



**Auditor of State
Betty Montgomery**

FAIRBORN CITY SCHOOL DISTRICT PERFORMANCE AUDIT

MARCH 31, 2005



Auditor of State Betty Montgomery

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

On February 23, 2004, Fairborn City School District (Fairborn CSD) was placed in fiscal caution based on the District's five year forecast that projected an operating deficit by the end of FY 2004-05, as well as the potential for deficits in future years. Fairborn CSD was subsequently placed in fiscal watch on May 25, 2004. Pursuant to ORC §3316.031 and ORC §3316.042 and at the request of the District, a performance audit was initiated in Fairborn CSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of the District's operations which support its mission of educating children, and because improvements and cost reductions in these areas can assist Fairborn CSD in eliminating the financial conditions which brought about the declarations of fiscal caution and watch.

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

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

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

Sincerely,

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

BETTY MONTGOMERY
Auditor of State

March 31, 2005

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency within a school district. ORC §3316.031(B)(1) further stipulates that the State superintendent may declare a school district in fiscal caution based upon a review of that school district's five-year forecast. According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved.

On February 23, 2004, Fairborn City School District (District) was placed in fiscal caution based on the District's five year forecast that projected an operating deficit of \$6.4 million by the end of the FY 2004-05. On May 25, the District was placed in fiscal watch based on the May 2004 five-year forecast that anticipated deficits of \$1 million in FY 2004-05 and \$6.1 million for FY 2005-06. The District submitted a financial recovery plan on July 20, 2004 that was rejected by ODE on August 13, 2004 because the District's August levy failed. On September 24, 2004 the District's updated financial recovery plan was accepted contingent upon the passing of the November 2004 levy. After the November 2004 levy failed the District submitted an updated financial recovery plan prior to avoid being placed in fiscal emergency. The updated plan was approved by the ODE on January 26, 2005.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of Fairborn City School District in July 2004. Based on a review of District information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

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

District Overview

Fairborn City School District operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District. The District is located within the City of Fairborn in Greene County and is adjacent to the Wright Patterson Air Force Base.

According to the National Center for Education Statistics, the District's population of 42,190 residents included 30,233 persons residing in family households with an average family size of 2.9 persons. Only 15.3 percent of the District's population was school aged (18 years old and under), while an additional 6.1 percent was less than 5 years old. In addition, 59.6 percent of the population had high school diplomas or equivalency certificates, 30.5 percent had some college, and 49.2 percent had bachelor's degrees or greater.

In the last two fiscal years, Fairborn CSD has experienced substantial changes in its administration, board of education, and workforce. In addition, its building and grade configurations changed as a result of declining enrollment and several failed levy attempts. The District has worked diligently to avoid being placed in fiscal emergency while continuing to provide a quality education to its students. In FY 2002-03 the Treasurer and Superintendent resigned and a Special Audit of their activities was conducted by AOS at the request of the District. The findings included overcompensation, bonus funds, and various unauthorized reimbursements. The Special Audit, released in October 2004, resulted in \$42,000 in findings for recovery with \$37,000 of the findings against the former treasurer. A new superintendent and treasurer were appointed on December 30, 2002 and May 1, 2003 respectively. In the same year, the District was in the first year of a three- year negotiated agreement that gave 5 percent annual cost of living wage increases to teachers for three years. By the end of FY 2002-03 the District had incurred a \$3.2 million operating deficit.

In FY 2003-04 staffing was reduced by 55 certified and 19 classified positions for a cost savings of \$1.7 million. Health insurance coverage was renegotiated to avoid approximately \$1.9 million in premium increases. Likewise, reductions were made in the purchase of textbooks, computers, instructional supplies, equipment, overtime, and student programs. These reductions were made in an effort to reduce the operating deficit and avoid a deficit ending fund balance. However, the District's March 2004 9.9 mill levy failed, necessitating additional reductions. Two school buildings were also closed and the grade structure was reconfigured to accommodate the building closures. Nonetheless, the District ended the year with a \$1.8 million operating deficit.

By FY 2004-05 the District had eliminated another 103 positions for a cost savings of approximately \$4.7 million. Pay to play was also adopted. A 12.3 mill levy, placed on the ballot in August and November of 2004, failed in both instances. The financial recovery plan submitted in December 2004 projected a \$448,000 operating surplus with projected increases in real estate

property, and income taxes, and property tax allocation (homestead and rollback) , coupled with reductions in salaries and wages, fringe benefits, and purchased services.

Although the District was proactive in requesting priority consideration in obtaining a performance audit after it was placed in Fiscal Caution and has made substantial cost reductions, Fairborn CSD is now operating at state minimum standards in many areas and probably will not be able to sustain the current level of reductions in staffing and expenditures. The extremely low staffing levels, when compared to school districts with similar demographics, will likely begin to negatively effect operations and student performance in FY 2004-05. As the recommendations in this performance audit did not identify savings sufficient to remedy the District's financial problems, the District will either need to make additional reductions that may greatly effect educational programs or work with its community to fund its current service levels. See **R2.10** and **Table 2-19** in the financial systems section of this report for the proposed financial recovery plan showing the impact of performance audit recommendations on the General Fund ending balances.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between July 2004 and January 2005. The goal of the performance audit process was to assist the District's management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declaration of fiscal caution. The ensuing recommendations comprise options that Fairborn CSD can consider in its continuing efforts to improve and stabilize its financial condition. This performance audit assessed the key operations of Fairborn CSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's October 2004 five-year financial forecast, including its underlying financial data and the accompanying notes and assumptions, was assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation operational statistics, such as staffing, average costs per bus, and average costs per student were reviewed to identify potential efficiency improvements and cost savings.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with District personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made

to three similarly sized school districts. These districts include the Findlay City School District (Findlay CSD) in Hancock County, the Huber Heights City School District (Huber Heights CSD) in Montgomery County, and the Newark City School District (Newark CSD) in Licking County. These districts were selected as peers based on their ranking as comparable districts by the Ohio Department of Education, reviews of various demographic information, and input from District personnel. Criteria reflected in ODE's comparable district listings include geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. Best practice information was used from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations for identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express their appreciation to Fairborn CSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

The District's attention and responsiveness to its financial situation has helped it realize a reduction in the negative ending fund balance previously projected. Fairborn CSD's administration and Board have worked to decrease staffing to levels well below peer districts. These reductions will improve the District's future financial outlook and may not be represented in some calculations in the report.

- The District purchases fuel through the City and uses the City's buying power to lower its fuel costs. The District does not pay federal taxes on fuel purchased from the City. Buses are assigned an identifying number to access the electronic data terminal at the fuel island. The electronic system controls access and tracks the mileage accrued between fueling visits.
- Fairborn CSD reduced overall expenditures by 5.5 percent in FY 2003-04. Specifically, the District reduced discretionary spending from 13.3 percent of total expenditures to 8.9 percent.

- During the course of this audit, the District began taking steps to implement an audit committee. At the March 14, 2005 Board meeting, the District voted on a resolution to implement the audit committee.
- The District has achieved approximately \$6.4 million in cost saving during FY 2003-04 and 2004-05 through staffing reductions and avoided cost of \$1.9 million by renegotiating its health insurance coverage.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several other areas within the audit of Fairborn CSD that did not warrant recommendations. These assessments did not warrant recommendations because Fairborn CSD was performing at a level comparable to the peers or industry standards. These areas are listed by section. Additional detail is presented in each section of the report.

Financial Systems

- **Selected Financial Forecast Assumptions** including restricted grants-in-aid; income tax revenues, other revenues; other expenditures; debt service costs; and transfers and advances.
- **Discretionary Spending** has been reduced by Fairborn CSD and is below the peer average.

Human Resources

- **Site-based administration** staffing allocations were determined to be in line with the peers.
- **Professional education staffing levels**, including regular and special education teachers, counselors and library/media personnel area appear to be appropriate.
- **Supplemental salaries** appear to be consistent with the peers and the District has taken steps to increase fees to cover supplemental costs for activities involving athletics
- **Technology** (software) is used to manage human resources operations and was determined to be appropriate

Facilities

- **Building use policy and fee schedules** are used by the District to capture and charge-back costs to community groups.
- **Custodial and maintenance overtime usage** comprised 6 percent of salaries in FY 2003-04 but was lower than the peer average.
- **Bulk Purchasing** is used to purchase custodial supplies.
- **Preventive Maintenance** is performed on mechanical systems such as chillers, boilers, steam kettles, and hot water boilers and other systems.
- **Building Capacity** analyses were completed by the District and Fairborn completed its own building reconfiguration and consolidated grades in order to accommodate the slowly declining enrollment of students.

Transportation

- **Competitive bidding for bus purchase** is used by Fairborn CSD to obtain the best prices for bus purchases.
- **Payments in lieu of transportation** are used by Fairborn which entered into 49 contracts during FY 2003-04, helping the District marginally reduce its transportation costs.

Key Recommendations

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

Financial Systems

- **Fairborn CSD should closely examine the spending patterns and evaluate potential cost reductions for those activities and functions that do not directly impact quality of education. In addition, Fairborn CSD should reallocate expenditures from support services to direct student instruction and materials, particularly in the purchased services and supplies and materials categories. The District should concentrate on reducing expenditures in the support service functions and on shifting revenues to areas that will enhance the quality of education students receive.**

- Fairborn CSD's official five-year forecast should provide detailed, written assumptions to better explain the rationale behind the revenue and expenditure projections. The District should publish detailed forecast assumptions, on its website. Allowing community access to this information will aid in educating constituents on the financial condition of the District.
- The District should form a financial advisory committee and an audit committee. The committee should specifically focus its collective expertise on the area of financial planning and should be responsible for developing and implementing a framework for integration of the strategic plan, the five-year forecast, and the annual budget. The audit committee would improve oversight of the District's current financial conditions and help the District more effectively plan for future operations.

During the course of this audit, the District began taking steps to implement an audit committee. At the March 14 2005 Board meeting, the District voted on a resolution to implement the audit committee.

- In an effort to improve internal controls and resolve budgetary compliance issues, the audit committee should develop policies and procedures for the recommended Financial Advisory Committee and audit committees to follow and submit them to the Board for approval. Board-approved policies and procedures will help to ensure that these committees effectively address issues identified by external auditors in a manner consistent with Board expectations.

Similarly, Fairborn CSD should strictly adhere to internal control procedures with particular emphasis on segregation of duties and review procedures.

Human Resources

- Fairborn CSD should slow the rate of salary increases to bring salary levels in line with peer districts. The District's steps for certificated personnel are higher than the peers and Fairborn CSD's salaries are higher than the peers in the areas of central and site-based administration, although administrative personnel have not received salary increases in the past two fiscal years. The District should seek to reduce step increases for certificated staff to 2 percent and maintain classified step increases at the same rate. Likewise, it should negotiate no more than a 1 percent cost-of-living adjustment (COLA) for FY 2005-06 and 2006-07 and no more than 2 percent COLAs in FY 2007-08 and 2008-09. Also, by tempering the rate of compensation increases for administrative personnel, the District could generate a cost avoidance and improve its financial condition. This recommendation would require the agreement of the collective bargaining unit prior to implementation.

- **Fairborn CSD should consider reducing payment of the employee’s share of retirement contributions for administrative employees. While paying the employee’s share is not uncommon, it increases costs to the District and inflates the salaries of administrative personnel.**

During the course of the audit, the District reduced the number of positions receiving the payment of the employee’s share of retirement contributions to 24 through retirements and reductions in force.

- **The District should work with its collective bargaining units and health care provider to renegotiate key benefits in an effort to offset increases in health insurance costs. Specifically, Fairborn CSD should change to a three tier formulary with higher co-pays, seek lower premiums, and increase the employee annual deductible.**
- **Although actively involved in workers’ compensation cost management, Fairborn CSD should continue to monitor workers’ compensation claims and premiums to reduce costs. The District should also continue to use the Bureau of Worker’s Compensation (BWC) best practice resources to improve work place safety and reduce claims and costs.**

During the course of the audit, Fairborn CSD received a discount on its premiums because of its participation in the BWC 10 Step Program.

- **Fairborn CSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee sick leave policy to ensure proper use. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” to help department managers in identifying excessive or inappropriate sick leave use. The policies should provide that if an employee engages in a “pattern of abuse,” he/she may be subject to discipline. In addition, the District should include sick leave usage as a component of employee performance evaluations, and monitor sick leave usage on a periodic and consistent basis.**
- **During the next collective bargaining session, Fairborn CSD should consider modifying several key contract provisions including the following:**
 - **Reducing the maximum number of sick leave days accrued and paid at retirement for certified and classified employees. Fairborn CSD authorizes a higher maximum number of days for accrual and payment at retirement which could potentially increase its financial liability.**

- **Eliminate the “no contract” clause which prevents the District from contracting services to outside vendors. Eliminating this provision would allow the District to outsource work such as plumbing, carpentry, and electrical work and discontinue the employment of specialized employees whose skills are not needed on a daily basis.**
- **Eliminate the \$400 special education stipend provision. Eliminating this provision will reduce future costs for the District and equalize salaries between regular and special education teachers.**

Implementation of these recommendations would require negotiation with the collective bargaining units.

Facilities

- **Fairborn CSD should reassign 1 FTE custodian from Baker Junior High to East 6th grade Elementary. The District should also reassign 2 FTEs from Fairborn Intermediate to Fairborn Primary (0.50 FTE), and Fairborn High School (1.5 FTE). The District should reallocate its custodial personnel to more equitably distribute the square footage cleaned among its custodians.**

During the course of the audit, Fairborn CSD implemented components of this recommendation and made some adjustments of its own.

- **Fairborn CSD should incorporate a multi-year capital improvement plan into its facilities master plan to help ensure the remaining \$1.5 million of capital improvement funds are used to complete the most critical repair work, and ensure that all capital outlay expenditures coincide with its Continuous Improvement Plan.**

During the course of the audit, Fairborn CSD took steps to begin implementation of this recommendation in conjunction with its update of the facilities master plan.

- **Fairborn CSD should implement increased energy efficiency measures and should encourage wise energy use practices by staff and students.**

Transportation

- **The District should consider lengthening the time between bells within its three tier schedule to provide additional time between start times and enable drivers to increase their ridership to reduce the number of buses. Fairborn CSD should also consider using larger buses in the future to allow for larger routes and reduce driver costs. The**

District should also negotiate with its collective bargaining unit to eliminate or modify the 45 minute lesson planning period, permitting students to arrive earlier in order to accommodate the additional time between bell schedules.

During the course of the audit, the District began to purchase buses with a greater passenger capacity. The District also took 16 buses off the road when it modified its transportation policy to exclude busing high school students.

- Fairborn CSD should develop a written policy indicating how hazardous conditions are determined and their effect on transportation services for the purpose of transportation planning. Developing a methodology to identify hazards, cataloging them, and developing a formal policy stating how the identification of hazards is used in the decision making process will ensure that the District provides transportation to all students who may be effected by safety issues along the walking routes to their assigned schools.
- The District should formalize its practice of placing special education aides on buses by developing a policy approving the use aides on special needs buses when specified by a student's individualized education plan (IEP). Furthermore, the transportation supervisor's consultation should be documented to help District personnel determine the optimal form of transportation to meet the child's needs.

During the course of the audit, the District reduced special needs transportation personnel by two bus aides. Fairborn CSD administrators expressed concern about the number of medically fragile children currently transported and the need to retain sufficient aides to accommodate their needs. The District should conduct a full review of the IEPs associated with the bus aides before implementing additional reductions.

- Fairborn CSD should use the maintenance reports generated by Fleetvision software to extract and review bus repair costs and identify buses for future replacement that disproportionately inflate repair costs. The District should train an individual in the transportation department to operate the software and the transportation supervisor should review reports on a monthly and annual basis. Fairborn CSD should also obtain transportation software training for the administrative employees within the transportation department.
- Fairborn CSD should coordinate with the City of Fairborn to receive reimbursement for State fuel taxes. H.B. 87 permits school districts to receive a \$0.04 per gallon rebate on all fuel purchases and a \$0.02 per gallon rebate for the retroactive portion of FY 2003-04 that has not expired. Since the District purchases its fuel through the City, the

City should either assist in obtaining the refund or, if it is exercising this option, should credit the District for its share.

- Fairborn CSD should fully implement the use of cluster (common) stops. Furthermore, the transportation supervisor should periodically ride the routes with drivers to ensure adherence to the District's policies and established routes and stops, and to assess efficiency and ridership levels. More active enforcement of District policies by the department, coupled with greater scrutiny of routing practices and efficiency levels, will help the transportation department better control costs in future years and will provide valuable decision-making information to District administrators.

During the course of the audit, the District hired a new transportation supervisor who is conducting route reviews and accompanying drivers on runs.

Additional Recommendations

Financial Systems

- Fairborn CSD should include more detailed assumptions in several key areas of its forecast. The District should present assumptions that outline all components, or line-items, for critical expenditure categories. It should also include explanations for projected changes in rates of increase. These key forecast areas include the following:
 - Personal services expenditures;
 - Fringe benefit expenditures;
 - Purchased service expenditures; and
 - Supply and material expenditures.

Human Resources

- Fairborn CSD should develop guidelines and procedures to ensure that accurate reports are prepared and reconciled before submission to the Ohio Department of Education (ODE) and the Educational Management Information System (EMIS). Fairborn CSD should consistently use the EMIS *Definitions, Procedures, and Guidelines*, produced annually by ODE, to help ensure the accuracy of data entered.
- Fairborn CSD should review and update all position descriptions, as needed, to ensure that qualifications, responsibilities and work hours are accurate and current. This review should continue to occur as part of annual performance evaluations or when a position becomes vacant.

During the course of the audit, the District began working with the Ohio School Boards Association (OSBA) to update its job descriptions.

- Fairborn CSD should review the human resources function to determine if responsibilities can be consolidated into one position, thereby increasing administrative efficiency. When the District's financial condition becomes more stable, it should consider hiring a qualified human resources/personnel director, similar to Huber Heights CSD and Findlay CSD.

Facilities

- Fairborn CSD should use a computerized maintenance management system (CMMS) or a computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order.

During the course of the audit, the District began implementation of this recommendation. At the time of reporting, the District was comparing systems in preparation for making recommendations on purchasing a system.

- Fairborn CSD should update its facilities master plan to incorporate building construction and improvements, as well as educational model shifts that have taken place at the District. The plan should include a 10-year enrollment history; enrollment projections and the methodology used for their calculation; building capacity and the methodology used for calculation; a list of the cost estimates for needed capital improvements; and a description of the District's educational plan. The District should request its Facilities Committee take responsibility for annual updates to the plan.

During the course of the audit, Fairborn CSD began updates to its plan through its Facilities Committee.

- Fairborn CSD should complete enrollment projections annually by adopting and implementing a formal methodology or by contracting out that service.

The District adopted a resolution to update enrollment projections that was approved by the Board at its February 14, 2005 meeting. Fairborn CSD will contract for this service.

- Fairborn CSD should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure all District facilities are sufficiently and consistently cleaned.

Transportation

- Fairborn CSD should establish policies and procedures to ensure the accuracy of the information submitted to the Ohio Department of Education (ODE) on the transportation forms (T forms).
- Fairborn CSD should adhere to its policies for transporting students living outside the two-mile limit (grades K-8) and those who may be affected by hazardous conditions. Transporting students who live closer to their home school than the stated policy can increase costs and may result in the inequitable provision of transportation services.

Fairborn CSD administrators raised concerns about the potential hazards within the District. Accommodating these hazards within the District's transportation policy would be critical in implementing this recommendation.

- Fairborn CSD should establish a formal bus replacement plan to maximize fleet effectiveness. Criteria, such as mileage, maintenance costs, and chronological age should be included in the replacement plan to guide the decision making when purchasing replacement buses. By reviewing and updating the plan annually, Fairborn CSD will be able to plan for future costs while maintaining its fleet.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Fairborn City School District should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (see **human resources** section). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

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

Summary of Performance Audit Recommendations

Recommendations	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Increases/ (Decreases) Resulting from AOS Revised Assumptions					
R2.4 Revise personal services expenditure projections	(\$1,360,348)	(\$1,592,280)	(\$1,293,971)	(\$1,160,363)	(\$1,045,328)
R2.5 Revise Fringe Benefits Projections	\$198,500	\$133,155	\$668,996	\$1,322,107	\$2,087,755
R2.6 Revise Purchased Services Projections	\$460,066	\$408,763	\$307,187	\$174,709	\$287,806
R2.7 Revise Supplies and Materials Projections	(\$113,088)	(\$20,731)	\$60,647	\$326,017	\$440,347
AOS Revised Forecast Assumptions Impact	(\$814,870)	(\$1,071,093)	(\$257,141)	\$662,470	\$1,770,580
Recommendations Subject to Negotiation					
R3.4 Negotiate a lower step and COLA for all bargaining unit employees	\$573,690	\$806,152	\$825,791	\$618,699	\$639,318
R3.6 Renegotiate key benefits and seek lower premiums	\$411,230	\$488,200	\$488,600	\$532,500	\$580,500
R3.9 Reduce the maximum number of sick days paid out at retirement	\$26,400	\$27,000	\$28,000	\$29,000	\$30,000
R3.12 Renegotiate the special education stipend	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Total Recommendations Subject to Negotiation	\$1,035,320	\$1,345,352	\$1,366,391	\$1,204,199	\$1,273,818
Recommendations Not Subject to Negotiation					
R3.3 Hire a human resources director	(\$108,000)	(\$110,000)	(\$112,000)	(\$114,000)	(\$116,000)
R3.5 Reduce the pick-up on pick-up for administrative employees	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000
R3.7 Continue participation in the BWC 10 step program	\$73,600	\$73,600	\$73,600	\$73,600	\$73,600
R3.8 Reduce the amount of sick leave used by certificated employees	\$58,000	\$60,000	\$62,000	\$63,000	\$65,000
R4.2 Purchase a computerized maintenance management system	(\$3,200)	(\$3,200)	(\$3,200)	(\$3,200)	(\$3,200)
R4.7 Implement energy management measures	\$137,400	\$137,400	\$137,400	\$137,400	\$137,400
R5.2 Extend the time frames between bells.	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
R5.4 Reduce ridership students transported but living within the two-mile limit by 25 percent.	\$132,000	\$132,000	\$132,000	\$132,000	\$132,000
R5.5 Reduce the number of special education bus aides to one aide per special needs bus.	\$46,000	\$46,000	\$46,000	\$46,000	\$46,000
R5.6 Replace six buses over the course of the forecast period.	0	(\$51,000)	(\$51,000)	(\$51,000)	(\$51,000)
R5.8 Purchase a day of training for the transportation supervisor, the transportation secretary and the routing assistant.	(\$3,300)	0	0	0	0
R5.9 Seek reimbursement for FY 2004-05 state Fuel tax. Obtain FY 2003-04 remaining reimbursement.	\$5,380	0	0	0	0
Total Recommendations Not Subject to Negotiation	\$556,880	\$503,800	\$503,800	\$502,800	\$502,800
Total Recommendations Included in Forecast	\$1,592,200	\$1,849,152	\$1,870,191	\$1,706,999	\$1,776,618

Source: AOS Recommendations

Financial Systems

Background

This section focuses on the financial systems within the Fairborn City School District (Fairborn CSD or the District). The objective is to analyze the current financial condition of Fairborn CSD and develop recommendations for improvements and efficiencies. In addition, Fairborn CSD's five-year forecast is analyzed to ensure that the projections accurately represent future operational and financial conditions.

The Auditor of State (AOS) recommended the establishment of fiscal oversight laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility and to provide technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316 establishes fiscal caution, watch, and emergency laws for Ohio school districts. The difference between fiscal caution, fiscal watch and fiscal emergency is the severity of the school district's financial condition.

To help define fiscal caution, the Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school board, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school board has 60 days to provide a written proposal to ODE that outlines a plan to correct the fiscal deficiencies.

In accordance with ORC § 3316.031(A), a district may be placed in fiscal caution when the district projects a current year ending fund balance less than or equal to 2 percent of the current year projected revenues. On February 23, 2004, Fairborn CSD was placed in fiscal caution as the District's five-year forecast predicted a \$6.4 million operating deficit by the end of FY 2004-05. As required by ORC § 3316.031(A), Fairborn CSD was required to submit a written proposal to ODE, outlining how the District would correct projected budget deficits. When Fairborn CSD failed to provide such a proposal, the District was placed in fiscal watch on May 25, 2004.

Current Financial Status

Table 2-1 displays the five-year forecast adopted by the Fairborn CSD Board of Education on September 27, 2004.

Table 2-1: Fairborn CSD October 2004 Financial Forecast (in '000s)

	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
Revenues								
General Property Tax	\$9,170	\$9,466	\$10,177	\$10,401	\$10,663	\$11,160	\$11,405	\$11,655
Tangible Property Tax	\$1,935	\$1,556	\$1,669	\$1,500	\$1,300	\$1,100	\$900	\$800
Income Tax	\$2,558	\$2,469	\$2,586	\$2,750	\$2,820	\$2,890	\$2,965	\$3,042
Unrestricted Grants-in-Aid	\$18,485	\$18,348	\$18,126	\$18,369	\$16,399	\$15,459	\$14,849	\$14,349
Restricted Grants-in-Aid	\$607	\$978	\$1,187	\$126	\$126	\$126	\$126	\$126
Property Tax Allocation	\$1,224	\$1,158	\$871	\$1,262	\$1,293	\$1,354	\$1,383	\$1,383
All Other Revenues	\$3,440	\$2,730	\$2,289	\$2,336	\$2,326	\$2,316	\$2,306	\$2,296
Total Revenues	\$37,419	\$36,705	\$36,905	\$36,744	\$34,927	\$34,405	\$33,934	\$33,651
Expenditures								
Personal Services	\$23,195	\$24,715	\$23,950	\$22,375	\$23,141	\$24,141	\$25,141	\$26,141
Benefits	\$6,872	\$8,230	\$8,300	\$8,462	\$8,405	\$9,615	\$11,051	\$12,702
Purchased Services	\$2,618	\$2,842	\$2,861	\$4,179	\$4,400	\$4,600	\$4,800	\$5,280
Supplies and Materials	\$1,463	\$1,890	\$916	\$975	\$1,100	\$1,215	\$1,515	\$1,665
Capital Outlay	\$391	\$780	\$133	\$180	\$180	\$664	\$730	\$810
Debt Service:								
Principal Retirement - Notes	\$90	\$95	\$100	\$100	\$105	\$110	\$115	\$120
Principal - HB 264 Loans	\$136	\$233	\$276	\$281	\$286	\$174	\$140	\$145
Interest	\$110	\$125	\$112	\$97	\$80	\$64	\$54	\$40
Other Objects	\$1,365	\$1,183	\$1,382	\$565	\$640	\$715	\$790	\$865
Total Expenditures	\$36,240	\$40,093	\$38,030	\$37,214	\$38,337	\$41,298	\$44,336	\$47,768
Other Financing Sources/Uses								
Advances - In/(Out)	\$0	(\$125)	\$47	\$0	\$0	\$0	\$0	\$0
Operating Transfers-In/(Out)	(\$418)	\$114	(\$755)	(\$510)	(\$550)	(\$600)	(\$650)	(\$700)
Other Financing Sources	\$1	\$134	\$29	\$50	\$50	\$50	\$50	\$50
Net Other Financing Sources	(\$417)	\$123	(\$679)	(\$460)	(\$500)	(\$550)	(\$600)	(\$650)
Results of Operations	\$762	(\$3,265)	(\$1,804)	(\$930)	(\$3,910)	(\$7,443)	(\$11,002)	(\$14,767)
Beginning Cash Balance	\$5,930	\$6,692	\$3,427	\$1,623	\$693	(\$3,217)	(\$10,660)	(\$21,662)
Ending Cash Balance	\$6,692	\$3,427	\$1,623	\$693	(\$3,217)	(\$10,660)	(\$21,662)	(\$36,429)
Encumbrances	\$1,260	\$1,062	\$799	\$800	\$800	\$800	\$800	\$800
Textbook Reserves				\$1,365	\$1,365	\$1,365	\$1,365	\$1,365
Budget Reserve	\$628	\$628						
DPIA			\$99	\$62	\$59	\$56	\$52	\$49
Debt Service	\$601	\$462	\$278	\$107	\$111	\$228	\$264	\$264
Ending Fund Balance	\$4,203	\$1,275	\$447	(\$1,641)	(\$5,552)	(\$13,109)	(\$24,143)	(\$38,907)

Source: Fairborn CSD October 2004 Financial Forecast

The financial projections presented in **Table 2-1** display the expected revenues, expenditures, and fund balances for each fiscal year through FY 2008-09, with historical information presented for the fiscal years ending June 30, 2002, 2003, and 2004. Based upon Fairborn CSD's

projections, the District will operate with significant deficits in each fiscal year through FY 2008-09, with year-end cash deficits beginning in FY 2005-06.

The assumptions disclosed herein are those submitted by Fairborn CSD with its October 2004 five-year forecast. The District's methodology and major assumptions, including additional analyses, are presented below. In some cases, additional information was provided by the treasurer and may not be reflected in the District's formal October forecast submission to ODE. AOS analyzed these assumptions and recommended changes where necessary.

Revenues

- Real Estate Property Taxes** – Property taxes showed an increase of \$710,604 (7.51 percent) for FY 2003-04. Property values increased by 14.3 percent for CY 2002 (collection in CY 2003) due to revaluation and, because Fairborn CSD is at the 20 mill floor, it received an increase in real property tax revenues in FY 2003-04. Later years show the effect of the triennial update in CY 2005 (collection in CY 2006) and revaluation in CY 2008 (collection in CY 2009). **Table 2-2** shows the District's historical growth rate and projections.

Table 2-2: Real Property Collections Growth

Historical		Projected	
FY 2000-01	1.83%	FY 2004-05	2.20%
FY 2001-02	2.60%	FY 2005-06	2.52%
FY 2002-03	3.23%	FY 2006-07	4.66%
FY 2003-04	7.51%	FY 2007-08	2.20%

Source: Fairborn CSD October Forecast

- Personal Tangible Property Taxes** – Personal tangible property tax collections were up \$112,619 (7.24 percent) for FY 2003-04 and are difficult to project due to the fact that this tax is self-reporting and the records are confidential. In addition, this tax rate is decreasing at an annual rate of 2 percent and will be completely eliminated by 2016. Pursuant to ORC § 5711.22(E), personal tangible property taxes were supposed to decrease by 1 percent in FY 2003-04, but did not because of a trigger mechanism built into this law²⁻¹. It is anticipated that in FY 2004-05, the 2 percent annual decrease will start again.
- Income Taxes** – Income tax collections were up \$116,573 (4.73 percent) for FY 2003-04. The economy has been relatively stagnant in the past several years; however, the first quarter payment for FY 2004-05 shows higher collections. As a result, the projection for this year, as a percentage, is much higher than the following years. Projections for FY

²⁻¹ Tangible personal property taxes statewide dropped which triggered a temporary halt in the phase-out.

2004-05 and beyond are based on an average of the last four fiscal years. **Table 2-3** shows the District's actual growth rates and projections in detail.

Table 2-3: Income Tax Collections Growth

Historical		Projected	
FY 2000-01	9.64%	FY 2004-05	6.36%
FY 2001-02	(0.46%)	FY 2005-06	2.55%
FY 2002-03	(3.50%)	FY 2006-07	2.48%
FY 2003-04	4.72%	FY 2007-08	2.60%
		FY 2008-09	2.61%

Source: Fairborn CSD October Forecast

- All Other Local Revenues** – All other local revenues include the manufactured home tax, tuition, athletic participation fees, investment income, Reserve Officer Training Corps (ROTC) funding, and various other one-time refunds and reimbursements. The District has increased its athletic participation fees to \$300 per student per sport at the high school and \$150 per student per sport at the junior high. Increases in participation fees are offset by declines in other revenues in this category. All other local revenues also include a federal Impact Aid Grant and Department of Defense (DOD) aid monies received from the federal government. DOD aid is received every other year with FY 2004-05 being an off-year. All other local revenues are expected to decline slightly due to the elimination of the \$10,000 personal property exemption.
- Unrestricted Grants-in-Aid** – Unrestricted State monies decreased \$275,831 in FY 2003-04. Basic Foundation monies (formula aid monies) decreased \$1,093,618 due to an increased valuation of \$29,712,652 (5.93 percent) within the District and declining enrollment. Enrollment was projected to decline again in FY 2003-04 by 137.5 students, but only declined by 56 students due to an increase in kindergarteners. Use of the three-year ADM average was eliminated by State legislation which decreased student counts by another 153.7. Overall, the basis for State funding in FY 2003-04 decreased by 210 students. The District received the reappraisal guarantee in FY 2003-04 which amounted to \$485,087 and helped to offset the decrease in students. It is anticipated that enrollment will continue to decline by approximately 100 students annually throughout the forecast period; however, preliminary numbers for FY 2004-05 show a decline of about 325 students. The maximum amount of State Foundation monies that a district can lose in any one year is five percent of the previous year's monies. For Fairborn CSD, that equates to \$922,243 which has been built into the District's projections. For FY 2005-06, the decrease is projected at \$1,500,000 and for FY 2006-07 the decrease is projected at \$940,000. For FY 2007-08 and FY 2008-09, decreases are projected at \$610,000 and \$500,000, respectively.

- **Restricted Grants-in-Aid** – This category includes Parity Aid, Summer Intervention, Bus Purchase Reimbursement funds, and DPIA restricted monies. For FY 2004-05 and beyond, Parity Aid has been reclassified to Unrestricted Grants-in-Aid.
- **Property Tax Allocation** – Homestead and rollback reimbursements show a decrease of \$286,945 for FY 2003-04. It was discovered that homestead and rollback for the Bond Retirement Fund had been posted to the General Fund for FY 1998-99 through FY 2001-02. Correcting entries of over \$365,380 were made. Without this adjustment, this category would have been up by 6.78 percent. Homestead and rollback reimbursements are expected to remain stable for FY 2004-05 and beyond, and are calculated at 12.13 percent of property taxes collected ²⁻².
- **Operating Transfers-In** – Operating transfers-in are transfers of monies within the General Fund between special cost centers or to another fund that has a specific purpose, such as an enterprise fund. By law, a school district is permitted, upon board action, to transfer monies from the General Fund to any other fund on the District's books. This category consists of debt repayments and set asides for specific purposes. **Table 2-4** shows a detail of actual and projected operating transfers-in.

Table 2-4: Actual and Projected Operating Transfers-In

	Bus Debt	HB 264 Loans	Supplies/Materials Set-asides	Total
FY 2004-05	\$0	\$306,818	\$745,000	\$1,051,818
FY 2005-06	\$121,708	\$353,929	\$730,000	\$1,205,637
FY 2006-07	\$122,273	\$342,727	\$730,000	\$1,195,000
FY 2007-08	\$122,575	\$222,425	\$730,000	\$1,075,000
FY 2008-09	\$122,580	\$182,420	\$730,000	\$1,035,000

Source: District forecast

- **All Other Financing Sources** – This category includes refunds from expenditures in prior fiscal years that were included in the other local revenues in FY 2002-03. It is anticipated that this category will level out in future years.

Expenditures

- **Salaries and Wages** – Salaries and wages declined by 3.1 percent in FY 2003-04 and are projected to decline 6.57 percent in FY 2004-05 due to substantial staffing cuts. Fairborn CSD reduced \$1.8 million in salaries and benefits at the end of the FY 2002-03, effective for FY 2003-04. In addition, the District has reduced FY 2004-05 salary expenditures by

²⁻² When property tax collections go up normally, this reimbursement goes up as well. If large amounts of delinquencies are collected, it will affect the relationship between these two taxes as homestead and rollback are paid by the State. The timing of the homeowner payment is not a factor in the State payment.

\$811,715 in classified personnel, \$2,304,599 in certificated personnel, and \$250,165 in administrative personnel for a total of \$3,366,479. This translates to the elimination of at least 100 positions for FY 2004-05. The District is in the second of a three-year, five percent annual base salary increase for teaching staff. Raises for other staff have been frozen and step increases are currently the only salary increases.

In FY 2002-03, salaries and benefits ballooned from 80.35 percent of revenue in the prior year to 89.76 percent of current year revenue. FY 2003-04 salaries and benefits are projected to be 87.81 percent of revenue and for FY 2004-05, that percentage is estimated to be 83.92 percent. Three percent cost of living adjustment (COLAs) increases, as well as step increases, have been projected in FY 2005-06, FY 2006-07, and FY 2007-08. Fairborn CSD has currently reduced staffing in its programs to State minimum staffing levels and, as such, there are no other positions left to eliminate.

- **Fringe Benefits** – Fringe benefit expenditures increased 0.9 percent in FY 2003-04 due to significant cost containment in health care and dental coverage, as well as staffing reductions. Specifically, the District solicited competitive bids for health insurance coverage, which resulted in expenditure reductions for family (13 percent) and single (20.9 percent) plans. The District also reduced dental premiums by 11.3 percent for family plans and 32.9 percent for single plans. Finally, the District's life insurance rates decreased 54.8 percent and worker's compensation increased 67.8 percent.

While the District has taken steps to minimize these expenditures, worker's compensation is projected to increase in FY 2004-05 as a result of a bad experience rating. Furthermore, unemployment costs will go from \$75,000 to \$700,000 because of the recent staffing reductions. In FY 2004-05, health insurance premiums are projected to increase 14.87 percent and dental premiums are projected to increase 15.43 percent. The District projects savings of around \$1,100,000 from staffing reductions; however, this amount will be off-set by increased unemployment, workers compensation, and health and dental premium costs.

- **Purchased Services** – Purchased service expenditures increased 0.66 percent in FY 2003-04 and are projected to increase 46.06 percent for FY 2004-05 due to a re-categorization of \$1 million in costs from other object codes into this category. These expenditures are considered difficult to project as they include required line-items for special education. Fairborn CSD is anticipating that community school tuition will increase from \$557,297 in FY 2003-04 to \$600,000 in FY 2005-06. Although it has closed two buildings, these savings will be partially off-set by anticipated increases in gas, electricity, and telephone costs.
- **Supplies and Materials** – Supply and material expenditures decreased 51.64 percent in FY 2003-04 and are projected to increase 6.69 percent for FY 2004-05 and 12.82 percent

in FY 2005-06. The District maintains direct control over these expenditures and indicates that it is only purchasing necessary items.

- **Capital Outlay** – Capital outlay expenditures decreased 82.96 percent in FY 2003-04, and are projected to increase 35.54 percent for FY 2004-05. No increases are projected for FY 2005-06. However, the increases projected for FY 2006-07 and beyond are for necessary capital improvement expenditures that the District has delayed because of its financial condition.
- **Other** – Other expenditures include services purchased from the Greene County Educational Service Center (ESC), auditor and treasurer fees, membership dues, bank charges, and the newly implemented State administrative fee for the homestead and rollback reimbursement. While other expenditures increased 16.85 percent in FY 2003-04, they are projected to decrease 59.15 percent in FY 2004-05, due to a reclassification of expenditures. After FY 2004-05, however, these expenditures are projected to increase by about \$75,000 annually.
- **Debt Service** – As of June 30, 2004 the District will have the following outstanding General Fund debt obligations:
 - \$621,475 in principal and interest for bus acquisition bonds with a maturity date of December 1, 2008;
 - \$2,065,980 in principal and interest for energy conservation improvement bonds with a maturity date of December 1, 2013; and
 - \$373,207 in principal and interest for energy conservation notes with a maturity date of October 8, 2006.

In total, the District has \$3,060,662 in principal and interest payments which will not be fully paid until 2013.

- **Operating Transfers-Out** – Operating transfers-out are transfers of monies within the General Fund between special cost centers or to another fund that has a specific purpose. By law, a school district is permitted, upon board action, to transfer monies from the General Fund to any other fund on the District's books. This category consists of debt repayments and set- asides for specific purposes and the payment of severance for retired and/or laid off staff members. **Table 2-5** details projected operating transfers-out.

Table 2-5: Operating Transfers-Out

	Bus Debt	HB 264 Loans	Termination of Benefits	Self Insurance	EMIS	Supplies/ Materials Set-asides	Total
FY 2004-05	\$0	\$306,818	\$450,000	\$10,000	\$50,000	\$745,000	\$1,561,818
FY 2005-06	\$121,708	\$353,292	\$500,000	\$0	\$50,000	\$730,000	\$1,755,000
FY 2006-07	\$122,273	\$342,727	\$550,000	\$0	\$50,000	\$730,000	\$1,795,000
FY 2007-08	\$122,575	\$222,425	\$600,000	\$0	\$50,000	\$730,000	\$1,725,000
FY 2008-09	\$122,580	\$182,420	\$650,000	\$0	\$50,000	\$730,000	\$1,735,000

Source: District forecast

- **Reservation of Fund Balance (Textbook and Instructional Materials)** – The Board has made a commitment to the community that when the 12.3 mill levy passes, 2.4 mills (approximately \$1,365,000) of the levy will be earmarked for the following areas in order to improve educational achievement:
 - Textbooks, kits, and instructional materials: \$675,000;
 - Library materials: \$120,000;
 - Technology (hardware and software): \$220,000;
 - Literacy materials: \$75,000; and
 - Supplemental materials: \$275,000.

AOS assessments indicate that these items will adequately cover the required reserve amounts. However, until the Board acts on its plan (when the levy is passed), the District must ensure that it maintains adequate resources for the purchase of textbooks and instructional materials.

Noteworthy Accomplishments

- **Fairborn CSD reduced overall expenditures 5.5 percent in FY 2003-04.** Specifically, the District reduced discretionary spending from 13.3 percent of total expenditures to 8.9 percent. However, it may be required to consider additional reductions to minimize future operating deficits.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several other areas within the financial systems of Fairborn CSD that did not warrant recommendations.

- **Selected Financial Forecast Assumptions:** The majority of these assessments involved testing the forecasting methodology and assumptions used in preparing the five-year forecast. Those projected line-items of the five-year forecast not yielding recommendations or revisions include the following:
 - Restricted grants-in-aid;
 - Income tax revenues,
 - Other revenues;
 - Other expenditures;
 - Debt service costs; and
 - Transfers and advances.

While the projections often do not reflect actual financial results, a standard of reasonableness was used to determine if the methodology and assumptions adequately account for major variables impacting financial figures.

- **Discretionary Spending:** The District has taken steps to effectively reduce discretionary spending and is below the peer average in this expenditure area.

Recommendations

Allocation of Resources and Procurement Practices

R2.1 Fairborn CSD should closely examine the spending patterns identified in Table 2-8 and evaluate potential cost reductions for those activities and functions that do not directly impact quality of education. The District should reallocate its resources toward those programs and priorities that have the greatest impact on improving student performance and proficiency test results. Combined with a close examination of the performance of educational activities, the District can potentially improve its performance index score and meet additional ODE performance standards while minimizing operating expenditures.

Table 2-6 compares Fairborn CSD's General Fund revenues and expenditures per pupil for FY 2002-03 and FY 2003-04 to that of the peer school districts for FY 2003-04. The data is presented on a per ADM basis to account for differences in student population size.

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

	Fairborn FY 2002-03	Fairborn FY 2003-04	Findlay CSD	Huber- Heights CSD	Newark CSD	Peer Average
Average Daily Membership (ADM)	5,138	5,058	5,807	6,534	6,496	6,279
Total Revenue	\$7,107	\$7,066	\$8,347	\$7,842	\$7,013	\$7,712
Total Expenditures	\$7,778	\$7,758	\$8,588	\$8,165	\$7,522	\$8,074
Per Pupil Expenditures per Revenue Dollar Generated	\$1.09	\$1.10	\$1.03	\$1.04	\$1.07	\$1.05

Source: SF-3 reports (ADM), 4502 reports- exhibit II and Statement P

Note: Other financing uses were removed as they primarily represent advances and transfers out, which do not reflect operating expenditures.

As shown in Table 2-6, Fairborn CSD received 9.1 percent (\$646) less revenue per student than the peer average. The discrepancy between revenues and expenditures per student can be further witnessed in the per pupil expenditures/revenues ratio. In FY 2003-04, Fairborn CSD spent \$1.10 per pupil for every dollar of revenue generated, compared to the peer average of \$1.05.

While Fairborn CSD's ratio of pupil expenditures per revenue dollar generated is the highest of the peer districts, there does not appear to be a correlation with the quality of education or academic achievement of its students. ODE compiles proficiency testing information into performance index scores. The performance index score is based upon the average scores in five subject areas of all students on the proficiency tests. This information encapsulates the students' level of achievement as opposed to simply

tracking whether a standard was met. **Table 2-7** summarizes Fairborn CSD's performance index scores for FY 2001-02 through FY 2003-04 and compares these scores to the peers.

Table 2-7: Comparison of District Performance Index Scores

Comparison of Performance Index Scores	Fairborn CSD	Findlay CSD	Huber-Heights CSD	Newark CSD	Peer Average
FY 2002-03	84.1	88.8	95.0	87.9	90.6
FY 2002-03	76.2	88.7	91.4	83.9	88.0
FY 2003-04	77.3	88.7	87.9	86.7	87.8

Source: ODE FY 2003-04 District Rating Data Report

As shown in **Table 2-7**, Fairborn CSD performs at levels below the peer school districts when tracking performance index scores even though the District is spending more per pupil per revenue dollar generated. The allocation of resources between the various functions, or activities, of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, activities must be evaluated and prioritized. An analysis of the spending patterns between the various functions should indicate where the priorities of the school board and management are placed and illustrate where there are opportunities for expenditure reductions. Based on expenditure levels and performance index scores, it appears that Fairborn CSD may be able to more effectively allocate resources to achieve increased educational results²⁻³.

Table 2-8 further analyzes Fairborn CSD's allocation of resources by comparing Fairborn CSD's FY 2003-04 Governmental Fund expenditures per ADM to those of the peers by activity type.

²⁻³ It should be noted that community demographics on migration in and out of the District were not considered in this assessment. Fairborn CSD's location in a large metropolitan area provides its students with other programmatic options not available to the students in more rural peer districts. As a result, open enrollment levels (District students attending schools in other districts), coupled with the transient nature of the surrounding area could also have a large impact on the District's educational performance.

Table 2-8: Governmental Fund Operational Expenditures per ADM

USAS Function Classification	Fairborn CSD		Findlay CSD		Huber-Heights CSD		Newark CSD		Peer Average ¹	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures²:	\$4,950	61.6%	\$5,623	60.5%	\$6,222	63.7%	\$5,079	61.0%	\$5,399	61.8%
Regular Instruction	\$3,786	47.1%	\$3,880	41.8%	\$4,337	44.4%	\$3,953	47.5%	\$3,894	44.6%
Special Instruction	\$865	10.8%	\$1,133	12.2%	\$1,563	16.0%	\$962	11.5%	\$1,161	13.3%
Vocational Education	\$2	0.0%	\$462	5.0%	\$107	1.1%	\$162	1.9%	\$231	2.6%
Adult/Continuing Education	\$2	0.0%	\$2	0.0%	\$0	0.0%	\$0	0.0%	\$1	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$295	3.7%	\$146	1.6%	\$215	2.2%	\$2	0.0%	\$111	1.3%
Support Service Expenditures³:	\$2,956	36.8%	\$3,370	36.3%	\$3,334	34.2%	\$3,015	36.2%	\$3,105	35.5%
Pupil Support Services	\$517	6.4%	\$436	4.7%	\$430	4.4%	\$440	5.3%	\$419	4.8%
Instructional Support Services	\$386	4.8%	\$638	6.9%	\$521	5.3%	\$544	6.5%	\$545	6.2%
Board of Education	\$15	0.2%	\$23	0.2%	\$4	0.0%	\$36	0.4%	\$20	0.2%
Administration	\$572	7.1%	\$608	6.5%	\$592	6.1%	\$624	7.5%	\$585	6.7%
Fiscal Services	\$164	2.0%	\$232	2.5%	\$148	1.5%	\$156	1.9%	\$171	2.0%
Business Services	\$36	0.4%	\$0	0.0%	\$100	1.0%	\$80	1.0%	\$58	0.7%
Plant Operation & Maintenance	\$741	9.2%	\$1,051	11.3%	\$957	9.8%	\$701	8.4%	\$860	9.8%
Pupil Transportation	\$418	5.2%	\$361	3.9%	\$485	5.0%	\$315	3.8%	\$369	4.2%
Central Support Services	\$107	1.3%	\$21	0.2%	\$97	1.0%	\$119	1.4%	\$78	0.9%
Non-Instructional Services Expenditures	\$11	0.1%	\$69	0.7%	\$69	0.7%	\$99	1.2%	\$77	0.9%
Extracurricular Activities Expenditures	\$121	1.5%	\$228	2.5%	\$136	1.4%	\$134	1.6%	\$158	1.8%
Total Governmental Fund Operational Expenditures	\$8,038	100.0%	\$9,289	100.0%	\$9,761	100.0%	\$8,327	100.0%	\$8,738	100.0%

Source: FY 2003-04 4502 Exhibit 2, and SF-3 reports

¹ This column represents a ratio of averages rather than an average of ratios; therefore there may be discrepancies between the averages of stated peer districts' funding per pupil ratios.

² Instructional expenditures are defined as activities directly dealing with the teaching of pupils or the interaction between teacher and pupil.

³ Support service expenditures are defined as services which provide administrative, technical, and logistical support to facilitate and enhance instruction, and to a lesser degree, community services

Data displayed in **Table 2-8**, was classified based on the Uniform School Accounting System (USAS). Comparing FY 2003-04 Governmental Fund operational expenditures, Fairborn CSD devoted a slightly lower percentage of its resources for governmental fund operation functions than the peer average. Specifically, Fairborn CSD's instructional expenditures were significantly lower for regular and special education. Fairborn CSD spent more per pupil in the following support service functions:

- **Pupil support services:** This category represents expenditures for counselors, health services, psychologists, and speech therapists. For FY 2005, the District reduced three nursing positions. Staffing and salary levels have a significant effect on this expenditure category and are assessed in the **human resources** section of this report.
- **Pupil transportation:** This category includes District vehicle operation, monitoring, and maintenance. For FY 2004-05, the District reduced 16 bus driver positions. The operations of the transportation department are assessed in the **transportation** section of this report.
- **Central support services:** This category includes payments for information and staff services, data processing services, and labor and agency coordination expenditures.

In comparison to the peers, Fairborn CSD allocates a greater percentage of its resources to functions such as guidance services, health services, psychological services, and administrative services. In contrast, on a percentage basis, the peer districts allocated a greater percentage of their resources for direct instructional functions which aide in the interaction between pupil and teacher. This may contribute to the higher performance index scores in peer districts.

R2.2 Fairborn CSD should reallocate expenditures from support services to direct student instruction and materials, particularly in the purchased services and supplies and materials categories. Although the District has recognized the need to reduce expenditures, administration officials should not sacrifice those supplies necessary to provide an effective education. Fairborn CSD should concentrate on reducing expenditures in the support service functions and on shifting revenues to areas that will enhance the quality of education students receive (e.g. instructional service functions).

Fairborn CSD reduced supply and material purchases by 52 percent in FY 2003-04 in an effort to reduce costs to the General Fund and minimize the operating deficit. **Table 2-9** shows the District's purchased service and supply and material expenditures for FY 2002-03 and FY 2003-04.

Table 2-9: Fairborn CSD Purchased Services and Materials and Supplies

Object Code		FY 2002-03	FY 2003-04	% Increase (Decrease)
PURCHASED SERVICES				
410	Prof. and Technical Services	\$415,918	\$236,704	(43%)
420	Property Services	\$658,931	\$556,155	(16%)
430	Mileage/Meeting Expense	\$148,524	\$40,759	(73%)
440	Communications	\$175,842	\$164,990	(6%)
450	Utilities	\$769,367	\$876,194	14%
460	Contract. Craft or Trade Service	\$34,811	\$24,479	(30%)
470	Tuition	\$615,018	\$924,654	50%
480	Pupil Transportation Services	\$23,632	\$27,309	16%
490	Other Purchased Services	\$0	\$9,693	0%
Total Purchased Services		\$2,842,043	\$2,860,937	1%
SUPPLIES AND MATERIALS				
510	General Supplies	\$713,094	\$119,712	(83%)
520	Textbooks	\$389,179	\$310,267	(20%)
530	Library Books	\$62,590	\$4,444	(93%)
540	Periodicals and Films	\$10,280	\$6,378	(38%)
560	Food & Related Supplies and Materials	\$0	\$0	0%
570	Maintenance and Repairs to Plant	\$474,619	\$255,954	(46%)
580	Maintenance and Repairs to Fleet	\$239,870	\$215,930	(10%)
590	Other Supplies & Materials	\$0	\$1,159	0%
Total Supplies and Materials		\$1,889,632	\$913,844	(52%)

Source: Fairborn CSD 4502 Statement P FY 2001-02, FY 2002-03, and FY 2003-04

As shown in **Table 2-9**, Fairborn CSD reduced expenditures in nearly every line-item, with the exception of utilities (14 percent increase), tuition (50 percent increase), and pupil transportation services (16 percent increase). The significant increase in tuition expenditures was the result of the reclassification of ESC payments, as well as, an increase in payments for District students attending community schools. As a result, total purchased services increased 1 percent from FY 2002-03 to FY 2003-04. Significant expenditure reductions in purchased services and supplies and materials include the following:

- **Contract craft or trade services:** reduced from \$34,811 in FY 2002-03 to \$24,479 in FY 2003-04, a decrease of 30 percent;
- **Mileage/meeting expenses:** reduced from \$148,524 in FY 2002-03 to \$40,759 in FY 2003-04, a decrease of 73 percent;
- **Professional and technical services:** decreased 43 percent, from \$415,918 to \$236,704, in FY 2003-04;
- **Library books:** almost completely eliminated, decreased 93 percent in FY 2003-04 to \$4,444;

- **General supplies:** decreased \$593,382 (83 percent) from FY 2002-03 to FY 2003-04; and
- **Maintenance and repairs to plant:** decreased from \$474,619 in FY 2002-03 to \$255,954 in FY 2003-04, a decrease of 46 percent.

As shown in **Table 2-9**, Fairborn CSD significantly reduced expenditures in textbook, library book, and periodical and film purchases- areas that directly affect the quality of education provided to students. The District should reallocate expenditures from support service areas to instructional areas and carefully consider the programmatic impact of reductions in these areas.

Forecast Assumptions

R2.3 Fairborn CSD's official five-year forecast should provide detailed, written assumptions that better explain the rationale behind the District's revenue and expenditure projections. All major line-items should be identified in the assumptions, and the reasoning behind individual line-item changes should be included. Although ODE's forecast template does not allow for a high level of detail due to technological constraints, the District should publish detailed forecast assumptions on its website. Allowing community access to this information will aid in educating constituents on the financial condition of the District.

Fairborn CSD's five-year forecast does not include adequate written assumptions for the following line-items:

- Real estate property taxes;
- Personal tangible property taxes;
- Personal services;
- Fringe benefits;
- Purchased services;
- Supplies and materials; and
- Capital outlay.

While the underlying projections of these line-items present a reasonable forecast and can be fully explained by the treasurer, the District's formal assumptions do not provide sufficient information to the forecast user to explain the reasoning behind the District's projected changes. It is insufficient to simply list the District's predicted percentage change in the line-item. The District must go beyond listing the total percentage change and explain why it expects this change to occur.

For example, the following is Fairborn CSD's assumption regarding expenditures for supplies and materials:

Supplies and materials decreased 51.64 percent in FY 2003-04 and are projected to increase 6.69 percent for FY 2004-05 and 12.82 percent in FY 2005-06. Supplies and materials is one area that the District has direct control over. As such, Fairborn CSD is purchasing only most needed items.

The assumption states the projected future change for total supply and material expenditures. However, there are several line-items in this expenditure category, such as general supplies, textbooks, library books, and newspapers and periodicals (see **Table 2-9**). The District's forecast should identify these individual line-items in the assumption, including specific changes the District can reasonably project. Providing more detailed assumptions to support individual line-items will enable internal and external stakeholders to better understand the financial conditions impacting the District. In addition, by posting the forecast and accompanying assumptions to its website, the District can continue to educate the public concerning its financial reporting.

R2.4 Fairborn CSD should include a more detailed assumption for personal services expenditures. The District should present an assumption that outlines all components, or line-items, for personal services expenditures, and should include Fairborn CSD's projections for change and the accompanying reasoning to explain why these changes are expected to occur. Fairborn CSD should consider using the revised forecast expenditures presented in Table 2-11 and the accompanying assumptions and methodology.

Similar to supplies and materials, Fairborn CSD does not include line-by-line detail of personal services expenditures in its forecast assumptions. Because this cost category comprises a relatively high percentage of the District's expenditures, detailed projections and accompanying notes are essential to ensure accuracy. Not formally stated in the text of the assumption is the District's forecast on supplemental contracts, severance pay, and overtime expenditures. **Table 2-10** displays Fairborn CSD's historical expenditures for employee personal services.

Table 2-10: Fairborn CSD Historical Personal Services Expenditures

	FY 2001-02	FY 2002-03	% Change	FY 2003-04	% Change	3-year change
Certificated Salaries & Wages	\$17,159,101	\$17,996,370	4.9%	\$17,785,988	(1.2%)	1.8%
Certificated Leave Benefits	\$851,262	\$941,978	10.7%	\$1,450,418	54.0%	30.5%
Certificated Other Compensation	\$192,904	\$492,205	155.2%	\$0	(100.0%)	(100.0%)
Classified Salaries & Wages	\$4,452,710	\$4,573,013	2.7%	\$3,990,034	(12.7%)	(5.3%)
Classified Leave Benefits	\$523,685	\$613,923	17.2%	\$643,174	4.8%	10.8%
Classified Other Compensation	\$4,014	\$68,963	1618.1%	\$0	(100.0%)	(100.0%)
Other Wages and Salaries	\$11,818	\$28,379	140.1%	\$21,025	(25.9%)	33.4%
Total	\$23,195,494	\$24,714,831	6.6%	\$23,890,639	(3.3%)	1.5%

Source: Fairborn CSD 4502 Statement P

As displayed in **Table 2-10**, personal services increased an average of 1.5 percent annually from FY 2001-02 to FY 2003-04. However, the District's forecast does not include detailed written assumptions for its projections for supplemental contracts, severance pay, and overtime expenditures. The District should include these components in its forecast assumptions as they are an integral part of total personal services and can have a significant effect on annual changes in personal services. **Table 2-11** shows revised projections for the forecast period based on more detailed projections.

Table 2-11: Revised Salaries and Wages Expenditures

	FY 2004-05	% Change	FY 2005-06	% Change	FY 2006-07	% Change	FY 2007-08	% Change	FY 2008-09	% Change
Certificated Salaries & Wages	\$17,978,028	1.1%	\$18,827,911	4.7%	\$19,401,735	3.0%	\$20,056,668	3.4%	\$20,747,853	3.4%
Certificated Leave Benefits	\$1,466,373	1.1%	\$1,535,693	4.7%	\$1,582,497	3.0%	\$1,635,916	3.4%	\$1,692,293	3.4%
Classified Salaries & Wages	\$3,665,772	(8.1%)	\$3,741,342	2.1%	\$3,810,109	1.8%	\$3,950,777	3.7%	\$4,070,965	3.0%
Classified Leave Benefits	\$592,575	(8.1%)	\$596,139	0.6%	\$608,435	2.1%	\$625,807	2.9%	\$643,022	2.8%
Other Wages and Salaries	\$32,600	55.1%	\$32,600	0.0%	\$32,600	0.0%	\$32,600	0.0%	\$32,600	0.0%
AOS Revised Total	\$23,735,348	(0.5%)	\$24,733,685	4.2%	\$25,435,376	2.8%	\$26,301,768	3.4%	\$27,186,733	3.4%
District Projection	\$22,375,000	(5.3%)	\$23,141,405	3.4%	\$24,141,405	4.3%	\$25,141,405	4.1%	\$26,141,405	4.0%
Net Impact on Fund Balance	(\$1,360,348)		(\$1,592,280)		(\$1,293,971)		(\$1,160,363)		(\$1,045,328)	

Source: District information and AOS projections

The expenditures projected by AOS in **Table 2-11** were formulated by creating detailed assumptions in the following personal service expenditure categories:

- Certificated salaries and wages;
- Certificated leave benefits;
- Classified salaries and wages;
- Classified leave benefits; and
- Other salaries and wages.

Appendix A details these personal service category assumptions and illustrates the calculations used to formulate the projections. By using more detailed assumptions and projecting major cost categories by their component line-items, Fairborn CSD can ensure greater accuracy in its forecast, particularly in later years.

R2.5 Fairborn CSD should include a more detailed assumption for fringe benefit expenditures. The District should present an assumption that outlines all component line-items of the fringe benefits cost category. The assumption should include a projection of changes in the components of fringe benefits and explain why the District expects these changes to occur. The District should consider using the revised projection shown in Table 2-13.

Similar to the issues discussed in **R2.3** and **R2.4**, Fairborn CSD's assumptions regarding the fringe benefits cost category do not provide sufficient detail. Not formally stated in the text of the assumption is the District's forecast for benefit expenditures beyond FY 2004-05. **Table 2-12** displays Fairborn CSD's historical expenditures for fringe benefits. The last column of the table displays the average annual growth rate from FY 2000-01 to FY 2002-03.

Table 2-12: Historical Fringe Benefit Expenditures

	FY 2000-01	FY 2001-02	% Change	FY 2002-03	% Change	3-Year Change
Retirement – Certificated	\$2,864,250	\$2,776,514	(3.1%)	\$2,976,152	7.2%	1.9%
Retirement – Classified	\$806,514	\$877,536	8.8%	\$862,300	(1.7%)	3.4%
Employee Reimbursement & Other Benefits	\$132,054	\$160,329	21.4%	\$171,675	7.1%	14.0%
Insurance Benefits – Certificated	\$2,479,977	\$3,619,589	46.0%	\$2,886,334	(20.3%)	7.9%
Insurance Benefits – Classified	\$504,815	\$586,428	16.2%	\$960,291	63.8%	37.9%
Worker's Compensation	\$83,114	\$206,886	148.9%	\$347,083	67.8%	104.4%
Unemployment Compensation	\$1,183	\$2,682	126.7%	\$74,446	2675.8%	693.3%
Total	\$6,871,907	\$8,229,964	19.8%	\$8,278,281	0.6%	9.8%

Source: Fairborn CSD 4502 Statement P

As shown in **Table 2-12**, Fairborn CSD's fringe benefit expenditures increased at an average annual rate of 9.8 percent from FY 2000-01 to FY 2002-03. This rate of growth may be higher than indicated based on the increases for individual items in this category.

The District should itemize all fringe benefit components in its forecast assumptions as they are an integral part of total fringe benefit expenditures and can have a significant effect on the overall annual change in fringe benefits. Fairborn CSD should consider using the fringe benefit projections presented in **Table 2-13** and the accompanying assumptions and methodology. In addition, **Table 2-13** includes the District's fringe benefits projections for the forecast period and shows the resulting impact on fund balances.

Table 2-13: Revised Fringe Benefit Projections

	FY 2004-05	% Change	FY 2005-06	% Change	FY 2006-07	% Change	FY 2007-08	% Change	FY 2008-09	% Change
Retirement – Certificated	2,704,626	(9.1%)	2,822,701	4.4%	2,905,622	2.9%	3,002,734	3.3%	3,106,910	3.5%
Retirement – Classified	473,855	(45.1%)	483,754	2.1%	492,342.54	1.8%	510,367.42	3.7%	526,042.74	3.1%
Employee Reimbursement & Other Benefits	180,000	4.8%	201,600	12.0%	225,792	12.0%	252,887	12.0%	283,233	12.0%
Insurance Benefits – Certificated	2,666,680	(7.61%)	3,023,641	13.4%	3,439,754	13.8%	3,915,175	13.8%	4,460,944	13.9%
Insurance Benefits – Classified	888,835	(7.4%)	1,014,754	14.2%	1,157,098	14.0%	1,322,285	14.3%	1,512,013	14.3%
Worker’s Compensation	650,000	87.3%	650,000	0.0%	650,000	0.0%	650,000	0.0%	650,000	0.0%
Unemployment Compensation	700,000	840.3%	75,000	(89.3%)	75,000	0.0%	75,000	0.0%	75,000	0.0%
AOS Revised Total	8,263,996	(0.2%)	8,271,450	0.1%	8,945,608	8.2%	9,728,448	8.8%	10,614,143	9.1%
District Total	8,462,496	(9.1%)	8,404,605	4.4%	9,614,605	2.9%	11,050,555	3.3%	12,701,898	3.5%
Impact on Fund Balance	198,500		133,155		668,997		1,322,107		2,087,755	

Source: District information and AOS projections

The expenditures presented in **Table 2-13** are based on the following assumptions:

- Certificated and Classified Retirement:** Certificated and classified retirement expenditures include retirement contributions to STRS and SERS. It is assumed that there will be a continuation of the current 14 percent employer contributions for both STRS (certificated) and SERS (classified) during each year of the projections, as well as a 10 percent pick-up (employee’s share), and pick-up on the pick-up, on the retirement contribution for certain administrative employees paid by the District. FY 2004-05 reflects the District’s reduction in staffing.
- Employee Reimbursement:** Employee reimbursement represents payments made to qualifying employees for the reimbursement of tuition, and Board and moving expenses. This line-item has been projected to increase at the rate of 12 percent, slightly lower than the historical rate of 14 percent.
- Certificated and Classified Insurance Benefits:** Health and dental insurance rates are projected to increase at an annual rate of 15 percent, based on the State Employee Relations Board’s (SERB) annual report on health care costs and historical increases. Life insurance expenditure projections are based on the three-year historical average due to the significant volatility that has occurred in this line-item. In addition, Medicare has been projected using the historical ratio of 1.45 percent which will result in the same rate of change as those that occur in the salaries and wages line-item.
- Worker’s Compensation:** The District has projected worker’s compensation expenditures of \$650,000. Due to the seemingly inconsistent nature of this line-item, worker’s compensation has been projected to remain constant for the

forecast period to reflect the recent bad experience rating (see **human resources** section).

- **Unemployment:** Fairborn CSD has projected unemployment at \$700,000, due to the District's reductions in staffing for FY 2004-05. For FY 2005-06 through FY 2008-09, unemployment is projected to return to the FY 2003-04 level of \$75,000.

Using the methodology detailed above and including line-by-line projections of this category in its forecast will help Fairborn CSD better prepare for future financial conditions. A high degree of accuracy is important for districts like Fairborn CSD which are experiencing difficult financial circumstances.

R2.6 Fairborn CSD should include a more detailed assumption for projected purchased service expenditures. The District should present an assumption that outlines all components of the purchased services forecast. The assumption should include a projection of line-item changes for purchased services and explanations concerning why the District expects these changes to occur. The District should consider using the projections and methodologies outlined in Table 2-15.

The assumption included in Fairborn CSD's forecast for purchased service expenditures does not provide sufficient detail. For example, the District is projecting total purchased services to increase significantly in FY 2004-05 and FY 2005-06, but does not present any supporting detail to explain why expenditures will increase. **Table 2-14** shows the historical purchased service expenditures for FY 2001-02 through FY 2003-04.

Table 2-14: Historical Purchased Service Expenditures

	FY 2001-02	FY 2002-03	% Change	FY 2003-04	% Change	3 Year Change
Professional & Technical Services	\$370,288	\$415,918	12.3%	\$236,704	(43.1%)	(20.0%)
Property Services	\$837,674	\$658,931	(21.3%)	\$556,155	(15.6%)	(18.5%)
Travel Mileage/Meeting Expense	\$178,183	\$148,524	(16.6%)	\$40,759	(72.6%)	(52.2%)
Communications	\$131,115	\$175,842	34.1%	\$164,990	(6.2%)	12.2%
Utilities	\$575,569	\$769,367	33.7%	\$876,192	13.9%	23.4%
Contracted Craft or Trade	\$41,934	\$34,811	(17.0%)	\$24,479	(29.7%)	(23.6%)
Tuition	\$454,199	\$615,018	35.4%	\$924,654	50.3%	42.7%
Pupil Transportation Services	\$29,505	\$23,632	(19.9%)	\$27,309	15.6%	(3.8%)
Other Purchased Services	0	0	N/A	\$9,693	N/A	N/A
Total	\$2,618,467	\$2,842,043	8.5%	\$2,860,935	0.7%	4.5%

Source: Fairborn CSD 4502 Statement P

As shown in **Table 2-14**, the District's historical purchased services expenditures have increased at an average annual rate of 4.5 percent. This level is not comparable to the rates used in the forecast. Fairborn CSD should consider using the purchased service expenditures presented in **Table 2-15**, as well as the accompanying assumptions and methodology. In addition, **Table 2-15** includes the District's purchased services projections and the resulting difference.

Table 2-15: Revised Purchased Services Expenditures

	FY 2004-05	% Change	FY 2005-06	% Change	FY 2006-07	% Change	FY 2007-08	% Change	FY 2008-09	% Change
Professional & Technical Services	\$291,130	23.0%	\$298,062	2.4%	\$306,643	2.9%	\$315,626	2.9%	\$325,038	3.0%
Property Services	\$630,211	13.3%	\$649,117	3.0%	\$668,591	3.0%	\$688,649	3.0%	\$709,308	3.0%
Travel Mileage/Meeting Expense	\$41,000	0.6%	\$41,000	0.0%	\$41,000	0.0%	\$41,000	0.0%	\$41,000	0.0%
Communications	\$185,079	12.2%	\$207,288	12.0%	\$232,163	12.0%	\$260,023	12.0%	\$291,225	12.0%
Utilities	\$909,003	3.7%	\$943,165	3.8%	\$978,747	3.8%	\$1,015,809	3.8%	\$1,054,428	3.8%
Contracted Craft or Trade	\$33,741	37.8%	\$34,754	3.0%	\$35,796	3.0%	\$36,870	3.0%	\$37,976	3.0%
Tuition	\$1,575,264	70.4%	\$1,764,296	12.0%	\$1,976,011	12.0%	\$2,213,133	12.0%	\$2,478,708	12.0%
Pupil Transportation Services	\$43,255	58.4%	\$43,255	0.0%	\$43,255	0.0%	\$43,255	0.0%	\$43,255	0.0%
Other Purchased Services	\$10,000	3.2%	\$10,300	3.0%	\$10,609	3.0%	\$10,927	3.0%	\$11,255	3.0%
AOS Revised Total	\$3,718,683	30.0%	\$3,991,237	7.3%	\$4,292,815	7.6%	\$4,625,291	7.7%	\$4,992,194	7.9%
District Total	\$4,178,749	29.4%	\$4,400,000	9.2%	\$4,600,000	10.2%	\$4,800,000	7.8%	\$5,280,000	10.0%
Net Impact on Fund Balance	\$460,066		\$408,763		\$307,185		\$174,709		\$287,806	

Source: District information and AOS projections

The purchased services expenditures outlined in **Table 2-15** are based on the following assumptions:

- **Professional & Technical Services:** These expenditures are projected to increase 23 percent in FY 2004-05, due primarily to an increase in superintendent management services and a projected increase in legal fees. For FY 2005-06 through FY 2008-09, legal and instructional fees are projected to remain flat, while all other components of this line-item are projected to increase at an average annual rate of 3 percent to adjust for inflation.
- **Property Services:** Property service expenditures are projected to increase 13.3 percent in FY 2004-05 due to a 26 percent increase in property repairs. This line-item is projected to increase at an annual rate of 3 percent throughout the remainder of the forecast period.
- **Travel Mileage/Meeting Expense:** In an effort to decrease overall discretionary spending, Fairborn CSD was able to reduce mileage and meeting expenditures 72 percent in FY 2003-04. In order to restore fiscal stability to the District, Fairborn CSD must be able to sustain these spending reductions. The District cannot revert to its former spending levels. Therefore, Fairborn CSD should strive to maintain the reduced level of mileage and meeting expenses that were achieved in FY 2003-04. As a result, this-line item is projected to remain constant for the forecast period.
- **Communications:** Communications expenditures represent payments made for telephone, postage, and advertising. This line-item has historically increased at a rate of 12 percent and is projected to continue this trend for the forecast period.
- **Utilities:** Expenditures for utilities consist of payments made for electric, water, natural gas, and oil. The Department of Energy's 2005 Annual Energy Outlook (Early Release) expects natural gas, electricity, and oil costs to increase significantly until 2010. As a result, for the forecast period, electric and water are projected to increase by 3 percent annually. In addition, natural gas expenditures have been forecasted to increase 5 percent annually and oil has been projected to increase at an annual rate of 10 percent annually in order to take into consideration the potential volatility due to a bulk of oil being imported.
- **Contracted Craft or Trade:** Contracted craft or trade expenditures represent payments made for the printing of public information. These expenditures have been projected to increase to \$33,741 in FY 2004-05 and increase 3 percent for inflation for each year thereafter.

- **Tuition:** Tuition expenditures represent payments made for students living within Fairborn CSD that attend other school districts. This line-item is projected to increase approximately 70 percent due to the District including ESC payments in other expenditures instead of tuition expenditures, which is how the District classified ESC payments prior to FY 2004-05. In FY 2004-05, tuition expenditures are projected to increase approximately \$800,000 due to this change in classification. Future tuition payments are projected to increase by 12 percent annually, based on historical increases in this line-item (reclassifying \$892,000 of tuition expenditures in FY 2001-02, \$717,000 in FY 2002-03, and \$766,000 in FY 2003-04).
- **Transportation Services:** Fairborn CSD has appropriated \$42,255 for transportation services in FY 2004-05, a 58 percent increase from FY 2003-04 levels due to an increase in payments for transportation from other sources. Transportation services represent payments in lieu of District-provided transportation, as well as, special education transportation provided to the Montgomery County ESC. For FY 2005-06 through FY 2008-09, this line-item has been forecasted to remain flat due to its historical volatility.
- **Other Purchased Services:** Other purchased services have been projected to remain flat at the FY 2003-04 level of \$10,000. Although Fairborn CSD has not historically experienced large expenditures in this line-item, the \$10,000 annual projection represents a contingency for any unforeseen circumstances or forecasting miscalculations.

Using the methodology detailed above, and including line-by-line projections of this category in its forecast, will help Fairborn CSD better anticipate future financial conditions and ensure that discretionary expenditures do not balloon to prior years' levels. Likewise, it will help the District monitor spending in areas related to student instruction in this category.

R2.7 Fairborn CSD should include more detailed assumptions for the supply and material expenditures in its forecast. The assumption should include Fairborn CSD's projection of line-item changes for supplies and materials, as well as any reasons the District expects these changes to occur. The treasurer has stated that \$1.3 million (which is part of the District's levy proposal) would be appropriated for general supplies, text books, and library books if the levy passes. This should be outlined in the District's assumptions or what-if scenarios. The District should consider using the revised projections shown in Table 2-17 and 2-18 in its forecast to increase detail and accuracy and to ensure it meets set-aside requirements for Textbooks and Instructional Materials.

The assumption included in Fairborn CSD's forecast does not provide sufficient detail to explain why the District expects supply and material expenditures to change as projected. For example, the District is projecting total supplies and materials expenditures to increase significantly in FY 2005-06 and FY 2006-07, but does not present any supporting detail on why expenditures will increase. **Table 2-16** displays the District's historical expenditures for supplies and materials.

Table 2-16: Historical Supplies and Materials Expenditures

	FY 2001-02	FY 2002-03	% Change	FY 2003-04	% Change	3 year change
General Supplies	\$399,623	\$713,094	78.4%	\$119,712	(83.2%)	(45.3%)
Textbooks	\$385,935	\$389,179	0.8%	\$310,267	(20.3%)	(10.3%)
Library Books	\$36,178	\$62,590	73.0%	\$4,444	(92.9%)	(65.0%)
Newspapers, Periodicals, Films	\$28,205	\$10,280	(63.6%)	\$6,378	(38.0%)	(52.4%)
Operation, Maintenance Repair to Plant	\$416,575	\$474,619	13.9%	\$255,954	(46.1%)	(21.6%)
Operation, Maintenance Repair to Motor	\$196,723	\$239,870	21.9%	\$215,930	(10.0%)	4.8%
Other Supplies & Materials	\$0	\$0	N/A	\$1,159	100%	N/A
Total	\$1,463,239	\$1,889,632	29.1%	\$913,844	(51.6%)	(21.0%)

Source: Fairborn CSD 4502 Statement P

As shown in **Table 2-16**, Fairborn CSD has reduced supply and material expenditures in nearly every line-item from FY 2001-02 to FY 2003-04. However, the District should consider using supply and material expenditures presented in **Table 2-17**, as well as, the accompanying assumptions and methodology, to complete future projections. **Table 2-17** includes the District's supply and material projections and the resulting difference.

Table 2-17: Revised Supplies and Materials Expenditure Projections

	FY 2004-05	% Change	FY 2005-06	% Change	FY 2006-07	% Change	FY 2007-08	% Change	FY 2008-09	% Change
General Supplies ¹	\$323,805	170.5%	\$333,519	3.0%	\$343,525	3.0%	\$353,830	3.0%	\$364,445	3.0%
Textbooks	\$250,350	(19.3%)	\$257,861	3.0%	\$265,596	3.0%	\$273,564	3.0%	\$281,771	3.0%
Library Books & Supplies	\$10,000	125.0%	\$10,300	3.0%	\$10,609	3.0%	\$10,927	3.0%	\$11,255	3.0%
Newspapers	\$9,150	43.5%	\$9,425	3.0%	\$9,707	3.0%	\$9,998	3.0%	\$10,298	3.0%
Operation, Maintenance Repair to Plant	\$217,500	0.7%	\$224,025	3.0%	\$230,746	3.0%	\$237,668	3.0%	\$244,798	3.0%
Operation, Maintenance Repair to Motor	\$13,650	1077.7%	\$14,060	3.0%	\$14,481	3.0%	\$14,916	3.0%	\$15,363	3.0%
AOS Revised										
Total	\$1,088,088	19.1%	\$1,120,731	3.0%	\$1,154,353	3.0%	\$1,188,983	3.0%	\$1,224,653	3.0%
District Total	\$975,000	0.10%	\$1,100,000	20.50%	\$1,215,000	20.40%	\$1,515,000	7.10%	\$1,665,000	9.90%
Difference	(\$113,088)		(\$20,731)		\$60,647		\$326,017		\$440,347	

Source: District information and AOS projections

¹General Supplies contains only instructional supplies.

Line-items for supply and material expenditures are based on the following assumptions:

- **General Supplies:** General supply expenditures were reduced to minimal levels in FY 2003-04 in an effort to reduce the District's impending operating deficit. General supplies are forecasted to increase at an inflationary rate of 3 percent from the base level established in FY 2003-04.
- **Textbooks, Library Books and Supplies:** Expenditures for textbooks, library books and supplies, newspapers, periodicals, and films are projected to increase at an inflationary rate of 3 percent from FY 2003-04 levels. However, instructional supply spending is governed by ORC § 3315.17 which sets minimums for school districts. Therefore, the difference between what the District spends on instructional supplies and what is stipulated in by ORC § 3315.17 must be recorded in a reserve fund for future use.
- **Operation, Maintenance Repair to Plant and Motor:** Operation, maintenance, repair to plant and motor expenditures are projected to increase 3 percent per year to compensate for inflation. Due to historical fluctuations in the maintenance, repair to motor line-item, however, the base amount projected for FY 2004-05 was established using the average of three prior years of expenditures, plus an additional inflationary adjustment of 3 percent.

Table 2-18 displays set-aside calculations using the projected instructional expenditures presented in **Table 2-17**.

Table 2-18: Textbook and Instructional Materials Set-Asides Calculation

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Projected ADM	4,952	4,848	4,746	4,646	4,548
Projected Per Pupil Funding	\$5,058	\$5,169	\$5,283	\$5,399	\$5,518
Projected Formula Amount	\$25,047,216	\$25,060,650	\$25,073,118	\$25,084,804	\$25,095,905
3% of Formula Amount	\$751,416	\$751,820	\$752,194	\$752,544	\$752,877
General Supplies¹	\$323,805	\$333,519	\$343,525	\$353,830	\$364,445
Textbooks	\$250,350	\$257,861	\$265,596	\$273,564	\$281,771
Library Books and Supplies	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Newspapers and Periodicals	\$9,150	\$9,425	\$9,707	\$9,998	\$10,298
Projected Instructional Spending	\$593,305	\$611,105	\$629,437	\$648,319	\$667,769
Set-Aside Needed	(\$158,111)	(\$140,715)	(\$122,757)	(\$104,225)	(\$85,108)
Carryover	(\$158,111)	(\$298,826)	(\$421,583)	(\$525,808)	(\$610,916)

Source: District information and AOS projections

Note: District projections for the 3 percent set-aside may vary as they use ODE calculations and do not perform these calculations in house.

¹General Supplies contains only instructional supplies.

As shown in **Table 2-18**, Fairborn CSD will need to fund a set-aside reserve for future expenditures because instructional spending will fall short of the spending requirements. Increasing the detail in the supplies and materials category will help the District better anticipate required expenditures and budget for them in lean financial times. This carryover amount is included in the Financial Recovery Plan shown in **Table 2-19** in place of the District's projection.

Financial Reporting

R2.8 Fairborn CSD should form a financial advisory committee. The committee should specifically focus its collective expertise on the area of financial planning and should be responsible for developing and implementing a framework for integration of the strategic plan, the five-year forecast, and the annual budget. In addition, the District should form an audit committee to provide the District with more effective operations through improved oversight of current financial conditions, as well as helping the District more effectively plan for future operations.

During the course of this audit, the District began taking steps to implement an audit committee. At the March 14' 2005 Board meeting, the District voted on a resolution to approve the audit committee candidates.

Fairborn CSD's Board has not created a finance or audit committee. As a result, the District has been unable to effectively plan for changes in the economy which affect local revenues and the local job market, or garner strong community support for its programs. An effectively formulated financial advisory committee could improve the District's ability to develop effective working relationships among businesses, labor organizations, and educational personnel in the District.

A financial advisory committee serves as a resource to the Board on issues of financial planning and management. The committee should be formed of individuals within the community with expertise in the area of finance, auditing, strategic planning, or law. The financial advisory committee can assist the Board in formulating future financial plans (e.g. evaluating the forecast) and resolving budget issues (e.g. tailoring expenditures to meet expected revenues). The collective expertise of the financial advisory committee would also relieve some of this responsibility directly from Board members and allow the committee to provide the Board with solutions or alternatives to critical financial problems.

The primary functions of a District's audit committee is to monitor and review its accounting and financial reporting practices, serve as a liaison between the Board and its auditors, and ensure that internal control and compliance issues identified in the audit are promptly and successfully resolved. An audit committee is formed primarily in an effort to correct any past and future audit findings. An effective audit committee requires that the treasurer or other school administrator provide evidence to show how audit issues are resolved and document, if necessary, any corrective action taken. Each year, the audit committee should be used as a tool to increase the integrity of financial reporting and overall accountability.

Fairborn CSD should begin implementation of these committees to support District initiatives and provide a different perspective in problem-solving and decision-making. The District should use its financial advisory committee to assist in identifying and implementing cost-cutting strategies. Likewise, Fairborn CSD should use its audit committee to ensure that accounting and internal control problems are promptly resolved so that it is not left vulnerable as a result of poor practices. In the past, the absence of an audit committee at Fairborn CSD has left the District with no group or individual specifically responsible for the resolution of audit findings other than the District treasurer.

R2.9 In an effort to improve internal controls and resolve budgetary compliance issues, policies and procedures should be developed for the recommended financial advisory and audit committees (see R2.8) and submitted to the Board for approval. Board-approved policies and procedures will help to ensure that these committees effectively address issues identified by external auditors in a manner consistent with Board expectations.

Similarly, Fairborn CSD should strictly adhere to internal control procedures with particular emphasis on segregation of duties and review procedures.

Prior to the FY 2002-03 financial audit, only one reportable condition was found by the independent auditor. The FY 2001-02 and FY 2002-03 financial audits cite the following:

- **Findings and Questioned Costs for Federal Awards – June 30, 2002:** The District did not file final reports with ODE in a timely manner. Late filing will result in a delay of payments to the District. However, for deobligated grants, late filing may result in a loss of funds.

In contrast to the prior three years' audits, the FY 2002-03 AOS Financial Audit includes a qualified opinion due to lack of sufficient documentation supporting the transactions for the Self-Insurance and Food Service funds. In addition the audit includes 38 material findings, including 8 findings for recovery that totaled approximately \$27,000, of which close to \$15,000 involved over-compensation. There were 3 findings for adjustment that required the General fund to repay a net amount of \$8,100 to other funds. It should be noted that in FY 2002-03, the District operated without a treasurer for a nine month period. Among the findings were the following major citations that were reported for the first time:

- **Non-compliance with ORC FY 2002-03:** The District did not comply with the following ORC requirements:
 - ORC § 117.38 requires that each public office file a financial report with AOS for each fiscal year. The District failed to file the required annual financial report by the required date and did not publish the notice of its availability for review.
 - ORC § 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

- ORC § 117.2.03 requires that a school district prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).
- ORC § 149.351 indicates that money paid into a fund must be used only for the purposes for which such fund has been established.
- ORC § 5705.36 A(2) requires the District to obtain an amended certificate of estimated resources when it determines that estimated receipts will exceed actual receipts.
- ORC § 5705.38 states that on or about the first day of each year, the taxing authority of each subdivision shall pass on an appropriation measure.
- ORC § 5705.41 states that a political subdivision shall not expend funds until they have been appropriated.

The financial audits also contained several recommendations to amend District practices:

- **Voided Checks:** The District has a check policy indicating checks are voided if not cashed within ninety days. Failure to void checks prior to reissuing could result in a duplication of expenditures without timely detection by management. The District should ensure checks are voided prior to new checks being issued.
- **Record of Proceedings:** Board minutes did not reflect all significant financial activity of the Board. Failure to properly record all financially significant Board activity could result in expenditures being incurred without Board approval.
- **Board Approval of Appropriations:** The Board approves an annual appropriation measure; however it does not indicate in the minutes or in a policy, the level at which the appropriation measure is passed. Failure to establish a reporting level for appropriations could result in expenditures without proper approval and could also result in confusion as to the legal level of control. The Board should indicate in the minutes or in a policy the legal level of budgetary control for the District.

In October 2004, a Special Audit was released on Fairborn CSD. The Special Audit was conducted to determine if fraud or theft had occurred in the District. Several of the Special Audit findings are listed below. Many of the following findings resulted from poor oversight and internal controls within the District under its prior administration:

- The former superintendent and former treasurer were over-compensated in annual salary, severance pay, membership reimbursement, moving expenses and investment incentive. Several fraudulent payments were made by changing the bi-weekly rate of the superintendent. These written payments were not approved by the Board, nor were they in compliance with the superintendent's employment contract. These incorrect payments, totaled approximately \$22,000, and should have been identified and stopped through the District's internal control procedures.
- The District was found to be noncompliant in reporting some income to the Internal Revenue Service (IRS).
- The Board failed to approve limits on the use of the District's petty cash funds which resulted in a finding for recovery.
- The District did not have an updated travel expense policy which resulted in a finding for recovery.
- The District did not comply with ORC § 3313.372 (E) which states, in part, that no school district board shall enter into an installment payment contract unless it first obtains a report on of the cost of energy conservation measures.
- Noncompliance citations were issued for failure to maintain documentation in accordance with the District's records retention schedule and failure to encumber funds prior to the invoice date concerning the District's self-insurance contract.

In addition to the above, the financial audit report contains other compliance issues, recommendations and several material weaknesses that were identified during the course of the audit.

Financial Recovery Plan

R2.10 Fairborn CSD should analyze and use the financial recovery plan outlined in Table 2-19 to evaluate the recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should consider implementing the recommendations in this performance audit along with other district initiated reductions to enable it to rectify its current financial operating deficit and avoid future financial difficulties. In addition, Fairborn CSD should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.

Fairborn CSD's forecast, presented in **Table 2-1**, projects a cash fund deficit at the end of FY 2004-05. The deficit is projected to reach \$39 million by FY 2008-09. **Table 2-19** presents a potential financial recovery plan for management to use as a planning tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. Additionally, **Table 2-19** includes the revised projections outlined in **R2.3** through **R2.7** to present a more appropriate forecast of these items.

For Fairborn CSD to maintain an acceptable level of financial stability, it will need to continue to make difficult management decisions regarding potential means for increasing revenue and reducing expenditures. This performance audit provides a series of recommendations Fairborn CSD should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan such as the need to consider revenues enhancements such as operating, emergency, or district income tax levies.

Based on the financial recovery plan and the impact of performance audit recommendations (shown in **Tables 2-19** and **2-21**), the District will be unable to regain financial stability without additional revenue, particularly since staffing levels have been reduced to State minimums.

The District placed a 12.3 mill levy on the November 2004 ballot which failed. It is discussing the placement of another levy on the November 2005 ballot but the amount has not yet been determined. A 12.3 mill levy would generate approximately \$6.9 million in additional revenues. Delaying additional attempts to pass the levy will, however, prolong the District's deficit condition. **Table 2-19** shows the effect of a 12.3 mill levy assuming passage in 2005.

Table 2-19: Proposed Financial Recovery Plan (in 000's)

	Actual FY 01-02	Actual FY 02-03	Actual FY 03-04	Forecast FY 04-05	Forecast FY 05-06	Forecast FY 06-07	Forecast FY 07-08	Forecast FY 08-09
Revenues								
General Property Tax	\$9,170	\$9,466	\$10,177	\$10,401	\$10,663	\$11,160	\$11,405	\$11,655
Tangible Property Tax	\$1,935	\$1,556	\$1,669	\$1,500	\$1,300	\$1,100	\$900	\$800
Income Tax	\$2,558	\$2,469	\$2,586	\$2,750	\$2,820	\$2,890	\$2,965	\$3,042
Unrestricted Grants-in-Aid	\$18,485	\$18,348	\$18,126	\$18,369	\$16,399	\$15,459	\$14,849	\$14,349
Restricted Grants-in-Aid	\$607	\$978	\$1,187	\$126	\$126	\$126	\$126	\$126
Property Tax Allocation	\$1,224	\$1,158	\$871	\$1,262	\$1,293	\$1,354	\$1,383	\$1,383
All Other Revenues	\$3,440	\$2,730	\$2,289	\$2,336	\$2,326	\$2,316	\$2,306	\$2,296
Total Revenues	\$37,419	\$36,705	\$36,905	\$36,744	\$34,927	\$34,405	\$33,934	\$33,651
Expenditures								
Revised Personal Services	\$23,195	\$24,715	\$23,950 ¹	\$23,735	\$24,734	\$25,435	\$26,302	\$27,187
Revised Benefits	\$6,872	\$8,230	\$8,300 ¹	\$8,264	\$8,271	\$8,945	\$9,728	\$10,614
Revised Purchased Services	\$2,618	\$2,842	\$2,861	\$3,719	\$3,991	\$4,293	\$4,625	\$4,992
Revised Supplies and Materials	\$1,463	\$1,890	\$916	\$1,088	\$1,121	\$1,154	\$1,189	\$1,225
Capital Outlay	\$391	\$780	\$133	\$180	\$180	\$664	\$730	\$810
Debt Service:								
Principal Retirement - Notes	\$90	\$95	\$100	\$100	\$105	\$110	\$115	\$120
Principal - HB 264 Loans	\$136	\$233	\$276	\$281	\$286	\$174	\$140	\$145
Interest	\$110	\$125	\$112	\$97	\$80	\$64	\$54	\$40
Other Objects	\$1,365	\$1,183	\$1,382	\$565	\$640	\$715	\$790	\$865
Total Expenditures (Including Revisions)	\$36,240	\$40,093	\$38,030	\$38,029	\$39,408	\$41,554	\$43,673	\$45,998
Other Financing Sources/Uses								
Advances - In/(Out)	\$0	(\$125)	\$47	\$0	\$0	\$0	\$0	\$0
Operating Transfers-In/(Out)	(\$418)	\$114	(\$755)	(\$510)	(\$550)	(\$600)	(\$650)	(\$700)
Other Financing Sources	\$1	\$134	\$29	\$50	\$50	\$50	\$50	\$50
Net Other Financing Sources	(\$417)	\$123	(\$679)	(\$460)	(\$500)	(\$550)	(\$600)	(\$650)
Revised Results of Operations	\$762	(\$3,265)	(\$1,804)	(\$1,745)	(\$4,981)	(\$7,699)	(\$10,339)	(\$12,997)
Beginning Cash Balance	\$5,930	\$6,692	\$3,427	\$1,623	(\$122)	(\$5,103)	(\$12,802)	(\$23,141)
Revised Ending Cash Balance	\$6,692	\$3,427	\$1,623	(\$122)	(\$5,103)	(\$12,802)	(\$23,141)	(\$36,138)
Encumbrances	\$1,260	\$1,062	\$799	\$800	\$800	\$800	\$800	\$800
Revised Textbook Reserves				\$158	\$141	\$123	\$104	\$85
Budget Reserve	\$628	\$628						
DPIA			\$99	\$62	\$59	\$56	\$52	\$49
Debt Service	\$601	\$462	\$278	\$107	\$111	\$228	\$264	\$264
Revised Ending Fund Balance	\$4,203	\$1,275	\$447	(\$1,249)	(\$6,214)	(\$14,009)	(\$24,361)	(\$37,336)
Cumulative Net Effect of AOS Recommendations	N/A	N/A	N/A	\$1,592	\$3,441	\$5,311	\$7,017	\$8,794
Projected Ending Fund Balance	\$4,203	\$1,275	\$447	\$343	(\$4,037)	(\$9,655)	(\$18,039)	(\$28,925)
12.3 mil levy (Cumulative Effect)	\$0	\$0	\$0	\$0	\$3,483	\$10,587	\$17,833	\$25,224
Ending Fund Balance with Levy	\$4,203	\$1,275	\$447	\$343	\$710	\$1,889	\$489	(\$3,318)

Source: District October forecast and performance audit recommendations

¹ FY 2003-04 personnel services and benefits are unaudited and were provided by the District.

Table 2-20 details those performance audit recommendations that are included in the financial recovery plan. These recommendations are separated by those that require negotiation and those that do not.

Table 2-20: Financial Impact of Performance Audit Recommendations

Recommendations	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Increases/ (Decreases) Resulting from AOS Revised Assumptions					
R2.4 Revise personal services expenditure projections	(\$1,360,348)	(\$1,592,280)	(\$1,293,971)	(\$1,160,363)	(\$1,045,328)
R2.5 Revise Fringe Benefits Projections	\$198,500	\$133,155	\$668,996	\$1,322,107	\$2,087,755
R2.6 Revise Purchased Services Projections	\$460,066	\$408,763	\$307,187	\$174,709	\$287,806
R2.7 Revise Supplies and Materials Projections	(\$113,088)	(\$20,731)	\$60,647	\$326,017	\$440,347
AOS Revised Forecast Assumptions Impact	(\$814,870)	(\$1,071,093)	(\$257,141)	\$662,470	\$1,770,580
Recommendations Subject to Negotiation					
R3.4 Negotiate a lower step and COLA for all bargaining unit employees	\$573,690	\$806,152	\$825,791	\$618,699	\$639,318
R3.6 Renegotiate key benefits and seek lower premiums	\$411,230	\$488,200	\$488,600	\$532,500	\$580,500
R3.9 Reduce the maximum number of sick days paid out at retirement	\$26,400	\$27,000	\$28,000	\$29,000	\$30,000
R3.12 Renegotiate the special education stipend	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Total Recommendations Subject to Negotiation	\$1,035,320	\$1,345,352	\$1,366,391	\$1,204,199	\$1,273,818
Recommendations Not Subject to Negotiation					
R3.3 Hire a human resources director	(\$108,000)	(\$110,000)	(\$112,000)	(\$114,000)	(\$116,000)
R3.5 Reduce the pick-up on pick-up for administrative employees	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000
R3.7 Continue participation in the BWC 10 step program	\$73,600	\$73,600	\$73,600	\$73,600	\$73,600
R3.8 Reduce the amount of sick leave used by certificated employees	\$58,000	\$60,000	\$62,000	\$63,000	\$65,000
R4.2 Purchase a computerized maintenance management system	(\$3,200)	(\$3,200)	(\$3,200)	(\$3,200)	(\$3,200)
R4.7 Implement energy management measures	\$137,400	\$137,400	\$137,400	\$137,400	\$137,400
R5.2 Extend the time frames between bells.	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
R5.4 Reduce ridership students transported but living within the two-mile limit by 25 percent.	\$132,000	\$132,000	\$132,000	\$132,000	\$132,000
R5.5 Reduce the number of special education bus aides to one aide per special needs bus.	\$46,000	\$46,000	\$46,000	\$46,000	\$46,000
R5.6 Replace six buses over the course of the forecast period.	\$0	(\$51,000)	(\$51,000)	(\$51,000)	(\$51,000)
R5.8 Purchase a day of training for the transportation supervisor, the transportation secretary and the routing assistant.	(\$3,300)	\$0	\$0	\$0	\$0
R5.9 Seek reimbursement for FY 2004-05 state Fuel tax. Obtain FY 2003-04 remaining reimbursement.	\$5,380	\$0	\$0	\$0	\$0
Total Recommendations Not Subject to Negotiation	\$556,880	\$503,800	\$503,800	\$502,800	\$502,800
Total Recommendations Included in Forecast	\$1,592,200	\$1,849,152	\$1,870,191	\$1,706,999	\$1,776,618

Source: AOS Recommendations

Table 2-21 illustrates ending fund balances as a percentage of total revenues for the following two scenarios:

- Using AOS revised forecasting assumptions and methodology, but without implementing the recommendations; and
- Implementing AOS recommendations.

Table 2-21: Fund Balance as a Percent of Prior Year Total Receipts

Fiscal Year	Scenario One: No AOS Recommendations ¹	Scenario Two: With AOS Recommendations	Scenario Three: With AOS Recommendations and Levy
FY 2002-03	3.4%	3.4%	3.4%
FY 2003-04	1.2%	1.2%	1.2%
FY 2004-05	(3.4%)	0.9%	0.9%
FY 2005-06	(16.9%)	(7.5%)	1.9%
FY 2006-07	(40.1%)	(24.9%)	5.4%
FY 2007-08	(70.8%)	(50.4%)	1.4%
FY 2008-09	(110.0%)	(84.1%)	(9.8%)

Source: District forecast and financial recovery plan developed by AOS

¹ Based on revised assumptions shown in **Table 2-19**.

Appendix A – Detailed Personal Services Assumptions

Certificated Salaries and Wages

Certificated salaries and wages were forecasted using spreadsheets to project step increases and COLAs. For FY 2005-06 and FY 2006-07, a 1 percent COLA was projected. For FY 2007-08 and FY 2008-09, a 2 percent COLA was assumed. All reductions of certificated personnel were included in the salary projections.

Table 2A-1 displays Fairborn CSD’s FY 2005 certificated substitute expenditures along with the Districts historical substitute expenditures.

Table 2A-1: Fairborn Substitute Expenditures

	FY 2001-02	FY 2002-03	% Change	FY 2003-04	% Change	FY 2004-05	% Change
Certificated Substitute Expenditures	\$493,025	\$461,563	(6.4%)	\$432,638	(6.3%)	\$302,000	(30.2%)

Source: Fairborn CSD Budsum and Budwork spreadsheets.

Fairborn CSD has projected substitute expenditures to decrease 30.2 percent in FY 2004-05, a significant increase over the 6.4 percent decrease the District experienced in FY 2002-03, and the 6.3 percent decrease that occurred in FY 2003-04. The District has projected FY 2004-05 based on the appropriated expenditures contained in its USAS budget report.

Theoretically, a District that is reducing staff should need a reduced level of substitute workers. Therefore, Fairborn CSD is correct to assume a lower level of substitute expenditures for FY 2004-05. However, the District should base the substitute projections on the historical ratio of certificated salaries to substitute expenditures. Using this method should enable the District’s forecast to display the fluctuations that occur in substitute expenditures as staffing levels change.

Table 2A-2 displays the ratio of Fairborn CSD’s certificated staffing levels to the District’s substitute expenditures.

Table 2A-2: Certificated Salary to Substitute Expenditures

	FY 2001-02	FY 2002-03	FY 2003-04	Average
Certificated Salary Expenditures	\$16,359,715	\$17,140,198	\$17,017,238	
Certificated Substitute Expenditures	\$493,025	\$461,563	\$432,638	
Ratio	3.0%	2.7%	2.5%	2.7%

Source: Fairborn CSD

As shown in **Table 2A-2**, Fairborn CSD's substitute expenditures, on average, have been 2.7 percent of certificated salaries. Therefore, the District should use this percentage when projecting future substitute expenditures. **Table 2A-3** displays Fairborn CSD's substitute expenditures using this assumption methodology.

Table 2A-3: Historical Certificated Salary to Substitute Expenditures

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Projected Certificated Salary Expenditures	\$17,244,394	\$18,058,146	\$18,607,472	\$19,235,330	\$19,908,344
Historical Ratio	2.7%	2.7%	2.7%	2.7%	2.7%
Projected Substitute Expenditures	\$465,599	\$487,570	\$502,402	\$519,354	\$537,525

Source: AOS

The District reduced some supplemental positions in FY 2003-04. As a result, FY 2004-05 certificated supplemental salaries were projected using FY 2003-04 supplemental positions and adjusting for increases in salaries.

- **Certificated Leave Benefits:** Certificated leave benefits have been forecasted using the change in the certificated salaries for the corresponding year.
- **Classified Salaries and Wages:** Classified salaries and wages were forecasted using spreadsheets projecting step increases and COLAs. For FY 2005-06 and FY 2006-07, a 1 percent COLA was projected. For FY 2007-08 and FY 2008-09, a 2 percent COLA was assumed. All classified reductions were included in the forecasted salary projections.

Theoretically, a District that is reducing staff should need a reduced level of substitute workers. Therefore, Fairborn CSD is correct to assume a lower level of substitute expenditures for FY 2004-05. However, the District should base the substitute projections on the historical ratio of classified salaries to substitute expenditures. Using this method should enable the District's forecast to display the fluctuations that should occur in substitute expenditures as a result of changes in staffing levels.

Table 2A-4 displays the ratio of Fairborn CSD's classified staffing levels to its substitute expenditures.

Table 2A-4: Historical Classified Salary to Substitute Expenditures

	FY 2001-02	FY 2002-03	FY 2003-04	Average
Classified Salary Expenditures	\$3,979,141	\$3,941,999	\$3,552,404	
Classified Substitute Expenditures	\$261,600	\$347,185	\$288,996	
Ratio	6.6%	8.8%	8.1%	7.8%

Source: Fairborn CSD

As shown in **Table 2A-4**, Fairborn CSD's classified substitute expenditures, on average, have been 7.8 percent of classified salaries. Therefore, the District should use this percentage when projecting future substitute expenditures. **Table 2A-5** displays substitute expenditures using this assumption methodology.

Table 2A-5: Classified Salary to Substitute Expenditures

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Projected Classified Salary Expenditures	\$3,256,325	\$3,323,454	\$3,381,777	\$3,507,415	\$3,618,907
Historical Ratio	7.8%	7.8%	7.8%	7.8%	7.8%
Projected Substitute Expenditures	\$253,993	\$259,229	\$263,779	\$273,578	\$282,275

Source: AOS

The District reduced some supplemental positions in FY 2003-04. As a result, FY 2004-05 classified supplemental salaries were projected using FY 2003-04 supplemental positions and adjusting for increases in salaries. For the forecast period, supplemental positions were projected using the rate of change in the classified salaries.

Classified overtime payments were forecasted to decrease 7.4 percent in FY 2004-05, as a result of the projected 7.4 percent decrease in classified salaries. For FY 2005-06 through FY 2008-09, overtime payments are projected to increase at the same rate as classified salaries for the corresponding year.

Classified leave benefits have been forecasted using the change in the classified salaries for the corresponding year.

- **Other Salaries and Wages:** Other salaries consist of payments to Board members and student workers. Due to historical fluctuations, other salaries have been projected to remain constant at \$32,600.

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Human Resources

Background

This section of the report focuses on human resource functions within Fairborn City School District (Fairborn CSD, or the District). Best practice data from the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), and peer school districts was used for comparisons throughout this section.

Fairborn CSD does not have a separate department dedicated to performing human resources functions. Instead, the administrative assistant (pupil affairs), and administrative assistant (business affairs) complete the primary human resource responsibilities for certificated staff and the classified staff respectively. Human resources responsibilities include the following:

- Coordinating the activities and programs for the recruitment and selection of employees;
- Facilitating employee performance evaluations; and
- Negotiating and administering collective bargaining agreements.

The treasurer is responsible for payroll functions and administering the health insurance plan for all employees. The Treasurer also assists in negotiating and managing the collective bargaining agreements.

Staffing

Table 3-1 illustrates the actual full-time equivalent (FTE) staffing levels at Fairborn CSD and the peer districts during FY 2003-04 as reported to ODE through the Educational Management Information System (EMIS)³⁻¹. During FY 2003-04, Fairborn CSD employed approximately 574 full-time equivalent (FTE) staff. However, through attrition, resignations and reductions in force (RIF), Fairborn CSD reduced staffing levels to approximately 483 FTEs by the beginning of FY 2004-05. Reductions in staffing included fifty-five certificated staff, four administrative and supervisory staff, and forty-three classified staff, a total of 102 positions. Since **Table 3-1** was adjusted for classified staff based on an 8 hour day, the 102 positions reduced does not match exactly to the 483 FTEs listed in **Table 3-1** for FY 2004-05 staffing levels for Fairborn CSD.

³⁻¹ The classified FTE calculation for Fairborn CSD and peers was adjusted based on an 8 hour work day.

Table 3-1: FY 2003-04 FTE Staffing Levels

Category	Fairborn CSD	Fairborn CSD FY 2004-05 ¹	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average ²
Administrators: Subtotal	27.00	23.00	38.9	33.00	35.00	35.63
Central Based Administrators	13.00	11.00	22.90	17.00	14.00	17.63
Site Based Administrators	14.00	12.00	17.00	16.00	21.00	18.00
Professional Education: Subtotal	333.74	299.00	454.52	587.88	491.73	511.38
Counseling	8.00	8.00	11.00	14.00	8.52	11.17
Librarian / Media	2.00	1.00	3.00	3.00	5.00	3.67
Remedial Specialists	13.00	9.00	4.00	2.00	48.80	18.27
Regular Education Teachers	234.48	210.00	287.70	427.94	283.98	333.31
Special Education Teachers	44.20	42.00	69.00	60.00	63.50	64.17
Vocational Education Teachers	0.00	0.00	34.05	8.00	15.00	19.02
Tutor / Small Group Instructor	3.80	3.00	21.30	26.00	1.00	23.65
Educational Service Personnel	21.49	19.00	18.97	29.64	52.93	33.95
Supp. Service Teacher	1.77	2.00	0.00	16.00	1.00	5.67
Permanent Substitute	0.00	0.00	0.00	0.00	1.00	1.00
Mentor/Evaluator	0.00	0.00	0.00	0.00	5.00	14.25
Other Professional	5.00	5.00	5.50	1.00	6.00	3.50
Professional – Other	21.40	17.40	29.70	12.00	25.47	22.39
Technical: Subtotal	3.80	1.00	27.20	10.80	24.09	20.70
Computer Operator	1.90	1.00	5.00	4.00	0.00	2.93
Practical Nursing	0.00	0.00	6.16	0.00	10.86	8.51
Printer	0.00	0.00	0.00	0.00	1.63	1.62
Library Aide	1.90	0.00	11.04	7.00	11.60	11.32
Other Technical	0.00	0.00	5.00	0.00	0.00	5.00
Office / Clerical: Subtotal	75.60	56.70	106.68	138.80	74.57	106.68
Bookkeeping	5.00	5.00	0.00	0.00	5.00	5.00
Clerical	27.90	23.90	35.00	44.60	46.03	42.21
Records Managing	0.00	0.00	0.00	0.00	5.00	5.00
Teaching Aide	29.10	20.20	70.96	86.80	16.79	51.80
Telephone Operator	0.00	0.00	0.00	0.00	1.00	1.00
Parent/Mentor	0.00	0.00	0.72	0.00	0.75	0.74
Other Office/Clerical	13.60	7.60	0.00	7.40	0.00	9.00
Crafts / Trades	13.00	8.00	13.00	11.00	10.17	11.39
Transportation	31.90	23.40	28.59	34.80	32.08	31.82
Extracurricular	0.00	0.00	0.00	8.00	0.00	8.00
Custodial	33.50	25.50	53.00	27.90	52.79	44.56
Food Service	23.38	20.00	33.21	37.41	29.03	33.22
Guard/Watchman	0.00	0.00	3.71	0.00	1.25	3.98
Monitoring	10.06	7.90	8.65	0.00	15.18	11.96
Grounds Keeping	0.00	0.00	0.00	0.00	1.00	1.00
Attendance Officer	1.00	1.00	1.00	2.00	2.00	1.67
Attendant	0.00	0.00	0.00	7.56	11.79	13.01
Other Service Worker / Laborer	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs³	574.38	482.90	798.16	911.15	806.15	857.78

Source: FY 2003-04 EMIS Staff Summary Report, School Enrollment Report, and Staff Demographic Report from Fairborn CSD and the peer districts.

¹ The difference in FTE numbers from FY 2003-04 to FY 2004-05 also reflects adjustments to EMIS codes and hours worked.

² In cases where all peers do not employ individuals in a specific classification, the peer average is calculated using only the districts who count employees within that classification.

³ Figures are rounded and may differ slightly from summation totals.

Table 3-2 illustrates the staffing levels per 1,000 average daily membership (ADM) at Fairborn CSD and the peer districts for FY 2003-04. The table also shows FY 2004-05 staffing per 1,000 ADM for Fairborn CSD.

Table 3-2: FY 2003-04 FTE Staffing Levels Per 1000 ADM ¹

Category	Fairborn CSD	Fairborn CSD FY 2004-05	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average ²
ADM ³	5,193	4,923	6,117	6,515	6,615	6,416
Administrators: Subtotal	5.20	5.08	6.36	5.07	5.29	5.57
Central Based Administrators	2.50	2.44	3.58	2.61	2.12	2.77
Site Based Administrators	2.70	2.64	2.78	2.46	3.17	2.80
Professional Education: Subtotal	64.27	60.74	74.30	90.23	74.34	79.62
Counseling	1.54	1.63	1.80	2.15	1.29	1.75
Librarian / Media	0.39	0.20	0.49	0.46	0.76	0.57
Remedial Specialists	2.50	1.83	0.65	0.31	7.38	2.78
Regular Education Teachers	45.15	42.66	47.03	65.69	42.93	51.88
Special Education Teachers	8.51	8.53	11.28	9.21	9.60	10.03
Vocational Education Teachers	0.00	0.00	5.57	1.23	2.27	3.02
Tutor / Small Group Instructor	0.73	0.61	3.48	3.99	0.15	2.54
Educational Service Personnel	4.14	3.86	3.10	4.60	8.00	5.23
Supp. Service Teacher	0.34	0.41	0.00	2.46	0.00	2.46
Permanent Substitute	0.00	0.00	0.00	0.00	0.15	0.15
Mentor/Evaluator	0.00	0.00	0.00	0.00	0.00	3.84
Other Professional	0.00	1.02	0.90	0.15	0.76	0.53
Professional - Other	4.12	3.53	4.86	1.84	3.85	3.52
Technical: Subtotal	0.73	0.20	4.45	1.66	3.64	3.25
Computer Operator	0.37	0.20	0.82	0.58	0.00	0.72
Practical Nursing	0.00	0.00	1.01	0.00	1.64	1.32
Printer	0.00	0.00	0.00	0.00	0.25	0.24
Library Aide	0.37	0.00	1.80	1.07	1.75	1.54
Other Technical	0.00	0.00	0.82	0.00	0.00	0.82
Office / Clerical: Subtotal	14.56	11.62	17.44	21.30	11.27	17.21
Bookkeeping	0.96	1.02	0.00	0.00	0.76	0.76
Clerical	5.37	4.85	5.72	6.85	6.96	6.51
Records Managing	0.00	0.00	0.00	0.00	0.76	0.76
Teaching Aide	5.60	4.10	11.60	13.32	2.54	9.15
Telephone Operator	0.00	0.00	0.00	0.00	0.15	0.15
Parent/Mentor	0.00	0.00	0.12	0.00	0.12	0.12
Other Office/Clerical	2.62	1.65	0.00	1.14	1.14	1.14
Crafts / Trades	2.50	1.63	2.13	1.69	1.54	1.78
Transportation	6.14	4.75	4.67	5.34	4.85	4.95
Extracurricular	0.00	0.00	0.00	1.23	0.00	1.23
Custodial	6.45	5.18	8.66	4.28	7.98	6.98
Food Service	4.50	4.06	5.43	5.74	4.39	5.19
Guard/Watchman	0.00	0.00	0.61	0.00	0.19	0.61
Monitoring	1.94	1.60	1.41	0.00	2.29	1.86
Grounds Keeping	0.00	0.00	0.00	0.00	0.15	0.15
Attendance Officer	0.19	0.20	0.16	0.31	0.30	0.26
Attendant	0.00	0.00	0.00	1.16	1.78	0.98
Other Service Worker / Laborer	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs ⁴	110.61	98.60	130.48	139.85	121.87	133.16

Source: FY 2003-04 EMIS Staff Summary Report, School Enrollment Report, and Staff Demographic Report from Fairborn CSD and the peer districts.

¹ Figures are rounded and may differ slightly from summation totals.

² In cases where all peers do not employ individuals in a specific classification, the peer average is calculated using only the districts who count employees within that classification

³ ADM figures for Fairborn, Findlay, Huber Heights and Newark were taken from FY 2003-04 School Enrollment Reports. The ADM figure for Fairborn after RIF was taken from the Opening Day count for FY 2004-05.

⁴ Figures are rounded and may differ slightly from summation totals.

As illustrated in **Table 3-2**, prior to the staffing reductions, Fairborn CSD had a higher FTE per 1,000 ADM staffing allocation when compared to the peers in the following classifications:

- Professional Other;
- Crafts/Trades;
- Transportation; and
- Monitoring.

However, based on FY 2004-05 staffing levels, Fairborn CSD is now approximately at or below the peer average in a number of areas that were above the peer average in FY 2003-04. In FY 2004-05, the District has a student per regular education teacher ratio of 23.4:1. The minimum recommended staffing levels outlined in Ohio Revised Code (ORC) § 3317.023 specify that the ratio of teachers to students district-wide must be at least 1 FTE classroom teacher for each 25 students in the regular student population.

Collective Bargaining Agreements/Policies and Procedures Manuals

Certificated personnel are governed by a negotiated agreement between the Fairborn CSD Board of Education and the Fairborn Education Association. Classified employees (secretaries and assistants) are covered by a separate collective bargaining agreement with the Fairborn Classified Employees Association, affiliated with the Ohio Education Association (OEA) and the National Education Association (NEA). Lastly, the District has a separate classified collective bargaining agreement with the bus drivers, operations department, and food service department who are represented by the Dayton Public Service Union (DPSU) Local 101, Ohio Council 8, A.F.S.C.M.E. The classified collective bargaining agreements have expired and are currently being re-negotiated. The certificated agreement expires at the end of 2004. **Table 3-3** and **Table 3-4** illustrate key contractual issues in the certificated and classified employees' negotiated agreements.

Table 3-3: Certificated Contractual Agreement Comparisons

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD
Length of work day	7.5 hours, 30 minute duty free lunch	8.0 hours, 30 minute duty free lunch	7.5 hours, 30 minute lunch period	7.5 Hours
Maximum class size	25 (k-6) & 30 (7-12)	25 (k-8); 30 (music and physical education); 25 other classes	24 (k-3) & 25 (4-12)	K-12: 25
Number of contract days	183	Not specified	183	186
Instructional days	183		178	180
In-service days	not specified		2	3
Parent/teacher conferences	not specified		2	1 planning
Professional development	not specified		1	2
Maximum number of sick days accrued	Unlimited	Unlimited prior to 1987; limited to 184 days after June 1987	215	280 days
Maximum number of sick days paid out at retirement	84	53	54	70
Number of years required for severance pay	10	Retirement in STRS	5 (60 years of age); 25 (55 years of age); 30 (any age)	5
Number of personal days	3	3	3	3
Notice required	3 working days advanced notice	5 days working notice	2 working days advance notice (48 hours)	2 working days advanced notice
Number of leave days for association business	18 days	President receives one class period per day or \$4,306	The Association President may have a total of 8 days leave	20 days
Sabbatical Leave	Served 2 years	Not specified	Served 5 years	Served 5 years
Pick-up of Employee STRS Portion by District	Does not Apply	Does not apply	Does not apply	Does not apply
Cost of living increases each year of the contract	For FY 2003-04, 5.0% increase	For FY 2003-04, 3.5% increase	For FY 2003-04, 3.5% increase	For FY 2003-04, 4.0% Increase
Average Step Increase	4.0%	3.5%	3.9%	3.6%

Source: Fairborn CSD and peer certificated collective bargaining agreements.

Tables 3-4: Classified Contractual Agreement Comparison ¹

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD
Minimum call-in hours paid to employees for emergencies	2 Hour	2 Hour	2 Hour	2 Hour
Vacation time to accumulate	<p>Classified employee who works at least 11 months per year accumulates vacation at the following rate:</p> <p>After 1 calendar year: 2 weeks After 8 years: 3 weeks After 20 years: 4 weeks</p> <p>Employee may accumulate up to 2 years of vacation accumulation</p>	<p>Classified employee who works at least 12 months per year accumulates vacation at the following rate:</p> <p>After 1 calendar year: 2 weeks After 8 years: 3 weeks After 15 years: 4 weeks</p> <p>Vacation is paid out for unused vacation leave up to two years prior to leaving</p>	<p>Clerical entitled to annual vacations as specified in the Ohio Revised Code.</p> <p>Custodial and bus drivers, 11 or 12 month employees:</p> <p>1 years: 2 weeks 10 years: 3 weeks 20 years: 4 weeks</p>	<p>Classified employee who works at least 11 months a year accumulates vacation at the following rate:</p> <p>1-5 years: 10 days 6-10 years: 15 days 11-15 years: 17 days 16-20 years: 20 days vacation After 21 years: 22 days</p>
Sick/personal leave incentive	Personal leave paid out each year – 0 days \$150; 1 day \$100; 2 days \$50	In bus driver contract, if bus driver does not miss any days in a semester, then they will receive a one day pay bonus	For Clerical 100% attendance receive 2 days pay; miss 5 days or fewer receive 1 day pay	Employees with perfect attendance (no sick leave, no personal leave days, no salary deduct days) shall receive 1 additional day of severance allowance up to 10 days for each year of perfect attendance
Maximum number of sick days accrued	243 days	Unlimited; accrue an annual maximum of 120 hours	215 which is used for severance calculation)	Not provided
Maximum number of sick days paid at retirement (percentage payout)	81 days	25% of accrued sick leave custodial/maintenance 30% for bus drivers	53.75	Maximum 70 days; 25% of value of accumulated and unused sick leave up to a maximum of 60 days
Number of personal days	3 days	3 days	3 days	3 days
Notice required	3 days advance notice	5 working days notice bus driver; 3 days custodial and maintenance	2 days advance notice (48 hours)	3 days advance notice
Number of holidays paid for 12-month employees	10 paid holidays	12 paid holidays	8 (Clerical), 10 Bus Drivers/Custodial	9 paid holidays
Number of holidays paid for less than 12 month employees	7 paid holidays	10 paid holidays	8 (Clerical), 10 Bus Drivers/Custodial	9 paid holidays

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD
Excess Pick-up of employee SERS portion by District	No	No	No	No
Cost of living increases each year of the contract	FY 2003-04 and FY 2004-05 – No increase in cost of living	2003 \$.44 for bus drivers; Maintenance \$.45; Custodians \$.44; Delivery Drivers \$.34	3.5% for clerical	Effective: July 1, 2001: 3.5% July 1, 2002: 3.5%
Average Step Increase ²	1.87%-3.7%	1.24% – 1.46%	2.3-4.7%	2.0%

Source: Fairborn CSD and peer classified employee collective bargaining agreements.

¹ Since Fairborn CSD, Findlay CSD, and Huber Heights CSD have multiple classified agreements, information from the separate contracts was combined for each district. Findlay CSD has one contract for bus drivers and a separate contract for other classified staff; Huber Heights CSD has separate classified agreements for clerical and bus drivers/custodial.

² The average step increase range for Fairborn CSD includes 1.87 percent for transportation, 2.0 percent for food service and 3.7 percent for clerical; the average step increase range for Findlay CSD includes 1.24 percent for custodial and 1.46 percent for bus driver; the average step increase range for Huber Heights CSD includes 2.3 percent for bus driver, 3.1 percent for custodial employees, 3.6 percent for clerical staff, and 4.7 percent for cooks; the average step increase range for Newark CSD includes 2.0 percent for custodian, bus driver, food service and secretarial employees.

Assessments Not Yielding Recommendations

- **Site-based administration:** Principal and assistant principal staffing levels at Fairborn CSD Fairborn CSD were assessed in comparison to the peer districts. Staffing allocations were determined to be in line with the peers; therefore no recommendations are warranted at this time.
- **Professional education staffing:** Fairborn CSD continues to proactively manage professional education staffing levels, including regular and special education teachers, counselors and library/media personnel and to make appropriate reductions. Considering the District's current staffing reductions, staffing in this area appears to be appropriate.
- **Supplemental salaries:** Fairborn CSD supplemental salary schedules were reviewed and appeared to be consistent with the peers. In general, supplemental contract salaries are paid based on a percentage of the base salary step depending on years of experience. The District has taken steps to increase fees to cover supplemental costs for activities involving athletics. The total cost of academic supplemental pay per professional education staff was also less than the peer average. Since the District has taken steps to cover costs of athletic supplemental contracts and is below the peer average for academic supplemental contracts, no recommendations are warranted.
- **Technology:** The manner in which Fairborn CSD uses software to manage in human resources operations was assessed and determined to be appropriate. Therefore, no recommendations regarding technology or its uses were made.

Recommendations

Policies and Procedures

- R3.1 Fairborn CSD should develop guidelines and procedures to ensure that accurate reports are prepared and reconciled before submission to the Ohio Department of Education (ODE) and the Educational Management Information System (EMIS). Fairborn CSD should consistently use the EMIS *Definitions, Procedures, and Guidelines*, produced annually by ODE, to help ensure the accuracy of data entered. In addition, Fairborn CSD should seek training and assistance to meet objectives, if needed.**

During a review of various EMIS reports for this performance audit, it was discovered that Fairborn CSD had classified some employees incorrectly when entering information into EMIS. For example, an assistant principal listed on Fairborn CSD's 2003-04 EMIS demographic report was counted twice, which overstates the actual number of employees in this category. However, in March 2004, ODE conducted a staffing analysis of the Fairborn CSD, which assisted the District in correcting the EMIS data. According to the treasurer, there are checks and balances for reviewing EMIS data, with the EMIS coordinator, special education, and the treasurer's office reviewing the data to ensure accurate reporting.

ODE developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel demographics. All schools are required to provide specific student, staff and financial data to ODE for processing. Entering data correctly helps to ensure comparability between school districts. The data entered into EMIS can be used by school districts when making management decisions, including required staffing levels. Improperly entering employee classifications and FTE counts can cause a district to over- or under-state the actual number of employees and hours worked per employee. Fairborn CSD should consistently use the EMIS Definitions, Procedures and Guidelines report which is produced annually to assist school districts in entering information into EMIS.

- R3.2 Fairborn CSD should review and update all position descriptions, as needed, to ensure that qualifications, responsibilities and work hours are accurate and current. This review should continue to occur as part of annual performance evaluations or when a position becomes vacant.**

During the course of the audit, the District began working with the Ohio School Boards Association (OSBA) to update its job descriptions.

The administrative assistant (business affairs) indicated that not all job descriptions are up-to-date for Fairborn CSD. Job descriptions provided by the District that are not current include the superintendent, the treasurer, administrative assistant (business affairs), secretary to administrative assistant, personnel and instruction, and administrative assistant (pupil personnel). Job descriptions have not been updated as a result of turnover in administrative positions. Fairborn CSD currently is in the process of reviewing and updating job descriptions.

According to Business and Legal Reports, a job description is a written statement that describes the main objective of a job, its essential and nonessential functions, job qualifications, and other pertinent job information. Job descriptions clarify who is responsible for what within the organization. Because they help define relationships among individuals and departments, they can be used to settle grievances, minimize conflicts, and improve communications. Complete and accurate job descriptions can also help determine which positions to eliminate when workforce reductions become necessary and assist in identifying which positions are suitable for outsourcing, telecommuting, or part-time or temporary staffing.

By relying on outdated position descriptions, Fairborn CSD runs the risk of not having accurate information with which to evaluate workforce needs. In the absence of up-to-date position descriptions, Fairborn CSD does not have a reliable foundation for conducting performance evaluations or for determining an equitable wage and salary structure. Outdated information can contribute to communication problems between employees, confusion regarding job expectations, or conflict between positions or departments as to appropriate areas of responsibility and lines of authority. During the course of the audit the District purchased computer software in order to be able to update the job descriptions

Staffing

R3.3 Fairborn CSD should review the human resources function to determine if responsibilities can be consolidated into one position, thereby increasing administrative efficiency. When the District's financial condition becomes more stable, it should consider hiring a qualified human resources/personnel director, similar to Huber Heights CSD and Findlay CSD.

The administrative assistant (pupil affairs) and administrative assistant (business affairs) share human resources responsibilities. The administrative assistant (pupil affairs) is responsible for managing human resources for certified staff, and the administrative assistant (business affairs) is responsible for classified staff. In contrast to Fairborn CSD, Huber Heights CSD and Newark CSD have human resources/personnel directors to perform human resources responsibilities for all employees. Fairborn CSD does not have

a personnel director because the previous superintendent eliminated this position. Using two staff positions to perform human resources responsibilities results in an inefficient use of staff resources, and potentially produces duplication of effort and information.

Along with human resources functions, the administrative assistant (pupil affairs) and administrative assistant (business affairs) have numerous other responsibilities. The administrative assistant (pupil affairs) coordinates and develops procedures and programs for student services including health services, guidance services, psychological services, speech and language services, special education, home instruction and gifted education. Other responsibilities include, but are not limited to, administering grant programs, preparing enrollment projections, maintaining data for research and evaluation, and assisting the Superintendent in all areas of student education. The administrative assistant (business affairs) supervises the classified areas of transportation, facilities maintenance, and food service. Other responsibilities include, but are limited to, purchasing and installation of equipment, developing in-service training programs, managing workers compensation, and overseeing District technology.

Fairborn CSD is below the peer average for central and site based administrators. The District and peers employ various administrative positions, including superintendent, treasurer, principals, transportation director, maintenance director, athletic director, special education supervisors, gifted supervisor, food service director, and coordinator (i.e. safe and drug free schools) and educational administrators (i.e. elementary education). In contrast to Fairborn CSD, Huber Heights CSD employs a human resources director, a warehouse supervisor, assistant treasurer, Ohio Reads coordinator, and personnel director, Newark CSD employs a human resources director, and Findlay CSD employs an assistant treasurer and vocational coordinators.

Although the low levels of staffing for administrative functions is commendable, Fairborn CSD may sacrifice oversight and coordination for the low staffing levels. At a minimum, the district should consider hiring (or promoting from within) an experienced human resources director to better manage employee issues and reduce the workload on the administrative assistants of business and pupil affairs. An experienced human resources director could not only help manage employee and benefits issues, but also take part in negotiating collective bargaining agreements and helping to estimate staffing needs for future years.

Financial Implication: Based on average administrative salaries and benefits within the District, Fairborn CSD can expect to pay about \$108,000 annually to hire and retain a human resources director.

Salaries

R3.4 Fairborn CSD should slow the rate of salary increases to bring salary levels in line with peer districts. The District’s steps for certificated personnel are higher than the peers and its salaries are higher than the peers in the areas of central and site-based administration, although administrative personnel have not received salary increases in the past two fiscal years. The District should seek to reduce step increases for certificated staff to 2 percent and maintain classified step increases at the same rate. Likewise, it should negotiate no more than a 1 percent cost-of-living adjustment (COLA) for FY 2005-06 and 2006-07 and no more than 2 percent COLAs in FY 2007-08 and 2008-09. Also, by tempering the rate of compensation increases for administrative personnel, the District could generate a cost avoidance and improve its financial condition. This recommendation would require negotiation with the collective bargaining unit prior to implementation.

Fairborn CSD’s cost of living increase for certificated employees is 5 percent, which is higher than the peers. This 5 percent cost of living increase is effective for July 1, 2002 through June 30, 2005. Along with cost of living increases, Fairborn CSD and peer certificated employees receive step increases. The average step increases for certificated employees is 4.0 percent. If cost of living and step increases are added together, certificated employees could receive as much as a 9 percent increase in salaries for FY xx-xx. Increasing salaries at such a high rate has a negative impact on the District’s financial condition. Three percent cost of living adjustment (COLAs) increases, as well as, step increases of 3 percent have been projected in FY 2005-06, FY 2006-07 and FY 2007-08.

Table 3-10 displays the certificated salary schedules for a bachelor and masters level teachers for Fairborn CSD and the peers. This information is based on the current collective bargaining agreements for each district.

Table 3-5: FY 2003-04 Certificated Salary Schedules ¹

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average
Average Step Increase	4.00%	3.5%	3.90%	3.60%	3.66%
Number of Steps	18	18	14	14	16
Bachelor's Degree					
Beginning Step	\$28,565	\$28,362	\$29,500	\$29,137	\$29,000
Final Step	\$55,759	\$49,044	\$54,752	\$49,242	\$51,013
Master's Degree					
Beginning Step	\$33,364	\$31,198	\$33,630	\$34,090	\$32,973
Final Step	\$60,558	\$57,702	\$61,213	\$57,400	\$58,772

Source: District certificated negotiated agreements.

¹ This table represents basic B.A. and M.A. salary schedules. Each district has different salary levels for additional educational credits (e.g., B.A. plus 135 credits, M.A. plus 150 credits, etc.)

Table 3-6 compares the average salaries within each classification group and shows the percentage difference between Fairborn CSD and the peers. The comparison of salaries in certain classifications between Fairborn CSD and the peers indicates that compensation levels are above the peer averages in a number of categories. These categories include supervisor, coordinator, principal, assistant principal, professional education, and professional – other. This data is unadjusted based on FY 2003-04 EMIS reports and reflects salaries at Fairborn CSD prior to staffing reductions. According to the District, Fairborn CSD administrators and central office classified personnel have not had salary increases in two years.

Table 3-6: Comparison of FY 2003-04 Average Staff Salaries

EMIS Classification	Fairborn	Findlay	Huber Heights	Newark	Peer Average	% Difference
Central Administrative						
Executive Administrators ¹	\$92,288	\$64,386	\$106,045	\$96,376	\$84,472	9%
Supervising/Managing/Directing	\$77,985	\$59,886	\$56,294	N/A	\$57,351	36%
Coordinators	\$73,139	\$43,446	\$71,095	\$46,736	\$45,584	60%
Other Official/Administrator	\$76,525	\$85,508	\$62,654	\$71,581	\$72,035	6%
Site-based Administration						
Principal	\$83,858	\$72,801	\$70,790	\$70,482	\$71,335	18%
Assistant Principal	\$74,644	\$69,761	\$59,299	\$70,224	\$65,730	14%
Professional - Educational	\$49,282	\$44,273	\$37,001	\$46,846	\$42,363	16%
Professional - Other	\$54,903	\$32,391	\$56,398	\$44,660	\$40,829	34%
Technical	\$23,719	\$28,252	\$20,329	\$16,636	\$22,296	6%
Office/Clerical	\$18,856	\$20,078	\$18,350	\$25,015	\$20,351	(7%)
Crafts & Trades	\$32,201	\$35,609	\$41,696	\$27,105	\$34,635	(7%)
Operative (Transportation)	\$16,413	\$20,580	\$18,045	\$19,089	\$19,058	(14%)
Service Work/Laborer	\$17,121	\$22,221	\$17,084	\$18,957	\$19,385	(12%)

Source: EMIS Staff Summary Reports for FY 2003-04

¹ Executive Administrators includes superintendent, assistant superintendent, treasurer positions, and administrative assistant positions.

Fairborn CSD's average base salary for central and site-based administration combined is approximately \$81,000, which is 23 percent higher than the peer average of \$66,000. Fairborn CSD's COLA for certified staff and step increases for certified and classified staff are higher than the peers (see **Table 3-3** and **Table 3-4**), impacting salary levels. According to ODE data on average salary for school personnel in FY 2003-04 for city school districts, the average salary for office/administrative is \$70,407, professional education is \$48,815 and professional-other is \$53,217. Fairborn CSD conducted a regional salary comparison that included Beaver Creek CSD, Cedar Cliff LSD, Fairborn CSD, Greenview LSD, Sugar Creek LSD, Xenia Community Schools, and Yellow Springs Exempted Village Schools. Fairborn CSD ranked third highest in administrative salaries among the seven districts.

The disparity between the salaries offered at Fairborn CSD and the peers, as well as the generous step and COLA increases, contribute to Fairborn CSD's precarious financial circumstances. Each time the district increases salaries by 1 percent, it incurs a cost of \$218,000. Limiting COLAs and reducing step increases will help the District better manage its personnel costs and allow it to redirect these resources to other priorities.

Financial Implication: By limiting COLAs to 1 percent for all personnel for FYs 2005-06 and 2006-07, and 2 percent in FYs 2007-08 and 2008-09, the District could realize an average annual cost avoidance of about \$692,730 ³⁻².

³⁻² The cumulative cost avoidance for this recommendation over the five-year forecast period is \$3,463,650.

R3.5 Fairborn CSD should consider reducing the payment of the employee's share of retirement contributions for administrative employees. While paying the employee's share is not uncommon, it increases costs to the District and further inflates the salaries of administrative personnel.

During the course of the audit, the District reduced the number of positions receiving payment of the employee's share of retirement contributions to 24 personnel through retirements and reductions in force.

A retirement pick-up plan allows the employee contribution to be a pre-tax contribution. This reduces the employee's taxable income and tax liability; however, the money still comes out of the employee's pay. With a pick-up on pick-up plan, the employer picks up some or all of the employee's share of the retirement contribution.

Current contribution rates into the School Teachers Retirement System (STRS) are 14 percent by the employer and 10 percent by the employee. Fairborn CSD picks up 50 percent of the covered administrator's share of STRS and SERS contributions for junior high and elementary principals and assistant principals, the supervisor of special education, the athletic director, the director of night school and secondary summer school, psychologists, work study coordinators, and instructional supervisors. The District picks up 100 percent of the covered administrator's share of STRS and SERS contributions for administrative assistants and the high school principal. Fairborn CSD pays the pick up for 31 employees. Findlay LSD pays the pick up for 29 employees, Huber Heights LSD 24 employees, and Newark LSD 36 employees. Findlay LSD and Newark LSD pick up 100 percent of the covered administrator's share of STRS and SERS, and Huber Heights LSD picks up 63 percent of the covered administrator's share.

During future salary negotiations, Fairborn CSD should consider the financial impact of being responsible for the entire retirement contribution for all administrative positions as well as the large number of positions receiving the pick up on pick up. Although this benefit is often given in lieu of future salary increases and defined accordingly, Fairborn should reduce the benefit as a means of limiting overall District expenditures. Furthermore, it should carefully consider adding this benefit in the future as it can have a great impact on overall salary cost as salaries increase, the cost for the pick up on the pick up increases accordingly.

Financial Implication: If Fairborn CSD provided retirement benefits similar to Huber Heights CSD at 6.3 percent partial pick-up, the District would attain a cost savings of approximately of \$29,000.

Health Care Costs

R3.6 The District should work with its collective bargaining units and health care provider to renegotiate key benefits to help offset health insurance costs. Specifically, Fairborn CSD should change to a three tier formulary with higher co-pays, seek lower premiums, and increase the employee annual deductible.

Table 3-8 compares FY 2003-04 health insurance monthly premiums for Fairborn CSD with the peer districts and the State Employment Relations Board (SERB) averages. According to the treasurer, premium rates have changed in recent years because the District has changed providers.

Table 3-8: Health Insurance Premium Comparison for FY 2003-04

School District	Provider (s)	Monthly Premium for Single Plan	Full-Time Employee Share	Monthly Premium for Family Plan	Full-Time Employee Share
Fairborn CSD	Anthem	\$405.60	\$40.56	\$1,014.02	\$101.40
Findlay CSD					
Certificated	Medical Mutual	\$292.07	\$17.50	\$759.39	\$55.00
Classified	Medical Mutual	\$292.07	\$20.44	\$759.39	\$53.16
Huber Heights CSD					
Certificated	United	\$294.74	\$14.74	\$797.89	\$39.89
Classified	United	\$294.74	\$7.37	\$797.89	\$19.95
Newark CSD					
Plan 549	United	\$409.35	\$102.34	\$919.75	\$229.94
Plan 162	United	\$335.14	\$83.78	\$837.91	\$209.48
SERB Average Monthly Premium		\$325.08	\$22.06	\$811.04	\$71.84

Source: Fairborn CSD and peer monthly health insurance premiums

Fairborn CSD's health insurance premiums are higher than the peers and the SERB average monthly premium. According to SERB's 2003 Report of Healthcare Costs, public employee's average monthly contributions are approximately 11.2 percent for single coverage and 12.6 percent for family coverage. Employees at Fairborn CSD contribute 10 percent of premiums; however, the overall premium cost is substantially higher than two of the three peer districts and the SERB average. Even with the employee contributions, Fairborn CSD pays substantially more in employee health insurance benefits than the peers. As this can often be attributed to key provisions within the benefits plan, **Table 3-9 compares** key medical plan benefits at Fairborn CSD and the peers.

Table 3-9: Health Insurance Benefits FY 2003-04

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD
Health Plan	Anthem	Medical Mutual	United HealthCare	United Health Care (Plan 549 and Plan 162)
Office Visits	In-network: \$5 co-payment Out of network: 20% co-payment	In-network: \$10 co-payment; Out-of-network: 20%	In-network: \$10 co-pay Out-of-Network: N/A	Plan 549: In-Network: \$5 co-pay; Out-of-Network: 20% Plan 162 : In-Network: \$15 co-pay; Out-of-Network: 20%
Employee annual deductible	In-network: None Out of network: \$150 Individual and \$300 Family	In-network: None Out-of-network: \$100 individual; \$200 family	In-Network: None Out-of-Network: \$150 Individual; \$300 Family	Plan 549: In-Network: None; Out-of-Network: \$100 individual; \$200 family Plan 162: In-Network: \$150 individual; \$300 family; Out-of-Network: \$300 individual; \$500 family
Out-of-Pocket maximum	In-network: Per covered person \$650, Per covered family \$1,300 Out of network: \$850 per covered person and \$1,700 per family	In-network: N/A; Out-of-network: \$900 individual; \$900 family	In-Network: Per individual \$650; per family \$1,300. Out-of – Network: Per individual \$850; per family \$1,700.	Plan 549 In-Network and Out-of Network: \$500 individual \$1000 family Plan 162: In-network: \$500 individual, \$1,000 family; Out-of-Network: \$1,500 individual, \$3,000 family

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD
Prescription plan included	<p>In-network: \$5 Generic \$5 Brand Name</p> <p>Out of Network: 50% Co-Payment</p>	<p>In-network: \$10 Generic \$20 Brand Name</p> <p>Out of Network: 20% of reasonable charges</p>	<p>In-network: Tier 1-Generic; \$5 Retail; \$10 Mail Order Tier 2- Brand Name: Retail 25% (\$10 min/\$30 max); Mail Order 25% (\$20 min/\$60max) Tier 3-Drugs not on the preferred list: Retail \$40; Mail Order \$80 Out of Network: Retail:20% of eligible expense; Mail Order- Not Covered</p>	<p><u>Plan 549 (prescription plan No. 96392)</u></p> <p>In-Network (preferred drug list): \$5 generic or brand name; Out-of-Network (not on preferred drug list): \$20</p> <p><u>Plan 162 (prescription plan No. 95810)</u></p> <p>Generic \$10; Brand name drugs on preferred drug list \$25; Drugs not on preferred list \$45</p>
Need to choose primary physician	Although not required, Anthem encourages that the patient work with a primary care physician	N/A	N/A	N/A
Maternity	<p>In-network: 100%</p> <p>Out of Network: 20% Co-Payment</p>	<p>In-network: 100%</p> <p>Out-of-Network: 20% of reasonable charges</p>	<p>In-Network: 100%; Out-of-Network: 20% of eligible expenses</p>	<p><u>Plan 549:</u>In-Network: no co-pay; Out-of-Network: 20%</p> <p><u>Plan 162:</u> In-Network: \$15 Co-Pay; Out-of-Network: 20%</p>
Preventive Care Services	<p>In-network: \$5 co-payment per visit Out of network: 20% Co-Payment</p>	<p>In-network: \$10 co-payment; Out-of-network: 20% of reasonable charges</p>	<p>In-Network: \$10 co-pay; Out-of-Network: Not covered</p>	<p><u>Plan 549:</u> In-Network: \$5 co-payment for well baby/child care; Out-of-network: 20% of eligible expenses</p> <p><u>Plan 162:</u> In-Network: \$15 co-payment for well baby/child care; Out-of-Network: 20% of eligible expenses</p>

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD
Inpatient hospital care	In-network: Covered 100% - 60 days (physical medicine and rehabilitation); unlimited skilled nursing care facilities Out of network: 20% co-payment	In-network: Covered 100% Out-of-Network: 20% of reasonable charges	In-network: 100% Out-of-network: 20% of eligible expenses	Plan 549: In-Network: no co-payment; Out-of-Network: 20% Plan 162: In-network: 10% of eligible expenses; Out-of-network: 20% of eligible expenses
Maximum Lifetime Benefit Amount	Unlimited	In-Network: \$2 million per person; Out-of-Network: \$2 million per person	In-Network: unlimited; Out-of-Network: \$1 million	Plan 549 and Plan 162: In-Network: None, Out-of-Network: \$1 million

Source: Fairborn CSD and peer health benefits

Fairborn CSD has lower co-pays than peers for in-network office visits, prescription drugs, and preventive care. Fairborn CSD has \$5 co-payments, while peers generally have \$10 co-payments. Fairborn CSD's prescription plan includes \$5 dollar co-pays for in-network generic and brand name drugs, and 50 percent co-payments for prescription drugs purchased out of network. A more cost-effective plan for the District would be a three-tier formulary plan, which includes separate tiers for generic drugs, preferred brand name drugs and non-preferred brand name drugs. Fairborn CSD's plan also has no annual deductible for in-network, covers maternity and inpatient hospital care at 100 percent for in-network, and has an unlimited lifetime benefit amount. Adjusting benefit levels to be more in line with the peers could help Fairborn CSD decrease the cost of premiums. Fairborn CSD should seek to bring its premium amounts in line with the peers and SERB average.

Financial Implication: If Fairborn CSD achieves lower annual premium costs that are comparable to the SERB averages, the savings to the District under both single and family coverage would be \$411,230 in FY 2004-05; \$488,200 in FY 2005-06; \$488,600 in FY 2006-07; \$532,500 in FY 2007-08, and \$580,500 in FY 2008-09.

R3.7 Although actively involved in workers' compensation cost management, Fairborn CSD should continue to monitor workers' compensation claims and premiums to reduce costs. The District should also continue to use the Bureau of Worker's Compensation (BWC) resources on best practices for worker's compensation to improve work place safety and reduce claims and costs.

During the course of the audit, Fairborn CSD received a discount on its premiums due to participation in the BWC 10 Step Program.

Fairborn City School District's Notes to Financial Statements for FY 2003 state that the District is penalty rated due to the large number of claims and does not receive the lowest rate. The District is a member of the Southwestern Ohio Education Purchasing Cooperative (SOEPC). SOEPC contracts with COMP Management to provide an insurance purchasing pool for workers compensation. The administrative assistant (business affairs) is the Workers Compensation Coordinator for the District and is responsible for managing the District's workers compensation program. According to the administrative assistant (business affairs), Fairborn CSD's workers compensation rates and calculated premiums have increased from 1999 to 2003 because claims were not actively managed by the District during that period. BWC rates were also lower, so school districts had less of an incentive to keep claims down. However, during the audit, the District received a reduction in premiums because of its participation in BWC's 10 Step Program and was mentioned in a national periodical for its workers' compensation cost reduction efforts.

According to *Best Practices for Public Schools*, a publication developed by the Ohio BWC, components of a successful worker's compensation program include the following:

- Develop a safety policy statement that clearly communicates top administration's commitment to employee safety and health;
- Establish a safety committee or safety team;
- Conduct safety inspections;
- Implement an employee training program, which may include an orientation process, employee in-service training, and training seminars and videotapes available through the BWC's Division of Safety and Hygiene; and
- Implement a transitional work program to effectively return employees to work.

The District has taken steps to improve management of its worker's compensation program by implementing a transitional work program that provides support to employees who are injured in work place accidents. The District is also involved in the BWC's premium discount program which requires the District to complete a 10-step program showing progress on the management of worker's compensation to receive a 10 percent discount on premiums. The District received a safety audit conducted by the BWC's Division of Safety and Hygiene in FY 2002-03 and another safety audit was completed in fall FY 2004-05. The District has convened a safety committee comprised of District personnel, community members, and representatives from the City of Fairborn. According to the administrative assistant (business affairs), he meets quarterly with BWC to discuss worker's compensation issues.

Financial Implication: By participating in the BWC 10-step program and obtaining a 10 percent discount on the projected premium for FY 2004-05, the District could save approximately \$73,600.

Leave Usage

R3.8 Fairborn CSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee sick leave policy to ensure proper use. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” to help department managers in identifying excessive or inappropriate sick leave use. The policies should provide that if an employee engages in a “pattern of abuse,” he/she may be subject to discipline. In addition, the District should include sick leave usage as a component of employee performance evaluations, and monitor sick leave usage on a periodic and consistent basis.

Fairborn CSD has not effectively monitored absenteeism and, as a result, it has incurred higher substitute usage. In addition, the District’s transportation supervisor indicated that because of a shortage of substitutes and excessive use of sick leave, the mechanics and routing assistant have had to drive buses, increasing overtime. **Table 3-9** shows the leave usage comparison for Fairborn CSD and the State average compiled by the Ohio Department of Administrative Services (ODAS).

Table 3-10: Sick Leave Usage Comparison ¹

	Total Sick Hours	Number of Employees	Average Leave Hours per employee
Fairborn CSD			
Certificated	26,535	384	69
Classified	25,099	245	102
Total	51,634	629	82
State of Ohio	3,365,633	61,588	54.6

Source: Fairborn CSD EMIS Staff Attendance Report Summary FY 2003-04 and the Sick Use and Cost History Report (12/21/03) from the Ohio Department of Administrative Services.

¹The EMIS Staff Attendance Report for Fairborn CSD FY 2003-04 uses number of days for the leave calculation versus number of hours like the State report. Therefore, the number of days for Fairborn CSD was converted into hours by multiplying the number of days by 7.5 hours.

Table 3-10 shows Fairborn CSD is above the State average in average leave hours per employee per year. Fairborn CSD’s average sick leave hours per employee is highest for classified employees which may support the transportation supervisor’s assertion about high absenteeism in his department.

At Findlay CSD, if a regular bus driver does not miss any days in a semester, they receive a one day pay bonus. For Newark CSD, employees with perfect attendance (no sick

leave, no personal leave days, no salary deduct days) receive 1 additional day of severance allowance, up to 10 days for each year of perfect attendance. Huber Heights CSD did not specify a sick leave incentive in its contract. Although Fairborn CSD offers a sick leave incentive³⁻², it does not appear to be having an appreciable effect on classified staff absenteeism.

If the District successfully reduced sick leave usage, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the delivery of the curriculum, and reduce substitute and overtime costs. Reducing sick leave use by three days (24 hours) per FTE would bring the District in line with the state average of 54.6 hours days, as reported by the Ohio Department of Administrative Services (ODAS).

Financial Implication: Fairborn CSD would realize a potential cost savings of approximately \$58,000 annually in substitute and overtime costs if each certificated staff member used, on average, two less leave day per year. The savings from a reduction in classified sick leave use could not be quantified because substitutes and overtime are not consistently used to cover absences.

Collective Bargaining Agreements

R3.9 During the next contract negotiations, Fairborn CSD should consider reducing the maximum number of sick leave days accrued and paid at retirement (severance pay) for certified and classified employees. Fairborn CSD authorizes a higher maximum number of days for accrual and payment at retirement which could potentially increase its financial liability. Implementation of this recommendation would require negotiation with the collective bargaining units.

According to Fairborn CSD's certificated negotiated agreement, employees are paid for a maximum of 84 sick days at retirement. Fairborn CSD's classified agreement specifies pay for up to 81 sick days at retirement. This is the highest number of sick days paid out at retirement when compared to the peers. In addition, ORC §124.39(B) states sick leave payout shall not exceed the value of 30 days of accrued but unused sick leave. However, section (C) permits political subdivisions to compensate employees for more than 30 days. The high sick leave pay-out could increase the future financial obligations to the District. (See **Tables 3-3** and **Table 3-4**).

³⁻² Fairborn CSD's classified contract for bus drivers and custodial employees contains a sick leave incentive specifying that 12 month employees who use no personal or sick leave during the year, and have perfect attendance, shall receive 5 days of pay as incentive. If the employee is absent only 1 day, the employee shall receive 4 days pay as incentive.

Fairborn CSD should seek to reduce the maximum number (84 days) of accrued but unused sick leave paid out at retirement by approximately 25 days for certificated staff to be more in line with the peer benchmarks and ORC standards. Also, Fairborn CSD should seek to reduce the maximum number of accrued but unused sick leave (81 days) paid out at retirement for classified staff by approximately 20 days to be more inline with peer benchmarks and ORC standards. Reducing the maximum number of accrued but unused sick leave paid out at retirement will also reduce the District's future liabilities in this area.

Financial Implication: Reducing the maximum number of accrued but unused sick leave days paid out at retirement by 25 days for classified staff and 20 days for certificated staff would save the District approximately \$26,400 for FY 2004-05, \$27,000 for FY 2005-06, \$28,000 for FY 2006-07, \$29,000 for FY 2007-08, and \$30,000 for FY 2008-09.

R3.10 During future contract negotiations, Fairborn CSD should eliminate the “no contract” clause which prevents the District from contracting services to outside vendors. Eliminating this provision would allow the District to outsource work such as plumbing, carpentry, electrical work and discontinue the employment of specialized employees whose skills may be used only on occasion. Implementation of this recommendation would require negotiation with the classified staff collective bargaining unit.

Fairborn CSD's classified agreement with the Dayton Public Service Union (DPSU) includes a no contracting provision. The provision states that management shall not contract out any work governed by the agreement now being performed by any employee, whereby any employee would suffer a reduction in hours as a result. This provision applies to employees in the transportation, operations and food service departments, and limits the ability of the District to contract for services like electrical, bus maintenance, carpentry, plumbing, and building maintenance. Fairborn CSD is the only school district that employs full-time positions for plumbing, carpentry and electrical when compared to the peers. Specific work in the building trades could be outsourced and potentially bid out at a lower cost than employing 3 full-time positions.

According to *AllBusiness*, a small business network, outsourcing can yield several benefits including the following:

- Control fixed personnel costs;
- Increase efficiency;
- Reduce labor costs;
- Start new projects more quickly or increase response time to critical repairs; and
- Reduce risk and liability.

Although reducing personnel costs is an obvious benefit of outsourcing, it is not usually the greatest benefit derived from the practice. The City of Phoenix, for example, when it went out to bid for refuse collection services, opted for an outside vendor over its internal employees because of the high cost of operations and the low level of customer satisfaction. When the bid was reopened the next year, City workers reclaimed the work through increased efficiency, lowered costs, and improved service levels. In many cases, entities that use outsourced services see increased service levels as a component of their agreements.

If Fairborn CSD negotiated to eliminate this provision from its contract, it could redirect any net savings in support service personnel costs to other District priorities. Also, as an added benefit, it might be able to increase service levels and response times in outsourced functions.

R3.11 During future contract negotiations, Fairborn CSD should seek to eliminate the \$400 special education stipend provision. Eliminating this provision will reduce future costs for the District and equalize salaries between regular and special education teachers. Implementation of this recommendation would require negotiation with the certificated staff collective bargaining unit.

Fairborn CSD's certificated contract specifies that instructional employees performing the duties of speech/language pathology, learning disability, developmental handicapped, multi-handicapped, and pre-school handicapped, receive a stipend of \$400 per year in addition to the instructional employee's regular salary. Providing this stipend not only increases costs to the District but creates a disparity between the wages of teaching personnel. The peer districts do not offer an additional stipend to special education personnel. In FY 2004-05, approximately 60 employees will receive the special education stipend. This increases costs to the District by about \$24,000, which is equivalent to the base salary for an entry level teaching professional. Eliminating the stipend from the contract would help the District better control costs and allow it to redirect the cost savings to other educational priorities.

Financial Implication: Eliminating the special education stipend for the estimated 60 positions would result in cost-savings of approximately \$24,000.

Financial Implications Summary

The following table is a summary of estimated annual cost savings and implementation costs. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiation may require agreement from the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Cost Savings	Estimated Annual Implementation Costs
R3.3 Hire a human resources director		\$108,000
R3.5 Reduce the pick-up on pick-up for administrative employees	\$29,000	
R3.7 Participate in the BWC 10 step program	\$73,600	
R3.8 Reduce the amount of sick leave used by certificated employees	\$58,000	
Total	\$160,600	\$108,000

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.4 Negotiate a lower step and COLA for all bargaining unit employees ¹	\$692,730 ¹
R3.6 Renegotiate key benefits and seek lower premiums	\$411,230
R3.9 Reduce the maximum number of sick days paid out at retirement	\$26,400
R3.12 Renegotiate the special education stipend	\$24,000
Total	\$1,161,000

¹ Reflects the annual average amount over the forecasted period.

Facilities

This section of the performance audit focuses on Fairborn City School District's (Fairborn CSD) custodial and maintenance operations. The objective is to analyze building operations of Fairborn CSD and develop recommendations for improvements and reductions in expenditures. These operations are evaluated against best practice and operational standards from the American Schools & University (AS&U) *Maintenance & Operations (M&O) Cost Study*, and other peer school districts. The peer districts include Findlay City School District (Findlay CSD), Huber Heights City School District (Huber Heights CSD), and Newark City School District (Newark CSD).

Organizational Structure and Function

Fairborn CSD consists of seven school buildings: Five Points and Palmer-South elementary schools (grades preschool-6), Black Lane, East, and Wright elementary schools (grades K-6), Baker Junior High School (grades 7-8), and Fairborn High School (grades 9-12). The District also has an administrative building.

The District's buildings and grade structures differ in FY 2004-05. Two of the elementary school buildings, Black Lane and Wright, were closed with the prospect of leasing either or both of the buildings. Two other buildings, Five Points Elementary and Palmer-South Elementary, have been renamed Fairborn Primary and Fairborn Intermediate, respectively. The District reconfigured its grade structure for FY 2004-05: Fairborn Primary (formerly known as Five Points elementary) will house grades preschool through 3, Fairborn Intermediate (formerly known as Palmer-South Elementary) will house grades 4 and 5, East Elementary will house grade 6, Baker Junior High will house grades 7 and 8, and Fairborn High School will house grades 9 through 12.

The administrative assistant of business affairs and personnel supervises the custodial staff as part of his job responsibilities. Fifty percent of his time is spent on classified personnel and business affairs, completing paper work, purchase orders, workers compensation claims, unemployment papers, etc. The remaining 50 percent is spent on custodial, food service, technology, and transportation duties. The head custodians are responsible for the day-to-day management of the custodial staff at their designated buildings. The custodial staff is responsible for providing a clean and safe environment for the students, staff, and public who use Fairborn CSD facilities, as well as the completion of minor maintenance. The custodial staff consists of 33 full-time custodians⁴⁻¹ and 1 part-time custodian, totaling 33.5 full-time equivalents (FTEs).

⁴⁻¹ During the course of the audit, the District reduced the number of full-time custodians to 26.

Fairborn CSD's maintenance department consists of an administrative assistant (1 FTE), who is responsible for the administrative and clerical related tasks. The Dayton Public Service Union Local 101 classified labor agreement includes a "no contract clause" which prevents the District from contracting out maintenance work. All major maintenance, such as electrical repair, plumbing repairs, boiler maintenance, and air handler maintenance is completed in-house.

The maintenance department consisted of 12 positions, equating to 11.2 FTEs in FY 2003-04. However, the District reduced 6 maintenance department positions at the end of the 2003-04 school year, leaving the District with 6 employees totaling 5.2 FTEs.

The District maintains approximately 250 acres of land. Both maintenance staff and the head custodians at each of the school buildings complete grounds work. In FY 2003-04, the maintenance staff mowed Baker Junior High's and East Elementary grounds, while the head custodians mowed each of their buildings' grounds at Fairborn High School, and Palmer-South and Five Points elementary schools. In FY 2004-05 the head custodians mow the grounds at their respective schools, with the exception of Five Points Elementary where maintenance employees will complete the mowing along with maintaining the District's playing and practice fields.

Staffing

The number of custodial personnel assigned to a building at Fairborn CSD ranges from 0.5 to 6.4 FTEs. Starting in FY 2004-05 there are 5 FTEs at Fairborn Primary, 5.4 FTEs at Fairborn Intermediate, 1.4 FTEs at East Elementary, 6.4 FTEs at Baker Junior High, and 6 FTEs at Fairborn High School. The District has a 0.5 FTE custodian responsible for cleaning the administration building and its adjoining building. In February 2005, the District plans to add .25 FTE to be responsible for the transportation and maintenance complex.

Table 4-1 illustrates custodial and maintenance staffing levels and the number of FTEs responsible for maintaining Fairborn CSD's facilities for FY 2003-04. The table also illustrates the changes that took place for FY 2004-05.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2003-04 & 2004-05

Classification	FY2003-04 Number of Positions	FY2003-04 Full-Time Equivalents	FY2004-05 Number of Positions	FY2004-05 Full-Time Equivalents
Administrative Assistant of Business Affairs, and Personnel	1	0.1	1	0.1
Administrative Assistant of Maintenance, Buildings, Grounds and Capital Project	1	1.00	1	1.00
Total Administration	2	1.1	2	1.1
Maintenance	11	10.2	6	5.2
Maintenance Secretary	1	1.00	0	0
Total Maintenance Department	12	11.2	6	5.2
Custodian	34	33.50	26	24.7
Total Custodial Department	34	33.5	26	24.7
Total	48	45.8	34	31

Source: Fairborn CSD's Administrative Assistant of Business Affairs and Personnel Manager.

Key Statistics

Key statistics related to the maintenance and operations (M&O) of Fairborn CSD are presented in **Table 4-2**. In addition, results from the 33rd Annual American School & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2004, 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. This year's report provides the median number for each category on a national level and by district enrollment.

According to the 33rd Annual AS&U study, school districts are continuing to hover around historic lows on the percentage of spending for maintenance and operations. "While indoor environmental quality and cleanliness of schools have received more attention, adequate funding to provide effective M&O services remains elusive." The low allocation of resources to M&O is a "stark reminder of how difficult it continues to be to upkeep and operate America's aging education infrastructure on a shoestring budget."

During the course of the audit, the District began implementation of AOS recommendations to redistribute custodial worker's time between buildings to equalize workloads. These changes are shown in brackets in the FY 2004-05 column and reflect the implementation of audit recommendations between September 2004 and February 2005.

Table 4-2: FY 2003-04 & FY 2004-05 Key Statistics and Indicators

	FY 2003-04	FY 2004-05
Number of School Buildings	9	6
- Black Lane Elementary ¹	1	n/a
- East Elementary	1	1
- Five Points Elementary/ Fairborn Primary School	1	1
- Palmer-South Elementary/ Fairborn Intermediate	1	1
- Wright Elementary ¹	1	n/a
- Baker Junior High	1	1
- Fairborn High School	1	1
- Gym, Field house, misc. ²	1	n/a
- Board Building/White House	1	1
Total Square Feet Maintained	634,136	580,236
- Black Lane Elementary ¹	29,375 ³	n/a
- East Elementary	54,923 ³	54,923 ³
- Five Points Elementary/ Fairborn Primary School	129,036	129,036
- Palmer-South Elementary/ Fairborn Intermediate	82,058	82,058
- Wright Elementary ¹	23,261	n/a
- Baker Junior High	116,485	122,677
- Fairborn High School	173,077 ³	179,413 ³
- Gym, Field house, misc. ²	13,792	n/a
- Board Building/White House	12,129	12,129
Square Feet Per FTE Custodial Staff Member	18,929	23,529 [21,896]
- Black Lane Elementary ¹	14,688	n/a
- East Elementary	18,308	40,385 [21,969]
- Five Points Elementary/ Fairborn Primary School	21,506	25,807 [21,506]
- Palmer-South Elementary/ Fairborn Intermediate	16,412	15,084 [20,515]
- Wright Elementary ¹	11,631	n/a
- Baker Junior High	16,641	19,289 [18,873]
- Fairborn High School	24,725	29,902 [25,630]
- Gym, Field house, misc. ²	13,739	n/a
- Board Building/White House	24,258	24,258
AS&U 33rd Annual Cost Survey >3,500 Students	21,520	21,520
AS&U 33rd Annual Cost Survey National Median	23,787	23,787
Peer District FY 2003-04 Average	22,586	n/a
Square Feet Per FTE Maintenance Employee⁴	62,415	112,449
AS&U 33rd Annual Cost Survey >3,500 Students	80,887	80,887
AS&U 33rd Annual Cost Survey National Median	90,757	90,757
Peer District FY 2003-04 Average	111,444	n/a
Maintenance and Operations Expenditures Per Square Foot		
- Custodial and Maintenance	\$5.87	\$6.32
- Utilities	\$4.52	\$4.47
AS&U 33rd Annual Cost Survey National Median	\$1.35	\$1.85
Peer District FY 2003-04 Average	\$4.09	\$4.09
	\$5.88	n/a

Source: Fairborn CSD and peer districts; AS&U 33rd Annual Maintenance & Operations Cost Survey

Note: Most extracurricular activities are schedule at Baker Junior High which is reflected in the lower square footage cleaned by its custodians as the building requires personnel to be on duty during after school activities.

¹These buildings were closed for FY 2004-05 through reconfiguration.

²These areas were cleaned by a "floater" custodian in FY 2003-04, now they will be cleaned by staff working at the sites; the floater custodian has been given a permanent assignment at Fairborn Primary school for FY 2004-05.

³Total square footage includes modular units, the total building square footage is 623,736 and there are 8 modular units at 1300 square feet each. In FY 2004-05, the District reduced the number of modular units to five.

⁴The square feet per maintenance FTE is derived by dividing the number of FTE's into the total building square footage.

Table 4-2 shows the changes that occurred in the Fairborn CSD school buildings between FY 2003-04 and FY 2004-05, as well as during FY 2004-05. The table shows that, initially in FY 2004-05, the square footage maintained by custodial staff at East Elementary, Five Points Elementary/Fairborn Primary, and Fairborn High School was greater than the national benchmark, while the staff at the Palmer-South Elementary/Fairborn Intermediate, and Baker Junior High was responsible for maintaining less square footage than the national benchmark. (See **R4.1**.) **Table 4-2** also shows that in terms of expenditures per square foot, Fairborn was lower than the peer average but higher than the national median in FY 2003-04 and 2004-05. Changes in custodial staff allocation during FY 2004-05 brought the square footage maintained per FTE closer to the national average in all buildings.

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate Fairborn CSD's facilities for FYs 2002-03, 2003-04 and Budget 2004-05.

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2002-03 Total	FY 2003-04 Total	FY 2003-04 Percentage Change	FY 2004-05 Budget	FY 2004-05 Percentage Change
Salaries	\$1,671,604	\$1,508,708	-9.7%	\$1,305,525	-13.5%
Benefits	\$454,133	\$631,757	39.1%	\$559,915	-11.4%
Purchased Services	\$542,671	\$459,292	-15.4%	\$499,822	8.8%
Utilities	\$769,368	\$859,167	11.7%	\$1,004,622	16.9%
Supplies/ Materials	\$478,551	\$257,128	-46.3%	\$194,000	-24.6%
Capital Outlay	\$63,880	\$8,806	-86.2%	\$22,945	160.6%
Other	\$0	\$0	0%	\$0	0%
Total	\$3,980,207	\$3,724,858	-6.4%	\$3,586,829	-3.7%

Source: Fairborn CSD's Treasurer's Office; BUDWORK Function 2700 for FY 2002-03, FY 2003-04 and Budget 2004-05.

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

- *A 9.7 percent decrease in salaries from FY 2002-03 to FY 2003-04 and a further decrease of 13.5 percent for FY 2004-05 budget:* In FY 2003-04 there was a step increase but no cost of living adjustment (COLA) resulting in the decrease in salary expenditures. The District also eliminated overtime by using custodial substitutes to a greater degree. The 13.5 percent decrease for budget year 2005 is due to cuts made to the maintenance and custodial personnel and overtime. The District also eliminated 9 custodians and 3 maintenance positions and therefore the District is no longer budgeting for those positions.
- *A 39.1 percent increase in benefits for FY 2003-04 and an 11.4 percent decrease in benefits for FY 2004-05 budget:* The small increase of 4.7 percent in FY 2002-03 was because the District began using a new benefit provider company. In FY 2003-04 the District paid the balances necessary to terminate their contract with the previous benefit provider. Also in FY 2003-04 workers comp claims increased and the District experienced increased costs due to penalty ratings from the Bureau of Workers' Compensation; and SERS costs increased due to SERS charges lagging by six months. The treasurer stated that SERS projections for budget year 2004-05 were based on FY 2003-04 estimated salaries, which eventually came in much lower than expected. Therefore, when the treasurer estimated FY 2003-04 SERS amounts, no prior year history was available which made it difficult to depict the liability from previous years. The decrease of 11.4 percent in FY 2004-05 budget for benefits resulted from the elimination of personnel, which created a corresponding decrease in benefits.
- *A 15.4 percent decrease in purchased services from FY 2002-03 to FY 2003-04 and an 8.8 percent increase in purchased services for FY 2004-05 budget:* In FY 2003-04, the decrease resulted from cost cutting practices and the re-evaluation of each individual contract. Purchased services include some additional funds for emergency facilities repairs.
- *An 11.7 percent increase in utility costs from FY 2002-03 to FY 2003-04 and a 16.9 percent increase in utility costs for FY 2004-05 budget:* During the historical period, the District tried to get utility costs under control, but an 11.7 percent increase was consistent with prior years' increases. According to the treasurer, the 16.9 percent increase in FY 2004-05 budgeted amounts were based on the high increases projected through the District's consortium which included a 25 percent increase in natural gas costs.
- *A 13.8 percent increase in supplies and materials from FY 2002-03 to FY 2003-04, and 24.6 percent decrease in supplies and materials for FY 2004-05 budget:* In FY 2003-04, the District implemented the standard of competitive pricing, and the decrease was a result of these cost reductions. As for FY 2004-05 budget, the District has only made emergency supply purchases and has not been able to complete routine maintenance.

- An 86.2 percent decrease in capital outlay from FY 2002-03 to FY 2003-04 and a 160.6 percent increase (\$14,139) in capital outlay for FY 2004-05 budget: In FY 2003-04 the District only made essential purchases, such as replacement items for broken or deteriorated equipment. In FY 2004-05, the District increased the budgeted amount in order to better provide for emergency situations should they arise.

Facilities-Related Expenditures

Revenue from the General Fund is used to support the maintenance and operation of Fairborn CSD's facilities. As shown in **Table 4-3**, the General Fund provided \$3,724,858 in FY 2003-04 for building operation expenses, including custodial and maintenance employees' salaries and benefits, supplies and materials, purchased services, utilities, and capital outlay.

- Fairborn CSD used \$24,485 in other funds to supplement purchased services to help maintain the District.
- Findlay CSD used \$5,872,743 in General Fund revenues and \$231,856 in other funds to help supplement salaries and benefits, purchased services, utilities, supplies and materials and capital outlay.
- Huber Heights CSD used \$5,487,668 in General Fund revenues and an additional \$26,559 in other funds to help supplement purchased services and capital outlay.
- Newark CSD used \$4,438,948 in General Fund revenues and an additional \$159,096 in other funds to help supplement purchased services, utilities and capital outlay to maintain its facilities.

Table 4-4 compares Fairborn CSD's FY 2003-04 General Fund custodial and maintenance-related expenditures per square foot to the peers and AS&U national data for schools with populations greater than 3,500 students. The table also includes per square foot expenditures for Fairborn CSD based on the 2004-05 square footage and budgeted amounts for each category shown.

Table 4-4: FY 2003-04 General Fund Expenditures per Square Foot

Expenditure	Fairborn CSD 2003-04	Fairborn CSD 2004-05 Budget	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average ¹	AS&U >3,500 Students	AS&U National Median
Custodial and Maintenance Salaries and Benefits	\$3.38	\$3.21	\$3.55	\$2.15	\$3.32	\$3.00	\$2.06	\$1.84
Purchased Services	\$0.72	\$0.86	\$1.85	\$2.11	\$0.50	\$1.49	\$0.17	\$0.18
Utilities	\$1.35	\$1.73	\$1.08	\$1.01	\$1.14	\$1.08	\$1.18	\$1.16
Supplies/ Materials	\$0.41	\$0.33	\$0.12	\$0.27	\$0.42	\$0.27	\$0.30	\$0.32
Capital Outlay	\$0.01	\$0.04	\$0.00	\$0.09	\$0.00	\$0.03	N/A	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.03	\$0.00	\$0.01	\$0.38	\$0.34
Total General Fund Expenditures	\$5.87	\$6.18	\$6.60	\$5.65	\$5.38	\$5.88	\$4.09	\$3.84

Source: Fairborn City School District and peer district Treasurer's Offices, FY 2003-04 actual expenditure reports for the General Fund, 2700 function, and 4502 P & Q statements. Data for Fairborn CSD FY 2004-05 was drawn from District square footage information and FY 2004-05 budget information for the 2700 function.

Note: Totals in **Table 4-4** have been rounded.

¹ Prorated peer averages (adjusted for FY 2004-05 based on 3 percent inflation) were as follows: Salaries and Benefits, \$3.09; Purchased Services, \$1.53; Utilities, \$1.11; Supplies and Materials, \$0.28; Capital Outlay, \$0.03; Other, \$0.01 for a total of \$6.06 per square foot.

Overall, Fairborn CSD's total General Fund expenditures per square foot were higher than the AS&U national mean, higher than two of their peers, and higher than the AS&U cost for districts with more than 3,500 students for FY 2003-04. Although per square foot costs decreased for FY 2004-05 in the areas of Salaries and Benefits, and Supplies and Materials, increases in Purchased Services and a large jump in Utilities increased overall per square foot operating costs. Fairborn CSD's total 2003-04 General Fund expenditures per square foot were higher than the peer average in all expenditure categories except purchased services where there are few expenditures due to a no contracting clause in the labor agreements (see **human resources section** for further analysis), capital outlay, and other. Specific examples include:

- Salaries and benefits (12 percent higher than the peer average),
- Utilities (26 percent higher than the peer average), and
- Supplies and Materials (51 percent higher than the peer average).

Fiscal Year 2004-05 facility operating costs, when compared to peer data for the prior year, show that the District exceeded peer costs in the following areas:

- Salaries and benefits,
- Utilities,

- Supplies and Materials, and
- Capital Outlay.

Even after adjusting peer average amounts in these areas for an average inflation rate of 3 percent, Fairborn CSD remains higher than the peers in these categories.

Although the District may be spending 51 percent more than the peers, it has adopted stricter purchasing standards. All supplies are now purchased through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC). The District hopes that changes in purchasing practices will help bring expenditures more in line with similarly sized school districts.

Fairborn CSD and peer districts supplement General Fund maintenance and operation expenditures with other funds. **Table 4-5** details the total other fund facility-related expenditures for Fairborn CSD and the peers and recalculates the total facilities-related cost per square foot.

Table 4-5: FY 2003-04 Total Facilities Related Expenditures per Square Foot

	Fairborn CSD	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average
Total other fund facilities related expenditures	\$24,485	\$231,856	\$26,559	\$159,096	\$139,170
Other facilities related expenditures per square foot	\$0.04	\$0.26	\$0.03	\$0.19	\$0.16
Total General Fund facilities related expenditures per square foot	\$5.87	\$6.60	\$5.65	\$5.38	\$5.88
Total all funds facilities related expenditures per square foot	\$5.91	\$6.86	\$5.68	\$5.57	\$6.04

Source: Fairborn CSD and peer district Treasurer's Offices, FY 2003-04 actual expenditure reports for the General Fund, 2700 function, and 4502 P & Q statements.

As shown in **Table 4-5**, Fairborn CSD's total facility related expenditures per square foot for all funds remained below the peer average, but was higher than two of three peers. This could be attributed to the incremental increase in Fairborn CSD's other facilities related expenditures per square foot (which was calculated at an additional \$0.04), as well as an outlying peer (Findlay CSD) skewing the peer average making it appear higher in comparison to Fairborn CSD's costs. Removing Findlay CSD's costs from the peer average created a more equitable representation of the peer average, and exposed Fairborn CSD's high expenditures per square foot.

The differences between Fairborn CSD's expenditures and the remaining peers (once Findlay CSD is removed) are attributed to its high benefits, utilities, and supplies and materials expenditures (see **Table 4-4**). Although, supplies and materials have decreased from previous years due to the District implementing the standard of competitive pricing (see **Table 4-2**), they remain high when compared to peer districts' costs per square foot. However, when examining budgeted costs per square foot for FY 2004-05 (see **Table 4-6**), supplies decreased by \$0.08 per

square foot from \$0.41 to \$0.33, which brings Fairborn closer both to the peer cost of \$0.27 and AS&U cost of \$0.32 per square foot.

Fairborn CSD's purchased services and utility budgeted costs per square foot FY 2004-05 includes funds appropriated for Black Lane and Wright Elementary Schools that were closed at the end of FY 2003-04. When these amounts are excluded, costs decrease by \$0.03 and \$0.07 respectively, from the budgeted total cost per square foot. **Table 4-6** presents FY 2004-05 adjusted budget for purchased services per square foot, excluding Black Lane and Wright Elementary Schools' expenditures. In addition, the table depicts an adjustment for utility charges taking into account those same building closures.

Table 4-6: FY2004-05 Adjusted General Fund M&O Expenditures per Square Foot

Expenditure	Fairborn CSD Budgeted Cost per Square Foot FY 2004-05	Fairborn CSD Adjusted Budgeted Cost per Square Foot FY 2004-05	AS&U >3,500 Students	AS&U National Median
Custodial and Maintenance Salaries and Benefits	\$3.21	\$3.21	\$2.06	\$1.84
Purchased Services	\$0.89	\$0.86	\$0.17	\$0.18
Utilities	\$1.85	\$1.73	\$1.18	\$1.16
Supplies/ Materials	\$0.33	\$0.33	\$0.30	\$0.32
Capital Outlay	\$0.04	\$0.04	N/A	N/A
Other	\$0.00	\$0.00	\$0.38	\$0.34
Total General Fund Expenditures	\$6.32	\$6.17	\$4.09	\$3.84

Source: Fairborn CSD Treasurer's Office, FY 2004-05 budgeted expenditure reports for the General Fund 2700 function.

Prior to FY 2004-05 the District utility costs totaled \$1.35 per square foot, and although the budgeted amount FY 2004-05 is \$1,072,572, it represents a decrease of \$245,887 from the \$1,318,459 expended in FY 2003-04. (See also **Table 4-4**.) However, the cost per square foot did not decrease because the total square footage for the District decreased. Assuming that utility expenditures budgeted for Black Lane and Wright elementary schools are eliminated from the budget, utility costs per square foot will decrease from \$1.85 to \$1.73. Based on FY 2003-04 data, this remains higher than the peer average and AS&U amounts (see **Table 4-4**).

Assessments Not Yielding Recommendations

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

- ***Building use policy and fee schedule:*** Fairborn CSD uses a fee schedule to determine costs for building usage by the community. According to the Administrative Assistant of Business Affairs and Personnel, all costs attributed to the use of the District facilities are tracked. The party using the facilities is responsible for all custodial staff overtime charges as well as rental fees for the building.
- ***Custodial and maintenance overtime usage:*** Fairborn CSD uses substitute employees to keep overtime usage to a minimum. Overtime in FY 2003-04 at Fairborn CSD comprised 6 percent of salaries; however, it was lower than the peer average.
- ***Bulk Purchasing:*** The District makes custodial and bulk supply purchases through the Southwestern Ohio Educational Purchasing Cooperative.
- ***Preventive Maintenance:*** The District performs preventive maintenance on mechanical systems such as chillers, boilers, steam kettles, and hot water boilers. The maintenance staff also changes filters, completes electric work upgrades, maintains grounds equipment, and checks sprinkler systems. Although there is no formally written preventive maintenance plan, the maintenance department maintains a log of work and items that require monitoring.
- ***Building Capacity:*** Fairborn CSD completed its own building reconfiguration and consolidated grades in order to accommodate the slowly declining enrollment of students.

Recommendations

Staffing

R4.1 Fairborn CSD should reassign 1 FTE custodian from Baker Junior High to East Elementary. The District should also reassign 2 FTEs from Palmer-South Elementary to Five Points Elementary (0.50 FTE), and Fairborn High School (1.5 FTE) to increase the efficiency of custodial operations.

During the course of the audit, Fairborn CSD implemented components of this recommendation and made some adjustments of its own. The effects of these adjustments have been added to Table 4-7.

While Table 4-2 illustrates that the overall square footage per custodial FTE at Fairborn (23,529) is slightly higher than the AS&U >3,500 students average (21,520) and slightly lower than the AS&U national average (23,787). Elementary school custodians are maintaining significantly less square footage per FTE than the custodians at the Junior high and high schools. Table 4-7 illustrates the custodial assignments and square footage maintained if the FTEs within the District were reassigned between buildings.

Table 4-7: FY 2004-05 Custodial Staff Reassignment

Building	September 2004 FTE and Square Footage			Recommended FTE and Square Footage		February 2005 FTEs and Square Footage	
	FTE	Square Footage	Square Footage per FTE	Adjusted FTEs	Adjusted Square Footage per FTE	District Adjusted FTEs	2005 Square Footage per FTE
East 6 th Grade Elementary	1.36	54,923	40,385	2.36	23,272	2.5	21,969
Fairborn Primary	5.00	129,036	25,807	5.50	23,461	6.0	21,506
Fairborn Intermediate	5.44	82,058	15,084	3.5	23,445	4.0	20,515
Baker Junior High	6.36	122,677	19,289	5.36	22,888	6.5	18,873
Fairborn High	6.00	179,413	29,902	7.44	24,115	7.0	25,630
Board Office	0.50	12,129	24,258	0.50	24,258	0.5	24,258
Total	24.66	580,236	23,529	24.66	23,529	26.5	21,896

Source: Fairborn CSD

Note: Most extracurricular activities take place at Baker Junior High School and the District stated that these activities contribute to the low square footage per FTE for this facility.

Table 4-7 shows square footage per custodial FTE for Fairborn CSD after the recent staffing reductions. Although the overall square footage per FTE is inline with the AS&U and the *Planning Guide for Maintaining School Facilities*, the individual building square footage per FTE varies. District personnel recently attended training on how to reallocate FTEs using an equation based on square footage. The District is in the process of using this methodology to adjust its staffing. The District should consider the effect of

square footage within each building, because some custodians are responsible for far greater square footages than others are.

The *Planning Guide for Maintaining School Facilities* states there are five levels of cleanliness. Level two and level three are most often associated with school districts. Level two cleaning is the uppermost standard for most schools, and is generally reserved for restrooms, special education areas, kindergarten areas, and food service areas. A custodian can clean approximately 18,000 to 20,000 square feet in an eight-hour shift in areas requiring level two cleaning. Level three cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose health issues. A custodian can clean approximately 28,000 to 31,000 square feet in eight hours in areas requiring level three cleaning. Taking the average of these levels, a custodian can apply both levels two and three cleaning regimens where appropriate and cover approximately 23,000 to 25,500 square feet in an eight-hour shift

Reassigning custodial staff would make the square footage per FTE more equitable among all of the District's buildings and will help the District establish consistency in building cleanliness by implementing custodial and maintenance procedures (see **R4.7**). These procedures will improve the balance of the workload from building to building and ensure equitable cleaning standards are applied to all buildings. Reallocating staff also may increase the efficiency of custodial operations

Long Range Planning and Facilities Use

R4.2 Fairborn CSD should use a computerized maintenance management system (CMMS) or a computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. This would require authorized persons (e.g., building principal) to approve work requests, and maintenance personnel to document the repairs and tasks completed each day. The administrative assistant of maintenance, buildings and grounds should review a summary of work orders periodically to monitor productivity and maintenance expenditures. The administrative assistant of maintenance, buildings and grounds should conduct random inspections of maintenance work to ensure work is performed effectively and in a timely fashion.

During the course of the audit, the District began implementation of this recommendation. At the time of reporting, the District was comparing systems in preparation for making recommendations on purchasing a system.

Currently, the maintenance staff, including the plumber, electrician, carpenters, handypersons, and minor custodial assistance personnel serve the entire school District. The maintenance staff is responsible for all work order requests submitted by teachers,

custodians, and principals. Work order requests pass through the interoffice mail to the administrative assistant of maintenance, buildings and grounds. The administrative assistant of maintenance, buildings and grounds prioritizes the request with the approval of the building principals and assigns the work as time permits. The most pressing issues, such as boilers, air circulation fans, heating, and major plumbing problems receive first priority.

The current work order process is manual and paper driven which makes it slow and inefficient. The manual nature of the system makes it difficult to determine the number of open and completed work orders. Further, according to the administrative assistant of maintenance, buildings and grounds, in-house work orders are not filed, and at times, are not tracked. Because outstanding projects or work orders are difficult to distinguish, a backlog of maintenance requests could exist. There are also no easily accessible, comprehensive building repair records due to the manual nature of the work order and repair process, and completed tasks are not monitored or evaluated. In addition, Fairborn CSD is unable to use the paper work order process as a measure of staff productivity because of incomplete repair histories. The absence of these records can hinder the identification of sources of system breakdowns and can impede troubleshooting efforts.

According to the *Planning Guide for Maintaining School Facilities* developed by the School Facilities Maintenance Task Force National Forum on Educational Statistics and the Association of School Business Officials International (ASBO), the purpose of a CMMS system is to manage work order requests as efficiently as possible and meet basic information needs of the district. A CMMS system includes the following:

- Acknowledges the receipt of a work order;
- Allows the maintenance department to establish work priorities;
- Allows the requesting party to provide feedback on the quality and timeliness of the work;
- Allows preventive maintenance work orders to be included; and
- Allows labor and parts costs to be captured for each building.

In addition, a CMMS system should include the date the request was received, the date approved, a job tracking number, and the job status (received, assigned, on going or completed).

With a computerized system, the administrative assistant of maintenance, buildings and grounds could access a database to identify, and prioritize the most pressing projects. Likewise, the maintenance staff could check their assignments online rather than waiting to receive the requests through inter-office mail. Furthermore, completing daily logs using a computer-based system would increase accountability and potentially increase productivity. In addition, instituting the use of a computerized system for completing

work order forms and daily work order logs online will significantly reduce the time spent on paper work and allow more time for completing tasks. Sources for computerized work order systems are available online.

Financial Implication: The cost of a CMMS system would be approximately \$3,200 per year. Start up costs should be minimal because the system is Internet based and Fairborn CSD already has the required infrastructure.

R4.3 Fairborn CSD should update its facilities master plan to incorporate building construction and improvements, as well as educational model shifts that have taken place at the District. The plan should include a 10-year enrollment history; enrollment projections and the methodology used for their calculation; building capacity and the methodology used to calculate it; a list of the cost estimates for needed capital improvements; and a description of the District's educational plan. The District should request its Facilities Committee take responsibility for annual updates to the plan.

During the course of the audit, Fairborn CSD began updates to its plan through its Facilities Committee.

The District has a comprehensive facilities master plan but the plan has not been updated recently. The master plan in use was developed by the Ohio School Facilities Commission in 2002. However, the plan does not accommodate or address the facilities changes that have taken place prior to the start of FY 2004-05. Because the District does not have an up-to-date facility master plan, it is unable to effectively link educational programs with facility usage. Once the master plan is updated however, the District can use the facilities according to approved educational programming, thereby providing students with appropriate facility space tailored to academic programs

At the time of reporting, Fairborn CSD is using both a consultant's report on facilities and its OSFC facilities master plan as its capital improvement plans. It should combine the elements of these two publications in its updated plan. Fairborn CSD should continue to work with the cross-section of school personnel, parents, students, and community members involved in its facility committee to annually update its plan so that it clearly states the future plans for each facility in the District. The facility master plan should serve as a roadmap to guide Fairborn CSD's facility decisions.

R4.4 Fairborn CSD should incorporate a multi-year capital improvement plan into its facilities master plan to help ensure the remaining \$1.5 million of capital improvement funds are used to complete the most critical repair work, and ensure that all capital outlay expenditures coincide with its continuous improvement plan.

A formal capital improvement plan will also help demonstrate fiscal responsibility to the citizens of the District.

During the course of the audit, Fairborn CSD took steps to begin implementation of this recommendation in conjunction with the update of its facilities master plan.

Fairborn CSD last developed a capital improvement plan in 1999 and has a remaining fund balance of \$1.5 million set aside for capital improvements. The District has not decided on the use of these funds and has not incorporated them into its multi-year capital improvement plan to detail how the remaining funds will be spent.

In order for entities to plan effectively, the Public Works Management Manual, published by the American Public Works Association, suggests that capital improvement planning should be a detailed process that assesses and plans for the infrastructure needs of the organization to achieve its long-term goals. Infrastructure needs refers to all facilities and equipment needed by the organization. The capital improvement planning process should include an analysis of potential funding sources, as well as priorities and measurement guidelines to choose between project proposals. Long-term objectives and goals should be implemented through shorter-term operational plans.

In addition, according to HCI Systems, a capital improvement plan is also effective when the following critical information about each facility is identified and tracked:

- Detailed specifications of individual building components;
- Date in service, the length of time a building has been operational;
- Effective life cycle, the life span of a building; and
- Estimated replacement cost and budgets.

Once the capital improvement plan is developed, it will lay the foundation for keeping Fairborn CSD's facilities safe and in good repair. Without a capital improvement plan, potential capital needs could go unrecognized and could potentially cost more than if planned and completed according to a schedule. Creating a formal plan for these outlays will benefit the District by helping complete projects in a more timely and economical manner.

This type of planning will demonstrate the District's responsibility to the community and keep stakeholders involved in the planning process. When properly developed, a capital improvement plan provides the district with leverage should it be necessary to ask the community for financial support, as well as providing a timeline for future projects, the cost of such projects, and the type of work, (e.g. construction, renovation, or building an addition). Finally, the additional information in this capital improvement plan should be included as a part of the facility master plan.

R4.5 Fairborn CSD should complete enrollment projections annually by adopting and implementing a formal methodology or by contracting out that service. Because enrollment projections are a valuable planning tool, they should be performed annually. Fairborn CSD can use enrollment projections to help project future state funding allocations, complete financial forecasts, determine the appropriate number of teachers to hire, and evaluate building usage and capacity.

The District adopted a resolution to update enrollment projections that was approved by its Board at its February 14, 2005 meeting. Fairborn CSD will contract for this service.

Fairborn CSD had not completed enrollment projections since FY 1999-2000. However, in FY 2003-04 the District developed an enrollment projection chart showing five years of historical head count data and nine years of projected enrollments. **Table 4-7** outlines the enrollment projections developed by Fairborn CSD. The projections were developed based on the average annual rate of change during the five-year period from FY 1998-99 through FY 2002-03. **Table 4-7** suggests that Fairborn CSD will experience a steady decline in enrollment for the next 8 years.

Table 4-8: Fairborn CSD Enrollment Projections

School Year	Projected Enrollment	Percentage Change From Previous Year
2004-2005	5,340	N/A
2005-2006	5,217	(2.3%)
2006-2007	5,097	(2.3%)
2007-2008	4,970	(2.5%)
2008-2009	4,852	(2.4%)
2009-2010	4,729	(2.5%)
2010-2011	4,614	(2.4%)
2011-2012	4,492	(2.6%)

Source: Fairborn CSD, FY 2003-04

Although Fairborn CSD staff completed the enrollment projections in **Table 4-8**, the data, which show the District's enrollment decreasing at an average of 2.4 percent annually, could have been employed at critical financial junctures to help the District avoid its current financial condition. Using enrollment data to modify programs, facilities use, and transportation helps districts better prepare for current and future student needs. When enrollment projections are not completed, several negative effects on District planning can occur, such as over- or under-estimating teaching, fiscal, and facility resource needs. Conducting and updating enrollment projections on an annual basis will provide important planning and management information for Fairborn CSD.

R4.6 Fairborn CSD should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are being completed in a

timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure all District facilities are sufficiently and consistently cleaned.

Fairborn CSD does not have a standard procedure manual for custodial operations. The administrative assistant of maintenance, building and grounds stated that custodial staff are assigned to buildings and complete assigned work based on their own processes. No specific methodology is taught or encouraged concerning how buildings should be cleaned. Because each custodian has his or her own assignment and performs job duties without standardization, various techniques are used throughout the buildings.

The Association of School Business Officials International publishes the *Custodial Methods and Procedures Manual*, which was designed as a guideline for developing policies and procedures for custodial and maintenance personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. The manual outlines the importance of custodial employees understanding what is expected of them. The job descriptions, schedules and cleaning methods include the supplies, frequency, and the appropriate procedure for each task. It serves as a guide to school districts and should be adapted to meet individual District needs. Fairborn CSD can use the manual as a guide when it develops schedules and standardized procedures for District custodians.

Standardized procedures and supplies help to ensure the custodial staff is familiar with equipment, cleaning supplies and appropriate cleaning procedures. Likewise, standardization helps custodial staff increase efficiency.

Energy Management

R4.7 Fairborn CSD should implement increased energy efficiency measures, including raising cooling temperatures to 78 degrees and lowering heating temperatures to 68 degrees, to help ensure the maximum benefits of these energy saving measures. Likewise, the District should encourage wise energy use practices by staff and students.

Fairborn does not have a formal energy conservation program. However, the District purchases many facility related items and natural gas through the Southwestern Ohio Educational Purchasing Cooperative to ensure competitive pricing and, in prior years, has used H.B. 264 funds to complete lighting upgrades. The District also has some computerized controls in place, such as centrally regulating the majority of building temperatures. During the winter, all buildings excluding East Elementary and the High School, are set to 68 degrees. East Elementary is set between 72-74 degrees; the High

School is set at 72 degrees. The air conditioned regions of the District include Baker Junior High School where only the media center and auditorium have unit air conditioners; while East Elementary and Fairborn High School are both fully air conditioned. District air conditioning settings are 74 degrees.

Because of the need to provide a comfortable learning environment, the administrative staff, and the administrative assistant of maintenance, buildings and grounds should take part in determining the constant temperatures for the buildings based on best practices and energy saving techniques. Typical energy management programs are encompassed in formal written policies and used district-wide. Although several companies offer services to assist districts in developing plans, Fairborn CSD could develop its own plan by implementing the following energy saving techniques described in the Association of School Business Officials International publication *The School District Energy Manual, 1998*:

- Adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating as a conservation guideline; (kindergarten and special education classroom temperatures should be set 70 to 72 degrees for heating).
- Operating air conditioning units only when necessary.
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate which light fixtures they operate.
- Instructing staff to keep doors closed whenever possible and keeping exit and entry to a minimum when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat when fans turn on.
- Encouraging staff, faculty and students to use blinds as a means of controlling temperature. Closing blinds on the south and west side of building keeps buildings cool in the summer and opening blinds helps warm the building on sunny winter days.
- Developing policies that indicate water should not be kept running in the restrooms.

Because Fairborn CSD's utility costs are high, participating in energy conservation efforts will help the District achieve lower costs and provide a framework for controlling energy costs as they continue to rise in the future. The *Facilities Management Handbook*

estimates the potential energy savings from adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating could reduce costs approximately 16 percent if there were no energy management efforts in place. Therefore, if Fairborn CSD changes the thermostat settings to reflect the facility management guidelines, it could reduce utility expenditures and allow the allocation of more funds to building maintenance and repairs.

Financial Implication: Adjusting thermostat settings to those recommended in the *Facilities Management Handbook* could save Fairborn CSD approximately 16 percent of its utility expenditures. Based on the actual utility expenditures of approximately \$859,000 in FY 2003-04 (see **Table 4-3**), Fairborn CSD could save approximately \$137,400 annually.

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

Recommendation	Annual Cost Savings	Annual Implementation Costs
R4.2 Purchase a computerized maintenance management system		\$3,200
R4.7 Implement energy management measures	\$137,400	
Total	\$137,400	\$3,200

Transportation

Background

This portion of the performance audit focuses on Fairborn City School District's (Fairborn CSD) transportation operations. The objective is to analyze the transportation operations of Fairborn CSD and develop recommendations for improvements and reductions in expenditures. These operations are evaluated against best practices and operational standards and other peer school districts. The peer districts include Findlay City School District (Findlay CSD), Huber Heights City School District (Huber Heights CSD), and Newark City School District (Newark CSD).

Fairborn CSD provided transportation to 3,205 students in FY 2003-04 using District-owned yellow buses. The District provided transportation to both public and non-public school students, but neither Fairborn CSD nor the peers provided transportation to community school students in FY 2003-04. However, Fairborn is providing transportation to a community school in FY 2004-05 and has discontinued bus service to high school students for FY 2004-05. Fairborn CSD has adopted a formal transportation policy that requires transportation be provided to any student (grade K-12) who resides two miles or more from school. This policy was modified for FY 2004-05 to eliminate high school transportation. The policy change, coupled with routing modifications and school building closures, resulted in a reduction of 11 buses.

Table 5-1 compares Fairborn CSD's total riders in FY 2003-04 to those of the peers. In FY 2003-04, Fairborn CSD transported 18 percent fewer riders than the peer average.

Table 5-1: FY 2003-04 Total Regular and Special Needs Riders

	Fairborn CSD FY 2003-04	Fairborn CSD FY 2004-05	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average
Regular Needs Riders						
• Public	2,848	2,123	3,871	3,434	3,167	3,330
• Non-Public	230	141	454	614	386	421
• Total	3,078	2,264	4,325	4,048	3,553	3,751
Special Needs Riders	127	124	87	246	246	177
Total Riders	3,205	2,388	4,412	4,294	3,799	3,928

Source: Fairborn CSD and peers (ODE T-forms)

Organizational Structure and Function

Fairborn CSD employed 66 personnel, or 47.1 full-time equivalent employees (FTEs) in FY2003-04, who performed transportation-related duties. The administrative assistant for business affairs oversees transportation operations and its personnel issues. In FY 2004-05, Fairborn CSD's staffing level and students transported changed as the District reduced some transportation services and discontinued high school busing. This resulted in the reduction of 10 bus drivers or a reduction from 47.1 FTEs in FY 2003-04 to 36.4 FTEs in FY 2004-05. Likewise, this resulted in the district transporting fewer students. Also, during the course of the audit the transportation supervisor retired and a replacement was hired to fill the vacancy.

Table 5-2: Transportation Staffing Levels

Positions	Fairborn CSD FY 2003-04		Fairborn CSD FY 2004-05 ¹		Findlay CSD FY 2003-04		Huber Heights CSD FY 2003-04		Newark CSD FY 2003-04		Peer Average
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE	FTE
Supervisor/Assistant ¹	2.0	1.3	2.0	1.3	2.0	2.0	1.0	1.0	1.0	1.0	1.3
Bus Driver	47.0	31.9	37.0	23.4	35.0	26.6	43.0	34.8	38.0	28.1	29.8
Administrative/Clerical	3.0	3.3	2.0	2.0	1.0	1.0	1.0	1.0	2.0	1.5	1.2
Mechanic/Assistant	3.0	2.7	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.5	2.2
Aides/Monitors	11.0	7.9	11.0	7.7	2.0	1.7	10.0	7.8	8.0	5.4	5.0
Total Staffing	66.0	47.1	54.0	36.4	42.0	33.3	57.0	46.6	52.0	38.5	39.5
Number of Students Transported	3,205		2,388		4,412		4,294		3,912		4,207
Total Regular Needs Miles	451,980		361,260		416,160		471,060		447,840		445,020
Students Transported per Bus Driver FTE	100		102		166		123		139		143
Students Transported per Total FTE	68		66		129		92		102		109
Regular Miles per Bus Driver FTE	14,169		15,438		15,645		13,536		15,937		15,039
District Square Miles	44		44		37		25		49		37
District Square Miles per Total FTE	0.9		1.2		1.1		0.5		1.3		1.0

Source: Form T-1, Form T-2 and T-11 reports submitted to ODE; interviews with district transportation personnel.

Note: Numbers are approximate since mileage and student data are not available until after the October count is submitted to the Ohio Department of Education (ODE.)

¹This category includes the amount of time the administrative assistant for business affairs spends on transportation functions.

Because of the reduction in bus routes, students transported, and drivers, Fairborn CSD's performance indicators changed between FY 2003-04 and FY 2004-05:

- Bus driver FTEs fell from 7 percent above the peer average to 21 percent below the peer average.

- Total FTE's fell from 18 percent above the peer average to 10 percent below the peer average.
- The number of students transported per total FTE decreased by 3 percent.

Based on district estimates, efficiency indicators also have improved. The improvements include the following:

- The number of students transported per bus driver FTE increased by 2 percent.
- Miles per bus driver increased from 6 percent below the peer average to 3 percent above the peer average.
- Square miles per total FTE's increased from 10 percent below the peer average to 20 percent above the peer average.

Operating Statistics

Fairborn CSD maintains a fleet of 48 active and 10 spare buses to transport regular and special needs students, both public and non-public.

Table 5-3: FY 2003-04 Basic Operating Statistics

	Fairborn CSD 2003-04	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average
Students Transported					
Regular Needs	3,078	4,325	4,048	3,553	3,975
Special Needs	127	87	246	246	193
Total	3,205	4,412	4,294	3,799	4,168
Miles Traveled					
Regular Needs	451,980	416,160	471,060	447,840	445,020
District Square Miles	44	37	25	49	
Sites and Bus Types					
Public Sites	7	14	10	16	13
Non-public Sites	7	2	11	6	6
Active Buses	39	36	31	35	34
Active Buses (Special Needs)	9	3	6	7	5
Spare Buses	10	11	10	4	8
Cost					
Regular Needs	\$1,508,251	\$1,529,712	\$2,058,323	\$1,451,837	\$1,679,957
Special Needs	\$554,324	\$216,325	\$416,643	\$312,658	\$315,209
Total	\$2,062,575	\$1,746,037	\$2,474,966	\$1,764,495	\$1,995,166
State Reimbursements					
Regular Needs	\$852,900	\$966,806	\$1,043,643	\$1,026,820	\$1,012,423
Special Needs	\$154,176	\$84,017	\$136,229	\$129,634	\$116,627
Total	\$1,007,076	\$1,050,823	\$1,179,872	\$1,156,454	\$1,129,050
% of Regular Needs Costs Reimbursed	57%	63%	51%	71%	60%
% of Special Needs Costs Reimbursed	28%	39%	33%	41%	37%
% of Total Cost	49%	60%	48%	66%	57%
Ratios					
Regular Needs					
Cost per Mile	\$3.34	\$3.68	\$4.37	\$3.24	\$3.78
Cost per Bus	\$31,422	\$39,223	\$55,630	\$34,568	\$43,076
Cost per Student	\$490	\$354	\$508	\$409	\$423
Students per Active Bus	79	120	131	102	117
Special Needs					
Cost per Student	\$4,365	\$2,486	\$1,694	\$1,271	\$1,633

Source: Fairborn and peer T Forms and Foundation Settlement reports.

In FY 2003-04, Fairborn CSD's fleet traveled 451,980 miles, slightly exceeding the peer average. Fairborn CSD's mileage was also the second highest of the peers. The square mileage of the district is also second highest of the peers. However, the District transported fewer students (both regular and special needs) than the peer average but used more buses.

Fairborn CSD's regular needs cost per mile was below the peer average and cost per bus was the lowest of the peers. However the cost per student was 15 percent higher than the peer average and the students per active bus was 32 percent below the peers. Special needs costs were 43 percent higher than the peers while Fairborn CSD's State reimbursements were the lowest as a percentage of costs. Special needs costs per student were 167 percent higher than the peer average and highest of all the peer schools.

In FY 2004-05, the District ceased transporting high school students and eliminated several routes, resulting in fewer active buses, and reducing the fleet to 30 regular buses and 7 special needs buses. However this resulted in 21 spare buses. At the time of this audit, the success of the new transportation routing had not yet been determined and Fairborn CSD has not determined if it will be able to maintain the current routing and dispose of spare buses.

Table 5-4 presents some statistics to determine how Fairborn CSD compares with the peers for bus efficiency.

Table 5-4: Bus Statistics

	Fairborn CSD FY 2003-04	Fairborn CSD FY 2004-05	Findlay CSD	Huber Heights CSD	Newark CSD	Peer Average
Active Buses	48	37	39	37	42	39
Spare Buses	10	21	11	10	4	8
Runs Per Bus	2-3	2-3	2-3	4	2-3	3
Students Transported	3,205	2,388	4,412	4,294	3,799	3,928
Spare Buses to Active Buses	4.8:1	1.8:1	3.5:1	3.7:1	10.5:1	4.9:1
Students per Active Bus	67	65	113	116	90	101

Source: Fairborn CSD and peers T-1 reports and interviews

Table 5-4 shows that Fairborn's number of students per bus decreased, and is 38 percent below the peer average in FY 2004-05. In FY 2003-04, Fairborn was comparable to the peers in the ratio of spare buses to active buses. Since Fairborn CSD has so many spare buses in FY 2004-05, fewer buses may need to be replaced as older buses are retired unless the District decides to change its transportation policy (See **R 5.3**).

Assessments Not Yielding Recommendations

- *Competitive bidding for bus purchase:* Fairborn CSD has implemented a formal competitive bidding process for the purchase of school buses, pursuant to ORC § 333.46. During its most recent round of bus purchases (January 2005), the District made its purchases through the Southwestern Ohio Educational Purchasing Cooperative.
- *Payments in lieu:* Fairborn entered into 49 contracts for payment in lieu of transportation with parents or guardians during FY 2003-04 pursuant to ORC § 3327.02. This helped the District marginally reduce its transportation costs. Fairborn CSD should continue to promote the use of payments in lieu of transportation for students living in outlying areas.

Noteworthy Accomplishments

- *Fuel purchasing:* The District purchases fuel through the City and uses the City's buying power to lower its costs. The District does not pay federal taxes on fuel purchased from the City. Buses are assigned an identifying number to access the electronic data terminal at the fuel island. The electronic system controls access and tracks the mileage accrued between fueling visits.

Recommendations

R5.1 Fairborn CSD should establish policies and procedures to ensure the accuracy of the information submitted to the Ohio Department of Education (ODE) on the transportation forms (T forms). This will help to ensure appropriate reimbursements in the future. The District should take steps to ensure the accuracy of T forms by contacting the ODE area coordinator and the Treasurer for guidance. The policy should require the Treasurer to oversee completion of the forms.

Fairborn CSD's FY 2003-04 transportation forms, T-1, T-2, and T-1s appear to contain inaccurate information for the students, costs and locations where students are transported. Fairborn CSD's *Schedule of Expenditures by Function and Object Categories* for the General Fund (Statement Q) of the Annual Financial Report (4502) does not reconcile with the District's transportation costs for total transportation expense summary on form T-2. The total costs for the special needs and regular needs are apportioned by percentage of buses except for wages and benefits, which are actual amounts. However, the calculations are incorrect. The special needs percentage was calculated by dividing the number of special need buses by the number of regular need buses instead of total buses. This computation overstates the percentage attributed to special needs buses.

Information listed on the T-1 report includes all schools to which students are transported on days that Fairborn is not in session. During a review of the bell schedules, two schools were not listed on the T-1 form. The District also neglected to include the corresponding buses, the miles traveled and the students transported. The District sent an employee to training on the forms in FY 2000-2001, and she has also contacted ODE for guidance to complete the T-forms. However, a turnover in the treasurer position caused a gap in the District's ability to verify information.

Table 5-5 compares Fairborn CSD's Statement Q costs to costs reported on its T-1 form.

Table 5-5: FY 2003-04 Form T-2 and 4502 Statement Q Costs

	Costs Reported on T-2	Costs Reported on Statement Q	Difference
Salaries	\$1,149,390	\$1,207,390	\$58,000
Benefits	\$517,099	\$522,288	\$5,189
Purchased services/supplies/other	\$375,232	\$376,672	\$1,440
Total	\$2,041,721	\$2,106,350	\$64,629

Source: Fairborn T-2 Forms and Statement Q 4502

Statement Q reports the District's actual General Fund transportation expenditures for FY 2003-04. The discrepancy between the two reports is \$64,629. Additional expenditures from other funds increase the difference by \$9,231, for a total of \$73,860.

According to a recent report issued by the Legislative Office of Education Oversight (LOEO), accuracy problems for transportation related data exist in a number of school districts, especially in terms of the number of students transported, daily bus miles traveled per student, and district transportation costs. These inaccuracies impact the districts' state reimbursements and annual funding levels. In the case of district's experiencing financial hardships, ensuring accurate and full reimbursements is essential to supporting the transportation function.

Without policies and procedures that identify the process for completing T-Forms and meetings to review their accuracy and completeness, Fairborn CSD risks submitting incorrect information, which can adversely affect its reimbursement from ODE. A transportation department representative responsible for the forms should meet with the treasurer on a regular basis to discuss and review the transportation forms to ensure the data is accurate.

- R5.2 The District should consider lengthening the time frames between bells within its three tier schedule to provide additional time between start times and enable drivers to increase their ridership and reduce the number of buses. Lengthening the times between bells would allow drivers on each route to pick up more children and would, as a result, improve the ridership per bus and decrease overall costs. Fairborn CSD should also consider planning for larger buses in the future to allow for larger routes and reduce driver costs. The District should also renegotiate the next agreement with teachers to eliminate or modify the 45 minute lesson planning period to permit students to arrive earlier in order to accommodate the time frames between bell schedules.**

During the course of the audit, the District began to purchase buses with a greater passenger capacity. The District also took 11 buses off the road in FY 2004-05 when it modified its transportation policy to exclude busing high school students, completed its facility reconfiguration, and implemented additional route consolidation.

Fairborn CSD restricts its maximum route times to 30 minutes because of past practice. Buses regularly transport less than 65 students, the maximum capacity. The routing assistant provided the school board with a choice of three, three tiered bell schedules for FY 2004-05. The new bell schedule selected by the administration does not allow more than 35 minutes between bells, causing the drivers to run shorter routes to transport the

students in time for each bell time. The other two schedules proposed would have allowed more time between bells.

Table 5-6 shows the different plans presented to the administration.

Table 5-6: Bell Schedule Choices Proposed for FY 2004-05

	Plan A	Difference	Plan B	Difference	Plan C	Difference
Start Times:						
Bell 1	7:25 am	N/A	7:20 am	N/A	7:15 am	N/A
Bell 2	8:25 am	60 minutes	8:00 am	40 minutes	7:45 am	30 minutes
Bell 3	9:00 am	35 minutes	8:40 am	40 minutes	9:00 am	75 minutes
End Times:						
Bell 1	2:05 pm	N/A	1:35 pm	N/A	1:30 pm	N/A
Bell 2	2:40 pm	35 minutes	2:15 pm	40 minutes	2:25 pm	55 minutes
Bell 3	3:15 pm	35 minutes	3:20 pm	65 minutes	3:15 pm	50 minutes

Source: Fairborn CSD

Each of the plans illustrated have drawbacks-- Plan A and C have the shortest amount of time (35 and 30 minutes respectively) between bells. Plan B would provide an additional five minutes to transport students to schools without prolonging the total time the buses are on the roads. The District could benefit from other choices by reexamining its school day and potential start and end times. An optimal plan would involve start and end times 45 to 60 minutes apart. Findlay CSD transports regular students up to 45 minutes and special needs students up to an hour. Also, the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) *Best Practice Indicators for School Districts* (2002) recommends that school boards adopt staggered school start times to help ensure that the district's buses can serve as many students as possible (i.e., maximize the district's average bus occupancy).

A change in bell schedules might necessitate a change in the negotiated agreement with teachers to eliminate or modify the 45 minute lesson planning period prior to the start of school each day to accommodate the students with earlier arrival times.

Based on **Table 5-3**, Fairborn transports far fewer children per bus than the peers. Using capacity calculations and based on the three tier system, Fairborn is operating at only 40 percent capacity for its 65 passenger buses. Increasing the time interval between bells and purchasing larger capacity buses in future years would allow Fairborn CSD to increase ridership on each bus⁵⁻¹. Based on optimal capacity of 65 percent, Fairborn CSD might be able to eliminate up to 5 additional buses and achieve ridership levels of 127 children per bus.

⁵⁻¹ Although the District asserts that it can not purchase larger buses because they will not fit in the maintenance bays, other districts perform maintenance functions on buses that may protrude from the bays (e.g. Huber Heights CSD).

A routing study conducted by the Pupil Transportation Office of ODE dated November 2004 included the evaluation of routes, bus stops and potential safety problems noted the following recommendations to reduce costs and eliminate duplicate routes:

1. Combining of high school and middle school special needs students on buses.
2. Use of special needs buses for transporting small numbers of regular education students in particular geographic areas. This would preclude the use of two sets of buses to service certain areas.
3. Combining of pre-school and kindergarten students on mid-day routes.
4. Construction of kindergarten mid-day routes which simultaneously drop off a.m. and pick up p.m. students where route times allow.

Financial Implication. If the District can achieve optimal utilization by extending time frames between bells it could save up to \$190,000 annually based on FY 2003-04 costs.

R5.3 Fairborn CSD should adhere to its policy of transporting students living outside the two-mile limit (grades K-8) and those who may be affected by hazardous conditions (see R5.4). Transporting students who live closer to their home school than the stated policy can increase costs and may result in inequitable provision of transportation services.

Fairborn CSD administrators raised concerns about the potential hazards within the District (see R5.4). Accommodating these hazards within the District's transportation policy would be critical in implementing this recommendation.

Fairborn CSD transports students living under the two mile limit suggested by the State in ORC §3327.01. According to the District transportation policy, students living within two miles in grades K-8 are not required to be transported, except for students with physical or mental disabilities which make walking impossible or unsafe. This may vary because of safety conditions that prevail in certain areas of the District and the lingering effect of a fatal accident a few years ago. In FY 200-04, of the 1,739 students living within two miles, 1,113 are transported. According to the T-1 report, 311 students living within one mile were transported in FY 2003-04. Findlay CSD transports only eight students and Newark CSD transports only thirty-five children who live within one mile of their assigned school. Huber Heights CSD transports no children living within one mile of their assigned building.

According to the National School Boards Association (NSBA), effective policies provide the framework for education in a district. NSBA defines policy as “a crucial school board role in our system of education governance. Like Congress, state legislatures, and city or county councils, school boards establish the direction and structure of their school districts by adopting policies through the authority granted by state legislatures. School

board policies have the force of law equal to statutes or ordinances. Policies establish directions for the district; they set the goals, assign authority, and establish controls that make school governance and management possible. Policies are the means by which educators are accountable to the public.” Prior AOS audits also recommend that districts formalize the procedures they use to determine transportation policy exceptions to ensure all decisions are uniformly and fairly applied for all students. The Board approves the bus routes for the school year.

A Board adopted, written transportation policy prompts District officials to review and periodically revise the policy to suit the District’s needs. By ensuring consistency between District practices and policies, future modifications of policy and changes in ridership levels will be easier to implement. In addition, adherence to the formal written policy can be used to defend Board actions in the event of litigation. (See also **R5.4**).

Furthermore, the ODE transportation report noted a thorough policy review should be undertaken, and mandated topics such as drivers license points and responses that are not currently covered in the board policy should be included.

R5.4 Fairborn CSD should develop a written policy indicating how hazardous conditions are determined and their effect on transportation services for the purpose of transportation planning. Developing a methodology to identify hazards, cataloging them and then developing a formal policy stating how the identification of hazards is used in the decision making process will ensure that the District provides transportation to all students who may be effected by safety issues along walking routes to their assigned schools.

Fairborn CSD has identified hazards but does not have a written policy defining hazardous conditions (in relation to student transportation and walking routes) within the District. The District tends to be overly cautious in determining road hazards since a bus accident resulted in a student’s death a few years ago. The District has not formally defined hazards or catalogued them for routing and transportation services. Without this information, the District is likely to transport all students who request transportation services.

The following key criteria are defined as “hazard” areas for bus routing in the Ohio Administrative Code (OAC) 3301-83-20 (I):

- Overpasses and underpasses;
- Construction projects;
- On-street parking areas;
- Traffic counts (density);

- Areas without curbs and sidewalks; and
- Railroad crossings.

The City of Fairborn Engineer's Office maintains maps and other documents that could be useful to the District in identifying road hazards along walking routes for its school buildings. The District could also use the report from the National Association of State Directors of Pupil Transportation on bus hazard surveys to serve as a potential template for designing its policy and associated information. Likewise, it should work with the City of Fairborn's Engineer and agencies such as the Greene County Engineer to continue identifying and cataloging potential hazards.

Once hazards are defined, they can be added to the District's routing software to be used in planning routes and ridership levels. The software can help the District identify riders who may not be eligible under board policy (see **R5.3**) and those who will still need transportation to avoid hazardous conditions. However, as the safety of students is paramount, accurate and complete data should be obtained before riders are notified of ineligibility. The District should seek to implement this recommendation by FY 2006-07.

Financial Implication: If Fairborn CSD were able to reduce ridership of the 1,113 students transported but living within the two-mile limit by 25 percent (based on a cost per student of \$490), the District could save about \$132,000 annually⁵⁻¹.

R5.5 The District should formalize its practice by developing a policy approving the use aides on special needs buses when specified by a student's individualized education plan (IEP). Furthermore, the transportation director should be consulted to help District personnel determine the optimal form of transportation to meet the child's needs.

During the course of the audit, the District reduced special needs transportation personnel by two bus aides. Fairborn CSD administrators expressed concern about the number of medically fragile children currently transported and the need to retain sufficient aides to accommodate their needs. The District should conduct a full review of the IEPs associated with the bus aides before implementing additional reductions.

Fairborn CSD employs 35 percent more bus aides than the peers. The peers have one aid per handicapped bus. However, Fairborn CSD had 14 aides in FY 2003-04 and 11 aides in FY 2004-05. There were nine special needs buses in FY 2003-04 and seven in FY

⁵⁻¹ The District expressed concerns that this change could result in a loss of transportation reimbursement funds from the Ohio Department of Education. Although the impact on reimbursement rates could not be calculated because of the dynamic nature of the regression model used by ODE in the reimbursement process, the District is likely to experience a net savings through the reduction of transportation services.

2004-05 resulting in a ratio of 7.9 aides for 48 buses, 25 percent more than the peer average. Some of the aides ride regular education buses to assist special needs students who have been mainstreamed for transportation purposes. The peers do not use this practice. Huber Heights and Newark provide only one aid per special needs bus. The Board approved a reduction in force of two bus aides effective November 16, 2004.

Many of the policy decisions regarding the transportation of students with special needs are made by the special education department and without the written documentation showing consultation of the District transportation department. Ohio Administrative Code § 3301-51-10 (C) (2) states that "School district transportation personnel shall be consulted in the preparation of the individualized education program when transportation is required as a related service and when the child's needs are such that information to ensure the safe transportation and wellbeing of the child is necessary to provide such transportation." Huber Heights' transportation department's advice is solicited prior to IEP meetings. By including the transportation department in the IEP meetings, the District could more cost effectively deal with the transportation needs of special needs students by identifying bus routes with aides.

Also, the ODE transportation report noted the District should survey alternate local transportation providers and neighboring school districts to reduce the cost of transportation. The District currently spends over \$8,000 annually on transportation to state supported schools in Columbus, due primarily to its practice of employing two drivers for each trip. Such providers might also provide field trip service since the District's drivers currently turn down 50 percent of the trips being offered to them.

Financial implication: Reducing the number of special education bus aides to one aide per special needs bus would result in annual cost savings of about \$46,000.

R5.6 Fairborn CSD should establish a formal bus replacement plan to maximize fleet effectiveness. Criteria, such as mileage, maintenance costs, and chronological age should be included in the replacement plan to guide the decision making when purchasing replacement buses. By reviewing and updating the plan annually, Fairborn CSD will be able to plan for future costs while maintaining its fleet. In the event that the new route plan is successful, the District should consider selling several of its spare buses.

Fairborn CSD does not have a formal bus replacement plan or guidelines for bus replacement. The District purchased 20 buses in FY1999-00 and FY 2000-01 and purchased a bus with State funds in FY 2002-03. Another purchase is planned for FY 2004-05.

Bus replacement costs are shared by the State and school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance. In FY 2002-03, the school received \$51,807 toward bus replacement. In FY 2003-04 the District received \$26,754.

According to ODE's bus purchase list, the average mileage of buses replaced in FY 2002-03 was approximately 210,000 miles. The National Association of State Directors of Pupil Transportation issued a position statement that reviewed the findings of these studies (January 2002). Washington and California studies recommended a 12 year life span. A South Carolina study found 15 years or 250,000 miles to be an appropriate replacement cycle for buses (January 2000). The mileage of the Fairborn CSD fleet is relatively low by comparison to these recommendations. The District uses salt, unlike the states mentioned in the position statement, which could decrease the life span of buses. However since the District has 20 spare buses, some of the buses with lower mileage could be kept for a longer time period depending on their maintenance costs.

Diesel buses can be expected to run for 250,000 miles if they are well maintained. The fleet maintenance software owned by Fairborn CSD is able to determine the actual maintenance and fuel costs for each vehicle and the District could use that information to adjust the replacement schedule. However, the District needs to use the software and input the data to make those determinations. (See **R5.8.**)

Fairborn CSD's bus fleet consisted of 48 active buses and 10 spare buses in FY 2003-04. In FY 2004-05, routes were decreased, resulting in 38 active and 20 spare buses. Several of the buses exceed general replacement guidelines.

- Two regular buses and four spare buses are 15 years old or older.
- Two spare handicapped buses are almost twenty years old.
- Two buses have odometer readings over 200,000; and
- Eleven buses have over 150,000 miles.

To equalize the mileage between buses, drivers sometimes drive spare buses. Even though the District currently has no plans to sell its spare buses, this should be considered in the future.

Table 5-7 shows a bus replacement schedule, based on a mileage forecasts for assigned Fairborn CSD buses. These buses are expected to exceed 250,000 miles or 15 years of age during the forecast period.

Table 5-7: Bus Replacement Schedule

Year of Replacement	Number to be Replaced	Approximate Cost to District (Assuming Full Replacement)
FY 2004-05	8	\$520,000
FY 2005-06	4	\$260,000
FY 2006-07	6	\$390,000
FY 2007-08	4	\$260,000
FY 2008-09	5	\$325,000
Total	27	\$1,755,000

Source: AOS calculations based on Fairborn CSD transportation department information provided

Note: The estimated cost to replace a regular transportation bus is about \$65,000

Fairborn CSD would need to set aside almost \$1.8 million during the forecast period to fully update its bus fleet. However, because of factors such as declining enrollment, the size of the current spare bus fleet, and reduced ridership based on the FY 2004-05 routes, fewer buses are necessary. However with the projected retirement of 27 buses during the forecast period, a replacement plan should be implemented to set aside needed funding. According to the peer average of 101 students per active bus and 4.9:1 active buses per spare bus in **Table 5-6**, 32 active buses and 7 spare buses are required for current routes. Therefore, the District will need to plan for 39 buses if the routing and student population is similar to FY 2004-05 in future years. Because of its current financial condition, the District should plan for the purchase of at least six buses over the forecast period (See **R5.3.**) The District should continue to use buses that pass State inspections and do not chronically inflate maintenance and repair costs.

Without a formal bus replacement plan, Fairborn CSD cannot maximize fleet effectiveness and ensure budgeted funds exist for future bus purchases. Specifically, factors to consider with bus replacement plans include the number of buses to be replaced annually, the average age of the buses and costs of maintenance at the time of replacement, the estimated cost of replacement, and a financial plan for how replacements will be purchased, including an estimate of State bus reimbursement amounts. Additionally, the plan should be reviewed for such issues as capacity and other efficiencies, including the use of smaller buses for special needs students or field trips.

Financial Implication: The District should budget \$51,000 annually to replace six buses over the course of the forecast period. This amount assumes full use of the ODE bus replacement funding (about \$27,000) received by the District each year.

R5.7 Fairborn CSD should use the maintenance reports generated by Fleetvision software to extract and review bus repair costs and identify buses that may be inflating repair costs for future replacement. The District should train an individual in the transportation department to operate the software and the transportation supervisor should review reports on a monthly and annual basis. Using maintenance reports will help the District better identify replacement needs and concentrate usage in vehicles that have lower repair costs. Finally, repair costs can be compared to outside vendors to determine if in-house repair services are cost-effective.

Fairborn CSD uses Fleetvision software to track bus maintenance and costs. Until the end of FY 2003-04, the mechanic and another employee were responsible for entering data. In FY 2004-05, the transportation secretary was assigned the data entry responsibility, but has not maintained the data due to time and training constraints. The software has the capability to run reports by bus to facilitate an analysis of the cost effectiveness of each bus. Tracking fleet maintenance and using the resulting reports would allow the District to more effectively determine bus replacement needs.

Without an up-to-date fleet maintenance system, it is difficult to determine when equipment and vehicles are due for preventive maintenance work in accordance with manufacturers' recommendations. Several Ohio cities and school districts maintain centralized vehicle maintenance programs and depend largely on computerized fleet maintenance software systems to keep track of manufacturers' recommended maintenance requirements, equipment, costs, mileage, inventory, and mechanics' time for each vehicle. Best practice organizations state that maintenance software allows them to effectively manage their rolling stock.

According to the National Association of Fleet Administrators (NAFA), fleet managers need to know exactly what they are expected to manage. To do so, it is essential for fleet maintenance departments to keep appropriate records. The basic records, such as make, model year, model, vehicle identification number (VIN), class, unit number, supplier, date-in-service, license, and warranty will be common to all fleets. However, the following are guides to the type of records that should be kept by category:

- Financial Records- purchase cost, depreciation, current book value, odometer reading and details of chargeback rates;
- Specification Records- unit number, engine size, body type, wheel base, capacity, fuel tank, transmission, tire size and type, and any added equipment;
- Operating Cost Records- odometer readings, standing expenses, running expenses, incidental expenses, and personal usage;

- Maintenance Records- drive train, cooling system, steering, brakes, tires, lights, battery, miscellaneous (wipers, mirrors and radio), glass, and body; and
- Operator Records- employee number, employment location, division, and driving records (license, accidents and restrictions).

Updating and reinstating use of the Fleetvision system will provide the transportation department with the means to effectively manage all equipment and vehicles by maintaining the following information:

- Task performed, number of employees used, man-hours required, trades of employees, wage rates, date of work order issue, performance deadlines, origin of work request, materials used, and job priority;
- Work histories developed from completed work orders, and related performance standards; and
- Performance measures of employee and equipment productivity which enable more effective budgeting of jobs, establish employee accountability, and provide a means for locating bottlenecks in the garage work force.

The effective management of vehicle and equipment information can facilitate proper planning for capital replacement needs and establish an effective preventive maintenance plan based on manufacturer recommendations. Additionally, the automated system could increase efficiency by giving the transportation supervisor and mechanic the ability to make cost-effective decisions concerning equipment procurement, utilization, maintenance, and replacement.

R5.8 The District should obtain transportation software training for the administrative employees within the transportation department. Upgrades should be purchased and installed once the training has been provided, and the software should be used at its full functionality. The transportation supervisor should ensure that the features of the software are used to provide benchmarking data to the department and District administrators.

Fairborn CSD uses Versatrans Routing and Planning software for routing and Versatrans Fleetvision for work orders, but does not use the other features within the software. The work order component performs inventory, fuel consumption analysis, report functions, and other administrative tasks not tracked elsewhere by the transportation department. The routing assistant fully uses the routing component of the software and the mechanic used the work order software for maintenance performed on the District's vehicles last year. However, the software is not being used as consistently because of the limited

knowledge and time availability of current staff. Insufficient training can prohibit the full use of the software. Training in the software's capabilities could save time in the long run and help the department run more efficiently.

Although the transportation supervisor plans to use the instruction book to learn the software and to use it more fully, records and reports can not be accessed by current administrative personnel. For example, the maintenance information input into the system cannot be extracted for a report listing the maintenance costs per bus. Also, the District purchased a support package for the software which includes free upgrades, but the upgrades have not been installed.

The Versatrans software includes a data base function that can import student information instead of requiring the user to enter the student data manually. The Fleetvision work orders can be set up as templates for different types of work. Additionally, bus retirement information can be determined using the Vehicle Summary Report which includes odometer readings, and parts and labor used. Fairborn CSD employees could receive training on reporting functions and other software features in a one-half day training session at a cost of \$1,075 plus expenses. The training is also accessible on-line for \$1,000 per day or \$500 per half day. Fairborn CSD should consider obtaining Fleetvision training for both the transportation supervisor and secretary. Specialized training on Versatrans' routing capabilities would help the routing assistant better use the software to its full capacity.

Financial Implication: A day of training for the transportation supervisor, the transportation secretary and the routing assistant would cost the District about \$3,300.

R5.9 Fairborn CSD should coordinate with the City of Fairborn to receive reimbursement for State fuel taxes. H.B. 87 permits school districts to receive a \$0.04 rebate per gallon on all fuel purchases and a \$0.02 per gallon rebate for the retroactive portion of FY 2003-04 that has not expired. Since the District purchases its fuel through the City, the City should either assist the District in obtaining the refund or, if it is exercising this option, should credit the District for its share.

Fairborn CSD transportation department purchased 98,632 gallons in FY 2003-04. The State offers a \$0.02 refund for taxes per gallon purchased after July 1, 2003. After July 1, 2004, the refund is \$0.04 per gallon. No one at Fairborn CSD or at the City completes forms for the state fuel tax reimbursement, although the Department received information and forwarded it to the treasurer. Both Huber Heights and Newark City School Districts applied for the tax refund in FY 2003-04.

Financial implication: Based on 2003-04 consumption rates, the school could have received approximately \$1,973 in rebates for 2003-04 at \$0.02 per gallon. However,

since the forms must be filed within 365 days of purchase, approximately \$1,480 can still be reimbursed. The District could receive \$3,900 in reimbursements for FY 2004-05 based on prior years' consumption rates.

R5.10 Fairborn CSD should fully implement the use of cluster (common) stops. The distance between cluster stops should be extended to the State maximum in less populous areas and where hazardous conditions do not impact student safety. Furthermore, the transportation supervisor should periodically ride the routes with drivers to ensure adherence to the District's policies and established routes and stops, and to assess efficiency and ridership levels. More active enforcement of District policies by the department, coupled with greater scrutiny of routing practices and efficiency levels, will help the transportation department better control costs in future years and will provide valuable decision-making information to District administrators.

During the course of the audit, the District hired a new transportation supervisor who is conducting route reviews and accompanying drivers on runs.

Fairborn CSD uses cluster (common) stops to increase the efficiency of its transportation routes. However, the District does not have a policy regarding the distance between stops. Further, some drivers modify stop locations or pick up individual students based on parental requests according to the routing assistant and the maximum distance is not used in some areas because of high population density. The transportation supervisor does not periodically ride routes with the drivers to monitor their adherence to District policy (including established routes).

Ohio law allows pupils to walk up to one-half mile (2,640 feet) to a bus stop. Fairborn CSD's cluster stops are established at points closer than the maximum permitted under Ohio law. Although hazards (see **R5.4**) may necessitate closer stops or stops for individual students, the District should try to expand the distance between stops in less densely populated areas. Expanding the distance between stops should reduce overall route time and increase the number of students per bus. At the very least, Fairborn CSD should measure how many current stops are less than 1,500 feet apart and investigate options to increase the distance between these stops or combine stops in less populous areas.

OPPAGA's *Best Practice Indicators for School Districts* also recommends transportation administrators establish appropriate performance and cost-efficiency measures and benchmarks (i.e., measurable targets for future performance) for key indicators of student transportation performance. Benchmarks should be established based on past performance and reasonable expectations for future performance. They should be limited to selected indicators that collectively provide a "big picture" assessment of student

transportation performance such as client (e.g., parents, school site staff, and students) satisfaction with the provided service, cost per transported student, and average bus occupancy. These indicators may include the following:

- Targets for average bus occupancy,
- Annual operational cost per student,
- Vehicle breakdowns per 100,000 miles,
- Accidents per million miles, and
- The percentage of students delivered within established ride time standards.

In order to ensure achievement of benchmark standards and adherence to District policies, adequate supervision of drivers is required. Driver oversight can include parental surveys and direct supervision by accompanying drivers on morning, afternoon, and special runs, as well as monitoring the benchmarks outlined above. Direct supervision requires an additional time commitment on the part of the transportation supervisor. However, unless this time investment is made, the transportation supervisor is unable to ensure that District policy is being enforced and efficiency standards are being appropriately met. Although the potential cost savings from increased supervision, better adherence to District policy and routes, and increased distances between cluster stops in less populous areas can not readily be quantified, the District could realize additional cost savings through the implementation of these practices.

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

Recommendation	Annual Cost Savings	Annual Implementation Costs	One-time Implementation Costs
R5.2 Extend the time frames between bells.	\$190,000		
R5.4 Reduce ridership students transported but living within the two-mile limit by 25 percent.	\$132,000		
R5.5 Reduce the number of special education bus aides to one aide per special needs bus.	\$46,000		
R5.6 Replace six buses over the course of the forecast period.		\$51,000	
R5.8 Purchase a day of training for the transportation supervisor, the transportation secretary and the routing assistant.			\$3,300
R5.9 Seek reimbursement for FY 2004-05 state Fuel tax. Obtain FY 2003-04 remaining reimbursement.	\$5,380		
Total	\$373,380	\$51,000	\$3,300

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Fairborn City Schools

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March 14, 2005

Betty Montgomery, Auditor of State
Columbus Regional Office
88 East Broad Street, Fourth Floor
Columbus, OH 43215

Dear Auditor of State Montgomery:

This letter is in response to the Performance Audit conducted on the operations at Fairborn City School District. First of all we want to thank the auditor's office for listening to our concerns and incorporating those concerns into the audit report. The Board of Education and current administration have made many difficult decisions in the past two years. For FY 2003-04 we eliminated 74 positions or \$1,440,470 and for FY 2004-05 we eliminated 102 positions or \$4,700,103 for a total of 176 positions and \$6,140,573. We have closed two elementary buildings and have reconfigured the remaining buildings to a K-3 building, a 4-5 building and a sixth grade building along with the 7-8 junior high and the 9-12 high school. We have also kept discretionary spending to a minimum.

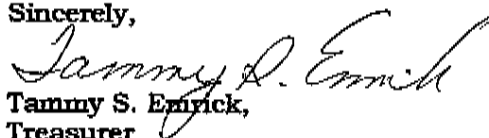
We have been in Fiscal Watch since May 2004 and have been diligently trying to right size the district in order to avoid Fiscal Emergency. We requested the performance audit from the State Auditors Office to find out if there were any areas we could improve upon. We found we have done many things right, but still have several areas to work on. Many of the recommendations require the cooperation of our bargaining units, and as such we cannot just unilaterally implement those recommendations. We also believe that the recommendation to closely monitor our EMIS data and to make sure it is accurate is the most important recommendation because many of the analysis used in the Performance Audit was based on this data. We believe when that data is totally accurate many of the analysis tables will change and generate different conclusions.

Another concern we have regarding the recommendations of the Performance Audit has to do with Fairborn's comparison with other school districts and the possible ramifications that implementing some of the recommendations may have on the quality of our operations. We are just now beginning to see improvement in our test scores and to go all the way back to state minimums, in our opinion, would be harmful. It is very difficult to compare school districts to one another because we all do business differently. For example one school district may contract out a service, while another may perform that same service in house.

It is our intent to carefully consider the recommendations provided and implement those we believe would help improve the overall financial and academic area of our district. We will also continue to seek new efficiencies whenever possible.

Once again, we wish to thank the State Auditor's Office for their help.

Sincerely,


Tammy S. Emrick,
Treasurer

Fairborn Board of Education