



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

PICKERINGTON LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

OCTOBER 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

To the Citizens of the City of Pickerington, Ohio:

In May 2002, Pickerington Local School District (Pickerington LSD) contracted with the Auditor of State's Office for a performance audit of several areas of District operations for early identification of potential cost savings. Pickerington LSD recognized the potential for future financial deficits and contracted for a performance audit to avoid being placed in fiscal caution. The four functional areas selected for assessment in the performance audit were financial systems, human resources, facilities, and transportation.

The performance audit contains recommendations which provide cost savings, revenue enhancements and efficiency improvements. The performance audit also provides an independent assessment of Pickerington LSD's financial situation and five-year forecast. The recommendations contained in the performance audit are provided as a resource to aid the District in developing and refining its financial plan and to assist in avoiding potential deficit conditions. However, the District is encouraged to assess overall operations and develop other recommendations independent of the performance audit.

An executive summary has been prepared which includes the project history, a district overview, the purpose and objectives of the performance audit, and a summary of findings, commendations, recommendations and financial implications. This report has been provided to the Pickerington Local School District and its contents discussed with appropriate District officials and management.

The District is encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery and financial stability.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 17, 2002

Executive Summary

Project History

In May 2002, Pickerington Local School District (Pickerington LSD) recognized future financial deficits and, instead of being placed in fiscal caution, contracted with the Auditor of State's Office (AOS) for a performance audit of several areas of District operations for early identification of potential cost savings. Initial evaluations determined that the proposed new revenues from the November 2002 7.5 mill ballot issue would extend District solvency only one year, until FY 2004-05. Therefore, the performance audit contains additional recommendations that will require considerable deliberation by the District and stakeholders. AOS developed a letter of arrangement, setting forth details of the proposed project. Based upon a review of information from Pickerington LSD and conversations with administrative staff, the following four functional areas were selected for evaluation:

- Financial Systems
- Human Resources
- Facilities
- Transportation

AOS initiated fieldwork in early July 2002.

District Overview

Pickerington LSD is a suburban district located in Fairfield and Franklin counties. The District covers 36 square miles. In FY2000-2001, Pickerington LSD served about 7,500 students and employed 762.0 FTE employees, including 435.0 FTE regular and special needs teachers. Pickerington LSD has a total of nine buildings. These include five elementary schools, two middle schools, one junior high and one high school. Pickerington LSD is meeting 27 out of 27 ODE performance standards, categorizing it as an excellent school district. Pickerington LSD's per pupil operating expenditures (governmental funds) were \$7,331 in FY 2001-2002.

Over the past 10 to 15 years, Pickerington LSD has experienced rapid growth in its student population. Pickerington LSD is located in a predominantly residential area, with limited commercial or industrial activity. The majority of funding for Pickerington LSD is derived from property taxes and ODE state foundation funding. The limited local funding, coupled with the

growth at Pickerington LSD, has caused concern among District administrative staff that available funding may not be keeping pace with future District expenditures.

Pickerington LSD is addressing the rapid growth of its student population through the addition of a series of new school buildings. In November 2000, Pickerington residents passed a \$77.5 million dollar bond issue to build a new high school and a new junior high school. Construction is currently in progress and the buildings are scheduled to open in FY 2003-04. The District is finalizing building boundaries. The opening of the new high school and junior high school addresses the need for secondary education capacity, but elementary and middle school space continues to be a concern. The District has also placed a combined operating levy and bond issue on the November 2002 ballot. The \$27 million bond issue component would be used to build two new elementary buildings. Construction on the elementary buildings is scheduled to begin in the fall of FY 2003-04 with completion in approximately two years.

Objectives and Methodology

The goal of this audit was to provide an independent assessment of current District operations to improve service delivery and optimize operational efficiency and effectiveness. The assessment and subsequent recommendations will help Pickerington LSD to increase efficiency and potentially avoid fiscal emergency in the forecasted future. Given current revenue projections, Pickerington LSD predicts that it will enter fiscal emergency by FY 2003-04 without additional revenue. If the recommendations contained in this audit are implemented, Pickerington LSD may avoid fiscal emergency until at least FY 2006-07. Currently, Pickerington LSD faces a serious financial situation. Without significant expenditure reductions, the District could be placed in fiscal emergency within the next few years and lose direct decision-making control.

To complete this report, auditors gathered and assessed data from various areas, conducted interviews with Pickerington LSD personnel, and evaluated requested information from the selected peer districts. Mason City School District (Mason CSD), Reynoldsburg City School District (Reynoldsburg CSD), and Milford Exempted Village School District (Milford EVSD) were selected as peers based upon comparability as identified by ODE, reviews of various demographic information and input from Pickerington LSD personnel. Furthermore, these districts demonstrated comparable report card standards to those of Pickerington LSD. Best practice information was used from ODE, the State Employee Relations Board (SERB), American Schools and Universities (AS&U), and other school districts for additional comparisons.

Noteworthy Accomplishments

Pickerington LSD met 27 of 27 educational performance standards, demonstrating a high degree of excellence in its educational programs. Additional noteworthy accomplishments were identified during the course of the performance audit.

Financial Systems

- With the Board taking an active role in the process, Pickerington LSD administration plans for long-term needs and routinely updates departmental strategies. The treasurer maintains a good working relationship with the other departments and works to improve accountability at the Department level. In addition, the treasurer works with other governmental agencies and the Fairfield County Auditor to ensure accurate revenue projections.
- The District has written procurement policies in place with corresponding internal controls to ensure that procurement policies are appropriately recorded and monitored.
- Food service operations are self-supporting and maintain a positive equity balance.

Human Resources

- Pickerington LSD prepares carefully researched enrollment projections, which include information on birth rates, survival rates, and historical trend data. These projections help the District plan building and staffing needs.
- Regular education staffing levels are comparable to peer districts and appear to be in line with Pickerington LSD's educational mission.
- The District was able to negotiate favorable rates with its health insurance provider while maintaining benefit levels agreed to in the District's collective bargaining agreement with certificated staff.

Facilities

- Pickerington LSD employs a building use policy, which regulates and encourages community use of school district facilities.
- The District uses an established policy and fee schedule guide to recoup some of the costs associated with outside groups using the facilities when school is not in session. This practice demonstrates a good effort on the part of the District to ensure it is using all possible revenue sources while providing community access to District buildings.

- The District's buildings are well maintained and appear to support the educational goals and objectives of the District while providing a clean and safe environment for learning. Overtime usage is monitored and tracked to minimize operational costs.

Transportation

- Pickerington LSD makes good use of the payment in lieu of transportation option that is available to non-public students. This option allows the District to save money and apply resources to other transportation needs.
- The District purchases fuel through a consortium to help minimize transportation operating costs.

Key Recommendations

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

- In an effort to rectify Pickerington LSD's current financial difficulties, there must be a shared sacrifice among all employees. Pickerington LSD should work with its bargaining units to secure salary increases of 1 percent for FY 2004-05 and 2 percent for FY 2005-06 and FY 2006-07. Based on the District's financial forecast, Pickerington LSD will be unable to certify future contracts without both the passage of a levy and substantial cost reductions. Negotiating a lower COLA percentage could save the district salary and benefit costs of approximately \$1,688,000 in FY 2004-05, \$3,077,000 in FY 2005-06 and \$4,682,000 in FY 2006-07.
- Pickerington LSD should analyze and use the proposed financial plan outlined in **Table 2-10** to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on Pickerington LSD's financial condition. Pickerington LSD should consider implementing the recommendations in this performance audit to improve the District's current and future financial situation. As critical financial issues are addressed, Pickerington LSD should update the proposed financial plan.
- Pickerington LSD should consider reducing its special education staffing by 10.0 FTEs. If the proposed levy fails, the District could potentially reduce special education staffing levels by an additional 7.0 FTEs, depending on the specific special needs disabilities. A detailed review of students' specific requirements should be performed to assess the level of service required by the Ohio Administrative Code (OAC) § 3301-51-09. This reduction would provide an annual cost savings of approximately \$430,000 in salaries and benefits.

- Pickerington LSD should consider reducing Educational Service Personnel (ESP) staffing levels for FY 2003-2004. The District could reduce the ESP staff by 7.0 FTE and remain above State minimum standards. Classifications which should be reviewed for possible reductions include librarian media specialists, counselors and registered nurses. To meet instructional needs and increased enrollments, these positions may need to be reintroduced in FY 2004-2005. Pickerington LSD could generate an estimated annual cost savings of approximately \$434,450 in salaries and benefits.
- Based on the district's current financial situation, Pickerington LSD should postpone hiring 11.0 FTE non-teaching positions indefinitely. If Pickerington LSD does not pass the fall 2002 ballot issue, it should postpone hiring all planned non-teaching positions through the forecasted period and reallocate current positions between existing buildings and the new junior high and high schools. The District would realize an annual cost savings of approximately \$550,000 in salaries and benefits for FY 2003-2004 through the end of the forecast period if the 11.0 FTE non-teaching positions are not added to the District payroll.
- Pickerington LSD should reconfigure all existing elementary and middle schools to a K-6 grade configuration to better use existing facilities and eliminate or reduce the use of modular units as classrooms. The transportation contractor, Laidlaw Inc., should use routing software to ensure the efficiency of new transportation routes and reduce transportation costs associated with any planned reconfiguration.
- Based on current enrollment trends, Pickerington LSD will need two additional elementary facilities (K-6) by FY 2008-09. The District should consider two scenarios: Construct one building by FY 2005-06 and the second by FY 2008-09, depending on the growth in enrollment, or construct both buildings by FY 2005-06.
- Pickerington LSD should reduce the number of buses used to transport its students. By consolidating bus stops that are in close proximity, the District could increase the number of students per bus and reduce overall route time. This would allow buses to pick up more students per route. If the District could increase students per bus to the peer average, the District would be able to reduce the necessary bus fleet by 12 buses. The District could save approximately \$490,000 based on the average transportation cost per bus.

Additional Findings and Recommendations

Financial Systems

- Pickerington LSD has placed a 7.5 mill operating levy on the November ballot. If this levy passes, the District would receive approximately \$2.8 million in FY 2002-03 and \$5.6 million in additional revenue in FY 2003-04 through FY 2006-07. Pickerington LSD should demonstrate accountability by sharing information with the public of how the new revenue will be spent and how the new levy will benefit the District.
- Pickerington LSD should ensure the forecast's accompanying notes and assumptions include a detailed description of historic and projected information. While the treasurer has made changes to the forecasting process to ensure departmental responsibility and has made the projections with a great deal of thought and detail, the forecast did not include an adequate description of the assumptions. The forecast should include assumptions explaining how the revenue was projected, increased COLA, inflation increase, unusual increases or decreases, and plans for the forecasted period. By providing more detail in the forecast and its supporting notes, the Board and public can better understand the financial condition of Pickerington LSD.
- Pickerington LSD should closely examine its spending patterns in several areas (see **Table 2-8** and **Table 2-9**) and ensure that the monies it is currently receiving are directed toward those programs and priorities which have the greatest impact on educational outcomes. In addition, Pickerington LSD should analyze the cost reductions recommended in the human resources, facilities and transportation sections of this report to further increase operational and financial efficiencies.

Human Resources

- Pickerington LSD should delay hiring 7.0 FTEs regular teaching positions until FY 2004-05. This delay would save approximately \$350,000 in FY2003-2004.
- Pickerington LSD should decrease administrative staffing at the high school and junior high levels. The reduction of four dean positions would provide an annual cost savings of approximately \$288,000 in salaries and benefits.
- Pickerington LSD should periodically review salaries for official/administrative and professional/educational personnel to determine the appropriateness of current salary schedules. A review of the job market targeted to specific job classifications would provide

Pickerington LSD with the information necessary to make critical decisions concerning position salaries. The District should, at a minimum, survey surrounding districts concerning the minimum and maximum salary ranges, average starting salaries, and average salary in range for specified positions.

- Pickerington LSD should attempt to reduce health care costs to the district by requiring a minimum \$10 co-payment on office visits and prescriptions and by increasing the employee share of the health care premium for single and family coverage to 15 percent. Increasing the employee share and deductible amounts could save the District approximately \$295,600 annually.
- Pickerington LSD should update the summary of health care plans that is given to all District employees or should provide all employees with the negotiated contract for certificated employees which contains the most current health care plans and information.
- The Board should review and update the policy manual of the Pickerington LSD on an annual basis and ensure that the policies and procedures outlined are current and reflect updates to the negotiated agreement if they will be applied to all employees. In addition to ensuring that policies are up-to-date, reviewing policies and procedures of District helps ensure that they are applied consistently and fairly to all employees.

Facilities

- Pickerington LSD should increase maintenance staff by 1.0 FTE. The additional maintenance person will help the District keep up with the demands of additional building maintenance when the two new schools open in FY 2003-04. The addition of 1.0 FTE would cost approximately \$43,000 annually, including salary and benefits.
- Pickerington LSD should reassess the cost effectiveness of its heating, ventilating and air conditioning (HVAC) contract and consider either re-bidding the contract to seek a lower cost or bringing the function in-house. Any assessment of the contract should take into account the cost of labor and parts in recent years to determine whether the contract is the most beneficial and economic means for addressing District HVAC needs.
- Pickerington LSD should carefully monitor staffing levels and employment decisions made pursuant to the opening of the new junior high and high school in the fall of 2003 and should defer hiring two new custodians scheduled for March 2003 hire until July 2003. The deferment of new hires would result in a one-time cost avoidance of \$23,000.

- The District should purchase and implement a comprehensive computerized work order system. A comprehensive system would allow the district to track work orders, materials used, personnel information and productivity statistics. The cost of this service would be approximately \$5,000 per year.
- Pickerington LSD should track leave expenditures according to specific USAS codes for different leave types. Pickerington LSD should account for all expenditures in accordance with the guidelines set forth in the USAS manual.
- Pickerington LSD should develop a formal facilities master plan to document long-term facilities needs and requirements. The master plan should include a 10-year enrollment history; enrollment projections and the methodology used for these calculations; building capacity and the methodology used; a list of cost estimates needed for capital improvements; and a description of the district's educational plan.
- Pickerington LSD should continue to use a methodology for completing and monitoring enrollment projections, and comparing these projections to building capacity. The district can use the enrollment projections to help project future state funding allocations, to complete financial forecasts, to determine the appropriate number of teachers to hire, and to evaluate building usage and capacity.
- Pickerington LSD should review building capacity and utilization periodically, in conjunction with enrollment projections, to determine the appropriate number of school buildings and classrooms needed to house current and projected student populations
- In conjunction with the reconfiguration recommended previously and the opening of the new junior and senior high schools, Pickerington LSD should sell all but 10 of its portable classrooms currently in use around the District. The sale of these structures should result in a one-time cash infusion to the General Fund of approximately \$368,000.

Transportation

- Pickerington LSD should implement procedures to ensure that all qualifying transportation expenditures are submitted to the state for reimbursement and that all data is reported accurately. This process should include representatives of the Transportation Department (Laidlaw), Treasurer's Office and Superintendent's Office, as the signatures of these officials on the forms certify the accuracy of the data reported. A review process by a person independent of the data gathering process should be created to ensure that procedures are followed and accurate amounts are reported to ODE.

- Pickerington LSD should explore the following options to lower special needs transportation costs: promote the formation of parent/guardian contracts with the Transportation Department, include a transportation specialist in the development of Individualized Education Plans (IEP) and introduce the use of mini-buses to transport special needs students. Pickerington LSD could save approximately \$43,000 per year if it reduced special needs transportation costs to the peer average.
- Pickerington LSD should revise the bus replacement schedule in the contract with Laidlaw to reflect a 12-year bus lifespan. Replacing buses at 12 years of age could reduce amortization costs by spreading the costs over a greater amount of time. An additional two years of service life would not adversely affect the quality of the buses but may substantially reduce the cost to the District. The District should also renegotiate with Laidlaw to reduce the daily cost per bus in conjunction with the amortization reduction. If Laidlaw replaced the 14 District owned buses in the next fiscal year and amortized the buses over a 12 year period, the District could avoid costs of approximately \$15,000 per year.
- Upon the expiration of the current contract, the District should issue a RFP and contract transportation services to the company offering the lowest and best proposal. Issuing an RFP, as opposed to simply renewing or renegotiating, allows the District to choose the best available service provider for the lowest feasible price.
- Pickerington LSD should assign the responsibility of coordinating and monitoring the transportation function to an in-house administrative employee. This function could be assigned to an existing administrative employee, without an additional cost to the District and would ensure active District participation with the contractor on a regular basis.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions, which the Pickerington LSD should consider to reduce expenditures and increase efficiency or effectiveness. Some of the recommendations are dependent on labor negotiations or labor agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref No.	Recommendations From all Sections	One-Time Cost Savings	Annual Cost Savings	Cumulative Costs Savings	Cost Avoidance	Implementation Costs
	<i>Financial Systems</i>					
R2.1	Real property tax assumption revision			\$992,000 Revenue Enhancement		
	<i>Human Resources</i>					
R3.1	ESP teacher reduction of 7.0 FTE's	\$452,000				
R3.2	Reduce Special Education Staff by 10.0 FTE		\$448,000			
R3.3	Do not hire proposed administrative positions		\$550,000			
R3.4	Defer hiring 7.0 junior high and middle school FTE teachers until FY2004-2005	\$350,000				
R3.5	Reduce deans at the high and junior high schools by 4.0 FTEs		\$383,000			
R3.8	Negotiate a 1/2/2 percent pay increase for FYs 2004-07			\$9,447,000		
R3.9	Increase employee share of health insurance premiums for single coverage to 15 percent		\$295,000			
	<i>Facilities</i>					
R4.1	Hire an additional maintenance employee					\$43,000
R4.3	Defer hiring two custodians four months in FY 2003				\$23,000	
R4.4	Implement an Internet-based, electronic work order system for maintenance requests.					\$5,000
R4.11	Sell 23 modular classrooms	\$368,000				
	<i>Transportation</i>					
R5.1	Reduce the number of buses by consolidating bus stops that are in close proximity.		\$490,000			
R5.3	Lower special needs transportation costs to the peer average.		\$43,000			
R5.4	Amend the bus replacement plan from 10 to 12 years				\$15,000	
	Total Financial Implications	\$1,170,000	\$2,209,000	\$10,439,000	\$38,000	\$48,000

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

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Financial Systems

Background

This section focuses on the financial systems within Pickerington LSD. The objective is to analyze the current and future financial condition of Pickerington LSD and to develop recommendations for improvements and efficiencies. Comparisons are made throughout the report to the following peer school districts: Mason City School District (Mason CSD), Milford Exempted Village School District (Milford EVSD), and Reynoldsburg City School District (Reynoldsburg CSD).

Pickerington Local School District (Pickerington LSD) is located primarily in Fairfield County, Ohio with a small portion in Franklin County. Pickerington LSD is primarily a residential district and does not have a significant business base. Most of the District's revenue is from state subsidy and property taxes. Pickerington LSD's student enrollment has been increasing at a rapid rate and is currently 7,927 students. According to the District's enrollment projections, enrollment is estimated to increase by 300 to 400 students per year for the next several years

In May 2002, Pickerington LSD management requested the Auditor of State (AOS) to conduct a performance audit. Pickerington LSD requested an independent assessment of the financial and operational condition of the District to determine if the District was operating in an efficient manner and if additional cost savings could be identified.

Financial Operations

Pickerington LSD's Treasurer's Office consists of 8 FTEs, including the treasurer, assistant treasurer, four accounting clerks and two payroll clerks. The treasurer is responsible for managing and tracking district revenues and expenditures, developing the annual budget and year-end financial statements, and maintaining the district's five-year forecast. The treasurer previously served as the assistant treasurer and has served in his current capacity for approximately six months.

The financial forecast presented in **Table 2-1** represents the treasurer's projection of Pickerington LSD's present and future financial condition in the absence of significant increases in revenues or reductions in expenditures. The forecast and accompanying assumptions are the representations of Pickerington LSD and are presented without further verification. The projections, which incorporate the combined General and DPIA Funds, are accompanied by three years of comparative historical results, general assumptions and explanatory comments. Assumptions that have a significant impact on Pickerington LSD's financial status, such as

income and property tax revenue, salaries and wages, and increased positions, have been tested for reasonableness (see **R2.1** through **R2.4**).

Table 2-1: Pickerington Local School District

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07
Real Estate Property Tax	11,220,085	12,404,646	13,991,165	14,690,505	15,425,030	16,967,533	17,815,910	18,706,706
Tangible Personal Property Tax	518,828	745,027	869,515	880,000	885,000	900,000	908,000	910,000
Income Tax	7,811,786	8,464,792	8,842,123	9,063,176	9,335,071	9,615,123	9,903,577	10,200,684
Unrestricted Grants-in-Aid	18,496,375	21,454,410	26,941,732	29,162,364	32,076,419	34,905,775	37,735,692	39,870,698
Restricted Grants-in-Aid	83,754	112,567	109,719	108,000	110,000	110,000	110,000	110,000
Property Tax Allocation	1,377,584	1,536,556	1,735,947	1,818,153	1,915,424	2,094,411	2,199,131	2,304,088
Other Revenues	1,433,468	1,818,571	1,703,498	960,000	982,000	992,000	1,002,000	1,012,000
Total Operating Revenues	40,941,880	46,536,569	54,193,699	56,682,198	60,728,944	65,584,842	69,674,310	73,114,176
Salaries & Wages	25,790,171	28,973,737	32,797,564	36,398,900	42,640,948	46,748,505	51,254,595	55,923,399
Fringe Benefits	6,620,596	8,702,042	9,415,356	10,825,073	13,372,536	14,729,935	16,586,496	18,629,235
Purchased Services	5,630,635	6,006,989	6,666,792	7,724,543	9,328,685	10,086,983	10,636,887	11,402,185
Supplies, Materials & Textbooks	1,580,489	1,491,175	2,110,962	1,686,594	2,088,131	2,306,238	2,441,139	2,544,306
Capital Outlay	414,082	338,575	896,742	768,494	340,068	562,491	628,643	688,009
Other Expenditures	949,746	1,111,170	1,343,939	1,490,325	1,622,231	1,673,868	1,728,036	1,783,338
Total Operating Expenditures	40,985,719	46,623,688	53,231,355	58,893,929	69,392,599	76,108,020	83,275,796	90,970,472
Net Transfers/Advances In/(Outs)	(29,371)	(327,852)	(256,555)	0	0	0	0	0
Net Financing	(29,371)	(327,852)	(256,555)	0	0	0	0	0
Result of Operations (Net)	(73,210)	(414,971)	705,789	(2,211,731)	(8,663,655)	(10,523,178)	(13,601,486)	(17,856,296)
Beginning Cash Balance	4,839,315	4,766,105	4,351,134	5,056,923	2,845,192	(5,818,463)	(16,341,641)	(29,943,127)
Ending Cash Balance	4,766,105	4,351,134	5,056,923	2,845,192	(5,818,463)	(16,341,641)	(29,943,127)	(47,799,423)
Outstanding Encumbrances	1,112,125	1,525,637	1,056,855	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Ending Fund Balance	3,653,980	2,825,497	4,000,068	1,745,192	(6,918,463)	(17,441,641)	(31,043,127)	(48,899,423)

Source: Treasurer's Office

Note: Student head count for FY 2002-03 appears to be higher than projected student enrollment and may provide more revenue than projected. The potential increase in revenue may significantly affect the projected deficit fund balances. The increase in student enrollment will be verified during the October Average Daily Membership (ADM) count.

Pickerington LSD's financial projection in **Table 2-1** presents the expected revenues, expenditures and ending fund balance for the General Fund for each of the fiscal years including June 30, 2003 through June 30, 2007, with historical (unaudited) information presented for the

fiscal years ended June 30, 2000, 2001 and 2002. In addition, based on the treasurer's projections for the remainder of FY 2002-03, Pickerington LSD expenditures will exceed revenue by approximately \$2.2 million and the ending fund balance for the fiscal year will be \$1.7 million. However, beginning in FY 2003-04, Pickerington LSD is forecasting a negative fund balance of approximately \$6.9 million.

The assumptions disclosed herein are based on information obtained from Pickerington LSD. 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.

Major assumptions used by Pickerington LSD to develop its five year forecast were as follows:

Revenues

- Pickerington LSD receives property taxes from Fairfield and Franklin Counties with the majority of property value in Fairfield County. Beginning in tax year 2002, the assessment percentage used for the inventory component of personal property tax will decline by one percent per year from 25 percent in 2001 to zero percent in 2026.
- Tangible personal property tax is forecasted to increase \$5,000 in FY 2003-04, \$15,000 in FY 2004-05, \$8,000 in FY 2005-06, and \$2,000 in FY 2006-07.
- The estimates for real and public utility personal property taxes incorporate the reduction in electric and gas utility valuation scheduled in Senate Bill (S.B.) 3 and S.B. 287. Real and public utility property tax revenue is expected to increase by 5.0 percent and generate approximately \$14.7 million for FY 2002-03.
- Income tax estimates assume a 2.5 percent growth rate in FY 2002-03 and a three percent growth rate in FY 2003-04 through FY 2006-07. Income growth occurs due to individual taxpayers earning more money and more taxpayers moving into the district. With the decrease in the last quarter of FY 2001-02 and the anticipated economic weakness, Pickerington LSD determined that a conservative estimate of a 2.5 percent increase in income tax revenue appeared prudent and is used throughout the forecast period.
- Pickerington LSD is forecasting an increase of 300 pupils per year, which is used to calculate the Ohio Department of Education foundation and Parity Aid revenue. The forecast assumes a constant level of State funding in the case of transportation, special education transportation and other adjustments. Open enrollment deductions are forecasted at a growth rate of 2.8 percent per year.

- Other operating revenues include tuition, grants, revenue in lieu of taxes, interest on investments, and tax abatements. FY 2002-03 includes \$1.8 million in rollback reimbursement money received from the City of Pickerington.

Expenditures

- Pickerington LSD is forecasting a 4.25 percent cost of living adjustment (COLA) and applicable step increases for salaries and wages for FY 2002-03 and FY 2003-04 (see **Table 2.6**). The estimated COLAs for FY 2004-05, 2005-06, and 2006-07 are forecasted at four percent with projected step increases for each year.
- Beginning in FY 2003-04, Pickerington LSD is including salaries and wages for the new positions needed for the opening of the new schools. Pickerington LSD is forecasting 27.5 additional FTEs for the new high school and 16.0 additional FTEs for the new junior high school. The new positions include assistant principals, secretaries, custodial, tutors, athletic staff, and guidance/drug education personnel.
- In FY 2003-04, increased staffing due to student growth will add 35.5 FTEs for teacher positions, 5.5 FTEs for technology and special education positions, 2.5 FTEs for nurse/psychologist positions, and 2.5 FTEs for other miscellaneous support positions.
- FY 2002-03 health insurance rates are projected to increase by seven percent. The rate of increase for FY 2003-04 is estimated at 15 percent and for FY 2004-05 through FY 2006-07, the increase is projected to be 16 percent each year.
- Pickerington LSD's purchased services for FY 2000-07 includes payments for bus transportation. Purchased services in FY 2003-04 through FY 2006-07 are forecasted to increase by four percent and include necessary route additions for additional students and schools. (See the **transportation** section for additional information)

Table 2-2 shows selected discretionary expenditures, by account, from Pickerington LSD's FY 2001-02 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 2-2: Discretionary Expenditures

	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average
Prof. and Technical Services	1.04%	1.11%	0.84%	1.78%	1.24%
Property Services	1.52%	1.62%	2.51%	1.66%	1.93%
Mileage/Meeting Expense	0.12%	0.28%	0.29%	0.24%	0.27%
Communications	0.27%	0.51%	0.59%	0.84%	0.65%
Contract, Craft or Trade Service	0.04%	0.15%	0.17%	0.12%	0.15%
Pupil Transportation Services	6.66%	7.07%	10.92%	4.48%	7.49%
Other Purchased Services	0.00%	0.00%	0.00%	0.06%	0.02%
General Supplies	1.81%	2.10%	1.23%	1.53%	1.62%
Textbooks/Reference Materials	0.84%	0.41%	0.73%	0.93%	0.69%
Food & Related Supplies/Materials	0.01%	0.04%	0.00%	0.00%	0.01%
Plant Maintenance and Repair	0.67%	0.61%	0.89%	0.62%	0.71%
Fleet Maintenance and Repair	0.41%	0.75%	0.62%	0.41%	0.59%
Other Supplies & Materials	0.01%	0.00%	0.00%	0.00%	0.00%
Land, Buildings & Improvements	0.00%	0.11%	0.38%	0.53%	0.34%
Equipment	1.58%	1.18%	1.37%	1.79%	1.45%
Buses/Vehicles	0.01%	0.00%	0.07%	0.68%	0.25%
Other Capital Outlay	0.00%	0.00%	0.00%	0.00%	0.00%
Dues and Fees	2.20%	1.31%	1.46%	0.90%	1.22%
Insurance	0.19%	0.11%	0.11%	0.14%	0.12%
TOTAL	17.38%	17.36%	22.18%	16.71%	18.75%

Source: FY 2001-02 4502 Report

According to **Table 2-2**, Pickerington LSD's percentage of total discretionary spending (17.38 percent) was below the peer average (18.75 percent) by approximately 7.4 percent. Pickerington LSD's increase in textbooks and reference materials expenditures is due to the purchase of replacements for outdated textbooks, additional textbooks that meet new academic standards, and approximately 1,200 to 1,500 additional textbooks for new students. Equipment expenditures are above the peer average due to network and server upgrades, replacement of aging hardware, computers for new students, new computers due to the replacement schedule, and two rolling labs to remain in compliance with SchoolNet ratios. Dues and fees are above the peer average because \$177,000 for psychological services provided to students was charged to the wrong account. Insurance expenditures have increased because of the downturn of the stock market and the September 11, 2001 terrorist attacks.

Table 2-3 shows the debt service, principal and interest, for Pickerington LSD for the FY 2001-02 through FY 2006-07.

Table 2-3: Debt Service¹

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Two New Elementary Schools 1976	\$150,000	\$0	\$0	\$0	\$0	\$0
Additions to High School, Middle School, and New Elementary 1979	90,000	90,000	0	0	0	0
Public Library 1992	180,000	135,000	135,000	135,000	135,000	135,000
New High School 1993	1,170,000	1,280,000	1,390,000	1,525,000	1,635,000	1,665,000
New Elementary, Additions to Buildings, Technology 1994	375,000	395,000	410,000	430,000	440,000	470,000
New Middle Schools 1997	495,000	555,000	575,000	630,000	680,000	710,000
Second High School, Junior High 2000	0	15,000	10,000	335,000	945,000	1,380,000
Total Principal	\$2,460,000	\$2,470,000	\$2,520,000	\$3,055,000	\$3,835,000	\$4,360,000
Two New Elementary Schools 1976	\$4,594	\$0	\$0	\$0	\$0	\$0
Additions to High School, Middle School, and New Elementary 1979	8,438	2,813	0	0	0	0
Public Library 1992	141,413	131,456	122,344	113,231	104,119	95,006
New High School 1993	527,708	465,818	394,605	313,714	226,024	134,449
New Elementary, Additions to Buildings, Technology 1994	613,220	596,083	577,765	558,230	535,365	508,975
New Middle Schools 1997	1,036,475	1,017,298	996,105	972,895	947,010	919,033
Second High School, Junior High 2000	1,786,808	3,062,856	3,062,450	3,057,263	3,035,700	2,995,013
Total Interest	\$4,118,655	\$5,276,323	\$5,153,269	\$5,015,333	\$4,848,218	\$4,652,475
Total Debt Service	\$6,578,655	\$7,746,323	\$7,673,269	\$8,070,333	\$8,683,218	\$9,012,475

Source: Treasurer's Office

¹An analysis of the effects of the proposed bond issue for November 2002 is not included in this report because the treasurer has not determined how to structure the debt.

As shown in **Table 2-3**, all of Pickerington LSD's debt is associated with constructing new buildings to accommodate the District's growth. Pickerington LSD does not fund any of its debt expenditures from the General Fund.

In addition to the analyses presented in this report, additional assessments were conducted on several areas within the financial systems section which did not warrant changes and did not yield any recommendations. In several of these areas, above average performance was identified. These examples are included in the **executive summary** under noteworthy accomplishments. These areas include the following:

- All forecast assumption were tested; however, not all analyses on assumptions are included in the report because the assumptions appeared reasonable;
- District purchases; and
- Food Service Operations.

General Recommendations

Financial Forecast

R2.1 Pickerington LSD should revise the assumption used to forecast real property tax revenues. According to past history, real property tax revenues have increased at rates above those used by Pickerington LSD in its current forecast.

Currently Pickerington LSD is forecasting a 5 percent increase in real property tax revenues in each year of the forecast. Historical increases in valuation, obtained from the Fairfield County auditor, show a ten-year average increase of approximately 5.5 percent. On average, reappraisal years increased at a rate of 30.2 percent and revaluation years increased at a rate of 9.7 percent. The treasurer used a more conservative assumption to forecast real property tax revenues because of the current national economic trends.

However, Pickerington LSD continues to experience rapid growth which is tied to population increases within the district and region. To more accurately forecast real property revenues, Pickerington LSD should consider revising the real property tax revenue increases to 5.5 percent in FYs 2002-03, 2003-04, 2005-06 and 2006-07. Also, the district should revise the increases to 10 percent in FY 2004-05 to reflect the effect of the revaluation.

Table 2-4 illustrates the effect of increasing the forecast percentages for real property.

Table 2-4: Real Property Tax Revenues (in ‘000s)

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Pickerington LSD’s Real Property Forecast	\$14,691	\$15,425	\$16,968	\$17,816	\$18,707
Revised Real Property Forecast	\$14,760	\$15,572	\$17,129	\$18,072	\$19,066

As illustrated in Table 2-10, real property comprises the second largest percentage of Pickerington LSD’s revenues. Therefore, it is important to forecast real property revenues as accurately as possible, based on historical trends and national economic forecasts. Revising the assumptions for real property leads to an increased General Fund balance.

R2.2 Pickerington LSD has placed a 7.5 mill operating levy on the November ballot. If this levy passes, the District would receive approximately \$2.8 million in FY 2002-03 and \$5.6 million in additional revenue in FY 2003-04 through FY 2006-07. As a result, Pickerington LSD should demonstrate accountability by sharing information

with the public of how the new revenue will be spent and how the new levy will benefit the District.

Table 2-5 presents the impact of a 7.5 mill operating levy revenue on the district’s ending fund balance.

Table 2-5: Impact of New Levy Revenue

Current Forecast (Table 2-1)					
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Ending Fund Balance without New Levy Revenue	\$1,745,192	(\$6,918,463)	(\$17,441,641)	(\$31,043,127)	(\$48,899,423)
New Levy Revenue	\$2,811,500	\$5,623,000	\$5,623,000	\$5,623,000	\$5,623,000
Adjusted Ending Fund Balance	\$4,556,692	\$1,516,037	(\$3,384,141)	(\$11,362,627)	(\$23,595,923)

Source: Treasurer’s office and five-year forecast as presented in Table 2-1.

As shown in **Table 2-5**, Pickerington LSD would begin reporting a negative fund balance beginning in FY 2003-04, if no new revenue was generated. The Ohio Department of Education does not allow school districts to display new revenue from proposed levies in their forecasts, only renewals or replacements.

If voters pass the 7.5 mill operating levy, the District would be able to report a positive ending fund balance for FY 2002-03 and FY 2003-04 without making any additional changes. In addition, the negative fund balances forecasted for the remaining forecast period would be significantly reduced from those shown in **Table 2-5**. Therefore, Pickerington LSD should strive to share information with the community about the affect that passing a 7.5 mill operating levy will have on the District’s finances. By educating the public, Pickerington LSD will increase the likelihood of passing the levy.

R2.3 Pickerington LSD should carefully monitor salary, wage, and benefit expenditures in future years. The District has contracted salary and wage increases of 4.25 percent in FY 2002-03 and FY 2003-04 and has projected a 4 percent increase for FY 2004-05 through FY 2006-07. The District should attempt to negotiate a 1 percent pay increase in FY 2004-05 and a 2 percent increase in FYs 2005-07 to help improve the financial condition of the District.

Pickerington LSD’s assumption for salaries and wages includes applicable step increases and a 4.25 percent cost of living adjustment (COLA) through FY 2003-04. Since salaries, wages and fringe benefits range from approximately 80 percent in FY 2002-03 to 82 percent in FY 2006-07 of total expenditures, it is imperative that the District monitor these expenditures. The treasurer has taken a proactive approach by preparing “what if” scenarios regarding how various salary, wage and step increases would affect the forecast.

To forecast salaries and wages, the treasurer tracks employees who are eligible to retire during the forecast period, subtracts known retirees from the forecast, and accounts for the related severance package. The treasurer also includes the applicable step increase costs, upgrades for additional teacher education as well as costs for substitutes, home instruction, overtime, bus trips, sick leave buy-outs, and vacation buy-outs when forecasting salaries and wages. Pickerington LSD is forecasting salaries and wages to significantly increase due to the hiring of new employees in FY 2003-04 for the opening of the new high school and junior high school and to accommodate the District’s growing enrollment. According to Pickerington LSD’s union agreement, which is effective through FY 2003-04, the District will grant all employees a 4.25 percent COLA for FY’s 2002-03 and 2003-04.

Table 2-6 presents how the current forecast assumption of 4.25 percent salary increases in FY 2002-03, FY 2003-04 and 4.0 percent increase in FY 2004-05 through FY 2006-07 would affect the five year forecast. The table also presents how a 4.25 percent salary increase would affect the forecast in FY 2002-03 and FY 2003-04, a 1.0 percent increase for FY 2004-05 and a 2.0 percent increase for FY 2005-06 and FY 2006-07.

Table 2-6: Current and Proposed Salary Increases for FY 2002-03 through FY 2006-07

Current Forecast (Table 2-1)					
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
COLA Percent Increase	4.25%	4.25%	4.00%	4.00%	4.00%
Ending Fund Balance	\$1,745,192	(\$6,918,463)	(\$17,441,641)	(\$31,043,127)	(\$48,899,423)
Proposed Forecast (Table 2-10)					
Recommended COLA Percent Increase	4.25%	4.25%	1.00%	2.00%	2.00%
Savings per Proposed COLA Increase	\$0	\$0	\$1,688,000	\$3,077,000	\$4,682,000
Ending Fund Balance with AOS Recommendations	\$1,745,191	(\$6,918,464)	(\$15,754,000)	(\$26,278,000)	(\$39,452,000)

Source: Treasurer’s Office, five-year forecast as presented in **Table 2-1**.

Although Pickerington LSD would still project negative ending fund balances by granting a 1, 2, 2 percent COLA increase in FY 2004-05, FY 2005-06 and FY 2006-07, the District would save approximately \$10.0 million throughout the forecast period. As a result, Pickerington LSD should carefully monitor the effect of COLA increases on the District’s finances. Pay increases should be commensurate with the financial condition of the District. The **human resources** section of this report contains further discussion on salary increases and provides a financial implication.

R2.4 Pickerington LSD could further ensure the validity and usefulness of its assumptions by including detailed descriptions of historic and projected information. While the treasurer has made changes to the forecasting process to

ensure departmental responsibility and has developed the projections with a great deal of thought and detail, this process could be further enhanced with detailed written descriptions of all assumptions. The forecast should include detailed written explanations of revenue projections, increased COLAs, inflation increases, unusual increases or decreases, and plans for the forecasted period. By providing more detail in the forecast and its supporting notes, the Board and the public can better understand the financial condition of Pickerington LSD.

A forecast is a management tool developed by the treasurer with the assistance of other management personnel within the school district. Assumptions are informed estimates developed by the appropriate management within each school building or department and communicated to the Board. Since assumptions can change based on new information and economic conditions, the forecast should be considered a working document that can be altered if the ending result is considered significantly different as time progresses throughout the fiscal year.

The treasurer shares the financial forecast with the school board on a monthly basis. However, the treasurer does not formally update the forecast each month unless a material change occurs. Instead, the treasurer shares any changes that have occurred with the school board and reports revenue and expenditure year-to-date information, along with revenue and expenditure estimates showing how the district will end the year.

The Treasurer's Office has developed a document that presents current appropriations and historical data, which forms the basis for forecast assumptions. Although Pickerington LSD assumptions appear generally sound, the District should consider providing condensed, concise documentation supporting the assumptions with the forecast. In several instances, this information is contained in a variety of documents produced by the treasurer for use by the board. The documentation should include the following factors:

- Historic and projected inflation rates;
- Historic and projected student population;
- Description of historic and projected per student costs which would include, but not limited to: teacher expense, textbook and supply expense, transportation, technology expense, and support staff;
- Comparable external averages and benchmarks and internal financial objectives;
- Historic and projected enrollment and Average Daily Membership;
- Information about facility utilization (anticipated building openings or need for additional lease space or purchase of portable classroom units);
- Detailed description of the components of state foundation revenues;
- Detailed description of general property and income tax revenues;

- Historic and projected levies and bond issues;
- Historic and projected staffing by position;
- Historic and projected expenditures for main components of employee insurance benefits, purchased services, materials and supplies, and other expenditures, specifically amounts fulfilling minimum state requirements;
- Description of projected capital outlay expenditures, identifying amounts related to routine maintenance, specific projects and fulfilling minimum state requirements;
- More detailed description of debt service obligation; and
- Discussion of causes for negative fund balances.

Pickerington LSD should also quantify the cost of implementing programs needed to meet the educational outcomes and accountability standards established in recently passed legislation, such as standards for attendance, proficiency test results and new graduation requirements. Although this information surpasses ODE forecast requirements, the information is important to explain the District's financial picture. Inclusion of actual historical information as well as comparative state averages and peer data would further assist the reader in interpreting the forecast and drawing well-founded conclusions.

Revenue & Expenditure Analysis

R2.5 Pickerington LSD should closely examine its spending patterns in several areas (see Table 2-8 and Table 2-9) and consider allocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on maintaining the students' education and proficiency test results. In addition, Pickerington LSD should analyze the cost reductions recommended in the human resources, facilities and transportation sections of this report to further increase operational and financial efficiencies.

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending patterns between the various functions should indicate where the priorities of the school board and management are placed. In addition, analyzing the number of ODE's 27 performance standards a school district meets should also correlate to the school district's spending patterns. Ohio law calls for each school district to receive a performance accountability rating based on 27 performance standards. These 27 standards are minimum performance goals for public education in Ohio. **Table 2-7** presents the number of performance standards Pickerington LSD and the peers met in FY 1999-00, FY 2000-01 and FY 2001-02.

Table 2-7: ODE Performance Standards Met (of 27 Possible)

	Pickerington	Mason	Milford	Reynoldsburg	Peer Average
FY 1999-2000	26	26	20	21	22
FY 2000-01	27	27	20	24	24
FY 2001-02	27	27	27	26	27

Source: ODE report cards

As shown in **Table 2-7**, Pickerington LSD and Mason CSD met two out of three years' performance standards in FY 1999-00 through FY 2001-02, which has earned both districts an excellent rating by ODE. Pickerington LSD has traditionally ranked as one of the best performing school districts in Ohio. Milford EVSD met all of the performance standards in FY 2001-02. Since FY 1999-00, Reynoldsburg has improved every year by meeting additional performance standards.

Table 2-8 shows the amount of expenditures posted to the various USAS function codes for Pickerington LSD and the peer districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-8** shows the operational expenditures per pupil and percentage of total operational expenditures by function for all governmental funds.

Table 2-8: Governmental Funds Operational Expenditures by Function for FY 2001-02

	Pickerington		Mason		Milford		Reynoldsburg		Peer Average	
Number of students	7,692		6,996		5,672		5,973		6,214	
USAS Function Classification	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures										
Regular Instruction	\$3,557	49%	\$2,968	41%	\$2,943	42%	\$3,590	51%	\$3,167	45%
Special Instruction	495	7%	489	7%	678	10%	427	6%	531	7%
Vocational Instruction	89	1%	3	0%	48	1%	34	0%	28	0%
Adult/Continuing Inst.	0	0%	4	0%	0	0%	0	0%	1	0%
Other Instruction	60	1%	14	0%	23	0%	0	0%	12	0%
Subtotal Instruction Expenditures	\$4,201	57%	\$3,477	48%	\$3,693	53%	\$4,052	58%	\$3,740	53%
Support Services Expenditures										
Pupil Support	\$393	5%	\$387	5%	\$443	6%	\$613	9%	\$481	7%
Instructional Support	404	6%	533	7%	327	5%	216	3%	359	5%
Board of Education	5	1%	13	0%	9	0%	14	0%	12	0%
Administration	692	9%	522	7%	515	7%	719	10%	586	8%
Fiscal Services	163	2%	165	2%	158	2%	113	2%	145	2%
Business Services	20	0%	25	0%	83	1%	40	1%	49	1%
Plant Operation/ Maintenance	730	10%	701	10%	649	9%	708	10%	686	10%
Pupil Transportation	488	7%	563	8%	763	11%	316	4%	547	8%
Central Support Services	22	0%	637	9%	126	2%	55	1%	273	4%
Subtotal Support Services Expenditures	\$2,931	40%	\$3,546	49%	\$3,073	44%	\$2,794	40%	\$3,138	44%
Non-Instructional Services Expenditures	\$5	0%	\$54	1%	\$54	1%	\$53	1%	\$54	1%
Extracurricular Activities Expenditures	\$194	3%	\$169	2%	\$169	2%	\$147	2%	\$162	2%
Total Governmental Fund Operational Expenditures	\$7,331	100%	\$7,247	100%	\$6,989	100%	\$7,046	100%	\$7,094	100%

: Pickerington, Mason, Milford, and Reynoldsburg 4502s

According to **Table 2-8**, Pickerington LSD’s total per pupil operating expenditures (\$7,331) were slightly higher than the peer districts and approximately 3.3 percent higher than the peer average. Most of these expenditures are attributed to high instructional costs in vocational education and other instruction. However, as shown in **Table 2-7**, Pickerington LSD is consistently meeting the maximum number of performance standards mandated by ODE.

As discussed in the **human resources**, **facilities**, and **transportation** sections of this report, various recommendations have been made. These recommendations, if implemented, could potentially increase revenues and reduce expenditures and are further supported by the analysis in **Table 2-8**. The table shows that Pickerington LSD spent more than the peer average in the following categories:

- Regular instruction, 11 percent higher;
- Vocational instruction, 69 percent higher;
- Other instruction, 80 percent higher;

- Instructional support, 11 percent higher;
- Administration, 15 percent higher, (see **R3.3**);
- Plant operations and maintenance, 6 percent higher, (see **R4.2**); and
- Extracurricular activities, 16 percent higher

Table 2-9 shows the total expenditures of the governmental funds, including facilities acquisition and construction expenditures, and debt services expenditures.

Table 2-9: Total Governmental Fund Expenditures by Function

	Pickerington		Mason		Milford		Reynoldsburg		Peer average	
Number of students	7,692		6,996		5,672		5,973		6,214	
USAS Function Classification	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Governmental Funds Operational Expenditures	\$7,331	32%	\$7,247	28%	\$6,989	44%	\$7,046	94%	\$7,094	43%
Facilities Acquisition & Construction Expenditures	\$3,415	15%	\$5,480	21%	\$847	5%	\$86	1%	\$2,138	13%
Debt Service Expenditures	\$12,445	54%	\$13,189	51%	\$8,038	51%	\$346	5%	\$7,191	44%
Total Governmental Funds Operational Expenditures	\$23,191	100%	\$25,916	100%	\$15,875	100%	\$7,478	100%	\$16,423	100%
Adjustment to Total Government Funds Operational Expenditures, Excluding Capital Projects Debt										
Total Governmental Funds Operational Expenditures	\$7,331	68%	\$7,247	57%	\$6,989	89%	\$7,046	99%	\$7,094	77%
Facilities Acquisition & Construction Expenditures	\$3,415	32%	\$5,480	43%	\$847	11%	\$86	1%	\$2,138	23%
General Fund Debt	\$0	0%	\$0	0%	\$28	0%	\$0	0%	\$2,810	0%
Capital Project Debt Expenditures Excluded	\$12,445	N/A	\$13,189	N/A	\$8,010	N/A	\$346	N/A	N/A	N/A
Adjusted Total Governmental Funds Operational Expenditures	\$10,746	100%	\$12,727	100%	\$7,864	100%	\$7,132	100%	\$9,232	100%

Source: FY 2001-02 4502

Table 2-9 shows the peer 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. Pickerington LSD’s operational expenditures per pupil are higher than Milford EVSD and Reynoldsburg CSD. Mason CSD opened a new high school for the FY 2002-03. Milford EVSD and Reynoldsburg CSD have not encountered the growth rate and need for new buildings, experienced by Mason CSD and Pickerington LSD. Both Milford EVSD and Reynoldsburg CSD have spent 89 percent and 99 percent of their funds on operational expenditures. However, Pickerington LSD’s and Mason CSD’s debt service expenditures per pupil (\$12,445 and \$13,189 respectively) are significantly higher than the peer average (\$2,810). Pickerington LSD and Mason CSD’s high debt service expenditures

are directly related to the additional school buildings. Therefore, an adjustment was made to exclude Pickerington LSD, Mason LSD and Milford EVSD's capital project debt. As a result, Pickerington LSD's total governmental fund expenditures, by function (\$10,746), are 14 percent higher than the peer average and 15.5 percent lower than Milford EVSD.

R2.6 Pickerington LSD should analyze and use the proposed financial forecast outlined in Table 2-10 to evaluate the revised assumption and recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. Pickerington LSD should also consider implementing the recommendations in this performance audit to improve the District's current and future financial situation. In addition, Pickerington LSD should update the District's forecast on an ongoing basis as critical financial issues are addressed.

Table 2-10 demonstrates the effect of the revised assumption and recommendations in this report and includes the beginning fund balance for each year and the adjusted fund balance reflecting the effect of the recommendations. In addition, **Table 2-10** shows the potential affect of the 7.5 mill levy November 2002 ballot issue on the ending General Fund balance. The new revenue generated by the levy would be approximately \$2.8 million in FY 2002-03 and approximately \$5.6 million during the remaining forecast period (see **R2.1**).

The revised forecast contains the same financial projections presented in **Table 2-1**, with additional lines to incorporate the financial savings and implementation costs associated with the performance audit recommendations.

Accompanying tables (**Table 2-10A** and **Table 2-10B**) summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, implementation costs and cost avoidance associated with the various recommendations are also summarized.

The revised real property tax revenue assumption is shown in **Table 2-10**. Also, the performance audit recommendations presented in **Table 2-10** are broken down into two categories; those recommendations subject to negotiation and those recommendations not subject to negotiation. **Table 2-10B** presents the implementation costs associated with various recommendations contained within the performance audit.

Table 2-10: Financial Forecast with Adjustments

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07
Real Estate Property Tax ¹	\$11,220	\$12,405	\$13,991	\$14,760	\$15,572	\$17,129	\$18,072	\$19,066
Tangible Personal Property Tax	\$519	\$745	\$870	\$880	\$885	\$900	\$908	\$910
Income Tax	\$7,812	\$8,465	\$8,842	\$9,063	\$9,335	\$9,615	\$9,904	\$10,201
Unrestricted Grants-in-Aid	\$18,496	\$21,454	\$26,942	\$29,162	\$32,076	\$34,906	\$37,736	\$39,871
Restricted Grants-in-Aid	\$84	\$113	\$110	\$108	\$110	\$110	\$110	\$110
Property Tax Allocation	\$1,378	\$1,537	\$1,736	\$1,818	\$1,915	\$2,094	\$2,199	\$2,304
Other Revenues	\$1,433	\$1,819	\$1,703	\$960	\$982	\$992	\$1,002	\$1,012
Total Operating Revenues	\$40,942	\$46,538	\$54,194	\$56,751	\$60,875	\$65,746	\$69,931	\$73,474
Salaries & Wages	\$25,790	\$28,974	\$32,798	\$36,399	\$42,641	\$46,748	\$51,255	\$55,923
Fringe Benefits	\$6,621	\$8,702	\$9,415	\$10,825	\$13,373	\$14,730	\$16,586	\$18,629
Purchased Services	\$5,631	\$6,007	\$6,667	\$7,725	\$9,329	\$10,087	\$10,637	\$11,402
Supplies, Materials & Textbooks	\$1,580	\$1,491	\$2,111	\$1,687	\$2,088	\$2,306	\$2,441	\$2,544
Capital Outlay	\$414	\$339	\$897	\$768	\$340	\$562	\$629	\$688
Other Expenditures	\$950	\$1,111	\$1,344	\$1,490	\$1,622	\$1,674	\$1,728	\$1,783
Total Operating Expenditures	\$40,986	\$46,624	\$53,232	\$58,894	\$69,393	\$76,107	\$83,276	\$90,969
Net Transfers/Advances In/(Outs)	(\$29)	(\$328)	(\$257)	\$0	\$0	\$0	\$0	\$0
Net Financing	(\$29)	(\$328)	(\$257)	\$0	\$0	\$0	\$0	\$0
Additional State Foundation Revenue Received ²	N/A	N/A	N/A	\$643	\$661	\$680	\$699	\$719
Result of Operations (Net)	(\$73)	(\$414)	\$705	(\$1,500)	(\$7,857)	(\$9,681)	(\$12,646)	(\$16,776)
Beginning Cash Balance	\$4,839	\$4,766	\$4,352	\$5,057	\$6,637	\$7,392	\$7,164	\$5,386
AOS Recommendations ³	N/A	N/A	N/A	\$268	\$2,989	\$3,830	\$5,245	\$6,876
Effect of Levy	N/A	N/A	N/A	\$2,812	\$5,623	\$5,623	\$5,623	\$5,623
Ending Cash Balance (Adjusted in Forecast Years)	\$4,766	\$4,352	\$5,057	\$6,637	\$7,392	\$7,164	\$5,386	\$1,109
Outstanding Encumbrances	\$1,112	\$1,526	\$1,057	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
Ending Fund Balance (Adjusted in Forecast Years)	\$3,654	\$2,826	\$4,000	\$5,537	\$6,292	\$6,064	\$4,286	\$9

Source: Treasurer's Office and performance audit recommendations

Note: Current student head counts appear to be higher than student enrollment projections and may provide more revenue than projected. The potential increase in revenue may significantly affect the projected deficit fund balances.

¹ Real Property Tax Revenues have been adjusted to reflect the impact of **R2.1**.

² On October 7, 2002, Pickerington LSD officials estimated that the projected enrollment understated FY 2002-03 ADM by approximately 130 students. The increase in students may include students not counted as 1.0 FTE in foundation calculations, such as kindergarteners and JVS students. This increased enrollment will be verified in the district's October ADM count. An increase in expenditures is expected to accommodate the educational needs of the additional students. However, this amount has not been fully calculated by the District and is not included in the forecast.

³ AOS adjustments include totals from **Table 2-10A**.

Table 2-10A details those performance audit recommendations reflected in the forecast in **Table 2-10** and are further divided into categories requiring negotiation and those not requiring negotiation.

Table 2-10A: Summary of Performance Audit Recommendation

Recommendations	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
R2.1 Increase resulting from revision of real property tax revenue assumption	\$69,000	\$147,000	\$161,000	\$256,000	\$359,000
RECOMMENDATIONS INCLUDED IN FORECAST (Table 2-9):					
Recommendations Not Subject to Negotiation:					
R3.1 ESP teacher reduction of 7.0 FTEs		\$452,000			
R3.2 Special Education staff reduction of 10.0 FTEs.		\$448,000	\$452,000	\$461,000	\$470,000
R3.3 Reduce hiring of 11 proposed administrative positions.		\$550,000	\$556,000	\$567,000	\$578,000
R3.4 Defer hiring 7.0 junior high and middle school FTE teachers until FY 2004-05.		\$350,000			
R3.5 Reduce administrative staffing at all high and junior high schools		\$288,000	\$291,000	\$297,000	\$303,000
R4.3 Defer hiring 2.0 custodial FTE for four months	\$23,000				
R4.9 Sale of 23 modular classroom units		\$368,000			
R5.1 Reduce 12 buses by increases students per bus.	¹ \$245,000	\$490,000	\$490,000	\$490,000	\$490,000
R5.3 Lower special needs transportation costs to the peer average		\$43,000	\$43,000	\$43,000	\$43,000
R5.4 Amend bus replacement plan from 10 to 12 years			\$15,000	\$15,000	\$15,000
Total Recommendations Not Subject to Negotiation	\$268,000	\$2,989,000	\$1,847,000	\$1,873,000	\$1,899,000
Recommendations Subject to Negotiation:					
R3.8 Negotiate a 1, 2, 2 percent pay increase for FYs 2004-2007			\$1,688,000	\$3,077,000	\$4,682,000
R3.9 Increase employee share of single and family coverage to 15 percent.			\$295,000	\$295,000	\$295,000
Total Recommendations Subject to Negotiation			\$1,983,000	\$3,371,000	\$4,977,000
Total Recommendations Included in Forecast	\$268,000	\$2,989,000	\$3,830,000	\$5,245,000	\$6,876,000

¹ Only a portion (approximately 50 percent) of this financial implication would be realized during the current year.

Table 2-10B summarizes the implementation costs associated with various recommendations contained within the performance audit. Each cost is dependent on Pickerington LSD’s decision to implement the associated recommendation and the timing of that implementation.

Table 2-10B: Implementation Costs

Recommendation Implementation Costs	FY 2002-03	FY 2003-4	FY 2004-05	FY 2005-06	FY 2006-07
R4.1 Hire an additional maintenance employee	\$43,000	\$43,000	\$43,000	\$43,000	\$43,000
R4.4 Implement an Internet-based, electronic work order system for maintenance requests.	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Recommendation Implementation Costs	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000

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

Table 2-11 shows the ending fund balance as a percentage of the previous year total revenue based on the forecast presented in this section. As fiscal oversight designations are based on the ending fund balance as a percentage of the previous year total revenue, the scenarios presented depict the likelihood of Pickerington being placed in fiscal watch or emergency during the forecast period. The three scenarios presented (no levy and no AOS recommendations, no levy with AOS recommendations, and with levy and AOS recommendations) provide a clear picture of the importance of passing the levy and implementing AOS recommendations.

Table 2-11: Fund Balance to Previous Year Total Revenue

Ending Fund Balance as Percentage of Previous Year Total Revenues			
Fiscal Year	<u>Scenario One</u>	<u>Scenario Two</u>	<u>Scenario Three</u>
	No Levy No AOS Recommendations	No Levy With AOS Recommendations	With Levy and AOS Recommendations
FY 1999-00	9.8%	9.8%	9.8%
FY 2000-01	6.9%	6.9%	6.9%
FY 2001-02	8.6%	8.6%	8.6%
FY 2002-03	3.22%	4.60%	9.79%
FY 2003-04	(12.21%)	(5.47%)	8.81%
FY 2004-05	(28.72%)	(15.24%)	7.71%
FY 2005-06	(47.33%)	(26.02%)	6.24%
FY 2006-07	(70.18%)	(39.44%)	2.94%

Source: District financial forecasts, AOS analyses

As shown in **Table 2-11**, the District's ending fund balance as a percentage of total revenues decreases each year during the forecast period. In scenario one and two, Pickerington LSD's ending fund balance as a percentage of prior year's revenues drops significantly in FYs 2003-04 through 2006-07. In addition, the ending fund balances as forecasted in **Table 2-10** are significantly higher than the ending fund balances that are currently forecasted in Pickerington LSD's five-year forecast (**Table 2-1**). Pickerington LSD should strongly consider the recommendations included in this performance audit to ensure that, in conjunction with the passage of the levy, the District maintains a positive fund balance through the end of the forecast period.

Even though **Table 2-10** shows a positive ending fund balance for FYs 2002-03 through 2005-06, the District would encounter significant operating deficits beginning in FY 2003-04, if the proposed operating levy fails. In the event of levy failure, Pickerington LSD will be required to make difficult management decisions to avoid large deficits and substantial loans from the Solvency Assistance Fund in future years.

Conclusion

Pickerington LSD's budgeting and planning process, internal controls, and reporting processes appear to be effective. Financial staff is well qualified, knowledgeable and confident in the District's efficiency and effectiveness. However, Pickerington LSD tends to rely on new funds when encountering financial obstacles, rather than examining areas for potential cuts. Of concern to the District is its ability to open the new school buildings and adequately staff the buildings without new operating funds. According to the superintendent, the District has made expenditure reductions and activity curtailments in past years (FY 1996-97) of approximately \$3.4 million. However, Pickerington has not yet made budgetary cuts to accommodate the new expenditures and plans to bring personnel on to the district's payroll up to one year in advance of the opening of the new buildings.

The District should consider options for cost savings. When negotiating teacher salary and wage issues, Pickerington LSD should consider reducing its proposed increases to better avoid financial difficulty. Without a forecast showing a positive ending fund balance throughout the contract period, Pickerington LSD will not be able to certify its 412 certificate and ratify a new set of contracts. In addition, salaries at Pickerington LSD are somewhat higher than the peers and costs in some areas are above the peer averages. District administrators stated that salaries needed to be high to stay competitive with other area districts, although the educational attainment achieved within Pickerington LSD might also serve as a recruitment incentive for new and experienced teachers..

The District's forecast appears to be well designed and is supported by sound assumptions. More detailed notes and assumptions should be included with the budget and year-end reports. Although the forecast was determined to be generally solid and well constructed, detailed notes and assumptions would help residents to better understand how their taxes are being used. More importantly, accurate assumptions will help Pickerington LSD better anticipate areas requiring potential cost savings and allow the district to redirect resources to educational areas to support its current proficiency placement.

Human Resources

Background

This section of the report focuses on various human resources operations within the Pickerington Local School District (Pickerington LSD). Comparisons are made throughout this section of the report to the following peer school districts: Mason City School District (Mason CSD), Milford Exempted Village School District (Milford EVSD) and Reynoldsburg City School District (Reynoldsburg CSD). Peer districts were identified based upon comparable characteristics identified by the Ohio Department of Education (ODE), review of various demographic information and input from Pickerington LSD personnel. Furthermore, the peer districts also demonstrated report card standards comparable to those of Pickerington LSD. Best practices data from ODE, the State Employee Relations Board (SERB) and other school districts is also used for additional comparisons.

Organizational Function

The primary human resources responsibilities are completed by the assistant superintendent who is also currently the acting superintendent. The primary human resources responsibilities include coordinating the activities and programs for the recruitment and selection of employees; monitoring compliance with employment standards (criminal background checks and teaching certifications); facilitating employee performance evaluations; administering and monitoring grievance policies and procedures; negotiating and administering union contracts; conducting disciplinary hearings; maintaining personnel files; placing selected substitutes and participating in new employee orientations. The Treasurer's Office also assists in some human resources functions by administering the health insurance plans for all employees within the District.

Staffing

Table 3-1 illustrates the actual staffing levels at Pickerington LSD and the peer districts during FY 2001-02 as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with the appropriate district personnel.

Table 3-1: FTE Staffing Levels for FY 2001-02

Category	Pickerington LDS	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average
Administrators: Subtotal	27.0	47.0	30.0	17.5	31.5
Central Based Administrators	3.0	3.0	7.0	4.0	4.7
Site Based Administrators	24.0	44.0	23.0	13.5	26.8
Other Administrators	0.0	0.0	0.0	0.0	0.0
Professional Education: Subtotal	519.3	521.1	334.6	438.4	431.4
Curriculum Specialists	7.0	50.5	0.0	0.0	16.8
Counseling	17.0	12.6	7.0	11.0	10.2
Librarian / Media	5.5	3.0	3.0	3.5	3.2
Remedial Specialists	12.0	8.0	15.6	4.0	9.2
Regular Education Teachers	372.1	344.5	251.9	293.8	296.7
Special Education Teachers	63.8	53.5	28.5	37.6	39.9
Vocational Education Teachers	7.9	0.0	4.0	8.0	4.0
Tutor / Small Group Instructor	6.8	0.0	5.6	43.4	16.4
Educational Service Personnel ¹	20.2	22.0	19	36.0	25.7
Other Professional	7.0	27.0	0.0	1.0	9.3
Professional - Other	18.2	12.1	13.0	11.3	12.1
Technical: Subtotal	12.4	30.2	29.0	5.0	21.4
Computer Operator	1.0	1.0	6.0	0.0	2.3
Practical Nursing	0.0	7.5	0.0	0.0	2.5
Computer Programming	0.0	9.0	0.0	0.0	3.0
Library Technician	4.5	0.0	0.0	0.0	0.0
Library Aide	6.9	11.7	9.2	5.0	8.6
Other Technical	0.0	1.0	13.8	0.0	4.9
Office / Clerical: Subtotal	75.6	52.8	85.2	43.2	60.4
Bookkeeping	7.0	7.0	4.0	1.0	4.0
Clerical	28.7	39.7	32.4	20.7	30.9
Messenger	0.0	1.0	1.0	0.0	0.7
Teaching Aide	39.9	0.0	46.8	8.6	18.5
Telephone Operator	0.0	3.0	0.0	0.0	1.0
Other Office / Clerical	0.0	2.1	1.0	12.9	5.3
Crafts / Trades	7.0	11.0	12.0	6.0	9.7
Transportation	30.5 ²	71.1	51.4	40.0	54.1
Service Worker/Laborer	72.6	194.3	77.1	43.9	105.1
Attendance Officer	0.0	.53	0.0	0.0	0.2
Custodian	42.5	48.8	33.0	20.0	33.9
Food Service	18.1	29.9	24.7	15.9	23.5
Guard/Watchman	0.0	0.0	0.0	1.0	0.3
Monitoring	0.0	23.1	19.5	0.0	14.2
Groundskeeping	4.0	3.0	0.0	1.0	1.3
Attendant	8.0 ²	88.4	0.0	0.0	29.5
Other Service Worker/Laborer	0.0	0.7	0.0	6.0	2.2
Total FTEs	762.6	939.5	632.3	605.2	725.6

Source: FY 2001-02 EMIS Staff Summary Report and School Enrollment Report from Pickerington LSD and the peer districts

¹ Several special education aid positions are classified as educational service personnel (ESP)

² Pickerington LSD contracts all transportation operations to Laidlaw Transit, Inc. and has 61 bus drivers (each .5 FTE); (see transportation section)

Table 3-2 illustrates the staffing levels per 1,000 ADM at Pickerington LSD and the peer districts for FY 2001-02. ADM serves to represent the average number of students who will be present at each of the district's facilities on a given day during the school year.

Table 3-2: FTE Staffing Levels for FY 2001-02 1,000 ADM

Category	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average
Average Daily Membership (ADM)	7,692	6,996	5,672	5,973	6,214
Administrators: Subtotal	3.3	6.7	5.3	3.0	5.0
Central Based Administrators	0.4	0.4	1.2	0.7	0.8
Site Based Administrators	2.9	6.3	4.1	2.3	4.2
Other Administrators	0.0	0.0	0.0	0.0	0.0
Professional Education: Subtotal	67.4	74.5	59.0	73.4	69.0
Curriculum Specialists	0.9	7.2	0.0	0.0	2.4
Counseling	2.2	1.8	1.2	1.8	1.6
Librarian / Media	0.7	0.4	0.5	0.6	0.5
Remedial Specialists	1.6	1.1	2.8	0.7	1.5
Regular Education Teachers	48.4	49.2	44.4	49.2	47.6
Special Education Teachers	8.3	7.6	5.0	6.3	6.3
Vocational Education Teachers	1.0	0.0	0.7	1.3	0.7
Tutor / Small Group Instructor	0.9	0.0	1.0	7.3	2.8
Educational Service Personnel ¹	2.6	3.1	3.3	6.0	4.2
Other Professional	0.9	3.9	0.0	0.2	1.3
Professional - Other	2.4	1.7	2.3	1.9	2.0
Technical: Subtotal	1.6	4.3	5.1	0.8	3.4
Computer Operator	0.1	0.1	1.1	0.0	0.4
Practical Nursing	0.0	1.1	0.0	0.0	0.4
Computer Programming	0.0	1.3	0.0	0.0	0.4
Library Technician	0.6	0.0	0.0	0.0	0.0
Library Aide	0.9	1.7	1.6	0.8	1.4
Other Technical	0.0	0.1	2.4	0.0	0.9
Office / Clerical: Subtotal	9.8	7.5	15.0	7.2	9.9
Bookkeeping	0.9	1.0	0.7	0.2	0.6
Clerical	3.7	5.7	5.7	3.5	5.0
Messenger	0.0	0.1	0.2	0.0	0.1
Teaching Aide	5.2	0.0	8.3	1.4	3.2
Telephone Operator	0.0	0.4	0.0	0.0	0.1
Other Office / Clerical	0.0	3.0	0.2	2.2	0.9
Crafts / Trades	0.9	1.6	2.1	1.0	1.6
Transportation	4.0 ²	10.2	9.1	6.7	8.6
Service Work/Laborer	9.4	27.8	13.6	7.3	16.2
Attendance Officer	0.0	0.1	0.0	0.0	0.0
Custodian	5.5	7.0	5.8	3.3	5.4
Food Service	2.4	4.3	4.3	2.7	3.8
Guard/Watchman	0.0	0.0	0.0	0.2	0.1
Monitoring	0.0	3.3	3.4	0.0	2.2
Groundskeeping	0.5	0.4	0.0	0.2	0.2
Attendant	1.0	12.6	0.0	0.0	4.2
Other Service Worker/Laborer	0.0	0.1	0.0	1.0	0.4
Total FTEs per 1,000 ADM	98.8	134.3	111.5	101.3	115.7

Source: FY 2000-01 EMIS Staff Summary Report and School Enrollment Report from Pickerington LSD and the peer districts

¹ Several special education aid positions are classified as educational service personnel (ESP)

² Transportation operations are outsourced to Laidlaw Transit, Inc., therefore, this calculation is based on the number of employees used by the contractor.

As illustrated in **Table 3-2**, Pickerington LSD has a higher FTE per 1,000 ADM staffing allocation as compared to the peers in the following classifications:

- Counseling;
- Librarian/Media;
- Special education teachers;
- Vocational education teachers;
- Library technician;
- Bookkeeping, and
- Teaching aide.

The vocational education teacher classification was evaluated and found to be reasonable compared to the respective overall categories. As a result of the analysis, current regular education teachers' staffing levels appear to be appropriate as compared to the peers and State benchmarks.

Anticipated growth is an issue at Pickerington LSD and increasing enrollments require corresponding increases in instructional and support staffing levels. Pickerington LSD has projected an overall staffing increase of 89.5 FTEs in FY 2003-04, primarily as a result of the opening of one new junior high and one new high school. Of these new positions, 28.0 FTEs are regular education teachers and 6.5 FTEs are special education teachers. In addition, two junior high school principals were added for the current school year to allow for on-the-job training prior to the opening of new buildings. Pickerington LSD also expects to hire two additional custodians in the spring of 2003 to assist with cleaning and moving into the new junior high and high schools. The district plans to reassess proposed five-year staffing projections and needs once updated enrollment figures for the current school year are available.

Additional analyses were performed to determine the effect of planned staffing increases in FY 2002-2003. The analysis indicates that, despite the addition of 44 FTEs in FY 2002-03, the district's student teacher ratio will increase. Also, based on the district's current forecast, the implementation of planned staffing increases for FY 2003-2004 will likely place the District in fiscal watch. Because of the effect of staffing increases in relation to district finances, State minimum standards have been used in several analyses to determine the base staffing requirements within Pickerington LSD.

Collective Bargaining Agreements/Policies and Procedures Manuals

Certificated personnel within Pickerington LSD are governed by a negotiated agreement. Classified employees are not unionized but operate under the same policies and procedures as those negotiated for certificated employees. During the performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial implications to Pickerington LSD. The implementation of some of the associated recommendations would require union negotiations. **Table 3-3** and **Table 3-4**

illustrate key contractual issues in the certificated and classified negotiated agreements or applicable policies and procedures manuals.

Table 3-3: Certificated Contractual Agreement Comparisons

	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD
Length of work day	7 hours, 30 minutes	7 hours, 30 minutes	7 hours, 30 minutes	7 hours, 45 minutes
Maximum class size	K-4: 26 students 5 to 8: 28 students 9 to 12: 30 (and no more than 170 students per day)	District practice is to keep student-to-teacher ratios as low as possible	District practice is to maintain a student-to-teacher ratio of 25:1, in accordance with the Ohio Revised Code	K to 12: 25 students
Number of contract days	K-8 186 days	185 days	185 days	184 days
Instructional Days	9-12 179 days	180 days	Contract does not further specify calendar day requirements	180
In-Service Days	2 days ¹	3 days		4 days ²
Parent/Teacher Conferences	2 days ¹	1 day		2 days
Professional Development	0 days	0 days		4 days
Pre-School Days	2 days	1 day		0 days
Maximum number of sick days accrued	255 ³	228 ³	230	244 days
Maximum number of sick days paid out at retirement	25% of accumulated sick leave (total possible maximum payout of 61 days)	25% of accumulated sick leave (total possible maximum payout of 58 days)	25% of accumulated sick leave (total possible maximum payout of 57.5 days)	25% of accumulated sick leave (total possible maximum payout of 61 days)
Number of personal days	3 days	3 days	3 days ⁴	3 days
Notice required	48 hours	2 days notice	2 days notice	2 days notice
Number of leave days for association business	12 days per year with an additional allocation of 12 days per year for the association president ⁵	Number of days allowed per year is not specified	3 days with additional days to be approved by the Superintendent for association business	As approved by the Superintendent – number of days allowed per year is not specified
Sabbatical leave	May receive up to one year after five years of service; pay, if any, will be the difference between the cost of the substitute and the employee's salary; employee will pay 50% of benefit premiums; employee is required to return to the district for one year	May receive up to one year after five years of service; employee may be required to return to district for one year ⁶	May receive up to one year after five years of service with pay, if any, to be determined by the board	May receive up to one year after five years of service; pay, if any, will be the difference between the cost of the substitute and the employee's salary; employee is required to return to the district for one year
Pick-up of employee's STRS contribution by district	No	No	No	No
Cost of living increases each year of the contract	FY 2002: 4.25% FY 2003: 4.25% FY 2004: 4.25%	FY 2002: 4.0% FY 2003: 4.0% FY 2004: 5.0%	FY 2002: 4.0% FY 2003: 4.0%	FY 2003: 3.00% FY 2004: 4.00%

Source: Certificated negotiated agreements from Pickerington LSD and the peer districts

¹ District wide in-service activities will be coordinated by the Curriculum Department; one-half of the mid-year record day will be for in-service activity.

² These four days may be for professional or in-service meetings.

³ The amounts illustrated in Table 3-3 illustrate the maximum number of days for FY 2002-03 at Pickerington LSD and Mason CSD. According to the negotiated agreement, the maximum number of days will increase for both school districts in FY 2003-04.

⁴ First day requires no notice; additional two days requires 2-day notice.

⁵ During contract negotiation years, the regular 12 days for association leave is increased to 20 days per year. There is no change in the allocation for the association president.

⁶ As stated in ORC §3319.131

Table 3-4: Classified Contractual Agreement Comparisons

	Pickerington ¹ LSD	Mason ² CSD	Milford EVSD	Reynoldsburg CSD
Minimum call-in hours paid to employees for emergencies	None	None	None	2 hours minimum at rate based on hours already worked
Vacation time to accumulate	Less than 1 year; 1 day per month 1 to 9 years; 12 days 10 to 14 years; 15 days 15+ years; 20 days	1 to 9 years; 10 days; 10 to 19 years; 15 days; 20+ years; 20 days	1 to 7 years; 10 days 8 to 12 years; 15 days 13 to 19 years; 20 days 20+ years; 25 days	1 to 3 years; 10 days 4 to 7 years; 12 days 8 to 12 years; 15 days 13 to 16 years; 17 days Over 17 years; 20 days
Sick / Personal leave incentive	No	No	\$40.00 for each day less than the previous year distributed equally to employees taking less than 3 sick days	\$300 year for using 0 days \$200 for using 1 day \$100 for using 2 days
Maximum number of sick days accrued	260 days	232 days	230 days	256 days
Maximum number of sick days paid out at retirement	25% of accrued leave up to 61 days	Not available	The lesser of 25% times the total unused leave or 57.5 day	25% time the total unused leave up to 64 days
Number of personal days	3 days	3 days	3 days	3 days
Notice required	48 hours notice	2 days notice	2 days notice	2 days notice
Number of holidays for 12-month employees	7 holidays	Not available	11 holidays	11 holidays (applies to 11 and 12 month employees)
Number of holidays for less than 12-month employees	6 holidays		10 holidays	8 holidays
Number of leave days for association business	None	Not available	3 days per year per officer of the association	10 days per year for officers and delegates
Pick-up of employee's SERS contribution by district	No	Not available	No	No
Cost of living increases each year of the contract	FY 2002: 4.25% FY 2003: 4.25% FY 2004: 4.25%	Not included in handbook	FY 2002: 4.0% FY 2003: 4.0%	FY 2002: 3.0% FY 2003: 3.0% FY 2004: 3.0%

Source: Classified negotiated agreements from Pickerington LSD and the peer districts

¹Pickerington LSD's classified employees are not unionized and do not have a collective bargaining agreement

² MCSD classified employees are governed by the Classified Staff Handbook.

In addition to the analyses presented in this report, further assessments were conducted on several areas within the **human resources** section which did not warrant changes and did not yield any recommendations. In several of these areas, above average performance was identified. These examples are included in the **executive summary** under noteworthy accomplishments. These areas include the following:

- Regular education staffing levels were determined to be comparable to the peer districts and in line with Pickerington LSD's educational mission.
- Leave usage was determined to be comparable to industry benchmarks.

- Dental insurance monthly premiums were determined to be comparable to peer and industry benchmarks.

General Recommendations

Staffing

R3.1 Pickerington LSD should consider reducing ESP staffing levels for FY 2003-2004 based on the financial condition of the District. The District could reduce the ESP staff by 7.0 FTE and still remain above State minimum standards. Classifications which should be reviewed for possible reductions include librarian media specialists, counselors and registered nurses. To meet instructional needs and increased enrollments, these positions should be reintroduced in FY 2004-2005.

Table 3-5 compares the staffing levels of all ESP personnel at Pickerington LSD with the peer districts' staffing levels for FY 2001-02. The staffing levels are illustrated in terms of actual FTEs.

Table 3-5: Comparison of ESP Staffing Levels

Classification	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average
ESP Teachers	20.2	22.0	19.0	36.0	25.7
Counselors	17.0	12.6	7.0	11.0	10.2
Librarian Media Specialists	5.5	3	3	3.5	3.2
Registered Nurse	5.1	0.0	0.0	2.5	0.8
Social Work	0.0	1.0	0.0	0.0	0.3
Totals	47.8	38.6	29.0	53.0	39.9
ESP FTE per 1,000 ADM	6.2	5.5	5.1	8.9	6.4

Source: Interviews; EMIS reports from Pickerington LSD and the peer districts

As illustrated in **Table 3-5**, Pickerington LSD has more ESP staff than two of the three peers and almost 20 percent more than the peer average of 39.9 FTE. When the FTEs are weighted per 1,000 students, Pickerington LSD's 6.2 ESP FTEs per 1,000 students is lower than the peer average of 6.4 FTEs. However, the ratio is greater than the minimum standards identified in the Ohio Administrative Code (OAC) §3301-35-05(A)(4) of 5.0 FTEs per 1,000 students. If the District were to adjust the ESP staffing ratio to the minimum standards identified in OAC §3301-35-05(A)(4), it could reduce current staffing levels by up to 9.0 FTEs. However, a reduction of 7.0 FTEs would allow Pickerington LSD to remain above the State minimum standards and support the district's educational mission while providing a cost savings during FY 2003-04.

Approximately 43 percent of Pickerington LSD's ESP personnel are designated as art, music or physical education teachers that have direct instructional contact with students throughout the school day. However, the District has more FTEs classified as counselors,

library media specialists and registered nurses than the peers. Reductions should be considered in the non-instructional classifications.

Financial Implication: Assuming an estimated annual salary of \$49,000 per educational service personnel and benefits equal to 31 percent of annual salaries, Pickerington LSD could generate an estimated cost savings of approximately \$452,000 by reducing its educational service personnel by 7.0 FTEs for FY 2003-2004.

R3.2 Pickerington LSD should consider reducing the special education staffing by 10 FTEs. If the proposed levy fails, the District could potentially reduce special education staffing levels by an additional 7 FTEs, depending on the specific special needs disabilities. A detailed review of students’ specific requirements should be performed to assess the level of service required by OAC § 3301-51-09.

Pickerington LSD currently provides special education services to approximately 753 special needs students. **Table 3-6** shows a comparison of special education FTEs and special needs students between Pickerington LSD and the peers.

Table 3-6: Special Needs Students to Certificated Special Education FTEs

	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average
Special Education FTEs	63.8	53.5	28.5	37.6	39.9
Special Needs Students	753	595	704	888	729
Special Needs Students/FTE	11.8	11.1	24.7	23.6	18.3

Source: Interviews; EMIS reports from Pickerington LSD and the peer districts

Pickerington LSD has the greatest number of special education FTEs and has the second highest staffing ratio of 11.8 students per special education instructor FTE. The peer average is approximately 18 special needs students per special education instructor FTE. Furthermore, Pickerington LSD uses teaching aides to augment its special education instructor pool.

According to OAC § 3301-51-09, there are ranges of service depending on grade level and degree of disability ranging from 6 to 30 students per instructor. As Pickerington LSD uses an inclusion model for special education instruction, a higher student teacher ratio can be achieved. Using an average of 16 special needs students per FTE, Pickerington LSD could potentially reduce the special education instructor staffing levels by a total of 17 FTEs. Given the variety of disabilities that may be served by Pickerington LSD and the educational mission of the district, initial staffing reductions should be held at 10 FTEs. A review of special education student needs would help the District determine where further reductions could be made.

Financial Implication: Based on an average annual salary of \$34,000 plus 31 percent for benefits, the reduction of 10 special education FTEs would provide an annual cost savings of approximately \$448,000.

R3.3 Pickerington LSD should not hire 11 FTE non-teaching positions including counselors, secretaries, a clerk, a communications assistant, and a technology resources leader. Based on the district's current financial situation, the hiring of these positions should be postponed. If Pickerington LSD does not receive levy funds from the fall 2002 ballot issue, it should postpone hiring all planned non-teaching positions through the forecasted period.

Pickerington LSD is planning to hire 35.5 FTE positions for the opening of two new schools in FY 2003-2004. Of these positions, 11 FTEs were identified as non-essential personnel because the functions could be eliminated without hampering District operations, or because adequate staffing is in place at the existing schools to meet needs in the new buildings.. The following positions could remain unfilled with minimal effect on district operations.

- Counselors (4.0 FTEs);
- Secretaries (4.0 FTEs);
- Clerk (1.0 FTE);
- Communications assistant (1.0); and
- Technology resource leader (1.0).

Financial Implication: If Pickerington does not hire the positions suggested above, it will realize an annual cost savings of approximately \$550,000 in salaries and benefits for FY 2003-2004 through the end of the forecast period. A total cost avoidance of approximately \$1.7 million through the forecasted period would be realized by not filling the above positions.

R3.4 Pickerington LSD should delay hiring 7.0 FTE regular teaching positions including 5 junior high and 2 middle school teachers until FY 2004-05.

Currently, the District has plans to hire 10.0 FTEs in the junior high and 5.0 FTEs in the middle schools. The following new regular teaching positions should be deferred for at least one year:

- Junior high school teachers (5.0 FTEs); and
- Middle school teachers (2.0 FTEs).

In an effort to conserve funds, Pickerington LSD should seek to hire the minimum number of teachers required to continue to serve district students at current levels. By

delaying the hiring of 7.0 FTE teaching positions for one year, PLSD can ensure that staffing is both adequate and cost-efficient given expected increases in student population.

Financial Implication: If Pickerington LSD defers the hiring of the 7 suggested regular teaching positions, it will realize a cost savings of approximately \$350,000 in salaries and benefits in FY2003-2004. This cost will be postponed until FY 2004-2005, when the District would likely need to fill the indicated positions.

R3.5 Pickerington LSD should decrease site based administrative staffing at the high school and junior high levels. This should consist of the reduction of four dean positions for FY 2003-2004. The District should redistribute the principal and assistant principal positions between the two high schools and junior highs in FY 2003-2004. Pickerington LSD should consider reallocating counseling resources to cover dean responsibilities.

Currently, Pickerington LSD employs 9 FTE principals, assistant principals, and deans of students in the high school and junior high. OAC § 3301-35 specifies that every school with the equivalent of 15 or more FTE teachers shall be assigned a full-time principal. All schools in Pickerington LSD meet this requirement. Therefore, each of the current nine schools is required to have one full-time principal. Also, because of the large number of students at each school, two assistant principals should be used to manage students in each of the high schools. By providing the high schools with one principal and two assistant principals, and the junior high schools with one principal and one assistant principal, Pickerington LSD will help ensure effective management of students disciplinary issues. Likewise, a reduction in dean of student positions will allow Pickerington LSD to reallocate these resources to more flexible administrative positions, such as assistant principals.

Table 3-2 compares FTE staffing levels per 1,000 ADM at Pickerington LSD with the peers. The counseling category ratio at Pickerington LSD is approximately 38 percent greater than the peer average. Reallocation of time resources from counseling positions to support activities formally provided by deans would ensure adequate administrative staffing while minimizing the cost to the District for new and additional staff.

Financial Implication: If Pickerington LSD reduced four dean positions in FY 2003-2004, it could realize an annual cost savings of approximately \$288,000 in salaries and benefits.

Salaries

R3.6 Pickerington LSD should continue to periodically review salaries for official/administrative and professional/educational personnel to determine the appropriateness of current salary schedules and make any necessary adjustments. Review of the job market targeted to specific job classifications provides Pickerington LSD with the information necessary to make critical decisions concerning position salaries. The District recently hired an outside contractor to perform such a study using information from the surrounding districts as a basis for comparison.

Table 3-7 compares the total salaries within each classification group at Pickerington LSD with the peers.

Table 3-7: Comparison of Staff Salaries

Classification	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average	% Difference
Official / Administrative	\$78,797	\$60,516	\$63,963	\$63,489	\$62,656	25.76%
Professional - Educational	\$49,369	\$38,706	\$45,154	\$44,076	\$42,645	8.73%
Professional - Other	\$40,787 ¹	\$45,506	\$48,131	\$51,446	\$48,361	(15.66%)
Technical	\$23,881	\$27,482	\$19,139	\$22,237	\$22,953	4.04%
Office / Clerical	\$20,752	\$27,418	\$21,167	\$24,724	\$24,436	(5.08%)
Crafts & Trades	\$35,396	\$37,543	\$34,386	\$30,520	\$34,150	3.65%
Operative (Transportation)	\$0 ²	\$23,976	\$22,394	\$8,601	\$18,324	Not able to calculate
Service Work / Laborer	\$24,412	\$28,790	\$21,147	\$21,493	\$23,810	2.53%

Source: Interviews; EMIS reports from Pickerington LSD and the peer districts

¹ Professional –Other positions including physical therapy (PT) and occupational therapy (PT) assistants are contracted out

² Pickerington LSD’s transportation operations are contracted out to Laidlaw Transit, Inc., therefore, salaries were not included in this assessment.

As illustrated in **Table 3-7**, Pickerington LSD administrative salaries are approximately 26 percent higher and professional educational salaries are approximately 16 percent higher than the peer average. Causal factors for this difference include the high number of service years within the District and the overall level of education and experience for several administrative staff members. However, another reason for the difference between Pickerington LSD and the peers appears to be the labor market for these positions.

Although Reynoldsburg CSD is adjacent to Pickerington LSD, Pickerington LSD’s average salaries for the official/administrative and the professional-educational classifications are greater than Reynoldsburg CSD by approximately 24 percent and 12

percent, respectively. However, other districts in the southeastern part of the greater Columbus area have more comparable average salaries for these two classifications. According to EMIS reports, Gahanna-Jefferson City School District has average salaries for the two classifications of \$78,545 and \$54,870, respectively. Groveport Madison Local School District has an official/administrative average salary of \$74,894 and a professional-educational average salary of \$49,767. Please see the **financial systems** section of the report for further discussion on salary expenditures.

- R3.7 Pickerington LSD should consider limiting cost-of-living and merit increases for administrative staff throughout the forecast period. Because of the district's current financial condition and the need to generate cost savings to avoid fiscal oversight, Pickerington should limit the increases provided to administrators to 1 percent in FY 2004-05 and 2 percent each year in FY 2005-06 and FY 2006-07, commensurate with other district staff.**

Pickerington LSD's administrative classifications are approximately 26 percent above the peer averages and are generally higher than similar districts. However, minimum salaries are comparable with the peers. It appears that Pickerington LSD's median salary is increased by the large number of staff with high levels of experience and/or educational achievement. Although high salaries at the administrative level help draw experienced administrators, the increased cost reduces available resources for direct instructional activities. The current financial condition of the district, as portrayed in the district's financial forecast, will not be able to support increased salaries and staffing levels during the forecast period. To optimize potential cost savings, Pickerington LSD should begin limiting salary increases in administrative classifications.

- R3.8 In an effort to rectify Pickerington LSD's current financial difficulties, there must be a shared sacrifice among all employees. Pickerington LSD should work with its bargaining units to secure a 1, 2, 2 percent pay increase during the next contract period (FYs 2004-05, 2005-06 and 2006-07). Based on the district's financial forecast, the district will be unable to certify future contracts without both the passage of a levy and substantial cost reductions.**

Based on **Table 3-7**, Pickerington LSD's salaries are above the peer averages in five of eight categories. In the professional educational classification, Pickerington LSD's salaries are 8.73 percent above the peer average and approximately \$7,000 more than the next highest peer. In FYs 2001-02, 2002-03 and 2003-04, Pickerington LSD employees have negotiated a 4.25 percent pay increases in addition to the negotiated step increases. Because of the district's current financial condition, cost reductions are imperative to guarantee the long-term financial health of the district. As personnel costs comprise approximately 81 percent of district expenditures, cost reductions in the personnel category must be made in order to gain any substantial savings. Since future contract

year pay increases have not yet been determined, Pickerington LSD administrators and personnel have the opportunity to help maintain the financial stability of the district by reducing annual pay increases in the later forecast years.

Financial Implication: Pickerington LSD should negotiate lower cost-of-living increases for all employees in order to assist the district in recovering from its current fiscal problems. Assuming a 1 percent cost-of-living increase in FY 2004-05 and 2 percent each year in FYs 2005-06 and 2006-07, the savings in salaries and benefits from what was forecasted would be approximately \$1,688,000 in FY 2004-05, \$3,077,000 in FY 2005-06, and \$4,682,000 in FY 2006-07.

Health Care Costs

R3.9 Pickerington LSD should attempt to reduce health care costs to the district by requiring a minimum \$10 co-payment on office visits and prescriptions and by increasing the employee share of the health care premium for single and family coverage to 15 percent.

The following analysis, as seen in **Table 3-8**, compares benefits between the health insurance plans at Pickerington LSD and the peer districts.

Table 3-8: Key Medical Plan Benefits ¹

	<u>Pickerington LSD</u>	<u>Mason CSD</u>	<u>Milford EVSD Anthem BC/BS (PPO) (HMO)</u>	<u>Reynoldsburg CSD</u> <u>United HealthCare MedBen</u>
Employee’s share of premium	Single: 5% Family: 10%	Single: 10% Family: 10%	Single: 10% Family: 10%	Single: 0% Family: 7% - 9% ²
Office visits	\$5 co-payment, then 100%	\$10 co-payment, then 100 %	\$10 co-payment, then 100%	\$10 co-payment, then 100%
Employee annual deductible	None	None	None	None
Out-of-pocket maximum	\$500 (S) \$1,000 (F)	None	\$1,000(S) \$2,000(F)	\$250 (S) \$500 (F)
Prescription plan included	Yes	Yes	Yes	Yes
Prescription co-pay	\$5 formulary \$20 non-formulary	\$8 generic \$14 name brand	\$5 generic formulary \$12 brand formulary	\$5 generic \$10 name brand
Need to choose primary physician	No	Yes	No	No
Maternity	100%	\$100 co-payment, then 100%	10% co-payment, then 100%	100%
Well-child care	\$5 co-payment, then 100%	\$10 co-payment then 100 %	\$10 co-payment, then 100%	0-1 year: 100%; \$500 max 1-9 years:100%; \$150 max
Inpatient hospital care	100%	\$100 co-payment, then 100%	10% co-payment, then 100% \$100 co-payment	100%
Chiropractic service rider	Yes	No	No	No

Source: Pickerington LSD and peer school district health care insurance benefit books

¹ For all health care plans, information presented is assuming the employee chooses an authorized provider within the network, if applicable.

² Reynoldsburg employees pay \$60.00 towards the family premium. The percent varies with the premium cost of the family plan chosen.

Based on key medical benefits information in **Table 3-8**, Pickerington LSD is comparable to the peers in terms of benefit coverage. Since overall staff salaries at Pickerington LSD are higher than the peers (see **R3.6** and **Table 3-7**), an increased employee contribution would be appropriate to maintain current benefits and cover the rising cost of providing health care benefits to employees who elect coverage.

District employees currently pay 10 percent of the premium cost for family coverage under the United Healthcare plan. Employees who are under the single coverage pay only 5 percent of the premium cost. Equitably sharing health care premium costs at 15 percent would help employees take a more active role in managing the use of their health care benefit and result in lower annual claims. The District currently has 168 employees enrolled under single coverage and 456 enrolled under family coverage.

In addition, Pickerington LSD employees currently have a low co-payment for prescription drugs that are included in the formulary. Given the increasing costs of prescription drugs, and correspondingly, overall health care costs, the District should consider increasing the co-payment for both prescriptions and office visits with the next contract negotiation. Although it is not possible to estimate the amount Pickerington LSD could save because of the variety of factors involved, it is reasonable to assume that an increase in these areas will result in cost savings for the District.

Financial Implication: By increasing the employee's share of the medical benefits premium from 5 to 15 percent for single coverage and from 10 to 15 percent for family coverage, the District could save approximately \$295,600 annually.

R3.10 Pickerington LSD should update the summary of health care plans that is given to all District employees or should provide all employees with the negotiated contract for certificated employees which contains the most current health care plans and information. Currently, the District uses several methods to keep employees informed regarding changes to health benefits. These methods include updates in the newsletter, all employee e-mails and memos as well as meetings conducted several times per year by the third-party administrator.

Pickerington LSD currently provides its employees, both certificated and classified, with the same health benefits. Because classified employees do not have a contract with the District, they are provided with a summary of health care benefits prepared by District staff. This summary, however, was last updated in 1991 and contains health care benefit information which is no longer valid. Pickerington LSD depends on the certificated contract to track all changes in health care benefits. Therefore, any information given to classified employees needs to accurately reflect the most current certificated contract. If it does not, staff using inaccurate information may be confused or unaware of changes in their benefits. Updating the summary will further provide classified and certificated employees with current and correct benefit information, and will help Pickerington LSD ensure that all staff is adequately informed regarding health care and other employee benefits.

Collective Bargaining Agreements and Employee Policy Manual

R3.11 The Board should review and update the classified employee policy manual of the Pickerington LSD on an annual basis and ensure that the policies and procedures outlined are current and reflect updates to the negotiated agreement if they will be applied to all employees. In addition to ensuring that policies are up-to-date, reviewing policies and procedures of the District helps ensure that they are applied consistently and fairly to all employees.

The current employee policy manual was last revised in February 1999. In August 1996, Pickerington LSD accepted and adopted use of the original manual prepared as the Policy Manual of the Pickerington Local Schools which outlines important employee issues. The policies and procedures manual includes guidelines for employment, compensation, benefits, leave, conduct and discipline, performance appraisal and the employee complaint review procedure, therefore, is important to be current and reflect most recent policy revisions. All employees are required to follow the personnel policies and procedures manual. However, certificated employees are governed by a negotiated agreement in which no mention is made of additional applicable policies and procedures outlined in the manual. Pickerington LSD should clarify the written governing authority for both certificated and non-certificated employees.

Financial Implications Summary

The following table is a summary of estimated annual cost savings and implementation costs from the above recommendations. Pickerington LSD should consider reallocating a portion of the **Estimated Annual Cost Savings** to cover the **Estimated Annual Implementation Costs**. The financial implications are divided into two groups: those that are, and those that are not subject to negotiations. Implementation of those recommendations subject to negotiations would require an agreement of the affected bargaining units.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Estimated One Time Cost Savings
R3.1 ESP teacher reduction of 7.0 FTEs		\$452,000
R3.2 Reduce Special Education staff by 10.0 FTE	\$448,000	
R3.3 Do not hire proposed administrative positions.	\$550,000	
R3.4 Defer hiring 7.0 junior high and middle school FTE teachers until FY2004-2005		\$350,000
R3.5 Reduce deans at the high and junior high schools by 4.0 FTE	\$383,000	
Totals	\$1,381,000	\$702,000

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Estimated Cumulative Cost Savings
R3.8 Negotiate a 1, 2, 2 percent pay increase for FYs 2004-07.		\$9,447,000
R3.9 Increase employee share of health insurance premiums for single and family coverage to 15 percent.	\$295,600	
Total	\$295,600	\$9,447,000

Conclusion Statement

Pickerington LSD appears to be appropriately staffed in its largest personnel classification (regular education teachers), other classifications appear to have excess personnel based upon peer comparisons and other standard benchmarks. Pickerington LSD should address staffing levels in these areas to save costs, reallocate resources and increase financial stability. The District should also consider reducing starting salaries for administrators and limit cost-of-living and merit increases to administrators during the forecast period as well as including such considerations into future negotiations of the master teacher agreement.

Pickerington LSD could also realize additional savings by increasing the employee share of health benefit costs. Increases in the employee share for single and family coverage and co-payments for office visits and prescription drugs could result in at least \$295,600 of savings for the District. In addition, Pickerington LSD should continue to ensure that all information regarding employees and their benefits is kept current and up-to-date. In addition to the methods currently employed such as newsletters and e-mail, the District can help accomplish this by updating the classified staff policies and procedures manual as well as the summary of health care benefits that is given to classified staff.

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Facilities

Background

The facilities section focuses on custodial and maintenance operations within Pickerington Local School District (Pickerington LSD). The objective is to analyze the building operations of Pickerington LSD and develop recommendations for improvements in efficiency and possible reductions in expenditures. Throughout the report, comparisons are made to the following peer school districts: Mason City School District (Mason CSD), Milford Exempted Village School District (Milford EVSD), and Reynoldsburg City School District (Reynoldsburg CSD).

Organizational Structure and Function

Pickerington LSD consists of nine schools: five elementary (grades K-4), two middle (grades 5-6), one junior (grades 7-8), and one high school (grades 9-12). Pickerington LSD is also constructing two additional school buildings, one junior and one high school, which are scheduled to open in FY 2003-04.

The custodial and maintenance departments are responsible for the operation and upkeep of the facilities. The business manager spends approximately 75 percent of her time managing and overseeing the operation of the District's facilities, overseeing construction of the school buildings, and working collaboratively with the custodial and maintenance supervisor. The remaining 25 percent of her time is divided into three categories: 10 percent on transportation, 10 percent on food service and the remaining 5 percent on miscellaneous activities such as workshops and meetings. The facilities administrative staff consists of three full-time employees including the business manager, the custodial and maintenance supervisor, and the assistant to the custodial and maintenance supervisor. The custodial and maintenance supervisor reports directly to the business manager and is responsible for managing maintenance staff and overseeing building operations. The custodial and maintenance supervisor makes recommendations to the business manager when new staff is needed. He also supervises, inspects, and directs all building repairs.

The custodial and maintenance supervisor has an assistant whose time is split between two job functions. Fifty percent of the assistant's time is used to assist the custodial and maintenance supervisor in tasks such as ensuring that the supplies needed to complete work assignments are readily available. The other 50 percent is used to perform maintenance work. Head custodians report directly to building principals, who are responsible for the day-to-day management of the custodial staff. Head custodians provide guidance and oversight to the custodians assigned to their buildings. Maintenance staff reports directly to the custodial and maintenance supervisor.

The custodial staff is responsible for providing a clean and safe environment for the students, staff and public who use District facilities. In FY 2001-02, Pickerington LSD custodial staff consisted of 42 employees, which equates to 41 full-time equivalents (FTEs). The head custodians open and prepare the buildings for operation each day. In addition, the head custodians perform minor repairs. The number of custodians assigned to a building ranges from 3.0 to 11.0 FTEs. When determining custodial staffing levels, a number of factors are considered, including building size, usage and student population.

Custodians complete the majority of the cleaning tasks after school hours. The number of custodial staff at Pickerington LSD has increased over the last five years due to the construction of Harmon and Diley Middle Schools and the renovation of Heritage Elementary.

While the District assigns custodians to specific buildings, the maintenance staff is a mobile crew that travels from building to building. Pickerington LSD's maintenance staff consists of eight full-time employees, four maintenance workers and four grounds workers. Maintenance workers complete manually submitted work order requests. In some cases, it can take several days before requests are addressed. Maintenance workers also respond to emergency repair needs, and deliver equipment and supplies to the buildings. During winter, grounds workers remove snow and ice from the District's walkways and parking lots. During summer, they care for the grounds surrounding the buildings, mow the large fields in the District, and prepare and maintain the playing fields and playgrounds.

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintaining Pickerington LSD's facilities.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2001-02

Classification	Total Number Of Positions	Number of Full-Time Equivalents
Business Manager	1	0.75
Maintenance and Custodial Supervisor	1	1.00
Assistant to the Maintenance and Custodial Supervisor ¹	1	0.50
Total Administration	3	2.25
Maintenance ¹	4	4.50
Grounds workers	4	4.00
Total Maintenance	8	8.50
Head Custodian	9	9.00
Custodian	33	32.00
Total Custodial	42	41.00²
Total	53	51.75

Source: Pickerington LSD's Business Manager's Office.

¹ This is a full-time position, but the job responsibilities are split-- 0.50 FTE for administrative work and 0.50 FTE for maintenance work.

² The number of custodial employees in the **facilities** section differs from that of the **human resource** section because of the manner in which the EMIS report presents FTE equivalents by position. Two of the custodial employees work four hours per day, while the rest of the staff works eight hours each day

Key Statistics

Key statistics related to the maintenance and operations of Pickerington LSD are presented in **Table 4-2**. In addition, results from the 31st Annual American Schools & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2002, are included in **Table 4-2** and throughout the **facilities** section of the report. The AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. Unlike previous years where results were divided into regions, this year's report provides the median number for each category on a national level and by district enrollment (less than 1,000 students; 1,000 to 3,499 students; and greater than 3,500 students).

Unless otherwise noted, peer district averages do not include statistics for Pickerington LSD.

Table 4-2: Key Statistics and Indicators

Number of School Buildings	9
- Elementary Schools	5
- Middle Schools	2
- Junior High School	1
- High School	1
Total Square Feet Maintained	902,053¹
- Elementary Schools	329,247 ²
- Middle Schools	188,664
- Junior High School	111,142 ²
- High School	273,000 ²
Square Feet Per FTE Custodial Staff Member (41 FTE)	22,001
- Elementary Schools (15.5 FTE)	21,242
- Middle Schools (8.5 FTE)	22,196
- Junior High School (6 FTE)	18,521
- High School (11 FTE)	24,818
AS&U 31st Annual Cost Survey > 3,500 Students	20,440
AS&U 31st Annual Cost Survey National Median	23,985
Peer District Average	19,375
Square Feet Per FTE Maintenance Employee (4.5 FTE)	190,922³
AS&U 31st Annual Cost Survey > 3,500 Students	113,376
AS&U 31st Annual Cost Survey National Median	89,000
Peer District Average	100,629
FY 2001-02 Maintenance and Operations Expenditures Per Square Foot	\$5.43
- Custodial and Maintenance	\$4.32
- Utilities	\$1.11
Peer District Average	\$5.77

Source: Pickerington LSD and peer districts; AS&U 31st Annual Maintenance & Operations Cost Survey

¹ Total square footage includes modular units, the total building square footage is 859,153 and there are 33 modular units at 1300 square feet each.

² Schools that use modular units to alleviate space issues.

³ The square feet per maintenance FTE is derived by dividing the number of FTE's into the total building square footage, not including modular space.

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate Pickerington LSD's facilities for FYs 2000-01 and 2001-02, and projected in the FY 2002-03 budget.

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2000-2001 Total	FY 2001-02 Total	FY 2002-03 Budget	FY 2001to FY 2002 Percentage Change	FY 2002to FY 2003 Percentage Change
Salaries	\$1,641,410	\$1,814,187	\$2,081,883	10.5%	14.8%
Benefits	\$583,612	\$703,029	\$893,131	20.5%	27.0%
Purchased Services	\$914,159	\$925,585	\$1,494,105	1.2%	61.4%
Utilities	\$945,052	\$1,002,278	\$1,181,312	6.1%	17.9%
Supplies/ Materials	\$273,014	\$393,134	\$485,405	44.0%	23.5%
Capital Outlay	\$35,207	\$60,107	\$53,287	70.7%	(11.3)%
Other	\$0	\$388	\$400	0%	3.2%
Total	\$4,392,454	\$4,898,708	\$6,189,523	11.5%	26.4%

Source: Pickerington LSD Treasurer's Office BUDWORK FY 2003

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

- *A 10.5 percent increase in salary costs from FY 2000-01 to FY 2001-02 and a 14.8 percent increase in the salaries for the FY 2002-03 budget:* In FY 2000-01, Harmon and Diley Middle Schools opened and five new custodians were added to the staff. The FY 2002-03 budget increase is due to the planned hiring of facility staff. Starting in February of 2003, the district will begin hiring employees to staff the two new schools that will be opening in the fall of 2003.
- *A 20.5 percent increase in benefits from FY 2001-02 and a 27 percent increase for the FY 2002-03 budget:* During FY 2001-02, Pickerington LSD's total cost for health benefits increased approximately 9 percent. In FY 2002-03, the district expects the cost of health benefits to increase by 7 percent. The remaining portion of the FY 2001-02 increase can be attributed to four new FTEs hired for the reopening of Heritage Elementary. For further discussion of Pickerington LSD's benefits and the associated costs, see the **human resources** section of this report.

- *A 61.4 percent increase in for purchased services in the FY 2002-03 budget:* In FY 2002-03, Pickerington LSD reclassified their telephone system accounts into the Maintenance and Operations Department rather than dispersing the charges among individual building sites. The reclassification increased the departmental budget by approximately \$135,000. In addition, there was an increase of \$188,053 in the budget for the expiration of the warranty on the HVAC systems in both of the District's middle schools. The maintenance of these systems will be added to the District's Limbach Service Contract in FY 2002-03. The Limbach Service Contract covers annual testing and inspection of HVAC devices to include adjustments, lubrications, safety tests, refrigerants, and parts. The increase in the purchased services budget is also attributed to maintenance and repairs that will be completed on District school buildings.
- *A 6.1 percent increase in utility costs from FY 2000-01 to FY 2001-02 and an additional 17.9 percent increase from FY 2001-02 to the FY 2002-03 budget:* During the FY 2001-02 school year, Heritage Elementary school reopened and contributed to the increase in utility cost. The increase in budget for FY 2002-03 is due to the two new schools that will be opening in the fall of 2003 and will begin using some utilities during the spring of 2003.
- *A 44.0 percent increase in supplies and materials from FY 2000-01 to FY 2001-02 and a 23.5 percent increase in the FY 2002-03 budget:* These increases are reflective of the initial start-up costs associated with the renovation of Heritage Elementary. The funds were allocated at the end of FY 2000-01 for operating expenses to be spent in FY 2001-02. The 23.5 percent increase in the FY 2002-03 budget is attributed to the costs associated with the two new schools opening in the fall of 2003. According to the business manager, supplies and materials are purchased prior to the end of the fiscal year in order for maintenance staff to prepare the building properly for regular school-year operations.
- *A 70.7 percent increase in capital outlay expenditures from FY 2001-02 to FY 2001-02 and a 11.3 percent decrease in the FY 2002-03 budget:* In FY 2001-02, funds were available to purchase custodial and maintenance equipment for the new schools. In FY 2002-03, Pickerington LSD appropriated less funding because it had purchased most of the needed equipment the year before, including vacuum cleaners, floor buffers, and other maintenance and custodial equipment.

In addition to the analyses presented in this section, additional assessments were conducted on other areas within the **facilities** section, which did not warrant changes and did not yield any recommendations. In several of these areas, above average performance was identified. These examples are included in the **executive summary** under noteworthy accomplishments. These areas include the following:

- Energy conservation measures;
- Building use policy and fee schedule;
- Custodial and maintenance salaries; and
- Custodial and maintenance overtime usage.

All Pickerington LSD buildings purchase electricity from South Central Power, except for Tussing Elementary, which purchases power from American Electric Power. They have an adequate energy management policy in place, which staff members are updating to account for the new buildings. The building use policy and fee schedule is also being rewritten to be consistent with other schools’ schedules. Both custodial and maintenance staffing levels and salaries are at the level of, or slightly lower than the AS&U National Median report. Custodial and maintenance overtime usage was not an issue because the District uses substitute employees and keeps overtime usage to a minimum.

Facilities-Related Expenditures

Revenue from the General Fund is used to support the maintenance and operation of Pickerington LSD’s facilities. **Table 4-3** shows that in FY 2001-02, the General Fund provided \$4.9 million for building operation expenses, including custodial and maintenance employees’ salaries and benefits, purchased services, utilities, supplies and materials, and capital outlay. **Table 4-4** illustrates Pickerington LSD’s and the peer districts’ FY 2001-02 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

Table 4-4: FY 2001-02 General Fund Expenditures per Square Foot

Expenditure	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average	AS&U National Median
Custodial and Maintenance Salaries and Benefits	\$2.79	\$3.15	\$3.12	\$2.76	\$3.01	\$2.23
Purchased Services	\$1.03	\$0.89	\$0.81	\$0.77	\$0.82	\$0.06
Utilities	\$1.11	\$1.40	\$1.32	\$1.11	\$1.28	\$1.36
Supplies/ Materials	\$0.44	\$0.36	\$0.89	\$0.40	\$.55	\$0.21
Capital Outlay	\$0.07	\$0.11	\$0.07	\$0.14	\$0.11	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.07
Total General Fund Expenditures	\$5.43	\$5.91	\$6.21	\$5.18	\$5.77	\$3.93

Source: Pickerington LSD and peer district treasurers’ offices, FY 2001-02 expense budget worksheets for the General Fund, 2700 Function.

Based upon the information in the **Table 4-4**, Pickerington LSD's General Fund expenditure per square foot is significantly higher than the AS&U National Median. However, Pickerington is \$0.34 per square foot, lower than the peer average. Pickerington's General Fund expenditures per square foot are less than the peer average in the areas of custodial and maintenance salaries and benefits, utilities, supplies/materials, and capital outlay. In the category of purchased services, Pickerington LSD's expenditures per square foot are higher than all three of the peers. This difference is due to the District contracting out services (such as HVAC maintenance) performed by regular maintenance staff at the other districts (see **R4.2**). High expenditures are often an indication of operational inefficiency. However, Pickerington LSD still compares favorably to its peers in overall expenditures per square foot.

General Recommendations

Maintenance Operations

- R4.1 Pickerington LSD should increase maintenance staff by 1.0 FTE. The additional maintenance FTE will help the District keep up with the demands of additional building maintenance when the two new schools open in FY 2003-04. The district currently assigns 190,922 square feet to each maintenance worker, which is significantly higher than the 31st Annual AS&U figure of 113,376 square feet per maintenance worker.**

Currently, Pickerington LSD has 4.5 FTE maintenance workers who are in charge of all maintenance work orders for the district except for HVAC work. For the work to be performed efficiently and on time, the district should consider hiring 1.0 FTE, for a total of 5.5 FTE's. This will bring the square footage per worker down to a more manageable 156,209 square feet per FTE. Although this square footage is higher than AS&U recommendations, Pickerington LSD has mostly new or newer buildings that require less maintenance. The increase in staffing should allow the district to better manage current and future workloads.

Financial Implication: The addition of 1.0 FTE would create an annual cost of approximately \$43,000, including salary and benefits, according to the District's current maintenance salary figures. The addition of 1.0 FTE would help Pickerington LSD maintain the quality of the current facilities, complete outstanding work orders in a more timely manner and forecast and plan for the future needs of its facilities.

- R4.2 Pickerington LSD should reassess the cost effectiveness of its heating, ventilating and air conditioning (HVAC) contract and consider either re-bidding the contract to seek a lower cost or bringing the function in-house. Any assessment of the contract should take into account the cost of labor versus parts in recent years to determine whether the contract is the most beneficial and economic means for addressing District HVAC needs.**

Pickerington LSD currently contracts out all HVAC work in the district. In FY 2001-02, this contract amounted to about \$193,000. In September 2002, the District negotiated 12 percent decrease in the HVAC contract with its HVAC contractor. **Table 4-4a** presents the FY 2001-02 General Fund expenditures per square foot adjusted to exclude the HVAC contracted services and include the addition of two full-time HVAC employees, assuming the function is performed in-house.

**Table 4-4a: FY 2001-02 General Fund Expenditures per Square Foot
Adjusted for HVAC Contracted Services**

Expenditure	Pickerington LSD	Mason CSD	Milford EVSD	Reynoldsburg CSD	Peer Average	AS&U National Median
Custodial and Maintenance						
Salaries and Benefits	\$2.91	\$3.15	\$3.12	\$2.76	\$3.01	\$2.23
Purchased Services	\$0.81	\$0.89	\$0.81	\$0.77	\$0.82	\$0.06
Utilities	\$1.11	\$1.40	\$1.32	\$1.11	\$1.28	\$1.36
Supplies/ Materials	\$0.44	\$0.36	\$0.89	\$0.40	\$0.55	\$0.21
Capital Outlay	\$0.07	\$0.11	\$0.07	\$0.14	\$0.11	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.07
Total General Fund Expenditures	\$5.34	\$5.91	\$6.21	\$5.18	\$5.77	\$3.93

Source: Pickerington LSD and peer district treasurers' offices, FY 2001-02 expense budget worksheets for the General Fund, 2700 Function.

According to FY 2001-02 amounts, if Pickerington LSD were to discontinue the HVAC contract, its purchased services would drop from \$1.03 per square foot to \$0.81 per square foot. This represents a 21 percent decrease in the purchased services area and brings Pickerington LSD more closely in line with the peer average of \$0.82 per square foot. If the function were completed in house, salaries and benefits for custodial and maintenance employees would increase from \$2.79 per square foot to \$2.91 per square foot with the addition of two full-time HVAC employees. This represents only a 4 percent increase in this category.

Based on these calculations, it appears that Pickerington LSD could realize a substantial savings by moving from contracted to in-house service of its HVAC systems. In addition, full-time HVAC employees could fill needed maintenance functions when not working on District HVAC systems. This would further help address the large square footage per maintenance employee as described in **R4.1**.

Financial Implication: To bring the function in-house, based on average salaries for HVAC specialists employed by Mason CSD, Pickerington LSD can expect to pay approximately \$58,000 per employee in salary and benefits, or \$116,000 per year to employ two full-time HVAC specialists. This is approximately \$77,000 less than the District is currently paying for contracted HVAC services. However, this amount does not include the cost of parts for HVAC systems, which are guaranteed under the current services contract. The cost of parts under the current contract was not available for inclusion in this analysis. Because the total cost and savings of bringing the HVAC

maintenance function in-house cannot be calculated, this financial implication is not included in the financial implications summary at the end of this section or in the **financial systems** section of this report.

A cost estimate for a similar service under a new service provider was not calculated as a component of this performance audit.

- R4.3 Pickerington LSD should defer hiring two new custodians scheduled for March 2003 hire until July 2003. The District was planning to hire these two employees to help bring the new junior and senior high buildings on-line, scheduled for an August 2003 opening. The deferment of hiring these employees will result in a one-time cost avoidance of four months of salary and benefits for FY 2003.**

The District planned to hire two additional custodial employees in March to help prepare new buildings for students and teachers to use in the fall of 2003. The District should consider other staffing options to help prepare the buildings such as using substitute custodial employees or approving additional overtime for current employees. The two additional custodians should not be added to the District payroll until July of 2003. By deferring the hiring of these employees until July, Pickerington LSD will realize one and one-half months of increased custodial service prior to the opening of the new buildings while saving a portion of increased salary and benefits costs in FY 2002-03. In the future, the District should avoid hiring custodial and maintenance staff in the fiscal year prior to a new building coming on-line.

Financial Implication: Using the average custodial salary and benefits cost, the District could save approximately \$23,000 for FY 2002-03 by deferring the custodians start dates four months.

- R4.4 The District should purchase a comprehensive computerized work order system. A comprehensive system would allow the district to track work orders, materials used, personnel information and productivity statistics. In addition, the facility maintenance department would be able to track the status of outstanding work orders, monitor open work orders, forecast workload and staffing needs, and analyze the cost of specific work assignments. Using accurate cost data and time-to-complete information will result in better resource allocation decisions.**

Teachers, custodians, and principals submit work order requests. Once the written request for a building repair is made, it is sent through interoffice mail to the maintenance and custodial supervisor. The supervisor prioritizes the request and assigns it to the appropriate tradesman. Since the current work order process is paper driven, it is difficult to determine when an order has been completed. At times, duplicate work is performed by the maintenance and custodial supervisor, and the secretary when finalizing the work

orders for removal from the current paper-based system. There are no easily accessible comprehensive building repair records because of this process. In addition, Pickerington LSD is unable to use work order processing as a measure of staff productivity. Incomplete repair histories can hinder the identification of the cause of system breakdowns and can impede troubleshooting efforts. In contrast, completing daily logs using a computer-based system would increase accountability and potentially increase productivity. In addition, instituting the use of a computerized method for completing work order forms and daily work order logs online will significantly reduce time spent on paper work and more time for completing tasks. Sources for computerized work order systems are available from companies such as K12USA.com, an internet company that provides an internet-based application service called K12WorkTrakker. This program handles the reporting, monitoring and managing of maintenance problems in a school district.

Financial Implication: The cost of K12WorkTRakker would be approximately \$5,000 per year. Start up costs for the system should be minimal because it is Internet based and Pickerington LSD already has in place the infrastructure needed to run the system.

R4.5 Pickerington LSD should track leave expenditures using specific USAS codes for different leave types. Pickerington LSD should account for all expenditures in accordance with the guidelines set forth in the USAS manual. Categorizing expenditures as recommended in the USAS manual increases a District's ability to thoroughly examine salary-related expenditures and the reason they were incurred. Furthermore, using the specific USAS codes would allow Pickerington LSD to better project the cost of leave benefits.

Pickerington LSD's financial reporting system contains the non-certificated leave benefits object codes (151 sick leave, 152 personal leave, 153 vacation, etc.); however, the codes are not used to track how much the district is spending when a classified employee is absent and cannot accomplish the duties normally performed for regular salaries and wages. Instead, all custodial salary expenditures are coded to object code 141—regular salaries and wages. As a result, Pickerington LSD cannot easily determine how much the leave benefits are costing each department in the District. The inaccurate coding of expenditures inhibits the District's ability to readily identify costly benefits and opportunities for cost savings. In addition, Pickerington LSD's ability to accurately forecast and budget future salary and benefit costs is negatively impacted.

Long Range Planning and Facilities Use

R4.6 Pickerington LSD should develop a formal written facilities master plan to document long-term facilities needs and requirements. The master plan should include a 10-year enrollment history; enrollment projections and the methodology

used for these calculations; building capacity and the methodology used; a list of cost estimates needed for capital improvements; and a description of the district's educational plan.

Pickerington LSD does not have a formal written facilities master plan. The District currently uses a document developed by the 1997 Educational Facilities Review Committee (a committee of Pickerington LSD's community members) as a facilities plan. Prior to developing a plan for future facility use, basic information such as enrollment projections and building capacity data need to be compiled. **Table 4-6** provides a 10-year enrollment history for Pickerington LSD.

Table 4-6: Pickerington LSD Historical Enrollment

School Year	Head Count	Percentage Change From Previous Year
FY2001-2002	7,989	5.15%
FY2000-2001	7,598	5.12%
FY1999-2000	7,228	2.74%
FY1998-1999	7,035	4.70%
FY1997-1998	6,719	1.83%
FY1996-1997	6,598	5.87%
FY1995-1996	6,232	7.13%
FY1994-1995	5,817	6.83%
FY1993-1994	5,445	7.31%
FY1992-1993	5,074	N/A

Source: EMIS School Enrollment-First Full Week of October Reports (1993-2002)

Pickerington LSD has continued to see growth in the District due to the construction of housing developments and an influx of people for the last ten years. The trend indicates that the growth will continue in the future. Developing a formal facilities master plan using important data such as enrollment history, enrollment projections and building capacity, will allow Pickerington LSD to effectively plan for future facility use. This is an essential planning document especially for a District that is experiencing such rapid growth.

The Ohio School Facilities Commission is currently performing a comprehensive facilities study for Pickerington LSD. The District should ensure that any study performed is customized to fit its needs and use the information produced by the study to help develop the master facilities plan. A master facilities plan should help Pickerington LSD evaluate long term facilities and maintenance needs, assist the District in scheduling preventive maintenance, and allocate scarce financial resources to those facilities most in

need. Such a plan will assist Pickerington LSD in space planning efforts, as it will provide vital information related to the physical condition of its buildings.

R4.7 Pickerington LSD should continue to use a methodology for completing and monitoring enrollment projections, and comparing these projections to building capacity. The district can use the enrollment projections to help project future state funding allocations, to complete financial forecasts, to determine the appropriate number of teachers to hire, and to evaluate building usage and capacity.

Annually, Pickerington LSD staff completes enrollment projections for the district using the cohort survival ratio method and household surveys to supplement historical data. **Table 4-7** contains the district's 10-year enrollment projection.

Table 4-7: Pickerington LSD Enrollment Projection

School Year	Projected Enrollment	Percentage Change From Previous Year
FY2000-2001 ¹	7,598	N/A
FY2001-2002	8,034	5.74%
FY2002-2003	8,485	5.61%
FY2003-2004	8,981	5.85%
FY2004-2005	9,457	5.30%
FY2005-2006	9,897	4.65%
FY2006-2007	10,358	4.66%
FY2007-2008	10,842	4.67%
FY2008-2009	11,304	4.26%
FY2009-2010	11,756	4.00%
FY2010-2011	12,220	3.95%

Source: Pickerington LSD Red Book

¹ The enrollment projection for FY 2000-01 was adjusted to the current student head count. The adjusted number represents the district's head count for that year.

According to the District's projections, student enrollment is expected to increase by 4,622 students by 2011. When the actual student head count figures (**Table 4-6**) are compared to the projected figures (**Table 4-7**), the enrollment projections are higher for school year 2002 by 45 students. Conducting enrollment projections annually will allow Pickerington LSD to make appropriate adjustments to future projections and will provide important planning and management information. In addition, it will allow the District to keep a close watch on its growth and plan accordingly.

R4.8 Pickerington LSD should regularly use data collected on building capacity and utilization periodically, in conjunction with enrollment projections, to determine the

appropriate number of school buildings and classrooms needed to house current and projected student populations. A methodology that accounts for Pickerington LSD's needs, educational programs and philosophy should be adopted by the District and used to determine school building utilization at least every two to three years. The building capacity calculations should be reviewed and updated at least once every five years or when a change in building structure or educational philosophy occurs and included in the master facilities plan.

The Auditor of State (AOS) calculated Pickerington LSD's building capacities using a standard methodology employed by educational planners. **Table 4-8** compares each school building's student capacity to the 2002 student head count to determine the building utilization rate as currently used by the District.

Table 4-8: FY 2002 Building Capacity and Utilization Rate

Building	Building Capacity	2002 Head Count	Over/(Under) Capacity	Building Utilization Rate
Fairfield Elementary ¹	645	649	4	100.62%
Heritage Elementary ²	745	463	(282)	62.15%
Pickerington Elementary ¹	570	604	34	105.96%
Tussing Elementary ¹	800	783	(17)	97.88%
Violet Elementary ¹	580	718	138	123.79%
Elementary Total	3,340	3,217	(123)	96.32%
Diley Middle School	750	618	(132)	82.40%
Harmon Middle School	730	644	(86)	88.22%
Middle School Total	1,480	1,262	(218)	85.27%
Junior High School Total¹	1,063	1,245	183	117.18%
Senior High School Total¹	1,509	2,265	756	150.12%
Total For All Buildings	7,391	7,989	619	108.09%

Source: Pickerington LSD building floor plans; 2002 EMIS School Enrollment-First Full Week in October

Note: The capacity for the elementary and middle school buildings is calculated by multiplying the number of regular classrooms by 25 students, the number of kindergarten and preschool rooms by 50 students, and the number of special education classrooms by 10 students. The three products are then added together to arrive at the total capacity for the building. Classrooms used for gym, music, art, library and computer labs are set-aside and excluded from the number of rooms used in the calculation. The capacity in the junior and senior high schools is calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor.

¹ The modular classroom units are excluded from the building capacity figure.

² Building capacity for Heritage was calculated using the current number of classrooms being used and two additional classrooms not being used. Office space on the third floor was excluded from this table.

According to **Table 4-8**, Pickerington LSD's overall building capacity utilization rate is currently 108.1 percent. However, this high figure is attributed to the current capacity in the junior and senior high facilities where overcrowding is a problem. Pickerington LSD will complete the construction of a new junior and senior high by school year 2003-04, which will ease the current overcrowding and allow for District growth. The building

utilization rate of just the elementary and middle schools is 92.9 percent. While the junior and senior high schools are over capacity, the elementary and middle schools are operating slightly under capacity. However, Fairfield Elementary, Pickerington Elementary, and Violet Elementary schools are over capacity. Heritage Elementary is under capacity by 282 students, and the overall building utilization rate is 62.15 percent.

Pickerington LSD owns and uses 33 modular classroom units to alleviate facility overcrowding at Fairfield Elementary, Pickerington Elementary, Tussing Elementary, Violet Elementary, Pickerington Junior High School and Pickerington Senior High School. All but one of the modular classroom units contain two classrooms and provide enough space to increase student capacity by 50 students each. **Table 4-9** illustrates how the use of the modular classrooms affects building capacity at these schools.

Table 4-9: School Capacity and Building Use Including Modular Units

Building	Building Capacity	2002 Head Count	Over/(Under) Capacity	Building Utilization Rate
Fairfield Elementary ¹	745	649	(96)	87.11%
Heritage Elementary ²	745	463	(282)	62.15%
Pickerington Elementary ¹	805	604	(201)	75.03%
Tussing Elementary ¹	900	783	(117)	87.00%
Violet Elementary ¹	830	718	(112)	86.51%
Elementary Total	4,025	3,217	(808)	79.93%
Diley Middle School	750	618	(132)	82.40%
Harmon Middle School	730	644	(86)	88.22%
Middle School Total	1,480	1,262	(218)	85.27%
Junior High School Total¹	1,675	1,245	(430)	74.33%
Senior High School Total¹	2,250	2,265	15	100.67%
Total For All Buildings	9,430	7,989	(1,441)	84.72%

Source: Pickerington LSD building floor plans; 2002 EMIS School Enrollment Report-First Full Week in October

¹ The modular classroom units are included in the building capacity figure.

² Building capacity for Heritage was calculated using the current number of classrooms being used and two additional classrooms not being used. Office space on the third floor was excluded from this table.

The utilization rate for the District decreases to 84.72 percent when the 33 modular classroom units are included in the capacity analyses. Based on **Tables 4-8** and **4-9**, two buildings are under utilized (under 85 percent) even if modular units are not taken into consideration, while other buildings are significantly over capacity. If Pickerington LSD reviews building capacity and utilization on a consistent basis, it can develop strategies to ensure the optimal use of building space and reduce costs associated with under-utilization.

R4.9 Pickerington LSD should reconfigure all elementary and middle schools in a K-6 grade span configuration to better use current facilities and eliminate or significantly reduce the use of modular units as classrooms. Based on AOS capacity analyses, a K-6 configuration represents the optimal building utilization plan for Pickerington LSD. In addition, Pickerington LSD should move all District offices out of Heritage Elementary and relocate them into District owned modular units. The space these offices use in Heritage Elementary is configured as classrooms and should be used as elementary classrooms.

By reconfiguring current elementary and middle school buildings to a K-6 grade structure, Pickerington LSD will be able to accommodate additional students in several of the buildings and maintain a higher degree of flexibility in building configurations. Most of the additional space included in the proposed reconfiguration (see **Table 4-10**) is gained in Heritage Elementary, which currently uses 62.15 percent of its space to house students. Pickerington LSD is using ten classrooms in Heritage Elementary as office, storage and conference space. If the District relocates these offices to District-owned modular units and uses the space in Heritage Elementary for teaching stations, it will gain accommodations for an additional 250 students in the building.

By using a K-6 structure in all of the current elementary and middle school buildings as depicted in **Table 4-10**, Pickerington LSD is able to distribute the student population and building utilization equally. The adjusted capacity in **Table 4-10** allows Pickerington LSD to redistribute students to different buildings and lighten the use of modular classrooms at the elementary and middle school levels. The K-6 reconfiguration would require adjustments to school building boundaries, as well as adjustments in extracurricular activities, computer labs and school libraries.

Table 4-10: Adjusted Elementary and Middle School Building Capacity and Utilization ¹

	Diley	Fairfield	Pickerington	Tussing	Heritage	Violet	Harmon	Total
Kindergarten	84	75	75	100	100	50	100	584
First	100	75	75	100	155	50	100	655
Second	100	75	75	100	104	100	100	654
Third	100	75	75	100	132	75	100	657
Fourth	100	75	75	100	100	75	88	613
Fifth	75	75	75	75	135	100	100	635
Sixth	75	75	75	100	125	75	102	627
Total Head Count	634	525	525	675	851	525	690	4425
Building Capacity	740	605	595	775	995	605	780	5095
Over/(Under) Capacity	(106)	(80)	(70)	(100)	(144)	(80)	(90)	(670)
Adjusted Building Utilization Rate	85.68%	86.78%	88.24%	87.10%	85.53%	86.78%	88.46%	86.85%
Current Building Utilization Rate¹	82.40%	100.62%	105.96%	97.88%	62.15%	123.79%	88.22%	92.93%

Source: Pickerington LSD building floor plans; 2002 EMIS School Enrollment Report – First Full Week in October

¹ Calculations use FY 2001-02 student enrollment

² The building capacity figures do not include modular classroom units.

As indicated by **Table 4-10**, reallocating space in Heritage Elementary and shifting student populations would equalize building utilization rates within the District and allow for additional growth in each of the buildings. A kindergarten through sixth grade configuration provides the District more flexibility in allocating students in buildings and scheduling of classrooms.

As the District continues to experience a high rate of growth, enrollment projections and the redistribution of additional students must be performed on an annual basis. **Table 4-11** outlines adjusted building capacity for the elementary and middle schools using Pickerington LSD's FY 2005-06 enrollment projections and the distribution and reconfiguration of schools shown in **Table 4-10**. Fiscal year 2005-06 was chosen for analysis because, after five years, the reliability of enrollment projections decreases significantly.

Table 4-11: Proposed FY 2005-06 Elementary and Middle School Building Capacity and Utilization

	Diley	Fairfield	Pickerington	Tussing	Heritage	Violet	Harmon	Total
Kindergarten	100	100	100	100	100	100	93	693
First	100	100	75	115	150	100	100	740
Second	100	100	100	100	125	100	120	745
Third	125	75	75	128	150	100	125	778
Fourth	125	100	100	125	153	75	125	803
Fifth	125	100	100	125	144	100	125	819
Sixth	100	75	100	123	225	100	125	848
Total Head Count	775	650	650	816	1047	675	813	5426
Building Capacity	740	605	595	775	995	605	780	5095
Over/(Under) Capacity	35	45	55	41	52	70	33	331
Proposed Building Utilization Rate	104.7%	107.4%	109.2%	105.3%	105.2%	111.6%	104.2%	106.5%

Source: Pickerington LSD building floor plans; Pickerington LSD enrollment projections

Using Pickerington LSD's enrollment projections for FY 2005-06 and the proposed configuration of elementary and middle school buildings, the overall utilization rate increases to 106.5 percent which indicates that modular units will be required to adequately house students. The initial reconfiguration of school buildings and grade structures will give the District a short-term solution to current space shortages, while at the same time significantly reducing the number of modular units used.

Another potential reconfiguration option for the District includes K-3 buildings and grades 4-6 buildings. **Table 4-12** shows this configuration with the capacity for each building using the District enrollment projections for FYs 2005-06 and 2008-09. In this configuration Fairfield, Pickerington, Tussing and Diley would be configured for grades K-3 and Heritage, Violet and Harmon for grades 4-6.

**Table 4-12: Building Capacity and Utilizations for K-3/
4-6 Grade Configurations**

Elementary Schools	Capacity	FY 2005-06		FY 2008-09	
		Number of Students	Utilization Rate	Number of Students	Utilization Rate
Diley	815	815	100.0%	903	110.8%
Fairfield	630	696	110.5%	730	115.9%
Pickerington	645	645	100.0%	750	116.3%
Tussing	800	800	100.0%	843	105.4%
Middle Schools					
Harmon	730	730	100.0%	873	119.6%
Heritage	945	1085	114.8%	1075	113.8%
Violet	555	655	118.0%	756	136.2%
TOTAL	5120	5426	106.0%	5930	115.8%

Source: Pickerington LSD building floor plans; Pickerington LSD enrollment projections

As shown in **Table 4-12**, the K-3/4-6 configuration opens some additional space. However, the use of this configuration would require both new elementary schools (see **R4.10**) to be constructed and opened in FY 2005-06. In the interim, some use of modular space would be required.

The District stated that a K-6 configuration may have an impact on before school educational programs, computer labs and library usage. The impact of reconfiguration on program areas is a consideration the District will need to examine before undertaking any elementary grade level reconfigurations. The optimal configuration, which minimizes over-capacity and use of modular space, is K-6 in all elementary and middle school buildings.

R4.10 Based on current enrollment trends, Pickerington LSD will need two additional elementary facilities (K-6) by FY 2008-09. Although short-term solutions to current space shortages exist, the high growth rate experienced by the District will require additional, permanent facilities in the near future. Pickerington LSD has two options to alleviate future space constraints at the elementary and middle school levels: the District can either build both facilities at once or defer the building of the second facility for an additional two years. Enrollment projections, building capacity, grade structuring, and building reconfiguration should be considered when the District plans the new facilities.

Pickerington LSD will require additional permanent facility space at the elementary and middle school levels by FY 2005-06. Based on enrollment projections, two additional buildings will be needed. Pickerington LSD will need to secure funding for each school and has two primary options in building and opening the additional facilities. These options are outlined in *Scenario 1* and *2*.

Scenario 1

Pickerington LSD should secure funds for one additional facility to open no later than FY 2005-06 and defer the opening of the second facility to FY 2008-09. This would allow Pickerington LSD to delay an additional bond issue for at least two years. **Tables 4-13** and **4-14** present the capacity for FY 2005-06 and FY 2008-09 based on the addition of one new 800-student capacity building in FY 2005-06 and a second 800-student capacity building in FY 2008-09.

Table 4-13: Adjusted K-6 Building Capacity and Utilization with One Additional Building¹

	Diley	Fairfield	Pickerington	Tussing	Heritage	Violet	Harmon	New ES	Total
Kindergarten	75	100	100	75	100	75	93	75	693
First	75	75	75	100	125	100	75	115	740
Second	100	75	75	100	125	75	100	95	745
Third	125	75	75	128	100	75	100	100	778
Fourth	125	75	75	100	125	75	125	103	803
Fifth	100	75	75	100	125	75	125	144	819
Sixth	100	75	100	100	200	73	100	100	848
Total Head Count	700	550	575	703	900	548	718	732	5426
Building Capacity	740	605	595	775	995	605	780	800	5895
Over/(Under) Capacity	(40)	(55)	(20)	(72)	(95)	(57)	(62)	(68)	(469)
Building Utilization Rate	94.6%	90.9%	96.6%	90.7%	90.5%	90.7%	92.1%	91.5%	92.0%

Source: Pickerington LSD building floor plans; Pickerington LSD enrollment projections

¹ Calculations use FY 2005-06 enrollment projections.

**Table 4-14: Adjusted K-6 Building Capacity and Utilization
With Two Additional Buildings ¹**

	Diley	Fairfield	Pickerington	Tussing	Heritage	Violet	Harmon	New 2005-06	New 2008-09	Total
Kindergarten	103	50	50	100	100	50	100	100	100	753
First	75	75	50	100	131	100	75	100	100	806
Second	75	75	70	125	125	69	100	75	100	814
Third	100	75	75	100	128	75	100	100	100	853
Fourth	100	81	100	100	100	100	100	100	100	881
Fifth	100	100	100	100	100	100	100	100	100	900
Sixth	100	100	100	100	150	73	100	100	100	923
Total Head Count	653	556	545	725	834	567	675	675	700	5930
Building Capacity	740	605	595	775	995	605	780	800	800	6695
Over/(Under) Capacity	(87)	(49)	(50)	(50)	(161)	(38)	(105)	(125)	(100)	(765)
Building Utilization Rate	88.2%	91.9%	91.6%	93.6%	83.8%	93.7%	86.5%	84.4%	87.5%	88.6%

Source: Pickerington LSD building floor plans; Pickerington LSD enrollment projections

¹ Calculations use FY 2008-09 enrollment projections

The construction of buildings in a phased approach would allow the District to defer some operational costs while still providing high quality learning environments for its students. However, as each building is brought on-line, capacity rates approach 90 to 95 percent. Capacity rates in excess of 85 percent may require Pickerington to use some modular units to house students.

Financial Implication: By deferring the addition of a second facility in FY 2005-06 to FY 2008-09, the District could recognize an annual cost avoidance of approximately \$1.8 million¹ in operating costs. However, the two new elementary buildings were not included in the District's financial forecast. Therefore, this cost avoidance does not appear in the summary of financial implications or in the forecast shown in the **financial systems** section of this report. Also, deferring construction of one building would result in increased construction costs due to inflation. This amount can not be quantified at this time but would reduce net savings.

¹ The amount of the cost avoidance was derived by taking the square feet of one of the proposed elementary school buildings and multiplying it by Pickerington LSD's expenditure per square foot amount found in **Table 4-4**. In addition, the average salaries and benefits for essential administrative and teaching staff (principal, assistant principal, secretary, counselor, ESP and approximately 15 teachers) were included.

Scenario 2

The District should secure funds for two additional buildings, both of which should be opened in FY 2005-06. By building both buildings at one time, the District would be able to avoid the use of modular units and take advantage of current construction costs.

Table 4-15 presents the building capacity for FY2005-06 with the addition of two K-6 facilities.

Table 4-15: Adjusted K-6 Building Capacity and Utilization with Two Additional Buildings ¹

	Diley	Fairfield	Pickerington	Tussing	Heritage	Violet	Harmon	New 2005-06	New 2005-06	Total
Kindergarten	100	50	50	75	75	75	93	75	100	693
First	75	75	50	75	125	75	75	90	100	740
Second	75	75	75	100	100	75	100	75	70	745
Third	75	75	75	100	100	75	100	100	78	778
Fourth	100	75	75	100	100	75	100	103	75	803
Fifth	100	75	75	100	100	75	100	125	69	819
Sixth	75	75	75	100	150	73	75	100	125	848
Total Head Count	600	500	475	650	750	523	643	668	617	5426
Building Capacity	740	605	595	775	995	605	780	800	800	6695
Over/ (Under) Capacity	(140)	(105)	(120)	(125)	(245)	(82)	(137)	(132)	(183)	(1269)
Building Utilization Rate	81.1%	82.6%	79.8%	83.9%	75.4%	86.4%	82.4%	83.5%	77.1%	81.0%

Source: Pickerington LSD building floor plans; Pickerington LSD enrollment projections

¹ Calculations use FY 2005-06 Enrollment Projections

By opening two new schools in FY 2005-06, the District will experience an increase in operating expenditures and will not benefit from the cost avoidance presented in the first scenario. However, Pickerington LSD could expect to save up to 9 percent in inflationary costs attributed to the deferred construction of the second elementary school building. Also, the District would avoid high capacity rates in FY 2005-06 which might require the use of modular units to house students.

Pickerington LSD and residents of the District should work together to determine the best solution to Pickerington LSD’s facilities needs. The District should share the enrollment and capacity data shown in *scenarios 1* and *2* with members of the

community to help them understand the future capacity problem faced by the District. If residents choose to not support either scenario, Pickerington LSD will need to place students in modular units until a more appropriate solution can be developed.

R4.11 In conjunction with the reconfiguration recommended in R4.9 and the opening of the new junior and senior high schools, Pickerington LSD should sell all but 10 of its portable classrooms currently in use around the District. The sale of the modular structures should result in a one-time cash infusion to the General Fund.

Pickerington LSD currently owns 33 modular classrooms. These buildings house students due to overcrowding in the junior and senior high, and some elementary classrooms. If Pickerington LSD adopts the reconfiguration recommendations included in this report, modular classrooms should no longer be necessary at the elementary school level.

The District should reserve 10 modular classrooms to use for housing administrative staff currently housed at Heritage Elementary School and for the eventual overcrowding that may occur in FY 2005-06 if enrollment projections remain precise. These 10 units could also be used to relieve some overcrowding at the elementary level while a new building is constructed.

Financial Implication: If Pickerington LSD sells 23 of its modular classrooms at an estimated value of \$16,000 each, it could realize a one-time cash infusion of approximately \$368,000. Although some of these funds may be required to be dedicated permanent improvements, the District could reallocate expenditures to ensure the effect of the revenue is reflected in the General Fund.

Financial Implications Summary

The following table represents a summary of implementation costs and annual cost savings. For the purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Implementation Cost	One-time Cost Savings
R4.1 Hire an additional maintenance employee	\$43,000	
R4.3 Defer hiring two custodians four months in FY 2003 for a one-time cost avoidance.		\$23,000
R4.4 Implement an Internet-based, electronic work order system for maintenance requests.	\$5,000	
R4.11 Sell 23 modular classrooms for a one-time cost savings		\$368,000 (One-time)
Total	\$48,000	\$391,000

Conclusion

Pickerington LSD appears to have achieved appropriate staffing levels for the custodial function. However, the maintenance staffing levels require additional employees to maintain and repair about double the national average square footage. This may leave some district buildings susceptible to repair problems as they age. The maintenance square footage could be improved with the addition of 1.0 FTE maintenance employee. Pickerington LSD's current custodial and maintenance employment practices are generally favorable and do not result in unreasonable costs to the District. Also, Pickerington LSD uses substitute custodians rather than overtime to complete work when an employee is absent. This practice helps hold the cost of overtime down, which is especially important considering the amount of work that must be completed at the school buildings where an increasingly large number of students in the District has placed increased demands on its facilities.

During the course of this audit, Pickerington LSD requested AOS to help generate ideas to relieve the congestion in Pickerington LSD elementary, middle, junior and high schools. This proactive approach to the large enrollment increases the Pickerington LSD expects to continue represents a good effort on the part of the District and its staff to anticipate and meet the educational needs of its students. Pickerington LSD should continue to strive to find the most economic and efficient ways to house its students and maintain the facilities in the District.

Transportation

Background

Pickerington Local School District (Pickerington LSD) has contracted with Laidlaw Transit, Inc. (Laidlaw) since July 1, 1995 to provide student transportation services. Prior to this date, transportation was not a contracted function. Laidlaw was chosen in 1995, after the District sent a request for proposal (RFP) to companies offering such services. Laidlaw and Ryder Services Inc. sent in the only proposals for the contract. In review of District files, Laidlaw was selected as the preferred contractor based on the lowest and best bid and with consideration given to how the proposal affected the District's bus drivers.

Although the Business Manager, acting as a liaison, is involved in the coordination of transportation services, no other Pickerington LSD employee is wholly dedicated to the transportation function. Routes and runs are determined by Laidlaw and subject to District approval. Laidlaw provides, at no extra cost, facilities for the maintenance and storage of buses, including both Pickerington LSD Board-owned and Laidlaw-owned (company-owned) buses as addressed in the contract.

Pickerington LSD provides transportation for all students in kindergarten through twelfth grade who live more than one mile from their assigned schools and for those students with physical or mental disabilities, regardless of the distance. Pickerington LSD also provides transportation for students in grades K-12 who live within one mile of their assigned school if walking hazards or dangerous traffic conditions exist. Overall, Pickerington LSD provided transportation to 5,085 regular needs students in FY 2001-2002 using both District-owned and company-owned yellow buses. Pickerington LSD provided transportation to public school students attending school in the District, as well as non-public students attending eight different non-public schools. **Table 5-1** identifies the total ridership for Pickerington LSD and the peer districts, with a breakdown of where the students attend school.

Table 5-1: Total Regular & Special Needs Riders

	Pickerington LSD	Reynoldsburg CSD	Milford EVSD	Mason CSD
Public ¹	4,861	4,517	3,777	7,461
Non-Public ¹	224	765	719	866
Total Regular Needs Riders	5,085	5,282	4,496	8,327
Total Special Needs Riders	60	57	36	49
Total Riders	5,145	5,339	4,532	8,376

Source: FY 2001-02 District T-1 Forms

¹ These students are all regular needs riders.

Pickerington LSD has the lowest number of non-public students when compared with the peers. In addition, as a percentage of total regular needs riders, Pickerington LSD's non-public riders are approximately 4.4 percent, while Reynoldsburg CSD, Milford EVSD and Mason CSD have 14.5 percent, 16.0 percent and 10.4 percent, respectively. However, Pickerington has the highest number of special needs riders and highest percentage of special needs riders to total riders when compared to the peers.

Organizational Structure and Function

According to its policies, the Pickerington LSD Board of Education (the Board) provides transportation services to some District students to facilitate a safe, efficient and economical method of getting students to and from school in a manner that serves the best educational interests of the students. Pickerington LSD furnishes transportation to all kindergarten, elementary and secondary school students to the extent determined by the administration and approved by the board, in accordance with Ohio law. The same criteria are used for providing transportation to students in non-public schools.

The organizational structure of the District does not include a transportation department. Transportation management and staff are Laidlaw employees who are responsible for the daily operations of the transportation function within the District, and in essence, serve as the District's transportation department. Transportation falls under the direction of the business manager, who estimates she spends 10 percent or less of her time on the following kinds of transportation related activities:

- Completing and submitting annual T-1, T-2 and T-11 Forms to the Ohio Department of Education (ODE);
- Reviewing Laidlaw invoices for services rendered; and
- Assisting Laidlaw in resolving routing, scheduling or other transportation-related issues.

Table 5-2 shows the number of transportation department staff and full-time equivalents (FTE) by position for Pickerington LSD and each of the peer districts in FY 2000-01. Pickerington LSD staffing represents Laidlaw personnel dedicated to providing District transportation services. No Pickerington LSD employees are included in these figures.

Table 5-2: District Staffing Levels

Staffing	Pickerington LSD		Reynoldsburg CSD		Milford EVSD		Mason CSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	1.7	1.7
Bus Driver	66.0	55.7	39.0	24.4	72.0	49.5	85.0	60.2	65.3	44.7
Mechanic/Assistant	3.0	3.0	2.0	2.0	4.0	4.0	3.0	3.0	3.0	3.0
Administrative Assistant	3.0	3.0 ¹	1.0	1.0	4.0 ³	4.0	3.0	3.0	2.7	2.7
Aides	1.0	0.7 ²	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	74.0	63.4	43.0	28.4	82.0	59.5	93.0	68.2	72.7	52.1
Total Number of Students Transported	5,145		5,339		4,532		8,376		6,082.3	
Students Transported per Bus Driver FTE	92.4		218.8		91.6		139.1		149.8	
Students Transported per Total FTE	81.2		188.0		76.2		122.8		129.0	
Square Miles in District	37		27		49		25		33.7	
Square Miles per Total FTE	0.6		0.9		0.8		0.4		0.7	

Source: District Transportation Departments

¹ Includes one secretary, 8 hours/day, one dispatcher, 8 hours/day and one discipline supervisor, 8 hours/day.

² Includes the one dispatcher who works 6 hours/day, 30 hours/week.

³ Includes two routing specialists, 8 hours/day each, one safety inspector, 8 hours/day, one secretary, 8 hours/day.

Table 5-2 indicates that Pickerington LSD has the second lowest number of students per bus driver FTE and per total FTE. According to District officials, the District runs and maintains a large fleet of buses because of the large area of the District. However, this does not explain the low number of square miles per FTE at Pickerington LSD as compared to Reynoldsburg CSD and Milford EVSD.

Operational Statistics

Laidlaw uses a fleet of 52 company-owned and 14 Board-owned buses to operate the District's regular and special education transportation programs. In addition, six buses (three Board-owned and three company-owned) are used as spares. During the District's 180 instructional days, the regular student transportation buses traveled 653,760 miles while serving an estimated 4,861 public and 224 non-public students. Overall, transportation services were provided for

approximately 5,085 students at a cost of \$2,507,778, of which \$940,174 (38 percent) was reimbursed to the District by the State.

The special needs transportation program at Pickerington LSD provided transportation services for an additional 60 students in FY 2000-01. Laidlaw transported 56 of these students on special needs routes which covered 75,984 miles for the year. Twenty of the 60 students were transported on Board-owned buses, 36 were transported on company-owned buses, 3 were transported by parent/guardian vehicles, and 1 student was transported by taxi for a total cost of \$194,457. Pickerington LSD received \$61,339 (32 percent) as reimbursement from the State for special needs transportation.

Overall, Pickerington LSD transported 5,145 students on 66 active buses traveling 729,744 miles in FY 2000-2001. The total cost of the transportation program at Pickerington LSD was \$2,702,235, of which 37.1 percent was reimbursed by the State. **Table 5-3** presents basic operating statistics and ratios for Pickerington LSD and the peer districts.

Table 5-3: Basic Operating Statistics

	Pickerington LSD	Reynoldsburg CSD	Milford EVSD	Mason CSD	Peer Average
Operational Statistics:					
Students Transported					
- Regular students	5,085	5,282	4496	8,327	6,035
- Special needs	60	57	29	49	45
- Total	5,145	5,339	4,525	8,376	6,080
Miles Traveled					
- Regular students	653,760	380,700	761,760	985,860	709,440
- Square Miles in district	37	27	49	25	34
Expenditures					
- Regular students	\$2,507,778	\$1,185,263	\$2,731,504	\$2,746,644	\$2,221,137
- Special needs	\$194,457	\$123,982	\$115,382	\$61,720	\$100,361
- Total	\$2,702,235	\$1,309,245	\$2,846,886	\$2,808,364	\$2,321,498
State Reimbursements					
- Regular students	\$940,174	\$915,887	\$1,053,028	\$1,070,459	\$1,013,125
- Special needs	\$61,339	\$85,574	\$39,907	\$29,151	\$51,544
- Total	\$1,001,513	\$1,001,461	\$1,092,935	\$1,099,609	\$1,064,669
Operational ratios:					
Regular students: Yellow Bus					
- Cost per mile	\$3.81	\$3.09	\$3.59	\$2.78	\$3.15
- Cost per bus	\$40,881	\$32,676	\$40,769	\$32,198	\$35,214
- Cost per student	\$497	\$225	\$608	\$331	\$388
- Students per bus	82	145	68	97	103
Special Needs Students:					
- Cost per student all methods	\$3,241	\$2,175	\$3,979	\$1,260	\$2,471
School Sites:					
- Public	9	8	7	6	7
- Non-public	8 ¹	2 ¹	2	1	2
Active buses					
- Regular	61	39	72	85	65
- Special	5	3	5	1	3
- Spare buses	6	7	14	15	12

Source: District T-1, T-2 and T-11 Forms and Telephone Interviews

¹ The largest non-public school used by Pickerington LSD residents is located within the Reynoldsburg CSD.

As shown in **Table 5-3**, Pickerington LSD’s cost per mile, cost per bus and cost per student ratios are higher than the peer averages. Milford EVSD and Pickerington LSD have the highest and second highest costs per student and per bus ratios. They also have the lowest and second lowest students per bus ratios respectively. Pickerington LSD can decrease the cost per student by decreasing the number of buses. Poor bus utilization is the predominant reason the cost ratios for Pickerington LSD are high (see **R5.1**). The large area of the District creates the need to run longer, linear routes. The effect of running long, linear routes with more buses than necessary is evident in Pickerington LSD’s students per bus ratio being the second lowest among the peer districts. Some District routes take as long as one hour or more to complete. Despite the relatively large size of Pickerington LSD, its regular needs buses ran approximately 653,760 miles, second lowest among its peers and 8 percent lower than the peer average. Furthermore, Pickerington LSD had the second highest cost per special needs student as compared to the

peers. The District is currently using five standard yellow buses to transport just 56 special needs students.

All Pickerington LSD vehicles, including District-owned and company-owned vehicles, use diesel fuel. In FY 2001-2002, Pickerington LSD purchased all its fuel from British Petroleum (BP) through the Metropolitan Education Council (MEC), a county consortium and purchasing group that receives discounted prices for Ohio schools via competitive bidding. During the FY 2002-2003 school year, fuel will be purchased from Carpenter Oil through the MEC.

Pickerington LSD's contract with Laidlaw stipulates a 10-year bus replacement plan. While there are currently no State minimum standards for the replacement of school buses, a general consensus among ODE, private bus contractors and transportation departments, is that buses should be replaced at 12 years of age or 200,000 miles for diesel buses (150,000 miles for gasoline buses). Laidlaw currently uses 14 Board-owned and 52 company-owned buses to transport District students, and none of the 66 buses in the fleet meet or exceed the 12-year guideline and/or the mileage benchmark.

In addition to the analyses presented in this report, additional assessments were conducted on several areas within the **transportation** section which did not warrant changes and did not yield any recommendations. In several of these areas, above average performance was identified. These examples are included in the **executive summary** under noteworthy accomplishments. These areas include the following:

- Transportation policy;
- Department staffing levels;
- Cost efficiency of fuel procurement; and
- Effectiveness of technology utilization.

General Recommendations

R5.1 Pickerington LSD should reduce the number of buses used to transport its students. By consolidating bus stops that are in close proximity, the District could increase the number of students per bus and reduce overall route time. This should allow buses to pick up more students per route. If the District could increase students per bus to the current peer average of 103, the District would be able to reduce the necessary bus fleet by 12 buses. The District could save approximately \$490,000 based on the average transportation cost per bus of \$40,881.

A review of the driver route sheets shows that some stops are made for only two to four students. Pickerington LSD should begin implementation of large cluster or corner stops which would result in a lower number of stops. The time saved would allow for more stops per run. As illustrated in **Table 5-3**, Pickerington LSD is transporting an average of 82 students per bus, which is the second lowest among the peers. However, the District also has the second highest square mileage and the second lowest miles traveled among the peers due to the long time it takes to complete the routes. These factors contribute to the District's low students per bus ratio. Combining the reduced number of stops to pick up students and the inclusion of additional stops per run, Pickerington LSD could increase its riders per bus to the peer average.

Financial Implication: By increasing the student per bus ratio to the peer average, the District could reduce twelve buses, which represents approximately 16.0 percent from its daily fleet, resulting in an estimated savings of \$490,000.

R5.2 Pickerington LSD should implement procedures to ensure that all qualifying transportation expenditures are submitted to the state for reimbursement and that all data is reported accurately. This process should include representatives of the Transportation Department (Laidlaw), Treasurer's Office and Superintendent's Office, as the signatures of these officials on the forms certify the accuracy of the data reported. A review process by a person independent of the data gathering process should be created to ensure that procedures are followed and accurate amounts are reported to ODE.

At Pickerington LSD, T-Forms are filled out by the business manager based on information provided by the Laidlaw supervisor. A review of Pickerington LSD's FY 2000-01 T-Forms revealed the following data or reporting issues:

- The T-Forms show significantly higher expenditures for the operation of Board-owned buses than for contractor-owned buses, although the T-1 form shows that most of the District's daily fleet was Laidlaw-owned.

- The T-2 Form differs from regular transportation costs by \$829,728 when compared to the District's 4502 expenditure statement for FY 2000-01. This difference reflects the costs of extra curricular activities and other expenditures which are not included in the T-2 Form.

School districts are required to file various annual forms with ODE detailing transportation services provided to district students. The required T-1, T-2 and T-11 Forms are used by ODE to determine the amount of reimbursement that school districts will receive for the operation of their regular and special needs transportation programs and to document actual transportation expenditures. Reimbursement for transportation services is included in a district's state foundation payments issued twice each month, and is based on the prior year T-1 Form information until the current year's T-1 is completed and submitted in October. Reimbursement payments are then adjusted to reflect current year data. The special needs transportation costs are adjusted the following school year since its data is not received until after the end of the school year. If the T-Forms are inaccurately completed, it can affect both the statistical information that ODE receives, and the school district's reimbursements from ODE.

R5.3 Pickerington LSD should explore the following options to lower special needs transportation costs:

- **Promote the formation of parent/guardian contracts with the Transportation Department. Pickerington LSD formed parent/guardian contracts with only four students in FY 2000-01. While parents cannot be required to provide transportation, the District can promote the use of these contracts with the goal of decreasing the total number of special needs students that receive transportation provided by the District. In the case of parent/guardian contracts for special needs students, the price is negotiable between the parent or guardian and the school district. This is different from payment in lieu of transportation where payment is standardized by ODE.**
- **A transportation specialist (see R5.6) should be included in the development of Individualized Education Plans (IEP). Every special needs student receives an IEP, developed by school administrators, teachers and parents. Transportation directors/supervisors are rarely involved in the development of the plans, although some schools have found it helpful to involve them in at least the transportation portion. Some special needs students can be transported on regular buses or other arrangements can be made for alternative transportation.**

- **Pickerington LSD should introduce the use of mini-buses to transport special needs students. Mini-buses are less costly to operate and should be used whenever possible in place of standard buses.**

Pickerington LSD transported 56 special education students in FY 2000-01 using five buses, the highest number of special education students among the peer districts. The District's average cost per student of \$3,241 was the second highest among the peer districts (see **Table 5-3**). Pickerington LSD should consider implementing one or more of the above options to reduce transportation costs for special needs students. Mini-buses may be a good option for Pickerington LSD because they are eligible for ODE reimbursement. In addition, mini-buses are less costly than standard buses to purchase and have lower operating costs because they use less fuel.

Financial Implication: If the implementation of one or more of the recommended options reduces the special needs cost per student to the peer average of \$2,471, Pickerington LSD could save approximately \$43,000 per year.

- R5.4 Pickerington LSD should revise the bus replacement schedule in the contract with Laidlaw to reflect a 12-year bus lifespan. Replacing buses at 12 years of age could reduce amortization costs by spreading the costs over a greater amount of time. An additional two years of service life would not adversely affect the quality of the buses but may substantially reduce the cost to the District. The District should also negotiate with Laidlaw to reduce the daily cost per bus in conjunction with the amortization reduction.**

The District's contract with Laidlaw requires the contractor to replace buses at 10 years of age. Laidlaw's FY 2000-01 rates charged to the District were \$262.95 for a Laidlaw bus and \$228.95 for a District bus. The difference of \$34.00 reflects the amortization cost of Laidlaw buses.

While ODE does not have specific guidelines concerning bus replacement, a general consensus among ODE personnel, private bus contractors and school transportation departments is to replace buses at approximately 12 years of age, or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. However, irrespective of age or mileage, buses which pass state inspections may continue to be used.

The requirement that the contractor replace buses at 10 years of age increases costs to the district. Although this policy ensures a newer bus fleet with less maintenance, the daily rates charged are higher because of the shorter amortization time period.

Financial Implication: Requiring buses to be replaced every 12 years would spread amortization costs over an additional two years. For example, if Laidlaw replaced the 14

District owned buses in the next fiscal year and amortized the buses over a 12 year period, the District could avoid approximately \$15,000 per year. If the District could also negotiate with Laidlaw to amortize the company-owned buses over 12 years instead of 10 years, it could increase cost savings by lowering the daily rates per bus.

R5.5 Upon expiration of the current contract, the District should issue a RFP and contract transportation services with the company offering the lowest and best proposal. Issuing an RFP, as opposed to simply renewing or renegotiating, allows the District to choose the best available service provider for the lowest feasible price. Although there is no specific code requirement for bidding school bus transportation services, ORC § 3313.46 covers general bidding requirements and states that the Board shall advertise for bids once each week for a period of at least two consecutive weeks in a newspaper of general circulation in the District. Along with following ORC regulations and prudent business practices, Pickerington LSD should actively solicit proposals from all eligible providers to increase the number of vendor responses to the RFP.

The original contract between Pickerington LSD and Laidlaw was dated June 29, 1995 for a five year period and was renewed on July 1, 2000 for another five year term. The contract expires on June 30, 2005 and includes a renewal option for an additional three year period. However, these renewal options may not provide Pickerington LSD with the best price for transportation services. Currently, the District pays \$228.95 per bus per day for District owned buses and \$262.95 per bus per day for Laidlaw owned buses. Northridge Local School District (NLSD) also contracts out transportation services to Laidlaw. NLSD's current contract rate with Laidlaw is for \$212.70 per bus per day for NLSD owned buses and \$246.82 per bus per day for Laidlaw owned buses. Pickerington LSD pays approximately 7.0 percent more for the daily rates than NLSD.

School districts in Ohio have been able to streamline purchasing practices through competitive bidding. Districts' use of lower competitive bidding thresholds encourages the solicitation of quotations that often generate lower costs. Some of these districts have been recognized by AOS for their practices in competitive bidding, particularly for thresholds below the ORC required limit of \$25,000. Pickerington LSD should follow these examples by publicly issuing an RFP when the current contract expires and advertising the RFP in the media and newspapers around the area.

By re-bidding the contract at the end of the current term, Pickerington LSD will help ensure the District is getting the best price possible for transportation services.

R5.6 Pickerington LSD should assign the responsibility of coordinating and monitoring the transportation function to an in-house administrative employee. This function could be assigned to an existing administrative employee, without an additional cost

to the District and would ensure active District participation with the contractor on a regular basis.

The Business Manager is the District liaison to Laidlaw. She estimates that she spends approximately 10 percent of her time dealing with transportation issues. No other District employees have transportation related duties.

By seeking privately contracted services through competitive bidding, a district may realize a significantly increased level of expertise, flexibility, accountability and cost efficiency. However, the implementation of privatization requires the district to carefully manage the contract to ensure service delivery standards and other commitments are met. The district must actively monitor the performance of its vendor to accomplish this objective. An in-house position would help ensure that forms and filings are consistent with internal financial data, allow for more involvement in the budget and planning process, and increase Pickerington LSD's ability to monitor contract compliance.

Financial Implications Summary

The following table represents a summary of cost avoidance and annual cost savings. For the purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Transportation

Recommendation	Annual Cost Avoidance	Annual Cost Savings
R5.1 Reduce number of buses used by 12, by consolidating bus stops that are in close proximity		\$490,000
R5.3 Lower special needs transportation costs to the peer average		\$43,000
R5.4 Amend bus replacement plan from 10 to 12 years	\$15,000	
Total	\$15,000	\$533,000

Conclusion Statement

Pickerington LSD spends significantly more on transportation per student than the peers. The high costs are attributed to low ridership, long routes and multiple stops. Although Pickerington LSD pays a daily per bus rate for transportation services to Laidlaw, the district has not made efforts to maximize the ridership on buses and may have an excess fleet capacity of approximately 16 percent.

Pickerington LSD's special needs transportation cost was the second highest among the peers. However, the district has not made efficient use of alternative methods of transportation. The District could reduce transportation expenses by transporting more students on alternative vehicles, such as minibuses, or by more effectively using parent/guardian contracts and payment in lieu of transportation.

Most functions of transportation are managed by Laidlaw, which prohibits the district from being actively involved in transportation management issues. Assigning a district representative to transportation matters would increase Pickerington LSD's leverage in making transportation decisions. Increased participation in transportation related matters would help the District regain control over efficiency issues and potentially allow the District to reduce costs through the implementation of the recommendations contained in this report.

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