative offices and the remaining space is being leased to various tenants, including the Northern Ohio Special Education Service Center. Valley View Elementary School was built in 1960 and an addition was put on in 1966, bringing the total square footage to 37,036. VLSD's custodial and maintenance employees are responsible for the administrative offices, all hallways, and all restrooms while the tenants are responsible for the portions they lease. Northern Ohio Special Education Service Center currently pays a quarterly amount of \$6,480 and the remaining tenants pay a monthly rent of \$240.

R4.4 The district should consider relocating its administrative offices to vacant space in the schools. It should then consider selling both Lake Elementary School and Valley View Elementary School.

As part of the consideration to sell these schools, VLSD should get an appraisal on the schools to assess their fair market value. VLSD should also take into consideration such variables as demographics, possible re-opening of the Ford plant, and current and projected excess capacity. To facilitate the sale of these schools, VLSD should obtain the services of a realtor to better market the schools. However, the district would lose annual lease revenue of \$54,107 if it were to sell the school buildings.

Financial Implication: Projected sale proceeds are difficult to quantify. However, if the district was able to sell Lake Elementary School and Valley View Elementary School for 20 to 25 percent of their 1995 estimated historical cost, it would realize a one-time revenue enhancement of \$1,217,000 to \$1,521,000. The district would lose the annual revenues of \$54,107 generated by the lease of the facilities.

F4.18 The following table presents a comparison of the maintenance and custodial staff at VLSD and its peer districts. Since each district's maintenance and custodial departments are structured differently, this analysis attempts to include all the staff members that perform the same functions performed at Vermilion Local Schools.

Table 4-10: Comparison of Facilities Divisions: Maintenance and Custodial Services

Size	Vermilion	Amherst	Buckeye Local	Maumee
Number of Sites	6	13 ³	7 ¹	10 ⁴
Building Sq. Feet:				
Maintained by Custodians	385,537	322,525	251,126	447,067
Maintained by Maintenance	385,537	347,677 ²	253,676	468,067

Position by FTE

Administration	1.00	1.00	1.00	2.00
Maintenance	3.50	4.00	2.00	4.00
Custodians	16.50	18.21	11.00	19.45
Total	21.00	23.21	14.00	25.45

Comparison

Sq.Ft. Per Custodial Staff	23,366	17,711	22,834	22,985
Sq.Ft. Per Craftsman	110,153	86,919	126,838	117,017
Average Base Custodial Salary	\$30,548	\$30,454	\$23,507	\$23,827
Average Base Craftsmen Salary	\$27,704	\$33,005	\$28,021	\$28,224

Characteristics

Average Age of School Buildings	47 years	37 years	53 years	64 years
Square Miles in District	35	25	70.9	12.7
Preventive Maintenance	Limited	No	Limited	Limited
Use of Deregulated (Self-Help) Gas	Yes	Yes	Yes	Yes
Automated Work Order System	No	No	No	No
Use of Temporary Employees or Outside Contractors	Yes	Yes	Yes	Yes
Mobile Grounds Crew	No	No	No	No
Weekend Inspections	No	Yes	No	Yes
Principals Evaluate Custodial Staff	Yes	Yes	No	Yes

Sources: Business Office; Payroll Department; peer districts

¹ Buckeye Local has one site that was not maintained by the custodial staff and therefore was not included in **Table 4-13**

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

³ Amherst has seven sites that were not maintained by the custodial staff and therefore were not included in **Table 4-13**

⁴ Maumee has two sites that were not maintained by the custodial staff and therefore were not included in **Table 4-13**

Custodial Services

F4.19 In VLSD, the custodial staff is divided into head custodians and custodians. Head custodians are classified as head building custodians and are responsible for the overall cleanliness and safety of the buildings and grounds at elementary, middle and high schools respectively. The head building custodian is the on-site lead person for the custodial staff in each building. The head building custodians have a limited supervisory role and serve as day custodians. Custodians are classified as head night custodian or custodian. Head night custodians serve in a supervisory role for the evening custodians and report to the head building custodian. Each head building custodian, head night custodian, and custodian position has a job description. The following is a brief description of the responsibilities of each member of the custodial staff. The custodial job descriptions have not been updated since November of 1992. The duties of the head night custodian and the custodian are the same, with a few exceptions.

Head Building Custodian - The head custodian is responsible for providing students with a safe, attractive, comfortable, clean and efficient place in which to learn, play and develop. Responsibilities include: keep building and premises, including sidewalks, driveways and play areas, neat and clean at all times; regulate heating and ventilation systems to provide comfortable and economical usage of energy; check daily to ensure all exits are properly cleared and unlocked; raise and lower flag as required or assign the responsibility; make minor building and furniture repairs as needed; maintain a regular schedule of service for mechanical equipment; conduct an ongoing program of general maintenance upkeep and repair; instruct custodians in proper cleaning and maintenance procedures; supervise preparation of school for special events; report required maintenance problems to the supervisor in a timely fashion; make recommendations to supervisor regarding the best custodial practice, including, but not limited to, suggestions to increase effectiveness of the custodians and development of work schedules and areas of responsibility; sweep, shovel or operate snow removal equipment as required; keep an inventory record of supplies, equipment and fuel and order and replace same so that no void is created; move furniture and equipment as required within the building for on-going programs; assume responsibility for general security of the building; assume responsibility for the general fire safety of the building; clean and inspect all filters weekly, when in use, or more often as required and replace as needed; and perform other related duties as assigned.

Custodian - The custodians are responsible for performing a variety of tasks to provide students with a safe, attractive, comfortable, clean and efficient place in which to learn, play and develop. Responsibilities include: sweep, dust and empty trash in assigned areas daily and mop all spots or areas that sweeping will not clean; scrub and disinfect toilet areas, fixtures and drinking fountains daily; clean walls, light switch areas, doors, etc.

where high traffic patterns collect dirt, once per week; clean glass and windows (internal) as needed; clean chalkboards at least once per week; report immediately any damage to school property; report all types of needed repairs, in writing, to head custodian; service and refill all dispensers as needed; turn off lights, lock windows and all doors as required for security; follow all shutdown procedures for energy conservation; permit no unauthorized group or individuals in the building; change light bulbs and clean fixtures as needed; clean and remove all pen and pencil marks from any furniture, walls, floors or other physical areas daily; report any condition that requires more than routine cleaning or maintenance to head custodian; perform summer maintenance and cleanup work with the scrubbing crew, as required; and perform other related duties as assigned.

Head Night Custodian - The head night custodian performs the same duties as a custodian with the exception of performing summer maintenance and cleanup work with the scrubbing crew, as required. In addition, the head night custodian also has the following responsibilities: review work area of other custodians for completion of assigned tasks; be prepared to work with public on night activities; and assume responsibility for overall night security of the building.

F4.20 Custodial services are managed by one supervisor. The following is a brief description of the supervisor's responsibilities as contained in the job description. This job description has not been updated since 1990.

Lead Custodial, Maintenance and Building/Grounds Person - The lead custodial, maintenance and building/grounds person (supervisor) supervises all custodial employees, as well as the maintenance employees. The supervisor is responsible for maintaining the physical school plants and grounds in a condition of operating excellence so that the full educational value may be obtained by students and staff at all times. Responsibilities include: examine school buildings and grounds on a regular basis for needed repairs and maintenance; aid the administration in developing a five year capital improvement plan; recommend priorities on repair projects working with the five year plan, building custodians and administration; assign maintenance crew work details by the work order procedure; evaluate work orders upon completion by the completeness of the order, work quality and time line; coordinate evaluations of all personnel; maintain a working inventory of current usable tools, supplies, equipment parts and equipment; aid in selections, assignments, scheduling and training of all custodial and maintenance personnel; review and submit payroll records to treasurer's office per established schedule; strive constantly to promote safety, health and comfort of students and employees; develop a system for dealing with emergency repair problems efficiently and timely; schedule annual preventive maintenance program for heating, cooling and water systems; and perform other related duties as assigned.

R4.5 Job descriptions for custodial personnel should be reviewed and updated on a regular basis. The descriptions should include the following types of information: job title, salary information, job summary, specific responsibilities, primary interactions, equipment operation requirements, level of decision making, knowledge, skill and ability requirements, qualifying education, training and experience.

F4.21 The head building custodians are supervised by the supervisor and report to the building principals for day-to-day operations of the school building. When a principal identifies a problem with a custodian in his building, he contacts the supervisor for assistance in resolving the situation.

F4.22 According to the supervisor, performance evaluations are conducted every other year for head custodians. Principals have input into the process. The head custodians do a performance evaluation on the custodians every other year.

R4.6 All employees should receive a performance evaluation at least annually. Evaluations provide employees with feedback on areas to bring about professional improvement. Evaluations for head custodians should be prepared by the principals, since the principals have daily contact with them and are most familiar with their work. During contract negotiations, VLSD should try to renegotiate the evaluation process.

Regular evaluations are important to:

Ensure employees receive clear feedback on areas for improvement and to identify and document disciplinary problems.

Provide evidence about the quality of the employee's performance.

Improve efficiency and effectiveness of the employees in carrying out the tasks found in the job description.

Improve employee morale.

Monitor an employee's success and progress.

F4.23 The union contract between VLSD and OAPSE does not specify how many custodians should be assigned to individual buildings. The staffing level at VLSD results in one FTE custodial employee for every 23,366 square feet. **Table 4-11** shows the average square footage per custodian for Vermilion Schools, the peer districts and the AS&U Region 5 average and based on this, VLSD’s custodial staffing appears reasonable.

Table 4-11: Square Footage per Custodial Employee

Vermilion Local School District	23,366
Peer Districts:	
- Amherst	17,711
- Buckeye Local	22,834
- Maumee	22,985
Peer District Average	21,582
Difference	1,784
AS&U Region 5 Average	23,875
Difference	(509)

Sources: VLSD Business Office; peer districts

F4.24 The following table shows the square footage per custodian in the elementary, middle and high school buildings. The table shows the lowest, highest and average square footage per custodial worker for the elementary, middle and high schools. The low level of square footage per custodian at the elementary schools is due in part to the small size of the preschool (3,026 sq. ft.).

Table 4-12: 1998-99 Average Square Footage per FTE Custodian

Type	Number of Sites	Number of Custodial Staff (FTEs)	Low	High	Average
Elementary	3	6.25	12,104	26,258	23,386
Middle	1	4.00	22,153	22,153	22,153
High	1	6.00	22,904	22,904	22,904
Administrative	1	.25	53,384	53,384	53,384
Total	6	16.50	12,104	53,384	23,366

Sources: VLSD Business Office; peer districts

F4.25 The following table compares the peer districts’ school facilities and cleaning staffs. Overall, the custodians are responsible for 385,537 square feet, approximately 10 percent more than the peer district average. VLSD custodians are maintaining more square footage at all building levels and more square footage per custodian at all levels, except the high school buildings, than the peer district average.

Table 4-13: Comparison of School Facilities and Custodial Staffs

	Vermilion	Amherst	Buckeye Local	Maumee	Peer Average	Difference Between VLSD and Peer Average
Elementary Buildings	3	2	3	4	3.00	0.00
Total Sq. Footage	146,160	92,417	107,746	152,020	124,586	21,574
Sq. Footage per Building	48,720	46,209	35,915	38,005	41,529	7,191
Number of Custodians	6.25	6.00	6.00	8.00	6.56	(0.31)
Sq. Footage Per Custodian	23,386	15,403	17,958	19,003	18,984	4,401
Middle School Buildings	1	2	1	1	1.25	(0.25)
Total Sq. Footage	88,610	89,597	54,200	108,292	85,175	3,435
Sq. Footage per Building	88,610	44,799	54,200	108,292	68,140	20,470
Number of Custodians	4.00	5.63	1.75	4.75	4.03	(0.03)
Sq. Footage per Custodian	22,153	15,914	30,971	22,798	21,122	1,030
High School Buildings	1	1	1	1	1.00	0.00
Total Sq. Footage	137,421	135,309	85,830	178,285	134,211	3,210
Sq. Footage per Building	137,421	135,309	85,830	178,285	134,211	3,210
Number of Custodians	6.00	6.33	3.00	6.00	5.33	0.67
Sq. Footage per Custodian	22,904	21,376	28,610	29,714	25,169	(2,265)
Alternative School, Administrative Buildings and Others	1	1	1	2	1.25	(0.25)
Total Sq. Footage	13,346	5,202	3,400	8,470	7,605	5,742
Sq. Footage per Building	13,346	5,202	3,400	4,235	6,084	7,262
Number of Custodians	.25	.25	.25	.70	.36	(0.11)
Sq. Footage per Custodian	53,384	20,808	13,600	12,100	20,978	32,406
Total Sq. for All Buildings	385,537	322,525	251,176	447,067	351,576	33,961
Total Custodial Staff	16.50	18.21	11.00	19.45	16.29	0.21
Sq. Footage per Custodian	23,366	17,711	22,834	22,985	21,582	1,784

Source: VLSD Business Office; peer districts.

F4.26 Custodial and maintenance employees averaged 10.5 days of sick leave in FY 1997-1998, which is the highest of the peer districts being compared. Further analysis on leave usage is covered in the **human resources** section of this report.

R4.7 VLSD should consider steps to reduce sick leave usage by the custodial and maintenance employees. Sick leave used by the custodians results in higher expenditures for the school district because of the use of subs. When an employee calls in sick, a sub is required to fill the position which creates additional costs for the district. Per the OAPSE contract, there are no subs for the maintenance staff. One method of reducing sick leave usage was recommended in the transportation section (**R5.8**). In addition, VLSD should closely monitor sick time use by utilizing sick leave reports which include amount of sick time taken, reasons for absences, and sick leave balance. According to the Bureau of Labor Statistics, the average number of sick days taken by 12 month government employees is 4.7 days.

Because of the excessive amount of sick leave taken per employee and the cost associated with paying two employees, VLSD should consider implementing policies to assist with the reduction of sick leave which could include:

- i. Requiring sick leave to be a component of the employee's evaluation
- ii. Excluding sick leave hours from the "active pay status" category when calculating an employees overtime eligibility

The policy should also outline disciplinary action to be taken for documented cases of sick leave abuse.

Financial Implication: If the school district is able to implement policies that would result in a reduction of three average sick days taken, there would be a savings of \$2,880.

F4.27 The following table shows the FY 1997-98 base salary and the 1998 average gross wages for VLSD custodial employees. The weighted average base salary for the custodial staff is \$30,136 and the weighted average gross wage was \$32,317. The table also shows the average salaries for the peer districts and the AS&U Region 5 average.

Table 4-14: Custodial Salaries

Position	FY 1997-98 Base Salary	1998 Average Gross Wages	Difference as a Percentage of Base Salary
Custodian	\$30,548	\$32,819	7.43%
VLSD FTE Weighted Average	\$30,136	\$32,317	7.24%
Peer districts:			
Amherst	\$30,454	\$32,226	5.82%
Buckeye Local	\$23,507	\$25,133	6.92%
Maumee	\$23,827	\$26,303	10.39%
Peer District Average	\$26,981	\$28,995	7.46%
Difference	\$3,155	\$3,322	N/A
AS&U Region 5 Average	\$23,717	N/A	N/A
Difference	\$6,419	N/A	N/A

Sources: VLSD payroll department; peer districts.

Note: The base salaries do not include overtime. See the human resources section for more detail on salaries and benefits.

F4.28 The following table compares custodial overtime expenditures by VLSD to its peer districts for FY 1997-98. Compared to the peer districts, VLSD total custodial overtime expenditures are the second highest but the amount of overtime per full-time custodian is the second lowest. Almost half of VLSD’s custodial overtime expenditures were covered by fees charged for building rentals.

Table 4-15: FY 1997-98 Custodial Overtime Expenditures by District

District	Number of Full-Time Custodians	Salaries	Overtime	Amount of Overtime per Full-Time Custodian	Overtime as a Percentage of Salaries
Vermilion	16.50	\$504,037	\$12,526	\$759	2.49%
Amherst	18.21	\$554,657	\$2,000	\$110	.36%
Buckeye Local	11.00	\$258,578	\$10,361	\$942	4.01%
Maumee	18.70	\$451,308	\$33,447	\$1,789	7.41%

Source: Payroll departments

- F4.29 The school district maintains a substitute list for custodial positions. Currently, there are four people on the substitute list. If a custodial worker calls off, the supervisor contacts a substitute to fill the position. Substitute workers are not included on any regular seniority list, nor do substitutes have seniority for consideration of full-time employment. However, potential workers are interviewed before being hired as a substitute.
- F4.30 Custodial weekend building inspections are not performed except on extended weekends and breaks. All of the heating systems are computer controlled, except for Vermilion Intermediate School. However, if there is a snow day or it is extremely cold, the buildings are inspected.

Maintenance

- F4.31 The lead custodial, maintenance and building/grounds person (supervisor) also supervises the maintenance employees. The maintenance staff at Vermilion Schools consists of three full time employees and one part-time employee. However during the summer months, the maintenance department is staffed by several part-time student workers who also report to the facilities.
- F4.32 The supervisor has worked for the district since 1978, been in the maintenance department since 1983, and in her current position since 1990. She is responsible for keeping the district's facilities in a safe and efficient operating condition. She is also responsible for performing and coordinating the general maintenance of all school facilities and grounds, establishing and directing a preventive and corrective maintenance program for buildings and grounds that serves both immediate and long range needs, ensuring proper safety practices and procedures are followed by the maintenance staff, and conducting in-service training sessions. Documentation of job responsibilities per the job description can be found in the Custodial Services section.
- F4.33 The staffing level for the maintenance department has been the same for several years (3.5 FTEs) except during FY 1996-97 to FY 1997-98, when it was 2.5 FTEs. This was due to the retirement of one of the maintenance employees in December of 1996, and the fact that the position was not filled until July of 1998.
- F4.34 The supervisor is responsible for completing yearly evaluations for all maintenance employees. Evaluations are to be based on facts, work rules and job descriptions and be applied equally to all employees in a classification. Evaluations are intended to aid an employee in determining goals to better do one's work in the following year. Areas recommended for improvements shall be supplemented with suggested ways the employee may obtain new goals or recommended improvements.
- F4.35 The VLSD maintenance staff are responsible for 385,537 square feet. A significant portion of the maintenance and repair on the school buildings is performed in house. The VLSD Maintenance Department is responsible for 2,379 more square feet per person than the peer district average, and 35,153, or 46.87 percent, more square feet per person than the AS&U Region 5 average. These differences are shown in the following table. Based on the following comparison, VLSD's maintenance staffing level appears reasonable and reductions do not seem feasible.

Table 4-16: Square Footage per Maintenance Employee

Vermilion¹	110,153
Peer Districts:	
- Amherst	86,919
- Buckeye Local	126,838
- Maumee	117,017
Average for Peer Districts	107,775
Difference	2,379
AS&U Region 5 Average	75,000
Difference	35,153

Sources: Business Office; AS&U 26th Annual Maintenance & Operations Cost Study; Peer Districts.

¹ Square footage does not include the bus garage which is maintained by the transportation department.

- F4.36 The maintenance department is responsible for maintaining the grounds of the district. To carry out this function, the district has the following major equipment: one dump truck, one step van, one maintenance van, one small tractor, one front end loader, one 12-foot mower, and three 6-foot mowers. The district participates in the John Deere trade-in program.
- F4.37 Normal working hours for the full-time maintenance employees are generally 6:00 a.m. to 2:30 p.m. with the part-time employee working around his bus duties from 9:00 a.m. to 12:30 p.m. The part-time employee does not work during the summer.
- F4.38 Maintenance and repair projects that were contracted out during FY 1998 were for preventive maintenance (boiler maintenance at all of the schools and HVAC service at the High School and Sailorway Middle School) and concrete repairs to sidewalks and parking lots, among other things.
- F4.39 The district does not have a comprehensive preventive maintenance plan and schedule. While some procedures such as changing filters, lubricating motors, and maintaining the chemical balance of water in boilers are performed regularly, many tasks are completed only as time permits.

R4.8 VLSD should begin to develop and implement a comprehensive preventive maintenance program. Such a program could be phased in gradually, addressing the higher priorities first.

A preventive maintenance program can improve worker productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies. A preventive maintenance program can also decrease energy consumption because equipment will be running more efficiently, and can result in reduced maintenance and capital expenditures since equipment will last longer. Finally, a preventive maintenance program would improve customer satisfaction since there should be fewer interruptions to school staff and students from faulty or inoperable equipment.

Financial Implications: The cost to purchase preventive maintenance software is approximately \$6,000. Implementation would result in additional costs which are not quantifiable. However, such a program should result in long-term savings to the district from a reduction in capital and maintenance expenditures and energy consumption.

F4.40 The following table shows the average salaries of the maintenance staff. The weighted average for the maintenance department is \$25,593, which is \$3,118 less than the peer district average and about 22 percent lower than the AS&U Region 5 average. None of the four maintenance employees have been employed by the district for more than nine years.

Table 4-17: Maintenance Salaries

Position	FY 1997-98 Average Annual Salary	1998 Average Gross Wages	Difference as a Percentage of Base Salary
Maintenance	\$27,704	\$32,779	18.32%
VLSD FTE Weighted Average	\$25,593	\$ 30,004	17.24%
Peer districts:			
Amherst	\$33,005	\$36,694	11.17%
Buckeye Local	\$28,021	\$28,848	2.95%
Maumee	\$28,224	\$30,311	7.39%
Peer District Average	\$28,711	\$31,464	9.59%
Difference	(\$3,118)	(\$1,460)	N/A
AS&U Region 5 Average	\$31,221	N/A	N/A
Difference	(\$5,628)	N/A	N/A

Sources: VLSD payroll department; peer districts.

Note: The base salaries do not include overtime. See the human resources section for more detail on salaries and benefits.

F4.41 The following table shows overtime expenditures for VLSD and its peer districts for FY 1997-98. VLSD’s overtime as a percentage of salaries is the highest of the four peer districts. According to the supervisor, the district was short staffed during FY 1998 due to the retirement of one of the maintenance employees in December of 1996 and the position not being filled until July of 1998. Another reason that overtime is high is because the maintenance department works all home high school football games and two night soccer games.

Table 4-18: FY: 1997-98 Maintenance Overtime Expenditures by District

District	Number of Full-Time Tradesmen	Salaries	Overtime	Amount of Overtime per Full-Time Tradesmen	Overtime as a Percentage of Salaries
Vermilion	2.5	\$69,259	\$7,332	\$2,933	10.59%
Amherst	4.0	\$132,018	\$800	\$200	.61%
Buckeye Local	2.0	\$56,042	\$315	\$158	.56%
Maumee	4.0	\$112,897	\$6,879	\$1,720	6.09%

Sources: Treasurer’s office; peer districts

R4.9 Although a significant amount of overtime expenditures are attributable to the vacant maintenance position, the district should monitor overtime use in this area. The current overtime expenditures are the highest among the peer districts and exceed the next highest district by 4.5 percent.

F4.42 Per the OAPSE contract, there can be no substitutes contracted for maintenance. If a maintenance employee is absent, the other employees pick up the duties or the work is not completed. However, during the summer, part-time student workers are hired to help out with mowing and painting. A majority of part-time student workers are paid for by the County through the E.T.A. (Employment Training Act) program. Generally, the district does hire one or two additional students to help out.

F4.43 The supervisor does the ordering for most of the maintenance supplies. However, the maintenance staff can order certain items that they need to complete a work order. All maintenance staff can submit requisitions. The requisition goes to the supervisor and then to the treasurer for approval. If approved, the treasurer returns a P.O. and the supplies and/or parts can be ordered.

Financial Implications Summary

The following table represents a summary of the annual cost savings, implementation costs, and revenue impact for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Facilities

Recommendations	Annual Cost Savings	Implementation Costs	Revenue
R4.4 Sell Lake Elementary School and Valley View Elementary School	(\$54,107)		\$1,217,000 to \$1,521,000 (one time)
R4.7 Reduce custodial and maintenance average sick leave days taken by three	\$2,880		
R4.8 Purchase preventive maintenance software		\$6,000	
Total	(\$51,227)	\$6,000	\$1,217,000 to \$1,521,000 (one time)

Estimates by the Ohio Legislative Budget Office place the capital cost to repair and upgrade VLSD’s facilities to the minimum standards and codes for health and safety at \$20 million.

Conclusion Statement

Vermilion Local School District is managing its custodial and maintenance functions in a manner which acknowledges its serious financial problems. VLSD compares favorably to the peer districts and the AS&U region five averages in the following areas:

Square footage per custodial employee is comparable to the region five average and is eight percent more than the peer district average. VLSD has the highest square footage per custodial employee of the peer districts.

VLSD has the second lowest amount of overtime per full time custodian of the peer districts. Square footage per maintenance employee is higher than the peer district average and is almost 50 percent greater than the region five average.

VLSD has the lowest weighted average annual salary for maintenance employees compared to the peer district and region five average and a lower weighted average gross wages than the peer district

VLSD also expends its maintenance and operations funds efficiently -- \$3.79 per square foot compared to a peer average of \$4.49 per square foot. The district's expenditures per square foot compare favorably with peer district averages with the exception of utilities. A further analysis of expenditures per square foot shows that VLSD spends about 28 percent of its total maintenance and operations budget for utilities, compared to 22 percent for the peer districts. The district would have been able to reduce its energy costs, but it missed an opportunity to join the Electric Energy consortium through the Ohio Schools Council. VLSD should monitor the electric industry for opportunities that may come available in the future for energy savings.

VLSD closed two facilities due to declining enrollment and lost revenue. Although VLSD's functional capacity utilization is approximately 81 percent, no further school closings are feasible at this time. VLSD should weigh the option of selling the two closed facilities.

While the district's maintenance and custodial services are generally effective, the performance audit identifies a number of improvements that should be made. The district should monitor its energy consumption and annually update a report, which should be certified by an independent architect or engineer and the treasurer, to document the reductions in energy consumption and the operational and maintenance cost savings that result from its H.B. 264 projects. The district should implement steps to reduce the sick leave usage by custodial employees to reduce substitute costs. It should also develop and implement a comprehensive preventive maintenance program which would result in long-term savings to the district from a reduction in capital and maintenance expenditures and decreased energy consumption. VLSD's maintenance overtime expenditures are the highest of the peer districts and should be monitored for reduction.

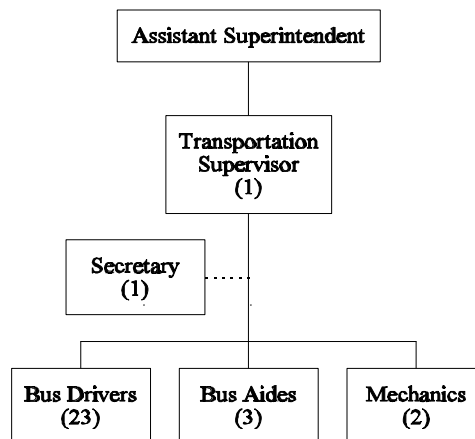
Transportation

Background

Organization Chart

The chart below provides an overview of the organizational structure and staffing levels for the Vermilion Local School District’s (VLSD) transportation department.

Chart 5-1: Transportation Department



Organization Function

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

Summary of Operations

In FY 1997-98, the average daily membership for VLSD, as reported by the Ohio Department of Education, was 2,632. District vehicles for the regular transportation program traveled 176,040 miles carrying an estimated 1,781 public and 165 non-public students daily. In total, transportation services were provided for 1,946 regular students.

The special education program transported approximately 48 students daily through different transportation means. District buses, traveling over 61,740 miles, carried 47, or 98 percent, of the special education students. One special needs student was transported by parent/guardian contract.

Overall, VLSD's vehicles traveled over 237,780 miles transporting more than 1,993 students on 45 routes. Combining all methods of transportation, the district provided for the transportation of 1,994 public and non-public students at a cost of \$692,911. Approximately 35 percent, or \$239,659, of the transportation expenditures were funded by the state.

Staffing

The following table displays the staffing levels for the transportation department.

Table 5-1: Staffing Level

Position	Number of Employees	Full Time Equivalents
Transportation Supervisor	1	0.5
Bus Drivers	23	12.8
Bus Aides	3	1.6
Mechanics	2	1.5
Secretary	1	0.5
Total	30	16.9

Source: VLSD transportation department

Financial Data

The following table shows the actual transportation expenditures for FYs 1996-97 and 1997-98 and the budgeted expenditures for FY 1998-99. The transportation expenditures for FY 1997-98 shown below includes the cost of repairs to other vehicles, \$10,948, which are not related to home-to-school transportation. Therefore, these costs have been excluded in the operational analyses performed throughout this section. Also, the cost of vehicles utilized for district field trips is not included in the figures below. Field trips are billed by the transportation department and, when the invoice is paid, expenditures are reduced for salaries and fuel in the transportation account.

Table 5-2: Financial Table

Component	Actual FY 1996-97 Expenditures	Actual FY 1997-98 Expenditures	Budgeted FY 1998-99 Expenditures
Salaries	\$413,611	\$415,129	\$420,500
Benefits	\$157,132	\$159,354	\$170,056
Purchased Services	\$45,824	\$41,912	\$47,654
Materials & Supplies	\$82,591	\$87,464	\$92,161
Miscellaneous	\$36	\$0	\$65
Subtotal	\$699,194	\$703,859	\$730,436
Capital	\$12,765	\$69,609	\$121,086
Total	\$711,959	\$773,468	\$851,522

Source: Expense appropriation work sheet

Note: Budgeted expenditures are as of date work sheet was generated (05/19/99)

The transportation expenditures, not considering capital, stayed fairly constant when comparing FY 1996-97 to FY 1997-98. The FY 1998-99 budget appropriation shows an overall increase of approximately 10 percent, with a large portion of the change being related to increases in spending on bus purchases. In FY 1997-98, the district only received a regular bus purchase allowance, where in FY 1998-99 the district received a regular bus purchase allowance and a non-public or handicapped bus purchase allowance. Otherwise, appropriations (excluding capital) have increased only four percent compared with prior expenditures.

The comparative analyses throughout this section include information on the school districts from **Table 5-3** which details some of the basic operating statistics for each of the peer districts.

Table 5-3: Operational Statistics and Ratios

FY 1997-98	Vermilion	Amherst	Buckeye Local	Maumee
Operational Statistics:				
Eligible Students				
- Regular students	1,946 ¹	2,457 ¹	2,463	1,691 ¹
- Special needs	48	43	12	49
- Total	1,994	2,500	2,475	1,740
Expenditures				
- Regular students	\$601,343	\$487,644	\$749,399	\$339,726
- Special needs	\$91,568	\$98,080	\$86,313	\$98,622
- Total	\$692,911	\$585,724	\$835,712	\$438,348
State Reimbursements				
- Regular students	\$209,882	\$293,391	\$363,325	\$183,223
- Special needs	\$29,777	\$26,764	\$29,792	\$29,608
- Bus purchase allowance	\$48,275	\$65,465	\$59,225	\$34,092
- Other bus reimbursement	\$0	\$0	\$0	\$0
- Total	\$287,934	\$385,620	\$452,342	\$246,923
Miles Driven				
- Regular students	176,040	212,580	473,580	102,780
- Special needs	61,740	44,100	65,160	32,220
- Total	237,780	256,680	538,740	135,000
Operational Ratios:				
Regular Students: Yellow Bus				
- Cost per Mile	\$3.42	\$2.27	\$1.58	\$3.19
- Cost per Bus	\$30,067	\$26,353	\$28,783	\$23,406
- Cost per Student	\$309	\$199	\$304	\$202
- Students per Bus	97	132	95	116
- Cost per Student all methods	\$309	\$198	\$304	\$201
Special Needs Students:				
- Cost per Student all methods	\$1,908	\$2,281	\$7,193	\$2,013
School Sites				
- Public	4	7	5	6
- Non-public	7 ²	4	4	9 ²
Active Buses	23	22	28	16
Spare Buses	3	5	5	5
Square Miles in District	35.0	25.0	70.9	12.7

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

¹ Number of regular students was estimated (**R5.3**)

² Number of non-public sites for Vermilion Local School District includes EHOVE Joint Vocational School and for Maumee City School District includes Penta County Joint Vocational School.

The following table provides the number of staff and FTE by position for each of the peer districts.

Table 5-4: Peer District Staffing Level Comparison

Staffing	Vermilion		Amherst		Buckeye Local		Maumee	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisors	1	.50	1	1.00	1	1.00	1	1.00
Bus Drivers	23	12.78	21	10.70	26	17.38	15	7.35
Bus Aides	3	1.64	3	1.50	2	.75	1	.47
Mechanics	2	1.50	2	2.00	2	2.00	1	1.00
Clerical	1	.50	1	.50	1	.25	1	1.00
Total	30	16.92	28	15.70	32	21.38	19	10.82

Source: School districts' transportation departments.

Performance Measures

The following is a list of performance measures that were used to conduct this analysis of the transportation department:

- ! Assessment of district's transportation policies in relationship to state minimum standards
- ! Adequacy of reporting operational information to secure state transportation aid
- ! Cost effectiveness of pupil transportation services by type of transportation (regular and special needs transportation):
 - Cost per mile, cost per bus and cost per student
 - Bus capacity utilization
 - Comparative bus driver wage rates and benefits
 - Effectiveness of coordination between the special education department and the transportation department to assure efficient transportation of special needs students
- ! Effectiveness and efficiency of transportation routing
 - Manual or computerized routing
 - Use of municipal transportation services
 - Assessment of district's bell schedules to support tiered routing
- ! Assessment of department staff and personnel matters
 - Review of the collective bargaining agreement
 - Analysis of absenteeism and leave usage
- ! Assessment of bus fleet
 - Review of bus fleet and required capital investment
 - Review of district's practices regarding school bus replacement
- ! Assessment of technology
 - Review of routing, scheduling and planning software
 - Review of fleet maintenance software
 - Review of fuel usage and monitoring
- ! Assessment of privatization
 - High level analysis of opportunities for privatization

Findings / Commendations / Recommendations

Policy

F5.1 The VLSD's Board of Education adopted policies for providing transportation to all students who live more than one mile from school and to those students with physical or mental disabilities that make walking impossible or unsafe. Exceptions to the established areas are currently made at the discretion of the transportation manager for the following reasons:

- ! Transportation will be provided where walking conditions to the student's school are extremely hazardous, and/or walking conditions are inadequate at the present time due to construction or temporary safety hazard
- ! Transportation will be provided where walking conditions to the student's school presents a safety risk, such as crossing a four-lane highway or railroad tracks
(F5.3, C5.1)

Board policy also states that transportation between home area and school will be provided for each resident child attending a state-approved nonpublic school within the district on the same basis as public school children. State law generally requires a school district to provide transportation for resident elementary students, grades K - 8, who live more than two miles from their assigned school or who have physical or mental disabilities that make walking impractical or unsafe. The transportation of high school students or intra-district open enrollment is optional.

Other key provisions of the transportation policy include:

- ! Bus driver certification
- ! Student transportation safety and welfare
- ! Transportation for field and other district-sponsored trips

The district also has two additional transportation policies that cover the non-routine use of school buses and transportation by private vehicle.

F5.2 The following table shows how the transportation policy of VLSD compares with those of its peer districts.

Table 5-5: Transportation Policies

Transportation Policy	Vermilion	Amherst	Buckeye Local	Maumee
K-5	1 mile	1 mile	0 mile	1 mile
6-8	1 mile	1 mile	0 mile	1 mile
9-12	1 mile	1 mile	0 mile	1 mile
Intra-district open enrollment	No	No	No	No

Source: District's policies

F5.3 Board policy allows for situations in which students receive transportation service who would not otherwise be eligible due to the existence of specific hazard and safety conditions. The transportation manager bases his decision for each request upon individual examinations or personal knowledge of district hazards. In FY 1997-98, the district did not transport any students under such safety exceptions due to hazardous roadway conditions. These conditions could include situations where students would be required to cross a four-lane highway or a high-traffic two-lane highway in order to reach their school of attendance.

C5.1 VLSD should be commended for establishing and complying with its hazardous conditions exemption practice which appears to provide adequate transportation for its students while minimizing the financial resources to provide this service. The transportation policy allows additional resources to be redistributed providing direct education to students.

F5.4 VLSD has elected to provide transportation services for all students subject to a 1.0 mile eligibility distance from the school of attendance. The service exceeds the state minimum standard of two miles for grades kindergarten through eight and the state minimum standard of providing no transportation services to high school students. For FY 1997-98, 434 students in kindergarten through grade eight and 408 high school students received busing above state minimum standards. This represents approximately 45 percent of the total number of regular students transported on district buses.

R5.1 Because VLSD is in a fiscal emergency, all aspects of district operations should be assessed in an effort to reduce operating costs. Cost reductions can be achieved by reducing student transportation to state minimum standards. If the transportation department had routing software, it could utilize its capabilities to run various scenarios to determine the impact of the current transportation policy on the district's transportation costs. A combination of scenarios should be run ranging from moving the district to state minimum standards or to somewhere in-between state minimum standards and the current policy.

One scenario that was reviewed during the performance audit was to determine how many students in grades 9-12 would be affected if the transportation policy were changed to exclude the busing of high school students. Approximately 408 high school students would lose their eligibility.

Financial Implication: This change in the transportation policy would result in a reduction of approximately four buses, based on the transportation department's current bus capacity of 97 students per bus, for an estimated cost savings associated with the reductions in salaries, benefits and operating costs of \$107,944, net of state reimbursements, plus a cost avoidance of \$220,000 in not having to replace these buses. Any transportation reductions should be examined thoroughly so that the district is not compromising the educational needs or the safety of the students. The cost per bus is different from the cost shown in **Table 5-3** because all administrative and overhead costs were deducted.

R5.2 Another scenario that was reviewed during the performance audit was to determine how many K-8 students would be affected if the transportation policy for students were moved from one mile to two miles for transportation eligibility. Approximately 434 elementary and middle school students would lose their transportation eligibility.

Financial Implication: Based on the transportation department's current bus capacity of 97 students per bus, approximately four buses would be reduced. The reduction of these buses represents an estimated cost savings of \$107,944, net of state reimbursements, plus a cost avoidance of \$220,000 in not having to replace these buses.

F5.5 VLSD does not have an intra-district open enrollment policy because it only has one high school (9-12), one middle school (6-8), one intermediate school (3-5), and one elementary school (K-2). However, the district has adopted an inter-district open enrollment policy. The district provided during FY 1997-98 inter-district transportation to seven students who were able to get to a scheduled district bus stop.

F5.6 The district utilizes various starting and ending times for their schools. The bell schedules show different beginning times for elementary, middle and high schools. The elementary schools also have a different ending time than the middle and high schools. The high school and the middle school are located next to each other as are the two elementary schools. This proximity allows the district to bus the high school and the middle school together and the two elementary schools together.

Table 5-6: Bell Schedules

	Start Time	Dismissal Time
High Schools	7:30 a.m.	2:30 p.m.
Middle Schools	7:40 a.m.	2:20 p.m.
Elementary Schools	9:00 a.m.	3:15 p.m.

Source: VLSD’s transportation department

F5.7 The table below illustrates how the districts compare with their bell schedules that affect transportation routing.

Table 5-7: Peer District Bell Schedule Comparison

	Vermilion	Amherst	Buckeye Local	Maumee
Number of Tiers	2 tiers	3 tiers	2 tiers	3 tiers

Source: Transportation departments

F5.8 VLSD’s transportation department uses a combination of one to three runs per route with the highest percentages of routes having two runs.

Table 5-8: Analysis of Bus Routes

FY 1997-98	AM Routes	Percent of Total	PM Routes	Percent of Total
One run	5	26%	6	30%
Two runs	14	74%	13	65%
Three runs	0	0%	1	5%
Total	19	100%	20	100%

Source: VLSD transportation department

F5.9 **Table 5-9** shows the number of runs per route by peer district. Two of the districts utilize a three-tiered bus schedule, allowing them to perform at least three runs on the majority of routes. Of the peer districts, VLSD transportation department had the lowest percentage of routes with two or more runs. In addition, VLSD had the highest percentage of routes with one run.

Table 5-9: Peer Analysis of Bus Routing Tiers

	Vermilion	Amherst	Buckeye Local	Maumee
FY 1997-98	Percent of Total	Percent of Total	Percent of Total	Percent of Total
One run	28%	0%	8%	14%
Two runs	69%	0%	92%	0%
Three runs	3%	100%	0%	86%
Four runs	0%	0%	0%	0%
Five runs	0%	0%	0%	0%
Total	100%	100%	100%	100%

Source: Transportation departments

F5.10 The district’s transportation department has designed 69 percent of its bus routes to include two runs per route to utilize the location of its facilities. According to the assistant superintendent, the heavy reliance on two runs per route is due to the proximity of the schools and the size of the district, which is 35 square miles. The high school and middle school are located next to each other as well as the elementary and intermediate schools are adjacent.

State Funding

F5.11 School districts must file annual forms with the Ohio Department of Education (ODE) regarding their transportation services. These forms are used by ODE to determine the reimbursement the district will receive related to their regular and special needs transportation programs.

The T-1 Form submitted by VLSD for FY 1997-98 contained inaccurate data. A reconciliation of student counts reported on the T-1 Form identified that the district reports total eligible students and not the total of students actually receiving transportation.

R5.3 The district submitted their T-1 Form with incorrect data to ODE. The T-1 Form is used to calculate the district's regular needs transportation reimbursements. The T-1 Form included incorrect student counts, resulting in an excessive reimbursement related to regular transportation.

The district was not able to produce an actual student ridership count so estimates were used. The district estimated that about 60 percent of the district's high school students and 85 percent of students in grades K - 8 used transportation. It was estimated that 1,946 students were transported on district buses versus the 2,437 students reported. The over reporting error of 491 students on the T-1 Form affected VLSD's reimbursement because the reimbursement for regular busing was based on dollars per pupil.

The district needs to develop procedures to ensure that accurate reports are prepared. Included in these procedures should be representatives of the transportation department, treasurer's office and superintendent's office whose signatures on these forms certify the accuracy of the data reported. In addition, there needs to be a review process by a person that is independent of the gathering process to ensure the policy was followed and accurate amounts are reported to the Ohio Department of Education. VLSD should contact ODE to receive the necessary assistance and training in meeting these objectives.

The accuracy of these reports is necessary to ensure the district receives the maximum allotment of funding without overstating amounts and possibly incurring a liability for the funds they received based on the overstatement of the numbers. In addition, the ability to capture accurate district operational data is vital in developing comparative statistics used by ODE, the district and the community stakeholders.

Financial Implication: The T-1 Form reporting errors resulted in an excessive reimbursement of approximately \$42,717 based on the FY 1997-98 state reimbursement of \$87 per student on district buses.

F5.12 The state funds yellow bus purchases under the following two methods:

- ! The first funding method deals with “regular” buses. The state is currently allocating funding to the districts based on a complex formula that utilizes the following district data: number of students or miles, a rough road factor, a wealth factor, and equity in funding. These funds are sent to the districts and are to be earmarked by the districts for bus purchases (bus purchase allowance) or to pay for contracted services.
- ! The second funding method deals with buses identified as non-public or handicapped and are currently reimbursed up to \$50,000 per bus assuming they have met the state’s mileage requirement for that year. The state is currently establishing a mileage cutoff based on all non-public and handicapped buses throughout the state and reimbursing the districts which have the buses with the highest mileage. This reimbursement is limited to the dollar level appropriated within the state’s budget.

VLSD’s bus purchase allowance in FY 1997-98 for regular buses was \$48,275. The district does not receive many reimbursements for buses identified as non-public or handicapped. The buses are not traveling the necessary mileage to qualify under the state’s current guidelines. In addition, the state is currently allocating and sending funds to the district based on a complex formula that utilizes the following district data: the number of students or miles, a rough road factor, a wealth factor and equity in funding. The district purchased a non-public/handicap bus in 1998-1999 for an amount of \$58,422 and was reimbursed by the state for \$55,000 of this purchase.

General Operations

F5.13 The following table illustrates the increase in actual and budgeted transportation costs.

Table 5-10: Actual and Budgeted Expenditures

	FY '96-97 Actual	FY '97-98 Actual	Dollar Increase	Percent Increase	FY '98-99 Budgeted	Dollar Increase	Percent Increase
Total Cost	\$699,194	\$703,859	\$4,665	1%	\$730,436	\$26,577	4%

Source: FYs 1996-97 and 1997-1998 4502 Reports and the FY 1998-1999 budget

As discussed in the financial data section, transportation expenditures, excluding capital outlay, stayed fairly constant when comparing FY 1996-97 to FY 1997-98. The FY 1998-99 budgeted appropriations only shows an increase of approximately four percent compared with prior expenditures.

F5.14 Approximately 1,946 regular education public and non-public students are eligible for transportation within the VLSD boundaries. Non-public students are students who live within VLSD boundaries but attend private or parochial schools. The overall cost to transport an VLSD regular education student, for all methods of transportation, is \$309 based on FY 1997-98 actual expenditures.

As with most school districts, the cost for VLSD to transport special needs students is dramatically higher than the cost to serve regular education students. An estimated 48 special needs students were eligible for transportation. The cost per special needs student during FY 1997-98 was \$1,908 or \$1,599 more than the cost to serve regular education students. The following factors help lead to the higher cost for special needs student transportation:

- ! The number of special needs students requiring transportation and the location of the special education classes to which students are assigned.
- ! The use of aides on the special needs routes. Aides are assigned to these routes to help the driver load/unload students, to maintain order on the buses and to attend to the special needs of the students. The billing rate for bus monitors averages \$7.74 per hour.
- ! Special needs students may require door-to-door service not available to regular education students. The time required to load/unload special needs students is higher than regular students. Both of these factors directly impact the length of time for the route.

- ! Special equipment is needed to transport special needs students. Some buses purchased for special needs programs require special features (lifts, restraints, etc.) which makes these buses more expensive to purchase and maintain.
- ! The number of special needs students per bus is usually lower than the regular transportation routes. This is due mainly to the location of the students, the displacement of regular seats, the need for special equipment, the riding time considerations and the individual attention needed by students on these routes.

The following table details the number of students and cost per student for regular and special needs students.

Table 5-11: Transportation Cost

	Eligible Students	FY 1997-98 Costs	Cost per Student
Regular Education	1,946	\$601,343	\$309
Special Needs	48	\$91,568	\$1,908
Total	1,994	\$692,911	

Source: FY 1997-98 T-1, T-2, T-11 Forms, and VLSD transportation department

F5.15 Performance of transportation services can be measured by various means. The following table presents selected operating ratios for VLSD and other peer districts for regular education students.

Table 5-12: Regular Education Operational Ratio Peer Comparison

Regular Education FY 1997-98	Vermilion	Amherst	Buckeye Local	Maumee	Peer Average
District Buses:					
Operational Data:					
Active Buses	20.0	18.3	26.0	14.0	20.0
Average Driver Wage	\$13.82	\$13.81	\$13.09	\$12.56	\$13.32
Operational Ratios:					
Cost per Mile	\$3.42	\$2.27	\$1.58	\$3.19	\$2.61
Cost per Bus	\$30,067	\$26,353	\$28,783	\$23,406	\$27,152
Cost per Student	\$309	\$199	\$304	\$202	\$254
Students per Bus	97	132	95	116	110
Number of Students	1,946 ²	2,424 ²	2,458	1,624 ²	2,113
Contracted Yellow Buses:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Public Transportation:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Payment In Lieu of Transportation:					
Cost per Student ¹	N/A	\$151	\$151	\$151	\$151
Number of Students	N/A	33	5	67	35
Board owned other than school bus:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
All Modes of Transportation:					
Cost per student	\$309	\$198	\$304	\$201	\$253
Number of Students	1,946	2,457	2,463	1,691	2,139

Source: VLSD's FY 1997-98 T-1 and T-2 Forms

¹ The payment in lieu of transportation amount for FY 1998 was \$172. However, due to the late notification from ODE, the district reimbursed at the FY 1997 rate, which was \$151. The actual cost per student average could be different due to partial payments made throughout the school year.

² Number of regular students was estimated (R5.3)

VLSD's transportation department's regular education operational ratios compare unfavorably with the peer districts in most categories. The district experienced the worst ratios for cost per student on district buses at \$309, cost per bus of \$30,067, and cost per mile of \$3.42 as compared with the peer districts which ranged from \$199 to \$304 cost per

student, \$23,406 to \$28,783 cost per bus, and \$1.58 to \$3.19 cost per mile. The district also had the second worst ratio for students per bus of 97 as compared to a peer district range of and 95 to 132.

The single biggest contributing factor that explains VLSD's high operating costs is the heavy reliance on one and two run routes (**Table 5-8**), which leads to a low students per bus utilization.

F5.16 The district does not use routing software and its optimization feature in the design of its bus routes. Instead, routes and stops are manually adjusted from the previous school year routes, with the majority of students assigned to historically established corner and cluster stops along with the private school shuttle.

R5.4 The district should thoroughly examine possibilities to implement any options and tools that could incrementally increase bus capacity levels for regular education students transported on district-owned yellow buses. Additional efficiencies may not be possible using the current manual process. One tool that is available is to purchase new routing software (**F5.16**). Some of the basic functions of routing software include the following:

- ! Route planning functions to assist the router with:
 - creation of bus stop locations relative to student and safety considerations,
 - sequencing of stops on a trip/route with automatic updating of driver directions and stop times, and
 - improving routing efficiency by utilizing optimization tools to help cluster stops into routes and couple trips/routes together for a bus.
- ! Batch functions for determining student eligibility for transportation services and assigning students to bus stops.
- ! Reporting/query functions to produce reports such as route sheets and rider lists which may be viewed on-line.

The district, by fully utilizing the route maximization features of routing software on an ongoing basis, should realize route design and bus capacity utilization efficiencies expected from the use of this software. The use of the available route optimization software during the annual route design process would allow the department to test multiple route and school bell scenarios that could identify optimally efficient student per bus levels. The testing of various route and bell schedule modules could allow for more efficient route design which would help the district limit driver idle time and comply with board eligibility criteria. The result of these efforts could allow the district to realize additional efficiencies in terms of transportation costs. Options available to help ease the transition and learning curve include training from the vendor or by entering into an annual contract with the vendor for the performance of all route design and optimization duties.

R5.5 The district’s low bus capacity utilization contributes to its high operating ratio at \$309 per student. The district should examine its bus capacity utilization to determine maximum transportation efficiency. To attain a bus utilization capacity of 85 percent, the district should be transporting 120 students per bus. However, even small incremental increases in the number of students per bus could reduce transportation costs.

Table 5-13 identifies the implications of selected incremental increases in bus capacity levels from the current level of 97 students per bus (48 total students per bus among two runs per route) which represents 80 percent of the manufacturer’s seating capacity (calculated conservatively based on the average seating of all the district buses). Although increases in bus capacity utilization to the 85 percent of the manufacturer’s capacity may appear optimistic, achieving levels realized in other districts, as footnoted in **Table 5-13**, would potentially allow the district to realize significant costs savings.

Table 5-13 Regular Needs Student Per Bus Capacity Utilization Analysis

Students per Bus	Number of Buses Required	Potential Buses Reduced ¹	Potential Cost Savings ³
97 ²	20	N/A	N/A
102	19	1	\$26,986
108	18	2	\$53,972
114	17	3	\$80,868
120	16	4	\$107,854

Note: The district needs to average 120 students per bus to reach 85 percent of the manufacturer’s seating capacity.

¹ Based on 1,946 regular education students transported on district yellow buses.

² Current students per bus average capacity is approximately 48 students per bus as VLSD basically operates two runs per route in the morning and afternoon route segments (69 percent of routes are at two runs).

³ Based on VLSD’s cost per bus of \$26,986 for district-owned regular yellow school bus transportation. The calculation for the cost per bus is different than in **Table 5-3** because administrative and overhead costs have been deducted.

School districts that have achieved a higher students per bus average by effectively utilizing routing software include Mansfield City School District (102), Euclid City School District (117), and Southwestern City School District (130).

Financial Implication: Effective utilization of routing software resulting in increases in students per bus capacities from the current levels can reduce both current operating costs and future equipment replacement. One routing software vendor, Edulog Logistics, Inc., promotes that the effective use of its school bus transportation routing optimization software can produce savings usually in the range of 10 to 25 percent of the total fleet size. Based on FY 1997-98 operating information (**Table 5-3**), if VLSD’s transportation department would effectively utilize routing software, the district could reduce its fleet by one to four buses. If

the district could reduce its fleet by two buses, it could realize annual costs savings associated with the reductions in salaries, benefits and operating costs of \$53,972 net of state reimbursements, plus a cost avoidance of \$110,000 in not having to replace these buses. In addition to the savings resulting from a reduced number of buses, the district can continually improve on its cost efficiencies by monitoring the routes and schedules during the year. The effective use of technology in the transportation operation should also allow for more efficient and effective allocation of the limited administrative staffing resources.

Achieving efficiency gains is dependent on the VLSD's ability to design routes that would allow for increases from the current average of 48 students per run. As part of this process, the district should not rule out potential bell schedule changes that may be necessary to evenly disperse eligible riders to allow increased capacity usage among three or more runs per route.

In recent performance audits, pricing for transportation routing software was acquired. It is estimated that the transportation routing software will cost approximately \$15,000. Also, the district should plan on allowing an estimated \$5,000 for implementation.

With the potential savings that could be generated through the effective use of routing software, the payback is estimated at less than one year. In addition, the Auditor of State's office has had discussions with Education Logistics who indicated that since the district is using a Data Acquisition Site, the yearly service agreement could possibly be reduced by approximately \$100 per month. Canton City School District, which uses Edulog software, and the Parma City School District, which uses VersaTrans software, can provide quality references on the effective use of automated routing/scheduling.

F5.17 The table below illustrates the special needs transportation operational ratios of the peer districts. The emphasis of the comparison is the cost of transportation per student by the various methods used to transport special needs students.

Table 5-14: Special Needs Operational Ratios Peer Comparison

Special Needs Education FY 1997-98	Vermilion	Amherst	Buckeye Local	Maumee	Peer Average
District Buses:					
Operational Data:					
Average Driver Wage	\$13.82	\$13.81	\$13.09	\$12.56	\$13.32
Average Bus Monitor Wage	\$7.74	\$8.22	\$10.40	\$6.75	\$8.28
Operational Ratios:					
Cost per Mile	\$1.48	\$2.20	\$0.93	\$2.58	\$1.80
Cost per Student	\$1,945	\$2,424	\$6,730	\$1,889	\$3,247
Number of Students	47	40	9	44	35
Contracted Yellow Buses:					
Cost per Student	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
District owned other Vehicles:					
Cost per Student	N/A	N/A	\$6,730	N/A	\$6,730
Number of Students	N/A	N/A	2	N/A	2
Contracted Other Vehicles:					
Cost per Student	N/A	N/A	\$12,282	N/A	\$12,282
Number of Students	N/A	N/A	1	N/A	1
Parent/Guardian Contract:					
Cost per Student	\$151	\$378	N/A	N/A	\$265
Number of Students	1	3	N/A	N/A	2
Public Transportation:					
Cost per Students	N/A	N/A	N/A	N/A	N/A
Number of Students	N/A	N/A	N/A	N/A	N/A
Taxi:					
Cost per Student	N/A	N/A	N/A	\$3,103	\$3,103
Number of Students	N/A	N/A	N/A	5	5
All Modes of Transportation:					
Cost per Student	\$1,908	\$2,281	\$7,193	\$2,013	\$3,349
Number of Students	48	43	12	49	38

Source: VLSD’s T-11 Form and transportation department records

VLSD’s transportation department had the second lowest cost per student for district operated special needs buses among the peer district that ranged from \$1,889 to \$6,730 per student. The contributing factors that explain VLSD’s low operating costs on district owned buses include: the low number of employee sick days taken (F5.29, C5.3) and the lower salary rate for bus monitors (Table 5-14). In addition, VLSD cost per student for all modes of transportation for special needs students was lower than the peer district average and was the lowest of the four districts being compared.

F5.18 VLSD identifies special education students as required by federal and state laws and follows the steps outlined in “*Whose IDEA is This?: A Resource Guide for Parents*” published by the Ohio Department of Education. Once it is determined that a child has a disability, an individualized education program (IEP) is written for the child. The IEP includes a statement of specific special education and related services, including transportation. The IEP indicates if specialized busing service is required and the type of service needed.

Not all special education students require specialized transportation. Those students who can be accommodated through the regular transportation program are classified as regular riders. Only those special education students requiring special transportation services are classified as special needs riders. Therefore, the number of special education students found elsewhere in this report may exceed the number of special needs students used in the transportation section.

Ohio Administrative Code Section, 3301-51-10(C)(2) states the following:

School district transportation personnel shall be consulted in the preparation of the Individualized Education Program (IEP) when transportation is required as a related service and when children’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to improve such transportation.

The Intervention Assistance Team (IAT), consisting of a teacher, administrator, district representative and the parent, is responsible for the development of student IEP plans. However, the transportation department is consulted for input during the planning process for those IEPs with transportation components. The IAT reviews special needs transportation cases on an individual basis. The administrator or the district representative of the team ensures that only those students who specifically require special busing or pick ups are awarded these services. Efforts are made to ensure that special needs students who are capable of using regular bus stops and can ride regular buses do make use of these regular transportation services. Most special needs students receiving special needs transportation attend schools outside the district.

R5.6 Although VLSD’s special needs district yellow bus cost per student of \$1,945 was the second lowest of the peer groups, the district should still examine the special needs program to determine if lower cost transportation options exist. This cost was \$1,636 above the district’s own regular needs yellow bus cost of \$309 per student. One option available to the district involves paying the parent/guardian for the transporting of the special needs student. Currently, the department utilizes this option as an additional transportation method for one student. Under this transportation method, the department could negotiate the payment amount made to the parents/guardians. Ideally, the payment amounts achieved should be below the district yellow bus cost per student of \$1,945. Presently, Toledo City School

District and Akron City School District costs for parent/guardian contracts are \$3.00/day and \$4.00/day per student, or an average of \$630 per student. However, to be financially viable the district would have to entice enough participation to be able to reduce at least one bus.

Financial Implication: The district transported 47 special needs students on three district-owned yellow buses at a cost of \$1,945 per student. For this recommendation to be feasible, the district would have to promote sufficient use of parent/guardian reimbursement for 18 special needs students being transported on a district yellow bus. The transportation department should work with the IAT to promote other transportation options. If the district could reduce the need for one special needs bus, it could potentially save \$19,132 net of parents/guardians contracts. In addition, the district would avoid bus replacement capitalization costs of \$60,000.

F5.19 The table below presents statistics relating to non-public riders in the peer districts.

Table 5-15: Non-public Student Transportation Peer Comparison

FY 1997-98	Vermilion	Amherst	Buckeye Local	Maumee
Non-public Students Eligible to Ride	165	178	103	386
Non-public Students on District Buses	165	178	98	319
% On District Buses	100%	100%	95%	83%
Cost per Student	\$309	\$199	\$304	\$202
Non-public Students on Contracted Buses	N/A	N/A	N/A	N/A
% On Contracted Buses	N/A	N/A	N/A	N/A
Cost per Student	N/A	N/A	N/A	N/A
Paid “In Lieu of Being Transported”	N/A	N/A	5	67
% Paid “In Lieu of Being Transported”	N/A	N/A	5%	17%
Cost per Student	N/A	N/A	\$206	\$180
Non-public Students on Public Transportation	N/A	N/A	N/A	N/A
% On Public Transportation	N/A	N/A	N/A	N/A
Cost per Student	N/A	N/A	N/A	N/A
Average Cost Per Student	\$309	\$199	\$299	\$201

Source: Transportation departments’ T-1 and T-2 Forms

F5.20 VLSD does not utilize parents to transport students to non-public schools in lieu of transportation on district buses. If district yellow bus service is not available for those students determined eligible to receive transportation, “in lieu of transportation” payments are offered. Parents/guardians would have been paid \$172 per child during school year 1997-98 to transport their children. The state advances school districts for 100 percent of this annually determined amount based on data reported on the T-1 Form. The following table details statistics relating to non-public students and cost per student by transportation method.

Table 5-16: Cost of Transportation for Non-public Students

Non-public Students	Eligible Students	Total Cost	Cost per Student
Bused by VLSD	165	\$50,985	\$309
Paid “In Lieu of Being Transported”	N/A	N/A	\$172
Total	165	\$50,985	\$309

Source: FY 1997-98 T-1 Forms, T-2 Forms, and transportation department records

The transportation department buses the majority of non-public students to St. Mary Catholic Elementary, which is within the district, as part of its normal bus runs. The remaining non-public students are transported on one bus to the various non-public schools.

F5.21 Statistics representing regional and national median figures were obtained from the 1997 American School & University’s Maintenance and Operations Cost Study. Figures from Region 5 of the AS&U Cost Study include districts residing in the states of Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin. The AS&U Cost Study numbers reflect all students, whether they are transported or not. The following table reflects VLSD’s comparison with other peer districts and the regional and national medians.

**Table 5-17:
Comparison of Transportation Expenditures**

	Percent of Total District Operating Expenditures
Vermilion	4.4%
Region 5	4.2%
National Median	4.2%
Amherst	3.8%
Buckeye Local	7.9%
Maumee	3.0%
Peer Average	4.8%

Source: FY 1997-98 4502 reports

VLSD spent more per student on transportation as a percentage of district operating expenditures than the median of other Region 5 districts and the national median. Compared to its peer districts, VLSD spent the second highest amount on transportation as a percentage of total district operating expenditures.

Personnel

F5.22 The transportation department is managed by a transportation supervisor, who also spends half of his time as a mechanic. The bus drivers and bus monitors report to the transportation supervisor. The department has a mechanic that reports to the transportation supervisor. The transportation supervisor reports to the assistant superintendent.

The VLSD transportation employees are represented by the Ohio Association of Public School Employees (OAPSE) Local 332. The master contract between the board of education and OAPSE for years 1998-1999, 1999-2000, and 2000-2001 was approved by passage of a board resolution on September 14, 1998.

F5.23 All transportation personnel receive sick leave, personal leave and holiday pay. Bus drivers and bus aides are considered nine month employees and receive the following leave benefits:

- ! Sick leave is accumulated at a rate of one and one-fourth days per month with a maximum accumulation 210 days.
- ! Three personal days
- ! Eight holidays

F5.24 The Fair Labor Standards Act (FLSA) sets forth the minimum wage that must be paid to employees covered by the act, and it requires a premium wage (overtime) to be paid for hours worked in excess of forty during a given work week. These requirements are also reflected in Ohio law. The district includes holidays, vacation, paid sick leave, personal days and any other time spent in active pay status when calculating the total hours worked for overtime pay, which is not required by the FLSA. In addition, all hours worked beyond the work week of five (5) consecutive days shall be compensated at the overtime rate commencing on the sixth (6th) consecutive day of work. All hours worked on Sunday, except scheduled student activities, shall be compensated at double the employee's regular rate of pay. Providing overtime provisions which are much greater than outlined in the FLSA and Ohio law is a costly practice to the district.

R5.7 The district should review its current overtime policy and consider negotiating the policy to be more in line with the guidelines set forth by the FLSA. The district should consider limiting leaves that are included in the "active pay status" category when calculating overtime to only include vacation, holidays and bereavement leaves.

Financial Implications: The district pays an overtime rate after the 5th consecutive working day. Since 20 of the 23 drivers work an average of less than five hours per day for five days, any weekend work is paid at the premium overtime rate. In FY 1997-98, the district spent an estimated \$20,892 for overtime for the 20 drivers who work less than 40 hours per week.

- F5.25 District drivers receive hourly wages for mandatory meetings over fifteen minutes, picking up extra kindergarten or shuttle runs and for days when VLSD is not holding classes but non-public schools are in session. The drivers are paid their standard hourly wage.
- F5.26 Field trip rates will be paid at two (2) hour minimum, or if larger, the actual driving time at the driver's regular rate and all non-driving time will be paid at the current substitute rate plus 25 cents.
- C5.2** The district recognizes the difference between driving time and waiting time and therefore pays drivers a lessor rate for waiting time. Waiting time is defined as time that is not spent operating a bus, but rather waiting for an activity to conclude and then resume driving time to return students to school.
- F5.27 In addition to the benefits outlined in **F5.23**, as part of the Ohio Association of Public School Employees master contract, transportation employees are also provided with health, dental, and drug insurance coverage at a percentage of the premium based on the number of hours they work. The board pays 100 percent of the premium for full time (7 and 8 hour) employees; 75 percent for 5 to 6 hour employees; 50 percent for 3 to 4 hour employees; and 25 percent for 1 and 2 hour employees. In addition, bus drivers and monitors assigned to regular bus routes are provided the paid individual optical plan at no cost, with the difference for family coverage at the employee's expense. Full time (7 and 8 hour) VLSD employees are also provided a \$20,000 life insurance policy from the district. Further analysis of employee benefits and insurance is covered in the **human resources** section of this report.
- F5.28 The master contract requires medical verification for any absence of five working days or more. However, the transportation manager has the authority to require medical verification for any absence if there is a pattern of abuse. The transportation department monitors the use of sick leave for abuses.
- F5.29 Transportation employees averaged 5.2 days of sick leave in FY 1997-1998, which is the lowest of the peer districts being compared and among the lowest of the school districts reviewed in recent performance audits. Further analysis on leave usage is covered in the **human resources** section of this report.
- F5.30 In an attempt to improve employee attendance, the school district operates an incentive program. For 1998-1999, these incentives include:
- ! Any employee that does not use any personal leave from July 1st through June 30th of a contract year will receive \$75.00 in extra pay the second pay in July.
 - ! Any employee that uses three (3) days or less of sick leave and personal leave from July 1st through June 30th of a contract year will receive \$75.00 in extra pay the second pay in July.

Of the 28 transportation employees, 5 received \$75.00 for meeting one of the incentives and 4 received \$150.00 for qualifying for both incentives.

C5.3 VLSD's average sick days used per transportation employee is the lowest when compared to the peer districts. The low use of sick leave can be attributed to the district's incentive program and effective management. The limited use of sick leave enhances the quality of education by eliminating the interruptions in education and saves the district expenses incurred through the use of substitute drivers.

F5.31 Regularly scheduled bus runs to be bid on for the coming year are posted for one week before the scheduled bid date. Bid runs are awarded to the employee holding the highest seniority date bidding on a given bus run. If, after the initial bids are accepted, a run becomes available because of a driver permanently leaving employment, the run shall be posted for a period of five (5) days and bid in accordance with the above procedure. A driver may only bid during the year on a route which is at least one hour per day more than that driver's current route. Current route times range from 3 hours to 5 ½ hours, which limits the number of people that can bid for a route opening.

C5.4 By restricting the bidding for a run that becomes available during the year to those drivers whose current route is at least one hour less than the route that is available, the district allows the transportation supervisor to better manage keeping drivers on the same route year-to-year. This allows the drivers to become more familiar with the route and the students.

F5.32 Any driver wishing to bid on a handicapped run must have voluntarily attended, without pay, all monthly training meetings sponsored by the Erie County Board of Education during the school year preceding the bid, and be deemed qualified as per the job description and "Driver Training For Handicapped Bus" memo in the bus driver handbook.

C5.5 The transportation department recognizes that handicap bus drivers need additional training to safely transport special needs students and requires driver to have this training before they can bid on a special needs student run.

F5.33 VLSD employs three bus monitors to assist drivers in the management of special needs busing students. These three bus monitors are paid an average hourly wage of \$7.74 based on the number of hours they work.

Bus Fleet

F5.34 The transportation department operates 26 buses which includes 3 spare buses. Operating statistics that are commonly used to review the age and condition of the bus fleet are based on the average bus age and the average mileage by model year. The VLSD bus fleet has an average age of 8.4 years.

There are no state guidelines for bus replacement. A general consensus among the Department of Education, private bus contractors and transportation departments is that buses should be replaced at 12 years of age or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. However, regardless of age or mileage, as long as a bus can pass inspection, the district may continue to use the bus for transportation. VLSD has six buses exceeding the parameter for replacement because of age and only one bus for mileage. The following table provides the number of buses by model year, seat capacity and an average mileage for the model year.

F5.35 **Table 5-18** provides the number of buses by model year, seat capacity and an average mileage for the model year. Seven buses, or 27 percent of the fleet, exceed the replacement guidelines for mileage or age.

Table 5-18: Bus Fleet Analysis

Model Year	Number of Buses by Seat Capacity									Current Average Mileage FY 1998-99
	20	47	54	65	66	71	72	84	Total	
1984								1	1	135,600
1985					2			2	4	125,600
1986						1			1	92,400
1989							4		4	123,580
1990		1		1			1		3	145,300
1991			1				2		3	117,130
1992							2		2	82,500
1993								2	2	57,800
1994			1				1	1	3	93,230
1996								1	1	39,300
1998								1	1	11,100
1999	1								1	1,800
Total	1	1	2	1	2	1	10	8	26	

Source: VLSD's transportation department

F5.36 **Table 5-19** estimates that the district would need to spend approximately \$390,000 in order to upgrade the bus fleet, with new buses, to be consistent with general replacement guidelines. However, the district does purchase some used buses (**F5.38**).

Table 5-19: Bus Replacement Plan

Current Bus Condition	Regular Bus Estimated Replacement \$55,000	Lift/Handicapped Bus Estimated Replacement \$60,000	Total Estimated Replacement Cost
200,000+ miles	N/A	1	\$60,000
12+ years	6 ¹	N/A	\$330,000
Total	6	1	\$390,000

Source: Transportation department

¹Includes four active buses and two spare buses.

F5.37 Bus replacement is funded in part by the state and the balance by the school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance. In FY 1997-98, the state issued a regular bus purchase allowance to VLSD in the amount of \$48,275. In FY 1998-99, VLSD qualified for an award for the purchase of handicapped or non-public buses in an amount not to exceed \$55,000. The district did purchase a handicap bus at a cost of \$58,422. See **F5.12** for an explanation of state bus purchase funding methodology.

F5.38 According to the assistant superintendent, the district’s practice was to replace two buses a year. When funds became scarce, the district purchased one bus per year. This practice has been consistently followed in recent years except in FY 1994-95 and FY 1996-97 when plans were set aside following failed operating levy campaigns. The district also has been purchasing used buses and reconditioning them in order to lower its capital costs on bus replacement.

R5.8 Maintaining an effective and proactive preventive maintenance program could potentially extend the useful life of these buses and help the district avoid a strict interpretation of replacement guidelines. However, the district should prepare a formal bus replacement plan. Included in this plan should be the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement. The plan should be in compliance with the fiscal emergency commission’s capital replacement plan. Further, the district should investigate and analyze the various potential funding methods for the bus purchases. The funding method(s) selected should be included in the bus replacement plan.

One financing method could be participation in the Ohio School Bus Pooled Financing Program. The program was created by the Ohio Association Of School Business Officers and Seansongood & Mayer. The program provides districts with the following:

- ! Permits the financing of school bus purchases over a 5-year to 10-year repayment period at the election of each of the local school districts.
- ! Reduces interest costs to participating districts due to credit enhancements on the purchased pool and the efficiencies provided by a single issue of debt compared with multiple issues on a district-by-district basis.
- ! Allows districts which cannot afford large lump sum capital outlays under the current program to immediately begin replacing their fleets.

Springfield City School District participated in the Ohio School Bus Pooled Financing Program in FY 1995-96 and borrowed \$1.27 million to purchase twenty-one 77-passenger conventional buses and four 54-passenger handicapped buses. Springfield City School District elected to repay the debt over an eight year period at an average interest rate of 5.53 percent. Annual principal and interest payments range from \$197,478 to \$201,325.

F5.39 Vermilion Local School District employs one full time mechanic (1.0 FTE) and the transportation supervisor spends half of his time as a mechanic (0.5 FTE). The mechanics currently maintain 28 school buses and another 4 district vehicles. The transportation department has a van equipped for service and a tow vehicle capable of handling the district's largest bus.

The table below illustrates operational data including the number of mechanics employed to service district buses and vehicles as compared with its peer districts.

Table 5-20: Mechanic Staffing Levels by Peer District

Operational Data	Vermilion	Amherst	Buckeye Local	Maumee	Peer Average
Number of Mechanics	1.5	2.0	2.0	1.0	1.6
Buses per Mechanic	18.7	13.5	16.5	21.0	17.4
All Vehicles per Mechanic	21.3	16.5	20.0	34.0	23.0
Average Mechanic's Wage Rate	\$17.44/hr	\$19.21/hr	\$12.91/hr	\$16.53/hr	\$16.52/hr

Source: School districts' transportation departments.

C5.6 VLSD's transportation compares favorably to its peer districts in mechanic staffing levels and has the second highest ratios for buses per mechanic and all vehicles per mechanic.

Technology

F5.40 The district purchased Edulog about nine years ago to help with its transportation routing. Some of the basic functions of Edulog include the following:

- ! Route planning functions to assist the router with
 - Creation of bus stop locations relative to student and safety considerations
 - Sequencing of stops on a trip/route with automatic updating of driver directions and stop times
 - Optimization tools to improve routing efficiency by helping cluster stops in trips and form trips together for a bus route
- ! Batch functions for determining student eligibility for transportation services and assigning students to bus stops
- ! Reporting/query functions to produce reports such as route sheets and rider lists and view information on-line

F5.41 The district has an old DOS based version of Edulog. The district has not maintained its service contract with Edulog and, therefore, has not received the software updates to keep the software current. Edulog's current program is Window based and more user friendly. The assistant superintendent's secretary stated that they had too many operational problems with their Edulog routing software and stopped using it about 1 ½ years ago.

F5.42 There is much concern and discussion in the business and academic communities about software not being able to function properly after January 1, 2000 (Y2K). The current Edulog routing software owned by the district is not Y2K compliant since the district has not updated the software because it dropped its service contract.

F5.43 In 1992, the district purchased fuel dispensing monitoring equipment. The system called Tech 21, model 1000 uses magnetic striped cards that were vehicle specific. Due to many technical problems and many service calls, the district stopped using the system. The transportation secretary monitors and records fuel information.

F5.44 The following table is a technology assessment of transportation software reflecting the functionality available and used for routing/scheduling/planning, fleet maintenance and fuel.

Table 5-21: Transportation Department Technology Assessment

Transportation System Functionality	Functionality Available?	Functionality Used?
<i>Routing, Scheduling and Planning</i>		
Maintain geographical maps that can be edited by district staff	Yes	Yes
Create boundaries (school limits, walk limits) that can be edited by district staff	Yes	No
Interface with the student information system to allow downloading/uploading of student data	Yes	No
Create and schedule bus routes	Yes	No
Optimize routes to allow for the minimization of the number of buses and run times and the maximization of bus capacity	Yes	No
Allow customization of data fields and route development so that special needs and hazardous conditions can be taken into consideration	Yes	No
Has real-time on-line query capability to allow users to quickly access needed information	Yes	No
Perform “what if” scenarios with different variables (bell times, tiers, bus capacities, policy changes) to assist with transportation planning and analyses	Yes	No
Generate standard and custom reports (management, driver schedules, route directions, financial)	Yes	No
<i>Fleet Maintenance</i>		
Maintain history of maintenance activities for individual vehicles	N/A	N/A
Interface with fuel usage/monitoring system	N/A	N/A
Schedule preventive maintenance activities	N/A	N/A
Classify and prioritize work orders and generate outstanding work order listing to enable backlog analyses	N/A	N/A
Track status of work orders to allow for evaluation of labor productivity	N/A	N/A
Maintain perpetual inventory of parts (quantities, unit cost, location)	N/A	N/A
Track parts movement to help identify surplus, obsolete, and slow-moving items	N/A	N/A
Generate standard and custom reports	N/A	N/A

Fuel usage/monitoring		
Interface with fleet maintenance software	N/A	N/A
Contains security features and controls to prevent unauthorized access to fuel pumps (fuel card/key, identification numbers)	Yes	No
Allow monitoring of fuel tanks to ensure fuel quality and detect leaks	N/A	N/A
Generate management reports	N/A	N/A

R5.9 The district should consider the use of technology to better manage and increase the efficiency and effectiveness of its transportation department as follows:

- ! The district should consider using transportation routing software. Transportation software uses technology to consider and evaluate more alternatives for scheduling than can ever be accomplished manually. The efficiencies that are gained through the use of transportation routing software include the use of interactive updating capabilities of the student data base and the running of “what if” scenarios. Several alternative sets of runs and/or routes can be easily produced and evaluated to help transportation management select the best case scenario consistent with district policies in an informed, uniform manner. The effective use of route optimization software is widely used to achieve route capacity and run time efficiencies, resulting in reduced bus fleet needs. The software also allows for the generation of a wide range of standard and custom reports (**R5.4, R5.5**).
- ! Another software consideration is boundary planning/enrollment analysis. This software can accurately tally and locate students living within any area specified by the district and can simulate various school boundary changes which could assist in the closing/opening of schools. Other software could include a custom report writer which would allow the user to generate a wide variety of reports in minutes instead of hours or days. Besides the transportation department, the custom report writer could be used by administrators, principals and attendance personnel providing a valuable tool for management analysis and decision making.
- ! In addition, the district should consider the purchase of fleet maintenance software that would allow the district to more efficiently and effectively manage its bus fleet. The incorporation of such software would allow the district to maintain equipment histories, schedule preventive maintenance programs, generate work order reports and monitor expense data, productivity and inventory levels.

Privatization

In performing our high level assessment of potential privatization opportunities within the transportation department, we evaluated the major transportation functions and activities with respect to a number of criteria which are important considerations in assessing privatization opportunities. The following table details the assessment criteria and provides a description of the key issues.

Table 5-22: Privatization Opportunities Assessment Criteria

Assessment Criteria	Description / Key Issues
Sufficient Volume?	Is the volume of work associated with function/activity sufficient to justify internal performance? Does the function/activity require a sufficient “critical mass” of resources to enable operations?
Prohibitive control requirements?	Are the management, oversight and control requirements associated with external performance of the functions excessive? <ul style="list-style-type: none"> - Would management time requirements increase as a result of external performance of the function/activity? - Would standardization of work methods and service levels be difficult to achieve?
Complexity?	Is the function/activity too complex to be performed by external resources? <ul style="list-style-type: none"> - Are the technical skill requirements of the activity excessive? - Are the workload requirements associated with the function/activity difficult to predict? - Does performance of the function/activity involve coordination requirements among multiple VLSD departments?
Influenced by regulatory/compliance environment?	Is the performance of the function/activity regulated? <ul style="list-style-type: none"> - Are regulatory issues complex? - Are non-compliance liabilities significant? - Are documentation and reporting requirements significant?
Significant capital investment?	Are significant capital investments required in association with the internal performance of the function/activity?
Procurable services?	Are high quality, external service providers available to perform the function/activity? <ul style="list-style-type: none"> - Do a number of alternative service providers exist? - Is the performance of the functions/activity unique? - Are high quality resources available?
Significant operating cost?	Will the potential benefits of utilizing external resources likely offset/exceed the potential costs?
Quality?	Is there a high probability that external performance of the function/activity would reduce quality and service levels? <ul style="list-style-type: none"> - Would customers’ complaints likely increase? - Would responsiveness decline? - Would the quality of workmanship decrease?

Based on our assessment, it appears that student transportation has a potential for privatization. However, as discussed throughout this report, there are a number of areas which require detailed evaluation and changes in the systems, processes and organization of the transportation department. Consequently, a true evaluation and comparison of the VLSD transportation department to private vendors cannot be performed until these issues are addressed.

Table 5-23: Initial Privatization Assessment

Assessment Criteria	Regular Transportation Services	Special Needs Transportation Services
Sufficient Volume	Yes	Yes
Prohibitive Control Requirements	No	No
Complexity	No	No
Regulatory Influence	No	No
Capital Investments	Yes	Yes
Procurable Services	Yes	Yes
Operating Costs	Yes	Yes
Quality	No	No
Potential Privatization Opportunity	Low - Moderate	Low - Moderate

While the opportunity for privatization exists, the following three considerations that must be addressed prior to pursuing privatization:

- ! Significant improvements can likely be realized internally without outsourcing.
- ! Assessing outsourcing from only a cost perspective would ignore important subjective costs associated with privatization such as loss of control and lack of responsiveness.
- ! VLSD must review its transportation board policy especially the section that states that school buses shall be purchased, housed, and maintained by the district for the transportation of resident students between their home areas and the schools of the district to which they are assigned.

Contracting operations could relieve VLSD of administrative tasks such as driver management, payroll processing and maintaining the transportation department. Contract services can bring added flexibility to school district operations. Changes in staff levels, enrollment and school schedules can all impact service levels which can be met by contractors on an as needed basis. In contrast, the

district may have to over-staff its department in order to meet periodic surges in demand for busing which would contribute to higher than necessary overall costs.

There are many options available for the provision of pupil transportation as VLSD may competitively contract for all or some of their busing. VLSD may own, lease, share or sell capital assets. In addition, VLSD may competitively contract for maintenance, management, operations or a combination of services.

Privatization can take at least two forms. One form would include VLSD signing a short-term contract with a private vendor to provide transportation services and would reserve the right to change vendors after a specified time. For this option, VLSD would retain ownership of its assets. The other form would include the district selling its buses to a private contractor. The contractor(s) would then lease the assets back to the district and provide staff for maintenance and upkeep. The district could also rent its transportation facilities to the contractor.

Postponing consideration of privatization opportunities until cost savings improvements have been identified and implemented, at a minimum, ensures maximum cost savings generated by privatizing, or may preclude the need to privatize at all. Initially, privatization when compared to current operations may appear to offer an opportunity for cost savings. However, in reality, private vendors have a financial incentive to achieve cost savings at a level somewhere below the district's current operations, but would not necessarily be the lowest cost they could charge the district.

By further improving internal operations, VLSD would have an opportunity to realistically assess the advantages and disadvantages of privatization. Once a district has reduced its current operating costs, it is in a better position to negotiate with vendors to determine whether more efficient and lower cost operations can be provided.

To assess the total cost of contractor service, contract administration costs should be included as well. Contract administration costs would include procurement, contract negotiations, contract award, the processing of amendments and change orders, the resolution of disputes, the processing of contractor invoices, and contract monitoring and evaluation. In addition, a true cost of transportation should be calculated to include the value of land, facilities, maintenance of the facilities, utilities and insurance.

Financial Implications Summary

The following table represents a summary of annual cost savings, cost avoidance, additional revenue and implementation amounts. This table represents the savings that VLSD could potentially realize without utilizing a private contractor. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Transportation

Recommendations	Annual Cost Savings	Cost Avoidance	Additional Revenue	Implementation Cost
R5.1 Assess the transportation policy for high school students	\$107,944	\$220,000		
R5.2 Assess the transportation policy for grades K-8 from 1.0 mile to 2.0 miles	\$107,944	\$220,000		
R5.3 Report the actual number of students receiving transportation versus the eligible number of students			(\$42,717)	
R5.5 Increase student per bus capacity	\$53,972	\$110,000		\$20,000
R5.6 Promote parent/guardian contracts for special needs student transportation	\$19,132	\$60,000		
R5.7 Negotiate overtime policy to be in line with the FLSA	\$20,892			
Total	\$309,884	\$610,000	(\$42,717)	\$20,000

Actual, versus the estimated, annual cost savings could vary greatly depending on the total number of buses reduced due to changes in transportation policies and efficiencies in routing. In addition, the magnitude of the cost savings associated with some recommendations will be greatly affected by the implementation of other interrelated recommendations. The estimated cost for bus replacement addressed in **Table 5-19** is not included in the above table. The capital outlay required for the bus replacement plan is estimated at \$390,000.

Conclusion Statement

In providing transportation to regular and special needs students, Vermilion Local School District's transportation department performs at a favorable level when comparing operating ratios to those of other peer districts for special needs students but at an unfavorable level when compared for regular needs students. The district has the lowest cost per student and the second lowest cost per mile for special needs transportation. However, the district has the highest cost per student, cost per mile, and cost per bus for regular needs transportation when compared to the peer districts. The most significant contributing factor for VLSD's high operating costs is the heavy reliance on one and two run routes, which leads to a low student per bus utilization.

The district does realize cost savings through its practice of purchasing used buses. The district could improve operating cost efficiencies by reevaluating the costs associated with busing policy above state minimum standards. However, any transportation reductions should be examined thoroughly so that the district is not compromising the educational or safety needs of the students. Additional recommendations for improving operating cost efficiencies include the following:

- ! Promoting parent/guardian contracts as an option for the transportation of special needs students
- ! Negotiate overtime to be paid according to the guidelines set forth by the FLSA

The district could also gain operating efficiencies by more effectively utilizing technology. The effective use of route optimization software is widely used to achieve route capacity and run time efficiencies, resulting in reduced bus fleet needs. The district provides transportation to approximately 97 regular students per bus. Through analysis of the bus routes and bell schedule, the district might be able to achieve greater efficiency and additional cost savings by increasing its bus utilization capacity per run. Since the software utilized by VLSD is outdated and requires extensive time to work with and update, the transportation department's ability to work with the software system to develop such an analysis, update information and generate reports in a timely manner would be increased by the purchase of a newer, faster routing software.

A high level analysis to determine if the district was a viable candidate for privatization indicated that a low - moderate level potential for privatization exists. However, by postponing consideration of privatization until improved operating efficiencies are achieved, at a minimum, ensures maximum cost savings generated by privatizing and gives the district the opportunity to realistically assess the advantages and disadvantages of privatization. Further increases in transportation department efficiency could serve to reduce the viability of privatization even more. In addition, any efficiencies gained in the transportation department would translate into more funds available for general education.