



**Auditor of State
Betty Montgomery**

**SOUTHWEST LICKING
LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT**

MARCH 23, 2006



**Auditor of State
Betty Montgomery**

To the Residents and Board of Education of the Southwest Licking Local School District:

On March 17, 2005 Southwest Licking Local School District (SWLLSD or the District) was placed in fiscal caution because of the possibility of ending the 2005 fiscal year in a deficit as well as the potential for deficits in future years. The District has implemented significant cost reductions during the past two years and sought an independent assessment to further lower costs and emphasize accountability within the community. Therefore, pursuant to ORC § 3316.031 and 3316.042, a performance audit was initiated in SWLLSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations, which support its mission of educating children, and because improvements in these areas can assist SWLLSD in improving its financial condition over the next five years.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. While the recommendations contained within the performance audit are resources intended to assist SWLLSD in improving its financial condition, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a 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 SWLLSD 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 "Audit Search" option.

Sincerely,

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

BETTY MONTGOMERY
Auditor of State

March 23, 2006

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency. ORC § 3316.031(B)(1) further stipulates that the State Superintendent may declare a school district in fiscal caution based upon a review of a 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. Southwest Licking Local School District (SWLLSD or the District) was placed in fiscal caution by the Ohio Department of Education (ODE) on March 17, 2005 because of projected operating deficits in FY 2004-05 and beyond.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of Southwest Licking Local School District. Based on a review of the District's information and discussions with the Superintendent and Treasurer, the following four functional areas were included in the performance audit:

- **Financial Systems**, including an evaluation of forecasting methods and assumptions, and revenue sources and expenditures ;
- **Human Resources**, including assessments of staffing levels, salaries and benefits, and key contractual items;
- **Facilities**, including analyses of facility utilization, maintenance and general upkeep; and
- **Transportation**, including assessments of transportation costs and operational efficiency.

District Overview

Southwest Licking Local School District is located in Licking County and serves the communities of Pataskala, Etna, and Kirkersville. The District operates under an elected Board of Education consisting of five members. In FY 2004-05 it received approximately 51 percent of its general operating revenue from the State of Ohio, 46 percent from local taxes (income tax and property tax), and 3 percent from federal grants and other sources.

Southwest Licking Local School District operates six school buildings including one high school, one middle school, three elementary schools, and a kindergarten center. In FY 2004-05 the District reported 366 full-time equivalent (FTE) employees consisting of 17.5 FTE administrators, 197 FTE teachers, 33 FTE other professionals, 41 FTE support staff, and 77.5 FTE operations staff. These employees were responsible for providing educational services to an average daily membership (ADM) of 3,623 students.

Students with physical and learning disabilities comprise about 14 percent of the ADM. The regular education student-to-regular education teacher ratio in FY 2004-05 was 18.4 to 1. Also in FY 2004-05, the District met 20 of 23 academic performance indicators established by ODE and was categorized as an effective district.

In FY 2004-05, the District's total General Fund expenditure of \$7,010 per pupil was approximately 14 percent lower than the peer district average of \$8,201. (See Methodology for a description of the peer districts). There are several reasons for the low General Fund expenditures per pupil including: reductions made over the past several years to avoid deficits; District efforts to control inflationary growth in spending; and increases in District enrollment. Furthermore, SWLLSD has scored well on the State proficiency test, achieving excellent and effective ratings over the past three years. Because of the District's low per pupil expenditures and high test scores, many of the recommendations in this performance audit are targeted at adoption of best practices within the District. Similarly, several effective practices were noted within the District and are highlighted in *Noteworthy Accomplishments*.

After several failed levy attempts and budget reductions, SWLLSD still faced a projected deficit of about \$687,000 for the fiscal year ending June 30, 2005. Due to concerns over the FY 2004-05 deficit, ODE placed the SWLLSD in fiscal caution, effective March 17, 2005. Through additional cost reductions and higher than expected revenue, SWLLSD was able to avoid the projected FY 2004-05 deficit. Additionally, the District passed a five-year emergency levy in May of 2005 that is expected to generate \$3,250,000 annually. Because of the District's improved financial situation and the expectation that SWLLSD will remain solvent for at least the next two fiscal years, ODE released SWLLSD from fiscal caution in December 2005.

While SWLLSD's October 2005 five-year forecast indicates it will be able to maintain a positive fund balance through FY 2007-08, the District expects a cumulative deficit of approximately \$5 million over the last two years of the five-year forecast period. However, the revised five-year forecast presented in **Table 2-20** indicates that if SWLLSD implements the performance audit recommendations and limits planned additional spending, it can avoid deficits for the entire five-year forecast period and potentially lengthen the time before additional local revenue is needed.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between June and December 2005. The goal of the performance audit process was to assist SWLLSD management in identifying cost saving opportunities and improved management practices. The ensuing recommendations comprise options that SWLLSD can consider in its continuing efforts to improve and stabilize its long-term financial condition. This performance audit assessed the key operations of SWLLSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's October 2005 five-year financial forecast, its underlying financial data, and accompanying notes and assumptions were 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 for the District's transportation operations.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with SWLLSD personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made to three similar school districts: Lebanon City School District (Lebanon CSD) in Warren County; Liberty Union-Thurston Local School District (Liberty Union LSD) in Fairfield County; and Marysville Exempted Village School District (Marysville EVSD) in Union County. These districts were selected as peers based on reviews of various demographic information and input from SWLLSD administrators. Criteria included geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. Best practice information from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries was also used as a basis for comparison.

The performance audit process involved significant information sharing with SWLLSD, including preliminary drafts of findings related to identified audit areas and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from SWLLSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited 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 the SWLLSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are key noteworthy accomplishments that were identified during the course of the performance audit.

Financial Systems

- Southwest Licking Local School District provides community access to significant and detailed information through its website.

Human Resources

- The District employs fewer teaching aides per 1,000 students (4.1) than the peer average (6.3) while employing about the same number of non-teaching educational professionals as the peer districts. Despite using fewer teaching aides, SWL received an “effective” academic rating in FY 2004-05.
- The District’s contribution for dental insurance premiums is capped at \$35 per participant. The contribution rate for the board is smaller than the peer and SERB average.
- Life Insurance premium costs per \$1,000 of coverage were below the costs paid by Ohio local governments according to the annual State Employee Relations Board survey of benefits.

Facilities

- The District has designed and implemented an automated, online work order program that allows maintenance employees to download work orders. Automated work order programs are more efficient than paper-based systems because they allow for a greater degree of service level and cost tracking, and provide information on needed repairs more quickly than manual systems.

Transportation

- In FY 2004-05, when SWLLSD operated at State minimum standards, its total cost per student was only \$3 above the peer average and its total cost per mile was below the peer

average. When SWLLSD provided transportation to high school students, its total cost per student and total cost per mile are projected to be well below the peer averages. SWLLSD's transportation costs compare favorably with the peers even though it transports students to more public and non-public sites than any of the peer districts.

- The Transportation Supervisor writes specifications to acquire slightly used buses when the Board of Education appropriates money for bus purchases. This practice allows SWLLSD to replace more of the older, high cost buses in its fleet than it otherwise could afford.

Key Recommendations

The performance audit contains several recommendations pertaining to SWLLSD operations. The following are the key recommendations detailed in the report:

Financial Systems

- **Reevaluate the assumptions used to project State funding of unrestricted grants-in-aid. Due to the complex nature of unrestricted grants-in-aid, SWLLSD should also ensure that calculations and assumptions directly impacting State aid provide adequate detail to support the projections.**
- **Reevaluate the enrollment projections used to determine future staffing needs. The Treasurer and other administrative staff should work together to develop an agreed upon methodology for projecting enrollment to ensure that the District has a clear understanding of future staffing needs. The five-year forecast projection for personal services should describe the number of additional staff needed to serve the projected growth in enrollment as well as additional staff needed for program expansion or academic improvement.**
- **Consider implementing the other performance audit recommendations contained in this report. Implementing the performance audit recommendations will negate the deficits projected in the District's five-year forecast for FY 2008-09 and FY 2009-10.**

Human Resources

- **Seek to eliminate restrictive language pertaining to special education student counts from the current collective bargaining agreement with certificated employees. The collective bargaining agreement between certificated employees and the SWLLSD contains a unique provision that requires special education students in certain**

categories to be counted differently than the peer districts and other districts in the State.

- **Discontinue the practice of paying the employee share of retirement benefits for all administrative employees except the Superintendent, Assistant Superintendent, and Treasurer as this practice creates hidden additional salary costs to the District.**
- **Discontinue the premium health care plan currently offered to employees and require all employees to use the base plan or base plan plus.**
- **Strive to reduce the amount of sick leave used by strengthening employee policies to ensure the proper use of sick leave. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” and determine if such guidelines and policies should be negotiated into the collective bargaining agreements.**

Facilities

- **Consider reducing custodial staffing by three FTE employees and converting one custodial FTE to maintenance. A reduction of four custodial positions would bring the District more in line with National Center for Education Statistic (NCES) averages and allow it to redirect expenditures toward instructional activities.**
- **Develop a facility master plan and a capital improvement plan. The plans should be linked to the District’s educational programs and academic achievement goals through the Continuous Improvement Plan.**
- **Develop and implement a formal preventive maintenance program. Regular preventive maintenance ensures equipment reliability, reduces operating costs, and increases the life expectancy of facilities and equipment.**
- **Implement an energy management and conservation program in order to help reduce utility costs. Although building controls are in place and utility costs are generally lower than the peers and national averages, an energy conservation program would help the District manage these costs as energy prices increase.**

Transportation

- **Develop a formal written preventive maintenance (PM) program for the bus fleet and consistently document maintenance performed on each bus. A formal PM program that is current will provide the transportation department with a management tool for monitoring and scheduling bus maintenance.**

- **Establish a formal bus replacement plan to ensure proper planning and budgeting for the purchase of new buses. By formalizing a replacement plan, SWLLSD will be better able to plan for future expenditures while maintaining an adequate bus fleet.**

Additional Recommendations

The remainder of this executive summary highlights additional recommendations in the audit report.

Financial Systems

- Review and, when appropriate, revise policies concerning fiscal management. The Board should include additional detail in order to ensure that the Treasurer is clearly aware of the District's operations and the Board's expectations.
- Consider updating Bylaw and Policy #6220 regarding the District's General Fund and require a specified amount or percentage of any unreserved fund balance to be set aside as a budget reserve. The District should also set policies to guide the maintenance and use of the reserved funds to ensure that they are only used to avoid reducing service levels during times of economic decline or to meet temporary cash flow shortages.
- Revise the District's fiscal planning bylaws and policies to require the Treasurer develop alternative forecast scenarios which account for uncertainties in economic conditions, State funding, enrollment, and unforeseen expenditures. The policy should also address key forecast factors, including parties responsible for information, periods covered, support for assumptions, presentations, and outside consultation.

Human Resources

- Seek to limit future cost of living adjustment (COLA) increases for clerical and maintenance staff to help bring the average salaries more in line with the peer district averages.
- Seek to adjust step increases to bring the salary schedules for custodial and clerical staff more in line with the peer districts. The salary schedules used by SWLLSD to pay clerical and custodial staff have average step increases that are higher than the peer districts.
- Negotiate a cap on accrued sick leave that is more in line with the maximum sick leave accrual rates offered by the peer districts. The peer average accrual is 240 days, whereas SWLLSD does not have a cap for members hired before July 1, 2005. For members hired after July 1, 2005 the maximum sick leave accrual is 350 days. A lower cap on accrued sick

leave that applies to all employees can lead to lower pay-out costs for the District at the time of retirement.

- Attempt to negotiate less association leave time and eliminate the Board's responsibility to pay for substitutes while employees are on association business leave.

Facilities

- Determine the long-term feasibility of its current facility capacity calculations as part of a long range facility plan. The District should develop a methodology for determining capacity that is approved by the Board of Education, and reviewed and updated annually.

Transportation

- Develop policies and procedures for identifying, allocating, and verifying all transportation costs incurred by the District and charged to the Transportation Department. Once policies and procedures are in place, SWLLSD should ensure that transportation data is accurately reported to the Ohio Department of Education (ODE) on the Transportation Report Forms (T-Reports).
- Track the price paid for diesel fuel to ensure it is competitive with the price available through the State of Ohio Department of Administrative Services (ODAS). If SWLLSD finds that the local supplier's price is consistently above the ODAS bid price, it should consider competitively bidding fuel procurement or using the ODAS contract.
- Develop policies and procedures, within a purchasing manual, that outline standard language and the delegation of responsibility for the development and review of all specifications. In addition, the SWLLSD should develop policies and procedures that outline the process for competitive bids, requests for proposals, and requests for qualifications to ensure accountability, continuity, and the selection of quality vendors.

Issues for further Study

The following areas were identified during the audit that may warrant further examination but were outside the scope of the audit.

- **Special Education Teachers:** Based on the Ohio Department of Education's (ODE) suggested special education staffing requirements and Ohio Administrative Code §3301-51-09, SWLLSD should employ approximately 34 teachers to work with the special needs population. However, the District currently employs 32 special education instructors.

According to ODE's Office of Exceptional Children, if a district's special education student-to-teacher ratio does not meet the OAC requirements, the district must submit a waiver. ODE is reviewing the OAC requirements and the calculation for determining the required number of special education teachers. Therefore, SWLLSD should work with ODE to determine the number of special education teachers required and if it is determined that the District's staffing level is below the ODE requirements, it should obtain the necessary waiver in order to remain in compliance with OAC standards.

- **Early Retirement Incentive (ERI):** The negotiated agreement between the SWLLSD Board and certificated staff contains an ERI. However, the Board has not determined the effectiveness of this incentive program. Early retirement incentives are most effective when retiring persons are not replaced or replaced with entry level employees. SWLLSD should closely examine the cost effectiveness of ERI provisions and, if the ERI is not determined to be cost effective, the District should seek to remove this provision from its negotiated agreement.

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 SWLLSD should consider. Some of the recommendations are dependent on labor negotiations or collective bargaining agreements (see **human resources** section). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
R3.4 Reduce Pick Up of Retirement Contributions	\$157,136	\$161,851	\$166,706	\$171,707
R3.6 Reduce sick leave usage.	\$45,003	\$46,578	\$48,208	\$49,895
R4.1 Reduce number of custodians	\$113,239	\$116,002	\$118,833	\$121,732
R4.4 Energy Management Savings	\$80,000	\$80,000	\$80,000	\$80,000
Total of Recommendations Not Subject to Negotiations	\$395,378	\$404,431	\$413,747	\$423,334
R3.5 Eliminate Premium Health Insurance Plan			\$218,895	\$251,729
Total of Recommendations Subject to Negotiations			\$218,895	\$251,729
Total Recommendations in Report	\$395,378	\$404,431	\$632,642	\$675,063

Source: AOS Recommendations

The financial implications summarized above are presented on an individual basis. 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.

Financial Systems

Background

This section focuses on the financial systems of the Southwest Licking Local School District (SWLLSD or the District). The objective is to analyze the financial practices and conditions of the SWLLSD and develop recommendations for improving the efficiency and effectiveness of the District's financial systems.

Ohio Revised Code (ORC) §3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC §3316.03 was amended effective April 10, 2001 to give the Ohio Department of Education (ODE) the ability to place a school district in fiscal caution if it identified fiscal practices or budgetary conditions that if left uncorrected could lead to fiscal watch or emergency conditions. Before declaring fiscal caution, ODE is to consult with the school district. If fiscal caution is declared, the school board is given 60 days to provide a written proposal to ODE that outlines a plan to correct the practices or conditions that led to the declaration.

To help define fiscal caution, ODE, in consultation with AOS, developed guidelines for identifying fiscal practices and budgetary conditions that could lead to a future declaration of fiscal watch or emergency. According to the fiscal caution guidelines, a district may be placed in fiscal caution by the Superintendent of Public Instruction when the district projects a current year ending balance less than or equal to 2 percent of current year projected revenue. On March 17, 2005, the Southwest Licking Local School District was placed in fiscal caution based on an ODE financial analysis that indicated a potential FY 2004-05 deficit of about \$687,000. SWLLSD was given until May 5, 2005 to submit a fiscal caution proposal that addressed the potential current and future year deficits.

Through cost reductions and receipt of more revenue than expected, SWLLSD was able to avoid the projected FY 2004-05 deficit. In addition, SWLLSD passed a local property tax levy that is expected to increase revenue by \$1,589,357 in FY 2005-06 and approximately \$3,250,000 annually in future years.

Financial Condition

The financial forecast presented in **Table 2-1** presents three years of historical data and SWLLSD's projections as of October 31, 2005 for the next five years. The projections include revenue and expenditures for the general operations of SWLLSD. Following **Table 2-1** is a

summary and explanation of the District’s forecast assumptions, along with AOS comments and assessments.

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

	Actual			Forecasted				
	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Revenue:								
General Property Tax	6,753	7,252	7,586	9,813	12,026	12,568	13,642	14,759
Tangible Personal Tax	295	709	658	632	595	540	484	390
Income Tax	2,949	3,014	3,262	3,463	3,710	4,013	4,380	4,825
Unrestricted Grants-in-Aid	10,673	11,533	11,462	11,421	11,358	9,354	9,165	9,012
Restricted Grants-in-Aid	637	88	96	88	91	91	91	91
Property Tax Allocation	906	999	1,051	1,457	1,800	1,961	2,241	2,585
All Other Revenues	647	732	754	683	724	768	814	863
Total Revenues	22,865	24,331	24,872	27,560	30,308	29,297	30,821	32,527
Other Financing Sources:								
All Other Financing Sources	1	4	15	22	5	5	5	5
<i>Total Revenues and Other Financing Sources</i>	22,866	24,336	24,887	27,582	30,313	29,302	30,826	32,532
Expenditures:								
Personal Services	15,232	15,834	15,410	16,757	18,130	19,100	20,097	21,133
Employees' Retirement/Insurance Benefits	4,708	5,130	4,884	5,377	5,892	6,369	6,881	7,431
Purchased Services	2,251	2,380	2,295	2,699	3,084	3,524	4,027	4,601
Supplies and Materials	962	753	651	972	1,001	1,031	1,062	1,094
Capital Outlay	170	215	30	90	44	48	53	59
Debt Service:								
Principal-All (History Only)	33	51	170	0	0	0	0	0
Principal-HB 264 Loans	0	0	0	90	90	100	100	74
Interest and Fiscal Charges	3	28	47	48	47	44	42	71
Other Objects	920	882	704	738	798	864	934	1,011
Total Expenditures	24,282	25,277	24,195	26,774	29,088	31,084	33,198	35,477
Other Financing Uses:								
Advances-Out	0	0	10	0	0	0	0	0
All Other Financing Uses	0	0	0	75	0	0	0	0
<i>Total Other Financing Uses</i>	0	0	10	75	0	0	0	0
<i>Total Expenditures and Other Financing Uses</i>	24,282	25,277	24,205	26,849	29,088	31,084	33,198	35,477
Result of Operations (Net)	(1,416)	(940)	682	733	1,224	(1,782)	(2,372)	(2,944)
Balance July 1	2,860	1,444	503	1,186	1,919	3,144	1,361	(1,010)
<i>Cash Balance June 30</i>	1,444	503	1,186	1,919	3,144	1,361	(1,010)	(3,955)
Estimated Encumbrances June 30	216	87	92	0	0	0	0	0
Reservations of Fund Balance:								
Debt Service	0	64	61	0	0	0	0	0
Bus Purchases	0	27	55	0	0	0	0	0
<i>Total Reservations of Funds</i>	0	91	117	0	0	0	0	0
Ending Unreserved Fund Balance	1,228	324	976	1,919	3,144	1,361	(1,010)	(3,955)

Source: SWLLSD October 2005 Five-Year Forecast.

Ohio public school districts must submit projections of revenues and expenditures and detailed assumptions as part of its five-year forecast. The SWLLSD forecast presented in **Table 2-1** is based upon district assumptions about future revenues and expenditures which are summarized below. Even though the District’s forecast includes the emergency levy passed in May 2005; the

District projects an ending fund deficit in excess of \$1.0 million by the end of FY 2008-09, and an ending fund deficit in excess of \$3.9 million by FY 2009-10.

Revenues

Real Estate: Real estate property tax revenue includes residential real estate taxes, public utility property taxes, and manufactured home tax revenue. Real estate property tax collections represented approximately 30.5 percent of the District’s general operating revenue in FY 2004-05. **Table 2-2** provides actual real estate collections for the past four years.

Table 2-2: Historical Real Estate Collections

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Received	\$5,570,328	\$6,753,955	\$7,252,823	\$7,586,563	\$6,790,917
Percent Change vs. Prior Year	(4.0%)	21.3%	7.4%	4.6%	7.3%

Source: Southwest Licking Local School District

As shown in **Table 2-2**, the percent increase in real estate taxes from one year to the next has fluctuated. Last year the district experienced its smallest increase in real estate collections over the past three years.

According to the SWLLSD forecast there are several factors that help project future property tax revenue including property reappraisals and economic growth within the District.

- The forecast uses the prior year's actual or estimated amount as the basis for the following year's projected amount. Future year projections take into account several variables such as the historical dollar increase in new construction; property valuation reappraisals, prior year adjustments to account for actual collections, any one-time increases due to the collection of delinquent taxes, and additional revenue due to passage of emergency operating levies.
- The assumptions include a 6.0 percent growth rate for new construction plus an increase in general property taxes due to reappraisals that occur in calendar year 2005, and again in calendar year 2008.

The projections for FY 2005-06 appear reasonable based on historical growth rates and the information provided in the District’s forecasting model. The Treasurer’s assumptions include property tax revenue estimates based on historical growth patterns, scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year by the County Auditor.

Tangible Personal Property Tax: Tangible personal property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machinery and equipment, supplies, and

inventory used in conducting their business. Legislation is in place that phases out the tangible personal property tax by reducing the yearly assessed valuation rates. The tangible personal property taxes represented approximately 2.7 percent of the District’s general operating revenue in FY 2004-05.

The District made the following assumptions about tangible personal property tax revenue:

- Estimates for FY 2005-06 are based on historical valuation growth patterns with an adjustment made for the 2 percent phase-out of the inventory component and changes in the assessed valuation percentages of public utility property. The District adjusted the prior year base revenue to account for two one-time occurrences that reduced the total overall collection before applying the historical growth factor. The projections also include collections from the new emergency levy passed in May of 2005 which will be in effect through the forecasted period.
- Projections for FY 2006-07 through FY 2009-10 are also based on historical valuation patterns with an adjustment made for the 2 percent phase-out of the inventory component and changes in the assessed valuation percentages of public utility property.

Projections for the current and future years look reasonable based on historical trends and the provisions in House Bill 66 that affect tangible personal property.

Income Tax: Income tax represented approximately 13.1 percent of general operating revenue collected by the District in FY 2004-05. **Table 2-3** provides actual income tax collections for the past four years and shows the average percent change.

Table 2-3: Historical Income Tax Collections

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Received	\$2,770,373	\$2,949,789	\$3,014,457	\$3,262,416	\$2,850,976
Change vs. Prior Year	3.3%	6.5%	2.2%	8.2%	6.1%

Source: Southwest Licking Local School District.

As shown in **Table 2-3**, the percent increase in income taxes from one year to the next has fluctuated. In FY 2004-05, the district experienced its largest increase in income tax collections over the past four years.

SWLLSD uses an average increase in income tax of 4 percent for projecting future income tax revenue. The projections used in the District’s five-year forecast may be somewhat conservative but are reasonable based on the historical pattern of income tax collections. Because increases in income tax collections have fluctuated between 2.0 percent and 8.0 percent in recent years, SWLLSD may want to examine revenue projections under both best case and worse case scenarios (see **R2.5**).

State Foundation: State foundation represents unrestricted and restricted grants-in-aid received from the State of Ohio through the foundation program. The funding levels are established by the State legislature and the program is administered by ODE. State foundation monies represented approximately 46.5 percent of general operating revenue for the District in FY 2004-05. **Table 2-4** shows the historical State foundation revenue and the average percent increase or decrease.

Table 2-4: Historical State Foundation Dollars

	FY 2001-02	FY 2002-03	FY2003-04	FY 2004-05	Average
Actual Amount Received	\$10,371,811	\$11,311,592	\$11,622,248	\$11,558,933	\$11,216,146
Percent Change vs. Prior Year	11.8%	9.1%	2.7%	(0.5%)	5.8%

Source: Southwest Licking Local School District.

The District's assumptions for projecting State foundation are based on the following:

- FY 2005-06 State foundation projections are based on the ODE estimate contained on the October # 2 SF-3 report. The SF-3 report includes provisions contained in House Bill 66.
- FY 2006-07 State foundation projected using the ODE State funding simulation for that year.
- State foundation monies are expected to decrease in FY 2007-08 through FY 2009-10 due to property values increasing at a faster rate than projected enrollment. Although SWLLSD historical trend shows an average increase in State revenues of 5.8 percent, the Treasurer projects the State foundation money using a worse case scenario to ensure projected revenue is not over estimated.

Based on the assumptions used by the Treasurer, AOS has determined the projections may be understated. Recommendation **R2.1** recalculates the estimated State foundation amounts and applies the new projections to the forecast in **Table 2-20**.

Property Tax Allocation: Property tax allocation is revenue received as a result of homestead exemption legislation, property tax rollback legislation, and personal property tax exemptions. Property tax allocations represented approximately 4.2 percent of total operating revenue for the District in FY 2004-05.

Table 2-5 provides actual property tax allocations and the percent increase or decrease over the past four years. Over the past four years, the average increase in property tax allocations has been 15.9 percent.

Table 2-5: Historical Property Tax Allocations

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Received	\$791,399	\$906,474	\$999,906	\$1,051,765	\$937,386
Percent Change vs. Prior Year	33.6%	14.5%	10.3%	5.1%	15.9%

Source: Southwest Licking Local School District.

The Treasurer uses a flat 6 percent increase each year for the forecasted period. The projections for FY 2005-06 through FY 2009-10 appear to be conservative based on the average growth in collections shown in **Table 2-5**. Although the district has experienced a 15.9 percent average change in the past four years, the trend indicates a declining growth rate. The 6 percent increase used by the District is reasonable considering the percent increase last fiscal year and the historical trend.

Other Revenue: Other revenue is receipts that are not classified in one of the above revenue sources, but still requires budgetary control. Other revenue represented about 3.0 percent of total operating revenue in FY 2004-05.

Table 2-6 provides the amounts received by SWLLSD that fell into the other revenue category over the past four years. The average percent change over this four year period was 2.9 percent but the percent change ranged from a negative 24.9 percent to a positive 13.0 percent.

Table 2-6: Historical Other Revenues

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Received	\$578,608	\$647,876	\$732,113	\$754,068	\$678,166
Percent Change vs. Prior Year	(24.9%)	11.9%	13.0%	2.9%	2.9%

Source: Southwest Licking Local School District.

The District projects a decrease in other revenue from FY 2004-05 to FY 2005-06 due to the loss of community donations, Medicaid reimbursements, and the percentage change in estimated tuition revenue. For FY 2006-07 through FY 2009-10 the Treasurer assumes a 6 percent increase over the prior year.

Although historical trends show an average increase of 2.9 percent, by excluding the outlier in FY 2001-02, other revenue has increased by just over 9 percent the past three years. Based on the historical growth for the past three years, the projections used in FY 2005-06 through the forecast period look reasonable.

Expenditures

Personal Services: Personal services include employees' wages, substitute costs, supplemental contracts, severance pay, and overtime. Personal services represent approximately 63.7 percent of the District's FY 2004-05 general operating expenditures. **Table 2-7** provides the historical costs for personal services at the Southwest Licking Local School District.

Table 2-7: Historical Personal Services Expenditures

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$13,823,801	\$15,232,748	\$15,834,994	\$15,410,227	\$15,075,442
Percent Change vs. Prior Year	14.0%	10.1%	3.9%	(2.6%)	6.3%

Source: Southwest Licking Local School District.

Table 2-7 illustrates that SWLLSD personal services costs increased by an average of 6.3 percent over the past four years. However, there is a clear downward trend in the percent increase from the prior year. The average increase in expenditures for personal services for FY 2001-02 and FY 2002-03 was about 12 percent. In FY 2003-04 and FY 2004-05 expenditures increased by an average rate of less than 1 percent. The decrease in the growth of expenditures can be attributed to the reductions that SWLLSD underwent in those respective years.

The District's assumptions for projecting salaries and wages were as follows:

- The biggest impact on the projection is the increase in the number of employees the District hires from year to year. The District assumes an increase of five new teachers, two new teachers' aids, one bus driver, and one unclassified position per year. According to the District's assumptions, the increase in staff is directly correlated with the expected increase in enrollment.
- The projections for FY 2005-06 include the actual expended amount from the previous year, plus a 1.5 percent step increase for all positions, an annual negotiated 2.0 percent cost of living adjustment (COLA) increase per year and the hiring of additional staff to account for the increase in enrollment. The forecasted expenditures will increase over FY 2004-05 by more than the historical 6 percent due to rehiring and backfilling of vacant positions that resulted from the previous year's budget cuts.
- FY 2006-07 is projected by using the amount from FY 2005-06, plus the additional staffing needed due to growth in enrollment, the annual step increase, and the annual negotiated 2.0 percent COLA increase.
- The Treasurer calculates the forecast for FY 2007-08 through FY 2009-10 in the same manner as FY 2006-07.

The assumptions used by the Treasurer appear reasonable and can be tied to the salary schedules, COLA increases, and step increases for current employees. Although the methodology for determining salaries is accurate, the District assumes higher enrollments in future years than AOS projects. Therefore, ASO recommends that SWLLSD re-evaluate the enrollment projections used to project future staffing needs (see **R2.2**).

Benefits: Employee benefits represented approximately 20.2 percent of the District’s FY 2004-05 general operating expenditures and included the cost of employee health insurance, retirement, Medicare, workers compensation, life insurance, and dental insurance. **Table 2-8** shows the historical increases and decreases in benefit costs to the District for the past four years.

Table 2-8: Historical Expenditures on Employee Benefits

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$3,629,850	\$4,708,608	\$5,130,090	\$4,884,199	\$4,588,187
Percent Change vs. Prior Year	18.2%	29.7%	8.9%	(4.7%)	13.0%

Source: Southwest Licking Local School District

The District’s projections for employee benefits are based on the following assumptions:

- A 15 percent annual increase in the cost of health insurance is assumed. The FY 2005-06 projection also includes known changes in the cost of retirement benefits, Medicare, workers compensation, life insurance, and dental insurance. Collectively, the total increase for FY 2005-06 is approximately 13 percent. However, in FY 2005-06, the total increase in benefit costs will be more than 13 percent due to the rehiring and backfilling of positions that resulted from the budgets cuts in FY 2004-05.
- FY 2006-07 through FY 2009-10 projections assume health insurance costs will increase by 15 percent and includes the cost of benefits for additional hires.

The assumptions used by the Treasurer during the forecasted period appear to be reasonable based upon historical increases in health insurance costs; known changes in retirement benefits, Medicare, workers compensation, life insurance, and dental insurance; and assumed staffing increases over the forecast period. Although the calculation of future benefits costs are accurate, total expenditures for employee benefits may be overstated because of the assumed staff needs in the forecast. Recommendation **R2.2** describes the impact on projected salary and benefit costs based on more conservative enrollment projections and staffing needs.

Purchased Services: Purchased services represent approximately 9.5 percent of the District’s FY 2004-05 general operating expenditures. The purchased services category accounts for fixed-cost items such as utilities (electricity, gas, water, and telephone) and property insurance. Other items in this area include tuition, leases, repairs and maintenance, postage, legal fees, and staff development.

Table 2-9 illustrates the historical trend in purchased services.

Table 2-9: Historical Expenditures on Purchased Services

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$1,703,535	\$2,251,341	\$2,380,978	\$2,295,897	\$2,157,937
Percent Change vs. Prior Year	13.3%	32.1%	5.7%	(3.5%)	11.9%

Source: Southwest Licking Local School District.

According to **Table 2-9**, the average increase for purchased services has been 11.9 percent for the past four fiscal years. According to the Treasurer, purchased services can be very unpredictable due to some uncontrollable expenditures such as special education tuition, community school pay outs, tuition to other districts, and utility costs.

The District's assumptions for projecting purchased services are as follows:

- In FY 2005-06 the District's projection starts with the actual expenditures from FY 2004-05 and assumes a 3 percent increase based on historical data. In addition, changes in special education tuition, community school payments, tuition to other districts, and utility costs are estimated separately based on recent trends.
- FY 2006-07 through FY 2009-10 uses the same approach of projecting special education tuition, community school payments, tuition to other districts, and utilities separately and a 3 percent increase for other items.

Purchased services for FY 2005-06 through the end of the forecasted period appear reasonable based upon recent trends for utilities, tuition, and community school payments and a 3 percent increase over the previous year for other purchased services.

Supplies & Materials: Supplies and materials represented approximately 2.7 percent of the District's FY 2004-05 general operating expenditures and are primarily instructional and non-instructional supplies and materials. **Table 2-10** shows the historical trend in supplies and material for SWLLSD.

Table 2-10 Historical Expenditures on Supplies & Materials

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$972,579	\$962,760	\$753,113	\$651,127	\$834,894
Percent Change vs. Prior Year	21.2%	(1.0%)	(21.7%)	(13.5%)	(3.7%)

Source: Southwest Licking Local School District.

Table 2-10 shows that SWLLSD decreased its expenditures from FY 2001-02 through FY 2004-05 by an average of (3.7) percent per year. The decrease was primarily due to the financial situation in the District. To control costs, the District reduced discretionary spending for supplies and materials.

Under Ohio Revised Code §3315.17 (textbook and instructional materials funds), the board of education of each school district must establish a textbook and material fund. A majority of school districts spend General Fund money on textbooks and instructional materials; however, SWLLSD has a permanent improvement levy that it uses for the majority of its textbooks and instructional materials. Therefore, SWLLSD’s forecast projections for supplies and materials exclude the textbook and instructional material expenditures made from the Permanent Improvement Fund. The District’s assumptions for the General Fund are as following:

- The assumptions used for FY 2005-06 through FY 2009-10 are based on a 3 percent inflationary increase for each of the forecasted years.

SWLLSD projections for FY 2005-06 through the forecasted period seem reasonable based upon the historical increase pattern.

Capital Outlay: Capital outlay represented only about 0.1 percent of total general operating expenditures in FY 2004-05. Capital outlay expenditures are for the purchase of new or replacement equipment for the district. **Table 2-11** shows the historical trend in capital outlay expenditures for SWLLSD.

Table 2-11 Historical Expenditures on Capital Outlay

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$592,759	\$170,796	\$215,564	\$30,545	\$252,416
Percent Change vs. Prior Year	49.3%	(71.1%)	26.2%	(85.8%)	(20.3%)

Source: Southwest Licking Local School District.

As shown in **Table 2-11**, SWLLSD’s historical trend has fluctuated in the past four years with an average decrease of 20.3 percent. In addition, some line items have been transferred from General Fund capital outlays to the Permanent Improvement Fund.

Historically, the District has used the capital outlay expenditure line item to account for the acquisition of buses, technology, and equipment. Since District voters renewed a permanent improvement (PI) levy on November 2, 2004, several of the expenditures for capital items have been paid from the permanent improvement fund. This has reduced the expenditures made from the General Fund. Also, some of the decrease in capital outlay is directly related to the reductions the District made in an effort to improve it’s financial situation. The District’s assumptions for capital outlay are as following:

- Capital improvement should stay constant at \$55,000 in FY 2005-06 through FY 2009-10 due to the monies generated from the PI levy.

The District’s forecasted amounts appear to be reasonable based on historical trends and the availability of PI funds.

Other Objects: Other objects account for approximately 2.9 percent of the District’s FY 2004-05 general operating expenditures. Other objects include special education contracts with the Licking County Educational Service Center; property, liability and fleet insurance; county auditor’s fees; and other miscellaneous expenses. **Table 2-12** shows historical expenditures on other objects for SWLLSD.

Table 2-12: Historical Other Objects

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average
Actual Amount Expended	\$598,533	\$920,033	\$882,302	\$704,969	\$776,461
Percent Change vs. Prior Year	31.3%	53.7%	(4.1%)	(20.1%)	15.2%

Source: Southwest Licking Local School District.

As shown in **Table 2-12**, the average annual increase for the past four years has been 15.2 percent. Despite this rate of increase, the forecast is based on a five percent increase per year due to a greater percentage of expenses being paid from the permanent improvement fund.

The assumptions used by the District to generate the five-year forecast are as follows:

- Similar to capital outlay, several line items have been transferred to the Permanent Improvement Fund, which will result in a reduction in General Fund expenses from a historical aspect. Although the transfers have taken place, the Treasurer adds a 5 percent increase for an historical trend increase for FY 2005-06 through FY 2009-10.

Because of the wide degree of fluctuation in this line item and the small percentage of General Fund expenditures drawn from this line item, the Treasurer’s methodology appears to be reasonable.

Outstanding Debt: Outstanding debt represented only 0.7 percent of total expenditures in FY 2004-05. SWLLSD’s only General Fund debt obligation stems from a H.B. 264 energy conservation loan. The loan is repaid according to a debt service schedule on file in the Licking County Treasurer’s Office.

The projections for FY 2005-06 through FY 2009-10 appear reasonable based on a review of the debt agreements and the amortization schedules received from SWLLSD Treasurer’s Office.

Transfers and Advances: Typically, the District does not transfer any funds from the General Fund, although there was a small transfer of \$10,000 in FY 2004-05.

Financial Operations

In an effort to reduce its projected operating deficit, the District identified several areas for cost reductions prior to the performance audit. The majority of the District’s cost savings came from

the reduction of 15 support staff positions and the delay in replacing 6 of 13 retirees from FY 2003-04. The District saved over \$1.7 million from reductions in personal and other functional areas.

Table 2-13 represents SWLLSD’s general operating revenue and expenditures in FY 2004-05 and could suggest areas of continued reductions and possible redistribution of funds in an effort to avoid future deficits. **Table 2-13** compares SWLLSD’s FY 2004-05 operating revenue and expenditures per pupil to the peer districts.

Table 2-13: FY 2004-05 Revenue by Source & Expenditure by Object

Number of Students	Southwest Licking LSD		Lebanon CSD		Liberty-Union LSD		Marysville EVSD		Peer Average	
	3,429		4,794		1,319		4,782		3,632	
General Fund Revenue By Source										
Revenue Source	\$ per Student	% of Total	\$ per Student	% of Total	\$ per Student	% of Total	\$ per Student	% of Total	\$ per Student	% of Total
Local Taxes 1100	\$3,314	46.00%	\$2,823	42.37%	\$3,272	41.52%	\$5,333	60.69%	\$3,979	51.39%
State Sources 3100+3200	\$3,670	50.95%	\$3,711	55.70%	\$4,205	53.37%	\$3,298	37.53%	\$3,590	46.36%
Other Revenue	\$220	3.05%	\$129	1.93%	\$402	5.11%	\$156	1.78%	\$174	2.25%
Total Revenue Per Pupil	\$7,204		\$6,663		\$7,880		\$8,787		\$7,742	
General Fund Expenditures By Object										
Expenditures	\$ per Student	% of Total	\$ per Student	% of Total	\$ per Student	% of Total	\$ per Student	% of Total	\$ per Student	% of Total
Wages & Salaries (100)	\$4,489	64.04%	\$4,576	56.60%	\$4,889	60.96%	\$5,015	59.94%	\$4,807	58.61%
Fringe Benefits (200)	\$1,423	20.30%	\$1,268	15.68%	\$1,518	18.92%	\$1,934	23.12%	\$1,591	19.40%
Purchased Services (400)	\$669	9.55%	\$1,093	13.52%	\$941	11.74%	\$633	7.56%	\$872	10.64%
Supplies & Materials (500)	\$190	2.71%	\$209	2.58%	\$390	4.86%	\$218	2.61%	\$235	2.86%
Capital Outlay	\$9	0.13%	\$46	0.56%	\$59	0.74%	\$46	0.55%	\$47	0.58%
Debt Service (810-830)	\$21	0.30%	\$37	0.46%	\$43	0.53%	\$20	0.24%	\$30	0.37%
All Other (840-940)	\$208	2.97%	\$857	10.60%	\$180	2.25%	\$500	5.98%	\$618	7.54%
Total Expenditures Per Pupil	\$7,010		\$8,085		\$8,020		\$8,367		\$8,201	

Source: SWLLSD and peer district 4502 reports.

¹ Number of Students = Formula ADM

When comparing revenue sources to the peers, SWLLSD receives 17 percent less local tax revenue per student than the peer average. However, Marysville EVSD inflates the peer average with revenue of \$5,333 per student derived from local taxes. SWLLSD receives 5.0 percent more local tax revenue per student than the average of Lebanon CSD and Liberty Union LSD.

SWLLSD receives State sources of revenue on a per student basis comparable to the peers. In FY 2004-2005, SWLLSD received 1.8 percent less State revenue per student than the peer average. Overall, SWLLSD received \$538 less total revenue per student than the peer average. However, when comparing SWLLSD to Lebanon CSD and Liberty-Union LSD, the District received only \$68 less than the average of these two districts.

In FY 2004-05, SWLLSD spent 15 percent less per student than the peer average. Wages and salaries accounted for 64 percent of the District's spending while the average for the peer districts was 58.6 percent. For the past few years, budget cuts have reduced discretionary general operating expenditures which partially explains SWLLSD's low expenditures per pupil compared to the peer districts as well as the high percent of expenditures devoted to wages and salaries.

Table 2-14 shows FY 2004-05 discretionary expenditures and dollars spent on a per student basis.

Table 2-14: FY 2004-05 Discretionary Expenditure Comparison

<u>Discretionary Expenditures</u>	Southwest Licking			Peer Average		
	ADM:	3,429		ADM:	3,632	
	Total \$	\$ per Student	% of Total	Total \$	\$ per Student	% of Total
Professional & Technical Service	\$340,555	\$99	16.05%	\$546,852	\$151	18.73%
Property Services	\$229,505	\$67	10.82%	\$272,685	\$75	9.34%
Mileage/Meeting Expense	\$37,371	\$11	1.76%	\$65,943	\$18	2.26%
Communications	\$72,797	\$21	3.43%	\$110,460	\$30	3.78%
Craft or Trade Service	\$0	\$0	0.00%	\$31,607	\$9	1.08%
Pupil Transportation Service	\$8,087	\$2	0.38%	\$498,813	\$137	17.09%
Other Purchased Service	\$54,350	\$16	2.56%	\$2,157	\$1	0.07%
General Supplies	\$311,129	\$91	14.67%	\$328,560	\$90	11.26%
Textbooks/Reference Materials	\$242	\$0	0.01%	\$112,125	\$31	3.84%
Plant Maintenance & Repairs	\$51,659	\$15	2.44%	\$165,670	\$46	5.68%
Fleet Maintenance & Repairs	\$202,371	\$59	9.54%	\$211,349	\$58	7.24%
Other Supplies & Materials	\$85,725	\$25	4.04%	\$35,271	\$10	1.21%
Capital Outlay (New)	\$30,545	\$9	1.44%	\$152,300	\$42	5.22%
Dues & Fees	\$601,618	\$175	28.36%	\$366,056	\$101	12.54%
Insurance	\$95,357	\$28	4.50%	\$19,057	\$5	0.65%
Total Discretionary Expenditures	\$2,121,312	\$619	100.00%	\$2,918,903	\$804	100.00%
Discretionary Expenditures as a % of General Funds	8.82%			9.80%		
Total General Fund Expenditures	\$24,038,694			\$29,783,424		

Source: SWLLSD and peer district 4502 reports.

While SWLLSD’s FY 2004-05 discretionary spending per student was below the peer average, there were three categories of discretionary expenditures that were higher than the peer average: other supplies and material, dues and fees, and insurance.

In FY 2004-05, SWLLSD spent \$15 more per student on other supplies and materials than the peer districts. For SWLLSD other supplies and materials accounted for 4 percent of total discretionary spending compared to the peer districts which spent only about 1.2 percent of discretionary dollars on other supplies and materials.

SWLLSD spent \$69 more per student than the peer districts on dues and fees. For SWLLSD, dues and fees made up over 28 percent of all discretionary spending compared to the peer districts which spent an average of 12.5 percent of discretionary funds on dues and fees.

SWLLSD spent \$28 per student for insurance in FY 2004-05 when the peer district average was only \$5 per student. In FY 2004-05, insurance costs accounted for 4.5 percent of discretionary spending at SWLLSD compared to a peer average of less than 1 percent.

Assessment Not Yielding Recommendations

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

- **Five-Year Forecast Assumptions:** Several assumptions provided as support for the five-year forecast were determined to be through, and based on the best information available at the time the forecast was prepared. However, there are two recommendations to adjust the forecast assumptions (**R2.1** and **R2.2**) to better reflect expected revenue and future expenditures. The following is the list of line items in the forecast that were assessed but did not yield any recommendations:
 - Real Estate;
 - Tangible Personal Property Tax;
 - Income Tax;
 - Property Tax Allocation;
 - Other Revenue;
 - Purchased Services;
 - Supplies and Materials;
 - Capital Outlay;
 - Other Expenditures;
 - Outstanding Debt; and
 - Transfers and Advances.

- **Academic Performance and Instructional Spending:** ODE designates all school districts as excellent, effective, continuous improvement, academic watch, or academic emergency. SWLLSD was designated as an effective school district during FY 2004-05. Designations are based on the number of State indicators met, a performance index score, and meeting the federal Adequate Yearly Progress (AYP) requirement. In FY 2004-05 there were 23 State indicators which included 21 State-wide assessments, graduation rate, and attendance rate. The indicators change from year to year, depending upon the number of assessments required by the State. The performance index score is a weighted average of all tested subjects in grades 3, 4, 5, 6, 7, 8, and 10 that reflects the scores of all students tested. To meet the federal AYP requirements, every student group must be at or above the annual goals or make improvements over the pervious year's assessment.

Table 2-15 displays the academic performance and instructional spending for SWLLSD and the peer districts over the past three years.

Table 2-15: Academic Performance and Instructional Spending

Percent of Indicators Met					
	SWLLSD	Lebanon CSD	Liberty Union LSD	Marysville EVSD	Peer Average
FY 2004-05	87.0	95.7	91.3	100	95.7
FY 2003-04	94.4	94.4	88.9	100	94.4
FY 2002-03	77.3	95.5	100	54.5	83.3
Average	86.2	95.2	93.4	84.8	91.1
Performance Index Score					
FY 2004-05	96.4	100.4	99	95.8	98.4
FY 2003-04	95.8	96.6	95	95.9	95.8
FY 2002-03	89.7	95.7	96.5	85.1	92.4
Average	94	97.6	96.8	92.3	95.6
Instructional Expenditures Per Pupil					
FY 2004-05	4,417	4,344	5,124	5,049	4,750
FY 2003-04	4,687	4,167	4,877	4,983	4,615
FY 2002-03	4,173	3,875	4,615	4,955	4,441
Average	4,426	4,129	4,872	4,996	4,602

Source: Ohio Department of Education (ODE) Local Report Cards.

Note: Instructional Expenditures per Pupil are calculated by ODE using the "Expenditure Flow Model".

The average percentage of State indicators met by SWLLSD during the past three fiscal years was below the peer average. Likewise, the average performance index score achieved by the District during the past three years was below the peer average. However, in FY 2003-04, the percentage of indicators met and performance index score for the SWLLSD was equal to the peer district averages. In FY 2003-04, SWLLSD also spent more per pupil on instruction than the peer average (101.6 percent). In both FY 2002-03 and FY 2004-05, SWLLSD spent less than the peer average on instruction and achieved lower results.

In FY 2004-05 SWLLSD achieved 98 percent of the peer average score, while spending only 93 percent of the peer average on instructional expenditures. Furthermore, SWLLSD is also spending 3.3 percent more of its available revenue on instruction. Based on this information, SWLLSD is allocating more of its financial resources to instruction, spending less money per student, and scoring within 2 percent of the peers.

Noteworthy Accomplishments

During the course of the audit, the following noteworthy accomplishments or best practices were noted within the Southwest Licking Local School District.

- **Southwest Licking Local School District provides access to significant and detailed information on the financial activities within the District. The District provides the community with several financial reports via its website: (<http://www.swl.k12.oh.us/index.htm>).**

The District has provided the residents with several historical financial reports, including detailed budget versus actual reports, financial audit reports for the past five years, a current five-year forecast, and an executive summary of major financial activity. The website also contains a Treasurer's report consisting of current financial information, such as a purchase order report, a budget account summary, a financial report by fund, a revenue account summary, and an appropriation account summary.

Recommendations

R2.1 SWLLSD should reevaluate the assumptions used to project State funding of unrestricted grants-in-aid. Due to the complex nature of unrestricted grants-in-aid, the SWLLSD Treasurer should also ensure that calculations and assumptions directly impacting State aid provide adequate detail to support the projections.

The five-year forecast developed by SWLLSD assumes that unrestricted grants-in-aid will decrease by \$2,408,814 from FY 2005-06 to FY 2009-10. According to the District, the reduction in State revenue is attributed to a combination of the increases in taxable real estate valuations, and the elimination of State-funded categorical line items.

As shown in **Table 2-16**, AOS projects SWLLSD should receive more from the State in unrestricted grants-in-aid than the amounts projected in the District’s current five-year forecast with the exception of FY 2009-10.

Table 2-16: Projections of State Unrestricted Grants-in-Aid

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Cumulative Savings
SWLLSD Projected	\$11,358,278	\$9,354,050	\$9,165,586	\$9,012,547	\$38,890,461
AOS Projected	\$11,482,478	\$10,583,333	\$9,685,202	\$8,719,660	\$40,470,673
Impact on Fund Balance	\$124,200	\$1,229,283	\$519,616	\$(292,887)	\$1,580,212

Source: SWLLD October 2005 Five-Year Forecast.

The AOS projections for unrestricted grants-in-aid assume: enrollment growth of 2 percent per year; zero percent growth in the state foundation level after FY 2006-06; growth in property valuations of about 9 percent per year; growth in categorical funded items of 8 percent per year; and the elimination of the transitional aid guarantee and the Cost of Doing Business Factor (CODB) in FY 2007-08. Details of the enrollment projections can be found in the facilities section of this report (see **Table 4-8**). Property valuation projections are based on the Ohio Department of Education (ODE) SF-3 simulation for FY 2006-07 and a 9 percent increase each year thereafter based upon historical data. Also, an 8 percent increase per year in State categorical line items was assumed based on historical trends. By failing to detail the key assumptions impacting State funding, SWLLSD may have understated its State revenue by over \$1.5 million dollars over the five-year forecast period (see **Table 2-16**).

R2.2 Southwest Local School District should reevaluate the enrollment projections used to determine future staffing needs. The Treasurer and other administrative staff should work together to develop an agreed upon methodology for projecting enrollment to ensure that the District has a clear understanding of future staffing needs. The five-year forecast projection for personal services should detail the

number of additional staff needed to serve the projected growth in enrollment as well as additional staff needed for program expansion or academic improvement.

SWLLSD has developed the five-year forecast based upon the assumption that the District will require an additional five teachers, two teacher aides, one bus driver, and one unclassified position each fiscal year. Assuming a 25 to 1 student to teacher ratio, SWLLSD enrollment would have to grow at a rate of about 125 students per year. However, based upon the AOS enrollment projections shown in the **facilities section** of this report (see **Table 4-8**) the District may grow at a slower rate and would not need to increase staff to the levels assumed in the District’s five-year forecast.

Table 2-17 compares the additional teachers assumed by SWLLSD with the additional teachers needed based upon AOS enrollment projections.

Table 2-17 Projected Additional Teachers Needed

	Additional Teachers Assumed by SWLLSD	AOS Recommended Additional Teachers	Difference between District and AOS Projections
FY 2006-07	5	3	2
FY 2007-08	5	3	2
FY 2008-09	5	3	2
FY 2009-10	5	1	4
Total Savings	20	10	10

Source: Southwest Licking Local School District.

SWLLSD anticipates hiring an additional 20 teachers over the next four years, while, based on the AOS enrollment projections and the assumed student teacher ratio, SWLLSD may need to hire only 10 additional teachers over this period. Specifically, SWLLSD would need only three additional teachers each year for the next three years and one additional teacher in FY 2009-10.

Table 2-18 shows estimated cost savings in salaries and benefits if the District hired fewer teachers than currently assumed in the five-year forecast.

Table 2-18: Cost Avoidance of Reduced Hiring

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Cumulative Savings
Wages and Salaries	\$86,386	\$179,251	\$278,074	\$475,733	\$1,019,444
Benefits	\$27,989	\$58,077	\$90,096	\$154,137	\$330,299
Total Savings	\$114,375	\$237,328	\$368,170	\$629,870	\$1,349,743

Source: Southwest Licking Local School District.

By linking enrollment projections to additional staffing needs, SWLLSD can better project the actual number of teachers required and the associated salary and benefit costs.

- R2.3** Although some written financial management policies and practices exist, the SWLLSD Board of Education (the Board) should review, and when appropriate, revise its policies concerning fiscal management. Further, the Board should include additional detail to ensure that the Treasurer is clearly aware of the District's operations and the Board's expectations. In the future, policies should be reviewed and evaluated periodically and formally updated whenever changes are made to existing policies or procedures.

The District has policies that govern actions of the Treasurer during the year to account for the financial activity within the District. These policies address the following sub-categories:

- Financial Reporting;
- Fund Accounting: including federal funds, service funds, public school support funds, textbook and instructional material funds, and capital and maintenance funds;
- Financial Management; including accounting objectives, investments, depository agreements, tuition income, students fees, fines, and charges, student activity funds, petty cash funds, and petty cash accounts;
- Financial Planning; including fiscal planning, tax budget preparation, and appropriation and spending plan;
- Purchasing; including purchases budgeted, purchases not budgeted, use of credit cards, cooperative purchasing, vendor relations, payment of claims, and local purchasing; and
- Payroll Authorization.

While the District's policies address significant financial operations, these policies have not been updated in several years, and some lack essential detail.

According to the Government Finance Officers Association (GFOA) *Best Practice in Public Budgeting*, fiscal policies, plans, programs, and strategies should be adjusted as needed. Changing conditions or programs and services that are not producing the desired results or efficiently using resources may require adjustments in order to continue to meet the needs of stakeholders and to meet the District's goals. While many of the District's fiscal management policies are still relevant and effective, conditions have changed since they were last updated. Updated policies and procedures will help familiarize any new fiscal personnel and newly elected board members with the standards and expectations of the District in the area of financial management.

- R2.4** SWLLSD should consider updating District Bylaw and Policy 6220 regarding the District's General Fund to require a specified amount or percentage of any unreserved fund balance be set aside as a budget reserve. This budget reserve should be between 5 and 15 percent of the general operating revenue, or no less than

2 months of typical operating expenses. The District should set policies to guide the maintenance and use of these surplus resources to ensure that reserved funds are only used to avoid reducing service levels during times of economic decline and temporary cash flow shortages or fluctuations.

SWLLSD has a fiscal management policy dictating that the District maintain an unreserved General Fund balance. However, the policy does not provide detail concerning key guidelines and restrictions on reserves, and the Board has not reviewed the forecast policy to ensure that the forecast abides by the reserve parameters.

The Government Financial Officers Associations (GFOA) recommends that entities develop policies that guide the creation, maintenance, and use of resources for financial stabilization purposes. The GFOA recommends that governments maintain an unreserved balance in the General Fund of no less than 5 to 15 percent of regular General Fund operating revenue, or up to two months of General Fund operating expenditures. However, the adequacy of an established unreserved fund balance in the General Fund should be assessed based upon a government's specific financial situation. The policy should also consider the following factors:

- Applicable legal and regulatory restraints,
- The predictability of revenue and volatility of expenditures,
- The availability of resources in other funds as well as the potential drain upon General Fund resources from other funds,
- Liquidity of resources versus liabilities; and
- Pending designations of any portion of the unreserved fund balance for a specific purpose.

Table 2-19 shows the actual and AOS projected operating revenue (see **Table 2-20**); the amount required to maintain a 5 percent budget reserve; and the ending fund balance available.

Table 2-19: Budget Reserve at 5% of Total Operating Revenue

	Total Operating Revenue	5 percent of Revenue in Reserve	Ending Unreserved Fund Balance
Actual FY 2002-03	\$22,865,146	\$1,143,257	\$1,228,639
Actual FY 2003-04	\$24,331,479	\$1,216,574	\$324,717
Actual FY 2004-05	\$24,872,700	\$1,243,635	\$976,336
Forecasted FY 2005-06	\$27,560,788	\$1,378,039	\$1,919,675
Forecasted FY 2006-07	\$30,432,327	\$1,521,616	\$3,778,148
Forecasted FY 2007-08	\$30,526,346	\$1,526,317	\$3,866,643
Forecasted FY 2008-09	\$31,345,936	\$1,567,297	\$3,014,616
Forecasted FY 2009-10	\$32,234,829	\$1,611,741	\$1,082,072

Source: Southwest Licking Local School District & Government Finance Officers Association.

If SWLLSD implemented the recommendations in this report, it could maintain an unreserved fund balance for the duration of the five-year forecast, with the exception of FY 2009-10.

By establishing a detailed policy on maintaining unencumbered funds, the District could potentially avoid a poor financial position caused by one-time events and/or the lack of expected revenue. Maintaining an unreserved General Fund balance in accordance with best practices will help allow the District to implement reductions, if needed, over a period of time and minimize any impact on educational outcomes.

R2.5 SWLLSD should revise its fiscal planning bylaws and policies to require the Treasurer to maintain alternative scenarios in conjunction with the five year forecast which would account for uncertainties in economic conditions, State funding, enrollment, and unforeseen expenditures. The policy should also address key forecast factors, including parties responsible for information, periods covered, support for assumptions, presentations, and outside consultation.

SWLLSD has a financial management policy which ensures the Board is well informed regarding the District's current and projected financial situation. However the Government Financial Officers Association (GFOA) recommends that entities develop a projection or projections (five-year forecast) under alternative scenarios. Projections should be available before and during the budgetary decision process. Preparing projections under different assumptions, particularly in the development of a financial plan (forecast), permits decision makers to consider the level and mix of taxes and other revenue needed to be able to provide various levels of service, or levels of service to be reduced due to the lack of sufficient revenue.

Although SWLLSD's fiscal planning bylaws and policies provide decision makers with relevant information, revising the policy to include alternative five-year forecasts under

different assumptions or scenarios will allow the Board to evaluate best and worse cases. It will also help provide an additional understanding of revenue and expenditure changes from year to year, which should enhance the accuracy of assumptions used in future forecast.

R2.6 SWLLSD should consider making the recommended forecast adjustments (see R2.1 and R2.2) and, where appropriate for the community, implementing the other performance audit recommendations. Implementing all the performance audit recommendations will negate the deficits projected by SWLLSD for FY 2008-09 and FY 2009-10 and allow the District to maintain a positive ending fund balance for the entire five-year forecast period. In addition, the SWLLSD should update its five-year forecast on a regular basis and whenever material changes in assumptions are necessary or unanticipated events occur.

By implementing the performance audit recommendations, SWLLSD can maintain a positive fund balance through FY 2009-10 and avoid the need for additional local funds to avert deficits in the General Fund.

Table 2-20 demonstrates the effect of the recommendations and includes the adjusted ending fund balance assuming the forecast adjustments are made and all recommendations contained in this audit are implemented.

Table 2-20: Revised Financial Forecast with Adjustments (in 000's)

	Actual			Forecasted				
	FY 2002- 03	FY 2003- 04	FY 2004- 05	FY 2005- 06	FY 2006- 07	FY 2007- 08	FY 2008- 09	FY 2009- 10
Revenue:								
General Property Tax	6,753	7,252	7,586	9,813	12,026	12,568	13,642	14,759
Tangible Personal Tax	295	709	658	632	595	540	484	390
Income Tax	2,949	3,014	3,262	3,463	3,710	4,013	4,380	4,825
Revised Unrestricted Grants-in-Aid	10,673	11,533	11,462	11,421	11,482	10,583	9,685	8,719
Restricted Grants-in-Aid	637	88	96	88	91	91	91	91
Property Tax Allocation	906	999	1,051	1,457	1,800	1,961	2,241	2,585
All Other Revenues	647	732	754	683	724	768	814	863
Total Revenues	22,865	24,331	24,872	27,560	30,432	30,526	31,340	32,234
Other Financing Sources:								
Other Financing Sources	1	4	15	22	5	5	5	5
Total Revenues and Other Financing	22,866	24,336	24,887	27,582	30,437	30,531	31,345	32,239
Expenditures:								
Revised Personal Services	15,232	15,834	15,410	16,757	18,043	18,921	19,818	20,657
Revised Employees' Retirement/Insurance Benefits	4,708	5,130	4,884	5,377	5,864	6,311	6,790	7,277
Purchased Services	2,251	2,380	2,295	2,699	3,084	3,524	4,027	4,601
Supplies and Materials	962	753	651	972	1,001	1,031	1,062	1,094
Capital Outlay	170	215	30	90	44	48	53	59
Debt Service:								
Principal-All	33	51	170	0	0	0	0	0
Principal-HB 264 Loans	0	0	0	90	90	100	100	74
Interest and Fiscal Charges	3	28	47	48	47	44	42	71
Other Objects	920	882	704	738	798	864	934	1,011
Total Expenditures	24,282	25,277	24,195	26,774	28,974	30,847	32,830	34,847
Performance Audit Recommendations(Non-Contract)	0	0	0	0	395	404	413	423
Performance Audit Recommendations (Contract)							218	251
Performance Audit Implementation Costs					3	1	1	1
Other Financing Uses								
Advances-Out	0	0	10	0	0	0	0	0
All Other Financing Uses	0	0	0	75	0	0	0	0
Total Other Financing Uses	0	0	10	75	0	0	0	0
Total Expenditures and Other Financing Uses	0	25,277	24,205	26,849	28,582	30,443	32,189	34,173
Result of Operations	(1,416)	(940)	682	733	1,854	87	(8,82)	(1,933)
Balance July 1	2,860	1,444	503	1,186	1,919	3,774	3,861	3,009
Cash Balance June 30	1,444	503	1,186	1,919	3,774	3,861	3,009	1,075
Estimated Encumbrances June 30	216	87	92	0	0	0	0	0
Reservation of Fund Balance								
Debt Service	0	64	61	0	0	0	0	0
Bus Purchases	0	27	55	0	0	0	0	0
Subtotal	0	91	117	0	0	0	0	0
Fund Balance June 30 for Certification of Appropriations	1,228	324	976	1,919	3,774	3,861	3,009	1,075

Source: Southwest Licking Local School District and AOS Recommendations.

Table 2-21 details those performance audit recommendations reflected in the five-year forecast presented in **Table 2-20**. While implementing the recommendations not subject to negotiations is projected to give SWLLSD a positive fund balance through FY 2009-10, school finances are volatile and success in implementing the recommendations that are subject to negotiations would strengthen the District's financial position and increase the time before additional local revenue is needed to sustain operations.

Table 2-21: Summary of Performance Audit Recommendations

Recommendation	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Recommendations not Subject to Negotiation				
R3.4 Reduce Pick Up of Retirement Contributions	\$157,136	\$161,851	\$166,706	\$171,707
R3.6 Reduce sick leave usage.	\$45,003	\$46,578	\$48,208	\$49,895
R4.1 Reduce number of custodians	\$113,239	\$116,002	\$118,833	\$121,732
R4.4 Energy Management Savings	\$80,000	\$80,000	\$80,000	\$80,000
Total of Recommendations Not Subject to Negotiations	\$395,378	\$404,431	\$413,747	\$423,334
Recommendations Subject to Negotiation				
R3.5 Eliminate Premium Health Insurance Plan	\$0	\$0	\$218,895	\$251,729
Total of Recommendations Subject to Negotiations			\$218,895	\$251,729
Total Recommendations in Report	\$395,378	\$404,431	\$632,642	\$675,063

Source: AOS Performance Audit Recommendations

Table 2-22 summarizes the implementation costs associated with various recommendations contained within the performance audit. Each cost is dependent on SWLLSD's decision to implement the associated recommendation and the timing of the implementation.

Table 2-22: Implementation Costs

Recommendation	Annual Cost	One-time Start Up Cost
R5.2 Preventive Maintenance Software Implementation	\$595	\$2,892
Total Implementation Cost	\$595	\$2,892

Source: AOS Performance Audit Recommendations

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Human Resources

Background

This portion of the performance audit focuses on the Southwest Licking Local School District (SWLLSD or the District) human resources function, including staffing, compensation, benefits, and collective bargaining agreements. The operations were evaluated against best practices, operational standards, state-wide surveys, and peer school districts for the purpose of developing recommendations to improve efficiencies and/or business practices.

In FY 2004-05, the District had one major employee group covered under a collective bargaining agreement:

- **Southwest Licking Education Association (SLEA):** Membership in this collective bargaining unit is approximately 226 employees and represents all teachers and other certificated professional staff. The current contract expires in June, 2008.

During FY 2004-05, the District did not have a classified employee contract. However, the SWLLSD Board is negotiating with a newly formed union representing its transportation employees. The District expects to have a new collective bargaining agreement with this employee group finalized during FY 2005-06.

Staffing

Table 3-1 provides the full-time equivalent (FTE) staffing levels per 1,000 students at SWLLSD and the peer districts during FY 2004-05. Staffing data was reported by the districts to the Ohio Department of Education (ODE) through the Educational Management Information System (EMIS). Adjustments were made to EMIS data based upon interviews with appropriate district personnel to ensure consistent classification of positions among the peers. Showing staffing levels on a per 1,000 basis eliminates differences due to variances in district enrollment.

Table 3-1: FY 2004-05 Staffing Levels per 1,000 Students ¹

Category	Southwest Licking LSD	Lebanon CSD	Liberty Union LSD	Marysville EVSD	Peer Average
Regular Student Population	2,758	4,144	1,128	4,037	3,103
Total Average Daily Membership (ADM)	3,623	5,111	1,406	5,020	3,846
Administrators: Subtotal	4.83	5.28	8.36	4.18	5.94
Principals	1.38	2.35	2.13	1.39	1.96
Assistant Principals	0.55	0.78	0.71	0.80	0.79
Central Administrators	2.90	2.15	5.51	1.99	3.22
Educational Staff: Subtotal	76.48	66.46	73.28	78.14	73.28
Regular Teachers ¹	54.42	49.23	50.98	56.85	52.34
Special Education Teachers	7.45	5.09	5.69	9.96	6.91
Vocational Teachers	1.38	0.39	3.64	0.00	2.02
Educational Service Personnel (ESP) ^{1,2}	9.61	7.72	9.22	7.93	8.29
Tutor / Small Group Instructors	2.21	0.27	1.26	1.20	0.91
Remedial Specialist	1.10	0.98	2.49	1.20	1.55
All Other Educational Staff	0.31	2.78	0.00	1.00	1.26
Professional Staff: Subtotal ³	2.02	2.45	0.00	4.08	2.66
Technical Staff: Subtotal	1.79	1.57	1.42	2.99	1.99
Office / Clerical Staff: Subtotal	9.33	11.15	11.74	15.82	12.90
Bookkeeping	1.10	0.00	1.42	0.00	0.47
Clerical / Secretarial	4.14	3.95	4.27	4.45	4.22
Teaching Aide	4.09	6.81	6.05	5.98	6.28
All Other Clerical / Office Staff	0.00	0.39	0.00	5.39	1.93
Transportation:	8.14	13.91	2.32	8.80	8.34
Facilities:	6.90	10.76	3.04	8.25	7.35
Food Service Workers	6.35	3.62	3.73	5.02	4.13
All Other Personnel	0.28	0.00	0.00	5.40	1.80

Source: Ohio Department of Education EMIS and SF-3 reports.

¹ Staff per 1,000 students based on Average Daily Membership except the Regular Student Population is used for Regular Teachers and Educational Service Personnel per 1,000 students.

² Educational Service Personnel (ESP) includes ESP teachers, counselors, librarians, registered nurses, social workers, and visiting teachers.

³ Sub total excludes registered nurses, social workers, and visiting teachers because these categories are included under Educational Service Personnel.

SWLLSD was 4 percent below the peer average in FY 2004-05 in total staff per 1,000 ADM. Each category where the staffing levels are higher than the peer average presents an opportunity for SWLLSD to reduce staff and save money while maintaining staffing levels comparable to the peer districts.

Compensation

Table 3-2 shows the District's average salaries in comparison to the peer districts. Years of service, cost of living allowances, step increases, and education level all directly impact average salaries. In FY 2004-05, SWLLSD average salaries for educational staff, bus drivers, and food service workers were at or below the peer district average. Average salaries for professional, technical, clerical staff, and facilities workers were above the peer average. (See recommendations **R3.2 and R3.3**)

Table 3-2: FY 2004-05 Average Salaries

Personnel Category	SW Licking LSD	Lebanon CSD	Liberty Union LSD	Marysville EVSD	Peer Average
Administrators: Subtotal	\$72,839	\$73,920	\$60,181	\$77,759	\$70,620
Principals	\$79,874	\$75,465	\$77,409	\$82,820	\$78,565
Assistant Principals	\$75,621	\$73,467	\$0	\$77,742	\$75,604
Central Administrators	\$73,548	\$72,401	\$55,994	\$73,340	\$67,245
Educational Staff: Subtotal	\$49,131	\$51,248	\$51,014	\$50,453	\$50,905
Regular Teachers	\$49,161	\$49,818	\$50,717	\$50,505	\$50,347
Special Education Teachers	\$46,276	\$55,601	\$48,843	\$44,599	\$49,681
Vocational Teachers	\$55,534	\$57,831	\$48,476	\$0	\$53,154
ESP Teachers	\$48,276	\$52,100	\$52,854	\$49,348	\$51,434
Tutor / Small Group Instructors	\$43,166	\$63,747	\$41,803	\$54,210	\$53,253
Counselors	\$58,503	\$58,366	\$66,700	\$62,647	\$62,571
Librarian / Media ¹	\$71,768	\$54,264	\$36,180	\$53,337	\$47,927
Remedial Specialist	\$48,032	\$62,797	\$65,707	\$56,410	\$61,638
All Other Educational Staff	\$46,131	\$57,245	\$0	\$71,187	\$64,216
Professional Staff: Subtotal	\$57,860	\$53,122	\$36,274	\$51,233	\$46,876
Accounting / Auditing	\$0	\$43,854	\$0	\$37,188	\$40,521
Psychologists	\$67,098	\$54,957	\$0	\$66,409	\$60,683
Registered Nurses	\$47,174	\$45,706	\$36,274	\$0	\$40,990
Speech & Language Therapists	\$41,800	\$45,961	\$0	\$51,495	\$48,728
Occupational Therapists	\$57,570	\$0	\$0	\$57,321	\$57,321
All Other Professional Staff	\$0	\$37,440	\$0	\$48,332	\$42,886
Technical Staff: Subtotal	\$27,550	\$14,598	\$22,901	\$35,586	\$24,362
Computer Operator / Programmer ²	\$40,160	\$29,153	\$23,758	\$45,124	\$32,678
Library Technician / Aide	\$19,558	\$15,253	\$22,044	\$21,154	\$19,484
All Other Technical Staff	\$41,046	\$0	\$0	\$44,905	\$44,905
Office / Clerical Staff: Subtotal	\$26,820	\$21,541	\$21,213	\$22,032	\$21,595
Bookkeeping	\$44,772	\$0	\$41,729	\$0	\$41,729
Clerical	\$32,525	\$26,800	\$28,118	\$29,689	\$28,202
Teaching Aide	\$16,193	\$16,728	\$14,007	\$19,490	\$16,742
All Other Office Staff	\$0	\$49,537	\$0	\$18,736	\$34,136
Transportation:	\$17,783	\$20,195	\$15,740	\$23,336	\$19,757
Bus Drivers / Subs	\$17,783	\$20,195	\$15,740	\$23,336	\$19,757
Facilities:	\$36,258	\$32,395	\$33,130	\$32,793	\$32,773
Maintenance Workers	\$40,913	\$35,829	\$36,561	\$0	\$36,195
Custodians	\$31,602	\$28,961	\$29,699	\$32,793	\$30,484
Food Service Workers	\$13,591	\$19,072	\$9,053	\$15,198	\$14,441
All Other Personnel	\$22,208	\$0	\$17,499	\$24,797	\$21,148

Source: Ohio Department of Education EMIS reports. SWLLSD and peer district salary schedules.

Collective Bargaining Agreements/Policies

Certificated personnel within SWLLSD are governed by a collective bargaining agreement. As part of this performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Contract provisions that were assessed but that did not yield recommendations are shown in **Table 3-3**.

Table 3-3: Comparison of Certificated Employee Contracts

	SW Licking LSD	Lebanon CSD	Liberty Union LSD	Marysville EVSD
Length of work day	All schools 7 hours, 20 minutes ¹	All schools 7 hours, 30 minutes	All schools 7 hours, 30 minutes	All schools 7 hours, 35 minutes
Teaching Time/ Planning Time	Elementary: 200 minutes per week Middle & High: 1 class period.	K-5: 200 min. per week 6-12: 1 class period	K-8: 200 min. per week 9-12: 40 min. per day	K-8: 200 min. per week 9-12: 1 class period
Number of Contract Days²				
Instructional Days	178	180	180	180
Incentives³:				
Sick Leave	Yes	N/A	N/A	N/A
Personal Leave	Yes	N/A	N/A	\$50/day or transferred to sick leave balance
Number of personal days	3 days	3 days	3 days	2 days (up to 5 accruable)
Sabbatical leave	N/A	Yes	N/A	N/A
Pick-up of employee's STRS contribution	N/A	N/A	100% pick-up	2% pick-up
Retirement Incentive	1 st eligible year= \$10,000 Qualified A 1,2,3= \$7,500	N/A	N/A	1 time payment of \$15,000. Forego 1 st payment will receive \$7,500.
Cost of living increases each year of the contract	2005: 2% 2006: 2% on January 1 st 3% on July 1 st 2007: 3% 2008: 3%	2002: 4% 2003: 4% 2004: 4%	2002: 4% 2003: 4% 2004: 4%	2002: 3% 2003: 3% 2004: 3%
Average Step	2.65%	3.19%	3.26%	3.42%

Source: Certificated negotiated agreements from SWLLSD and the peer districts.

¹ Length of work day is based on student hours and includes 30 minutes of teacher flex time.

² Includes conference days, record days, in-service days, etc.

³ Sick Leave incentives for SWLLSD: 1 day's pay if 0 days used and ½ day's pay if 1 to 3 days used. Personal Leave incentives for SWLLSD: \$300/\$200+rollover if 0 days used; \$200/\$100+rollover if 1 day used; and \$100/rollover if 2 days used

During FY 2004-05, the District did not have a negotiated agreement with classified staff. However, management practices for classified staff were assessed and compared to negotiated agreements established for peer districts. **Table 3-4** depicts the comparison between practices employed by the District and peer districts' negotiated contracts.

Table 3-4: Classified Contract Analysis

	SW Licking LSD ¹	Lebanon CSD (LCSEA)	Lebanon CSD (AFSCME/AFL)	Liberty-Union LSD	Marysville EVSD
Minimum call-in hours paid for emergencies	2 hours	2 hours	2 hours	N/A	N/A
Vacation time to accumulate	No accumulations 1-9 =2 weeks 10-20-3 weeks 20-up-4 weeks	1-7: 2 weeks 8-14: 3 weeks 15-25: 4 weeks 25+ : 5 weeks	1-7: 2 weeks 8-14: 3 weeks 15-25: 4 weeks 25+ : 5 weeks	0-10: 2 weeks 10-15: 3 weeks 15-20: 4 weeks 20-25: 5 weeks 25+ : 6 weeks	N/A
Sick/personal leave incentive	Yes ²	N/A	N/A	Yes	N/A/Yes ³
Maximum number of sick days accrued	No Maximum	215 days	215 days	250 days	250 days
Maximum number of sick days paid at retirement	¼ of accumulated sick leave	50 days @ 1/4	50 days @ 1/4	100 days @ 2/5	1/2 of accumulated sick leave
Retirement incentive	N/A	N/A	N/A	N/A	Yes ⁴
Number of years required for severance pay	After 1 year of service with the district	Must be Retiring	Must be Retiring	Not Specified	Must be Retiring
Number of personal days	3 days	3 days	3 days	N/A	2 days
Number of holidays paid for 12-month employees/less than 12 month employees	11 days N/A	11 days/ 7 days	11 days/ 7 days	9 days/ 7 days	Not Specified
Number of Leave days for association business	N/A	12 days	12 days	N/A	2 days per year
Excess Pick-up of employee SERS portion by District	N/A	N/A	N/A	N/A	2% pick-up
Cost of living increases each year of the contract	2005: 2% 2006: 2% on 1/1, 3% 7/1 ^s 2007: 3% 2008: 3%	N/A	N/A	2003: 6% 2004: 5% 2005: 5%	2002: 3% 2003: 3% 2004: 3%
Average Step Increase	3.44%	1.92%	1.92%	1.10%	1.74%

Source: SWLLSD personnel director and peer district contracts.

¹ The District does not have a classified contract. Per interview, the provisions identified for the District are by management decision.

² The District offers sick incentive of ½ days pay if 3 or less days used and 1 day’s pay if 0 days used. Personal leave is paid per diem for days not used with 1 day rollover into sick leave.

³ Marysville EVSD offers \$50/day for unused personal days or transfer to sick leave.

⁴ Marysville EVSD offers \$15,000 first year eligible to retire and \$7,500 if retire after first year eligible.

Noteworthy Accomplishments

- **Teaching Aides.** The District employs fewer teaching aides per 1,000 students (4.1) than the peer average (6.3) while employing about the same number of non-teaching educational professionals as the peer districts. Despite using fewer teaching aides, SWL received an “effective” academic rating in FY 2004-05.
- **Dental, Vision, and Life Insurance Benefits.** The District’s contribution rate for dental is capped at \$35 per participant. The contribution rate for the board is smaller than the peer and SERB average. SWLLSD employees pay 100 percent of their vision insurance premium costs so there is no cost to the District. Life Insurance premium costs per \$1,000 of coverage were below the costs paid by Ohio local governments according to the annual State Employee Relations Board survey of benefits.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted in areas that did not warrant changes and did not yield any recommendations. These include the following:

- **Staffing Levels:** FY 2004-05 staffing levels for administrators, non-teaching educational staff, professional staff; technical staff; and clerical staff were at or below the peer averages (see **Table 3-1**).

Table 3-5 shows that SWLLSD has more classroom teachers per 1,000 regular students (54.4) than the average of the peer districts (52.3). However a unique contract provision in the negotiated agreement between SWLLSD and its certified employees requires the District to have a higher concentration of classroom teachers to provide support to special education students. (See **R3.1**)

Table 3-5: Regular Teaching Staffing Analysis

Classification	SW Licking LSD	Lebanon CSD	Liberty Union LSD	Marysville EVSD	Peer Average
Regular Teachers	150.1	204.0	57.5	229.5	163.66
Regular Student Population	2,758	4,144	1,128	4,037	3,103
Regular Teachers per 1,000 Regular Students	54.4	49.2	51.0	56.9	52.3
State Min. Requirement	110.3	165.7	45.1	161.5	124.1
FTE Above State Minimum Requirement	39.8	38.3	12.4	68.01	39.51
# Above Minimum Requirement per 1,000 Regular Students	14.4	9.2	11.0	16.9	12.3
Student Teacher Ratio	18.4	20.3	19.6	17.6	19.2

Source: Southwest Licking LSD and peer district EMIS reports.

A reduction of 5.75 FTE regular teachers would bring the number of regular teachers per 1,000 regular students at SWLLSD in line with the peer district average. Even with 5.75 fewer regular teachers SWLLSD would remain well above the State minimum requirements. If SWLLSD could reduce teaching staff by 5.75 FTE next fiscal year, it would generate savings of approximately \$380,000 and \$1.6 million over the remainder of the five-year forecast period, depending on which teachers were reduced. The money saved could then be redeployed to other operations or used for new programs, capital improvements, or to extend the length of time before SWLLSD needs additional local revenues. However, because there are positive fund balances projected for the next several years, no reductions in regular teachers are currently recommended. Further, SWLLSD could implement the recommendations in the performance audit and maintain a positive fund balance for the five-year forecast period without reductions in classroom teachers.

SWLLSD also has more Educational Service Personnel (ESP) than the peer districts. The Ohio Administrative Code (OAC) §3301-35-05(A)(4) defines Educational Service Personnel as kindergarten through eighth grade art, music, and physical education teachers; counselors, library-media specialists, nurses, social workers and visiting teachers. **Table 3-6** provides FY 2004-05 ESP staffing levels at SWLLSD and the peer districts.

Table 3-6: Educational Service Personnel

Classification	SW Licking LSD	Lebanon CSD	Liberty-Union LSD	Marysville EVSD	Peer Average
ESP Teachers	15.0	17.0	4.7	19.0	13.6
Counselors	8.5	9.0	2.1	11.0	7.4
Librarian / Media Specialist	3.0	4.0	2.0	2.0	2.7
Nurses	1.0	2.0	1.5	0.0	1.2
Social Workers	0.0	0.0	0.0	0.0	0.0
Total Educational Service Personnel	27.5	32.0	10.4	32.0	24.8

Regular Student Population	2,758	4,144	1,128	4,037	3,103
ESP per 1,000 Regular Students	10.0	7.7	9.2	7.9	8.3

State Min. Requirement	13.8	20.7	5.6	20.2	15.5
FTE Above State Minimum Requirement	13.7	11.3	4.7	11.8	9.3
# Above Minimum Requirement per 1,000 Regular Students	5.0	2.7	4.2	2.9	3.3

Source: Southwest Licking LSD and peer district EMIS staffing data.

As **Table 3-6** indicates, SWLLSD has more ESP per 1,000 regular students (10.0) than the average of the peer districts (8.3). Based on its FY 2004-05 regular student population, SWLLSD could have employed 3.5 fewer full-time ESP staff and be in line with the peer average. Even with 3.5 fewer ESP SWLLSD would remain well above the State minimum requirements. If SWLLSD were to reduce ESP staff by 3.5 FTE next fiscal year it would generate savings of approximately \$228,000 and \$940,000 over the remainder of the five-year forecast period depending on which ESP were reduced. However, because of the positive fund balances projected for the next several years, no reductions in ESP are currently recommended. In addition, SWLLSD could implement the recommendations in the performance audit and maintain a positive fund balance for the five-year forecast period without reductions in educational service personnel.

- **Salary Levels for Educational Staff, Teaching Aides and Bus Drivers:** FY 2004-05 salary levels for educational staff, teaching aides, and bus drivers were in line with or below the peer district averages (See **Table 3-2**). FY 2004-05 average salaries for all administrators were only slightly above the peer average Administrator salaries for SWLLSD and peer districts do not include the cost of paying the administrators' retirement contributions. (See **R3.4**).

- **Cost of Living Allowances (COLAs):** Historical COLAs are in line with the peer district averages (See **Table 3-3**). SWLLSD's conservative approach to COLA increases has helped it maintain salaries generally in line with similar districts. The District's salary schedules, including step increases, and its financial situation should be considered when future COLA are negotiated. (See **R3.2**.)
- **Other Certified Contract Provisions:** The following items in the collective bargaining agreement for certified personnel were assessed but did not yield any recommendations.
 - Length of workday;
 - Teaching time/planning time;
 - Contract/Calendar days;
 - Personal days;
 - Sick leave incentive;
 - Personal leave incentive;
 - Sabbatical leave; and
 - Pick up of employee STRS.
- **Classified Personnel Employment Practices:** Employment practices for classified personnel were assessed against the peer district collective bargaining agreements. Other than salary and benefit levels, there were no issues which were considered unusual or costly to the District. (See **Table 3-4**)

Issues for further Study

Additional areas were identified during the audit that may warrant examination but were outside the scope of the audit. These areas are discussed below:

- **Special Education Teachers:** Based on the Ohio Department of Education's (ODE) suggested special education staffing requirements and Ohio Administrative Code §3301-51-09, SWLLSD should employ approximately 34 teachers to work with the special needs population. However, the District currently employs 32 special education instructors. According to ODE's Office of Exceptional Children, if a district's special education student-to-teacher ratio does not meet the OAC requirements, the district must submit a waiver. ODE is reviewing the OAC requirements and the calculation for determining the required number of special education teachers. Therefore, SWLLSD should work with ODE to determine the number of special education teachers required and if it is determined that the District's staffing level is below the ODE requirements, it should obtain the necessary waiver in order to remain in compliance with OAC standards.

- **Early Retirement Incentive (ERI):** The negotiated agreement between the SWLLSD Board and certificated staff contains an ERI. However, the Board has not determined the effectiveness of this incentive program. Early retirement incentives are most effective when retiring persons are not replaced or replaced with entry level employees. SWLLSD should closely examine the cost effectiveness of ERI provisions and, if the ERI is not determined to be cost effective, the District should seek to remove this provision from its negotiated agreement.

Recommendations

R3.1 The collective bargaining agreement between certificated employees and the SWLLSD contains a unique provision that requires special education students in certain categories to be counted differently than the peer districts and other districts in the State. SWLLSD should seek to negotiate this restrictive language out of its collective bargaining agreement.

The maximum class size requirement for SWLLSD is in line with the peers except for the special education provision contained in the District’s negotiated agreement. Depending on the amount of time spent in the regular classroom setting, the agreement requires certain special education students to count as either 1.5 or 2.0 students when determining maximum class sizes. The peer districts do not have this requirement in their collective bargaining agreements and State laws do not require special education students to be counted differently from regular education students.

SWLLSD should attempt to negotiate a memorandum of understanding to suspend the special education student contract provision. Pursuant to ORC § 4117, labor agreements can be renegotiated during the contract period in order to address issues not contemplated by the parties at the time of ratification. Furthermore, the District should look to standards outlined by legal staff within the Ohio Department of Administrative Services, Office of Collective Bargaining (OCB) to guide future negotiations. Deviations from common contractual terms relating to class size and student count in the District’s contract has a direct financial impact resulting in higher teacher staffing levels.

Table 3-7 shows that the District is required to count an addition 256 “phantom” students in order to avoid violating its contractual agreement.

Table 3-7: Special Education Student Analysis

Category	Actual Student Count	Ratio	Student Calculation	Difference
EMIS Category 13	164	X 2	328	164
EMIS Category 14	185	X 1.5	277.5	92.5
Total	349		605.5	256.5

Source: Southwest Licking LSD negotiated contract and December 2005 EMIS Child Count.

As a result of its certificated employee contract, SWLLSD is obligated to employ an additional 10 teachers to satisfy the student per teacher ratio of 25 to 1 which it otherwise may not need. These teachers currently increase costs to the District by \$3.3 million over the five-year forecast in salaries and benefits. However, based on the District's current financial condition, a reduction of personnel is not required. The District may, however, choose to redeploy certain classroom teachers to areas or functions it considers critical to its educational mission if the contractual provision is suspended.

R3.2 The District should seek to limit future cost of living adjustment (COLA) increases for clerical and maintenance staff to help bring the average salaries more in line with the peer district averages.

In FY 2004-05 the average salary for both clerical personnel and maintenance workers was 13 percent higher than the average of the peer districts. The District's COLAs have helped increased salaries for clerical and maintenance personnel at a rate resulting in higher salaries for these classifications compared to average salaries paid by the peer districts.

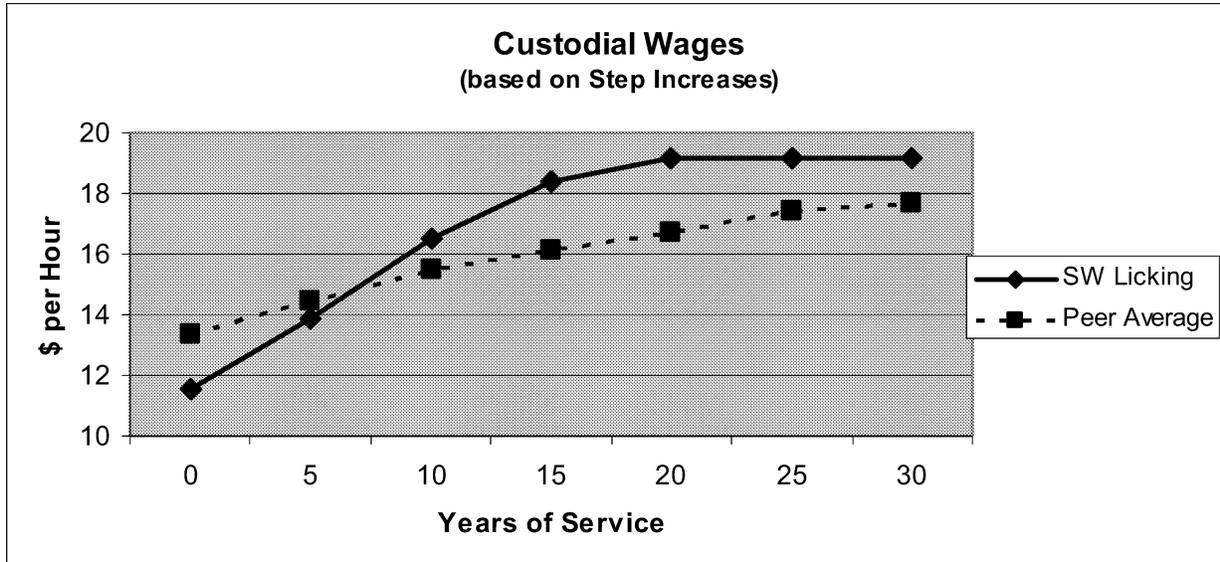
By limiting COLAs the District can slowly bring the average cost of salaries more in line with the peer districts. The higher average salaries paid to clerical and maintenance staff cost SWLLSD approximately \$65,000 more per year in comparison to the peer average. Every 1 percent COLA increase for these classifications costs the District about \$120,000.

R3.3 SWLLSD should seek to adjust step increases to bring the salary schedules for custodial and clerical staff more in line with the peer districts. The salary schedules used by SWLLSD to pay clerical and custodial staff have average step increases that are higher than the peer districts.

The average step increase for custodians in SWLLSD is 3.44 percent which is the highest of the peer districts. The average step increase for SWLLSD clerical personnel is 3.85 percent compared to the peer average of 2.15 percent. Higher step increases in the salary schedule contribute, along with other factors, to the District's higher than average clerical salaries. (See **R3.2**)

As shown in **Chart 3-1** and **Chart 3-2** respectively, custodial and clerical workers start at a lower hourly rate than the peer districts but quickly surpass the average hourly rate paid by the peers. Despite a lower entry level rate, step increases allow custodians to surpass the average hourly rate paid by the peer districts in five years. (See **Chart 3-1**). The gap between the rate paid by SWLLSD and the peer average continues for the remainder of the salary schedule.

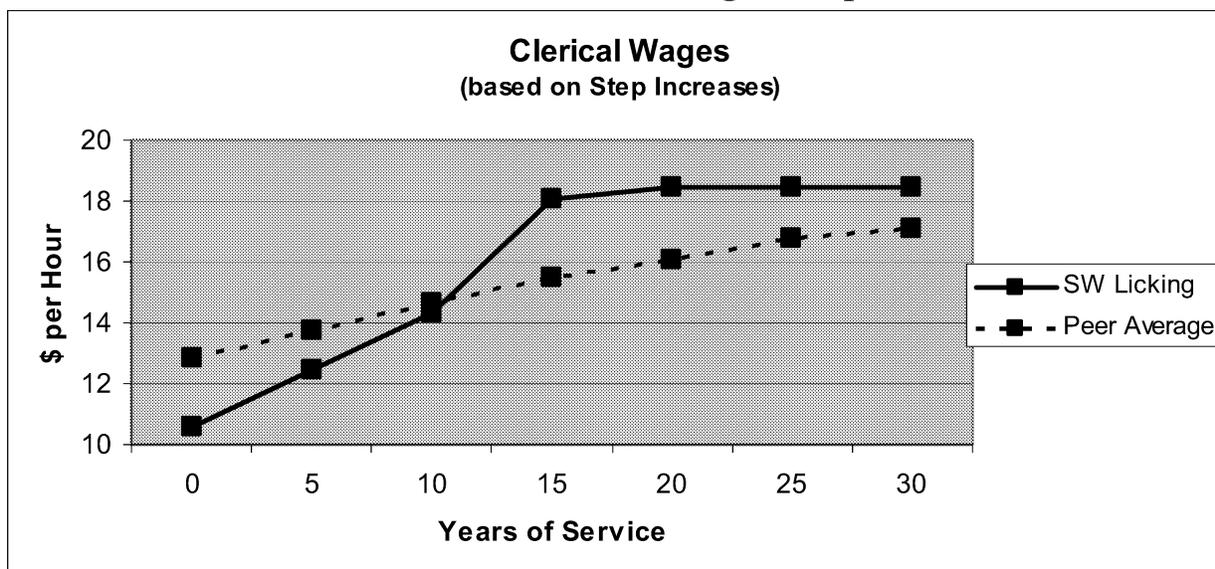
Chart 3-1: Custodial Wages Graph



Source: Southwest Licking LSD and peer custodial step increases.

Chart 3-2 shows that clerical wages follow the same pattern as custodians. Large increases after ten years of service quickly bring SWLLSD clerical wages above the average of the peer districts. The rate of increase in the salary schedule decreases after 15 years but the gap between SWLLSD clerical wages and the average wages paid by the peer districts continues for the remainder of the schedule.

Chart 3-2: Clerical Wages Graph



Source: Southwest Licking LSD and peer average step increases.

By negotiating smaller step increases, the District can ensure a greater level of flexibility in its salary increases and it can use COLA increases to maintain wage levels comparable to similar districts. Likewise, it can use any cost avoidances generated by this recommendation to enhance its instructional programs. The District should consider implementing this recommendation for new employees entering the District’s employ. The cost savings generated by this recommendation would be dependent on the adjustments made to the step schedule by the District and could not be calculated at this time.

R3.4 Southwest Licking Local School District should discontinue the practice of paying the employee share for retirement benefits for all administrative employees except the Superintendent, Assistant Superintendent, and Treasurer as this practice creates hidden additional salary costs to the District.

As a matter of practice, SWLLSD pays the employees’ share of retirement contribution to SERS and STRS for nearly all administrators. Last year, SWLLSD offered to “pick-up” the full 10 percent share of retirement contributions for the following administrative positions:

- Superintendent;
- Assistant Superintendent;
- Treasurer;
- Principals;

- Assistant Principals;
- Director of Personnel;
- Director of Athletics;
- Director of Teaching and Learning;
- School Psychologist;
- Maintenance Foreman; and
- Food Service Supervisor.

Some of these administrators received an additional “pick up on the pick up” of retirement contributions. In FY 2004-05, SWLLSD paid out over \$160,000 for the administrators’ portion of retirement contributions. **Table 3-8** shows the savings over the five-year forecast period if the “pick up” of retirement contributions was limited to the top three positions within the District.

Table 3-8: Savings from Reducing Pick-up of Employee Retirement

	Southwest Licking LSD Annual Pick-up ¹	Industry Standard Annual Pick-up ²	Total Savings
FY 2007	\$194,881	\$37,743	\$157,136
FY 2008	\$200,727	\$38,876	\$161,851
FY 2009	\$206,748	\$40,042	\$166,706
FY 2010	\$212,951	\$41,244	\$171,707
Total	\$815,307	\$157,905	\$657,400

¹The average increase of \$11,092 annually in funds spent on pick-up on pick-up for the District.

²The "Industry" column reports the annual cost of picking-up last three years (FY 2004, FY 2005, FY 2006) salary increase percentages for positions of Superintendent, Assistant Superintendent, and Treasurer.

Financial Implication: The District could save approximately \$657,000 over the forecasted period if it picked up the employee’s portion of retirement contributions for only the Superintendent, assistant Superintendent and Treasurer starting in FY 2006-07.

R3.5 Southwest Licking Local School District should discontinue the premium health care plan currently offered to its employees and require all employees to use the base plan or base plan plus.

SWLLSD offers three health insurance plans to its employees; a premium plan, a base plan plus, and a base plan. The premium health plan offers a higher amount of coverage. However this plan is noticeably more costly than the other plans offered and exceeds the SERB average for insurance premium costs. It also exceeds the cost of the base plan plus by more than \$65 per employee per month. About 85 percent of the District’s employees are enrolled in this plan.

The cost of each plan as well as the State Employee Relations Board (SERB) average cost is detailed in **Table 3-9**. The cost of the premium plan for family coverage is above the SERB average while costs of the two other plans offered are below the SERB average.

Table 3-9: Single and Family Insurance Premium Costs

Type	Plan	Monthly Premium	Board Share	Single Share	Board Ratio	# FTE Employees	Annual Board Cost
Single Coverage	Premium	405.21	324.17	81.04	80%	59	19,126.03
	Base Plan Plus	339.97	299.97	40.00	88%	11	3,299.67
	Base Plan	306.11	286.11	20.00	93%	9	2,574.99
Weighted Average		384.84	316.46	68.37	82.7%	79	25,000.69
SERB Average¹		366.76	332.42	34.34	90.6%		
Type	Plan	Monthly Premium	Board Share	Family Share	Board Ratio	# FTE Employees	Annual Board Cost
Family Coverage	Premium	1,094.08	875.26	218.82	80%	157	137,415.82
	Base Plan Plus	917.96	807.96	110.00	88%	16	12,927.36
	Base Plan	826.96	771.52	55.00	93%	7	5,400.64
Weighted Average		1,068.04	865.24	202.78	81.2%	180	155,743.82
SERB Average¹		963.16	847.43	115.73	88%		

Source: District Health Plan Coverage, SERB Annual Report

¹ SERB average used for regional insurance premium costs.

Table 3-9 shows the cost of the premium plan is higher for both the District and the employee. The employee contribution rate for this plan is 20 percent which is significantly higher than employee rate for the Base Plan Plus and Base Plan. If the District was able to eliminate this choice from its range of health insurance plans, it would be able to reduce and better control costs in the future, and would achieve a monthly premium rate more comparable to the SERB average.

Financial Implication: If the District discontinues offering the premium plan at the start of a new collective bargaining agreement in FY 2008-09, SWLLSD will save \$470,000 over the last two years of the five-year forecast period, assuming the employees shift to the base plan plus. In addition, District employees will be able to save approximately \$500 for the single plan and \$1,300 for the family plan annually based on the reduced cost of employee contributions.

R3.6 Southwest Licking LSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee policy to ensure the proper use of sick leave. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” and determine if such guidelines and policies should be negotiated into the collective bargaining agreements. These prohibitions can help in

identifying excessive and abusive sick leave use. The policies should provide that if an employee engages in a “pattern of abuse,” they may be subject to discipline.

The District does not have a formal written policy that explains its position on leave use and abuse. The absence of a formal policy that describes leave use and restrictions can lead to discrepancies in communication of leave usage expectations to employees and does not prohibit potential abuse. In turn, District officials have no written policy to serve as a guideline when leave use or abuse needs to be addressed.

SWLLSD should consult with its legal counsel to ensure that all required notices and opportunities to dispute abuse claims are addressed as required by all applicable laws and/or collective bargaining agreements. In addition, the District should monitor sick leave use on a periodic and consistent basis, and negotiate a provision that, at a minimum, requires physician’s statements for extended absences in the certificated contract. To further strengthen its sick leave policy, however, the District should consider negotiating the use of an absence form to justify sick leave use regardless of the length of the absence. SWLLSD should also consider following the American Society of Public Administration’s (ASPA) suggestions to effectively manage sick leave abuse. ASPA suggests that managers and supervisors:

- Perform effective and accurate absence tracking.
- Address absenteeism as a department issue.
- Identify employees with a high absence record.
- Identify the type of absence.
- Identify employee’s reasons for absence.
- Conduct goal directed interviewing with employees who have a high absence record.

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 overall substitute costs. Reducing the amount of leave taken by 1.9 days per certificated FTE employee would bring the District in line with the State average as reported by the Ohio Department of Administrative Services (ODAS).

Financial Implication: If the number of leave days taken per employee were reduce to the ODAS average of 6.7 leave days per certificated employee, the potential savings to the District would be approximately \$45,000 annually in substitute costs, assuming all certificated employees taking leave need to be replaced with a substitute.

R3.7 Southwest Licking Local School District should negotiate a cap on accrued sick leave that is more in line with the maximum sick leave accrual rates offered by the

peer districts. The peer average accrual is 240 days, whereas SWLLSD does not have a cap for members hired before July 1, 2005. For members hired after July 1, 2005 the maximum sick leave accrual is 350 days. The lack of a lower cap on accrued sick leave that applies to all employees can lead to high pay-out costs for the District at the time of retirement. Although the District does not have a contract with classified staff, it should apply this recommendation to classified staff as well.

SWLLSD’s current contract limits the amount of severance pay employees can receive at the time of retirement for accrued leave balances to 350 days for new employees hired after July 1, 2005. Previously, the District did not have a cap on the amount of sick leave an employee could accrue, and those employees still have no cap. **Table 3-10** shows the comparison of sick leave provisions between the SWLLSD and the peer districts. The negotiated cap is higher than the peers by approximately 100 days. In addition to the cap, the maximum sick leave payout at retirement is higher than the payout for Lebanon CSD and Liberty Union- Thurston LSD.

Table 3-10: Certificated Bargaining Contract Comparison

	SW Licking LSD	Lebanon CSD	Liberty-Union LSD	Marysville EVSD
Maximum sick leave pay out at retirement	¼ of accumulated sick leave / 87.5 day max.	¼ of accumulated sick leave / 53.75 day max.	1/3 of accumulated sick leave / 83.3 day max.	1/2 of accumulated sick leave/ 128 day max.
Maximum number of sick days accrued	No maximum except: Members hired after July 2005, maximum severance of ¼ accumulated up to 350 days (or total of 87.5 days 5 years or more: ¼ of all accumulated sick Less than 5 years: ¼ of all accumulated sick during employment with district	215 days	250 days	256
Sick Leave Accrual Rate	1 ¼ days per month/15 per year	1 ¼ days per month / 15 days per year	1 ¼ days per month / 15 days per year	1 ¼ per month / 15 days per year

Source: Southwest Licking LSD and peer negotiated contracts.

Table 3-10 shows that the peer districts have a cap on sick leave accrual that is between 215 and 256 days. Lebanon CSD and Liberty Union-Thurston LSD, limit the sick leave retirement payout to 53 and 65 days, respectively, which is lower than SWLLSD. A district's payout is based on the number of days allowed to accrue, and the negotiated portion of the accrued days that is paid out. The 350 day cap in the SWLLSD certified contract makes the District liable for a larger amount of severance pay than two of the three peer districts.

R3.8 SWLLSD should attempt to negotiate less association leave time and eliminate the Board's responsibility to pay for substitutes while employees are on association business leave.

The amount of association business leave time in the negotiated agreement with SWLLSD certificated staff is higher than the amount offered by peer districts. The contract guarantees 6 days, and up to 4 additional days if the bargaining unit requires it, for association business. Under the negotiated agreement, SWLLSD is also responsible for paying the cost of a substitute when someone takes association leave. This provision in the SWLLSD certified contract results in unnecessary costs to the District.

Marysville EVSD is the only peer district that offers association leave and its contract allows only 2 days. In Marysville EVSD, the bargaining unit also covers all costs associated with the leave.

The savings from reducing SWLLSD's pay for association business leave time depends on many variables such as the number of leave days actually taken, whether a substitute was needed, and what provisions are specified in any modified contract language. As a result, the amount of savings could not be quantified.

Financial Implications Summary

The following table is a summary of estimated annual savings and cumulative savings over the five-year forecast period assuming the recommendations are implemented for FY 2006-07. Implementation of one recommendation (**R3.5**) is subject to negotiations and will require agreement from the bargaining unit.

Summary of Financial Implications for Human Resources

Recommendations		FY 2006-07 Estimated Annual Savings	Cumulative Savings Over Remainder of Five-year Forecast
R3.4	Discontinue retirement pick-up for all administrative employees outside the top three positions in the District.	\$157,000	\$657,000
R3.5	Discontinue premium plan health insurance and offer only base plan and base plan plus. ¹	--	\$470,000
R3.6	Reduce amount of sick leave used to the State average.	\$45,000	\$190,000
Total		\$202,000	\$1,317,000

¹ Recommendation subject to negotiations with collective bargaining unit representing certificated personnel. Savings assumes changes made to new agreement starting in FY 2008-09.

Facilities

Background

The facilities section focuses on the custodial, grounds keeping, and maintenance staffing; building operations; and building utilization rates of the Southwest Licking Local School District (SWLLSD or the District). The objective is to analyze the facilities operations of SWLLSD and develop recommendations for improvements in efficiency and possible reductions in expenditures.

Organizational Structure and Function

SWLLSD operates six schools: one kindergarten center, three elementary schools (grades 1-5), one middle school (grades 6-8), and one high school (grades 9-12). The custodial department is responsible for the operation and upkeep of District facilities and for providing a clean and safe environment for students, staff, and visitors. The maintenance department is responsible for maintaining the school buildings and office space throughout the District. In addition, there is grounds staff responsible for all grounds maintenance including mowing, trimming, and snow removal; monthly food deliveries to each of the buildings; mower maintenance; and athletic field preparation.

Staffing

In FY 2004-05, SWLLSD had 19 full-time equivalent (FTE) custodians, 2 FTE maintenance workers and 3 FTE grounds keeping staff. The six buildings in the District have a total area of 443,273 square feet that must be cleaned and maintained. The District also has a total of 148 acres of grounds which it maintains.

The number of custodial staff assigned to individual buildings ranges from 3 to 5 FTE employees, depending on the size of the building. The elementary, middle, and high schools have both a day and evening shift. There are four head custodians who split their time between custodial and grounds keeping duties, therefore AOS assigned two FTE employees to custodians and two to grounds keeping. The District also employs one full-time grounds keeper who is responsible for the high school and middle school so in total there are three FTE employees used to maintain the grounds around all buildings and fields. Finally, the District has two full-time employees assigned to building maintenance.

The principals in each building supervise the custodians assigned to their buildings. The head custodians do not have supervisory duties. The maintenance foreman, who reports to the

Superintendent, supervises the other maintenance worker. The full-time grounds keeper reported to the Superintendent but as of August 2005, the reporting structure changed and that person now reports to the Transportation Supervisor. The District also employs a clerical person who splits time between the Facilities Department and the Transportation Department.

Key Statistics

Key statistics related to the maintenance and operations (M&O) of SWLLSD are presented in **Table 4-1**. In addition, results from the 33rd Annual American School & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2004, and data from the National Center for Educational Statistics (NCES) are included in **Table 4-1** and throughout this section of the report. 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. When necessary, an average of AS&U and NCES data was used.

According to the 33rd Annual AS&U study, school district expenditures on maintenance and operations continue to hover around historic lows. 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.” Although aging buildings and limited resources are the paramount issue for many school districts in America, most of the SWLLSD buildings have been renovated and are in good condition.

The data provided by AS&U is based on national data and is used as a benchmark. Since the study reports the median rather than the average, and utilities expenditures across the nation vary based on cost and consumption, the AS&U median cost per square foot may be lower than in Ohio.

Table 4-1: Key Statistics and Indicators

Number of School Buildings	6
Elementary Schools (including the Kindergarten Center)	4
Middle School	1
High School	1
Total Square Feet Maintained	443,273
Office Space and Kindergarten Center) ¹	26,858
Elementary Schools	174,947
Middle School	99,076
High School	142,392
Square Feet per Custodial (19 FTEs)	23,330
Administrative Offices (1.5 FTEs) ¹	17,905
Elementary Schools (7.5 FTEs)	23,326
Middle School (5 FTEs)	19,815
Senior High School (5 FTEs)	28,478
NCES Average Square Feet per Custodian	28,000
SWLLSD Square Feet per Maintenance Employee (2 FTEs)	221,637
AS&U Square Feet per Maintenance Employee²	90,757
SWLLSD Acres per Groundskeeper (3 FTE's)	49.33
NCES and AS&U Average Acres per Groundskeeper³	56.33

Source: SWLLSD and peer districts; AS&U 33rd Annual Maintenance & Operations Cost Survey, NCES Task Force data.

¹The Administrative building total does not include the second floor area because staff do not clean or maintain that area.

²NCES does not publish maintenance benchmarks.

³The following benchmarks were used in the average: AS&U 33rd Annual Cost Survey > 3,500 students suggests 102 acres, AS&U Annual Cost Survey National Median is 47 acres and NCES-School Facilities Maintenance Task Force suggests 20 acres.

SWLLSD custodians maintain fewer square feet per FTE than the national benchmark of 28,000 square feet. It should be noted that, during the course of the audit, the District hired one additional full-time custodian at the High School which further reduces the number of square feet cleaned per custodian. In contrast, the two maintenance employees maintain more than double the square footage when compared to the national average. Lastly, the number of acres maintained per grounds employee at SWLLSD is within the range of national averages

Financial Data

Table 4-2 illustrates the General Fund expenditures incurred to maintain and operate SWLLSD facilities for FY 2002-03, FY 2003-04, and FY 2004-05. **Table 4-2** shows only those expenditures directly related to the maintenance, custodial operations, and upkeep of the District's facilities.

Table 4-2: SWLLSD Maintenance and Operations Expenditures

Object Code	FY 2002-03	FY 2003-04	% Change	FY 2004-05	% Change
100 - Salaries/Wages	\$905,391	\$918,454	1.4%	\$900,526	(2.0%)
200 - Retirement/Insurance	\$296,785	\$359,139	21.0%	\$348,611	(2.9%)
400 - Purchased Services	\$1,002,504	\$855,506	(14.7%)	\$750,413	(12.3%)
500 - Supplies/Materials	\$156,762	\$130,390	(16.8%)	\$90,184	(30.8%)
600 - Capital Outlay (New)	\$10,459	\$0	(100.0%)	\$254	100.0%
700 - Capital Outlay (Replacements)	\$8,670	\$0	(100.0%)	\$0	0.0%
800 - Other Expenses	\$161,052	\$49,746	(69.1%)	\$57,347	15.3%
Total General Fund Expenditures	\$2,541,623	\$2,313,236	(9.0%)	\$2,147,336	(7.2%)
Expenditures From All Funds	\$2,648,155	\$2,339,758	(11.6%)	\$2,244,958	(4.1%)

Source: SWLLSD Treasurer's Office

SWLLSD expenditures have generally been decreasing over the past three years. This can be attributed to the financial condition of the school district and efforts to reduce costs in all operational areas. The only area of notable increase is benefits which have historically experienced rising costs for all governmental entities.

Table 4-3 illustrates SWLLSD and the peer districts' FY 2004-05 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

Table 4-3: FY 2004-05 General Fund Expenditures per Square Foot

Cost Area	SWLLSD	Lebanon CSD	Liberty Union LSD	Marysville EVSD	Peer Average	AS&U Median All Districts	AS&U Median 3,500+ Students
District Square Feet	443,273	793,150	199,727	841,377	611,418	N/A	N/A
Salaries/Benefits	\$2.82	\$2.46	\$3.51	\$2.04	\$2.67	\$1.84	\$2.06
Purchased Services (excl. utilities)	\$0.58	\$0.33	\$0.35	\$0.26	\$0.31	\$0.18	\$0.17
Utilities	\$1.12	\$1.26	\$1.39	\$1.18	\$1.28	\$1.21	\$1.24
Supplies/Materials	\$0.20	\$0.22	\$0.58	\$0.25	\$0.35	\$0.32	\$0.30
Capital Outlay	\$0.00	\$0.01	\$0.02	\$0.01	\$0.01	N/A	N/A
Other	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.34	\$0.38
Total General Fund Expenditures Per Square Foot	\$4.84	\$4.29	\$5.86	\$3.73	\$4.63	\$3.89	\$4.15
Other Fund Expenditures	\$0.22	\$0.20	\$0.16	\$0.42	\$0.26	N/A	N/A
Total All Fund Expenditures per Square Foot	\$5.06	\$4.49	\$6.02	\$4.15	\$4.89	N/A	N/A

Source: SWLLSD Treasurer's Office; peer districts; AS&U, April 2004

SWLLSD exceeds the peer district average cost per square foot in the following categories:

- Salaries/Benefits (see recommendation **R4.1**);
- Purchased Services;
- Other Expenditures;
- Total General Fund Expenditures; and
- Total All Fund Expenditures.

Although total expenditures have decreased over the past few years, SWLLSD is still spending more per square foot than the peer average. When compared to AS&U averages, the District spends more per square foot in nearly every category except utilities, supplies and materials, and other expenditures.

Noteworthy Accomplishments

- **Work Orders:** The District has designed and implemented its own automated, online work order program that allows maintenance employees to download work orders. All work orders can be reviewed by building principals and the Superintendent. Once a work order is complete, the maintenance worker notifies the Superintendent and the building principal via email. Automated work order programs are more efficient than paper based systems because they allow for a greater degree of service level and cost tracking, and provide information on needed repairs more quickly than manual systems.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this section, assessments were conducted in areas that did not warrant changes and did not yield any recommendations. These include the following:

- **Maintenance Staffing:** SWLLSD has 2 FTE maintenance workers, who maintain six buildings in the District and a total of 443,273 square feet. American Schools and Universities (AS&U), reports an average of 90,757 square feet per FTE maintenance worker. The two maintenance workers are maintaining more than double the average square feet reported by the AS&U study (221,637 square feet compared to 90,757 square feet per FTE employee).
- **Overtime Usage and Expenditures:** SWLLSD has had consistently low overtime costs and use over the past three years. In 2005, they had \$3,208 in overtime costs, which is 0.39 percent of the overall salary and wage total of \$828,920. In 2004, the District had overtime expenditures of \$2,409, which was 0.29 percent of salaries and wages. In 2003, the District spent \$10,197 on overtime costs, or 1.20 percent of the total salary and wage expenditures of \$851,667. SWLLSD is below industry norms in this area and below the

peers, indicating that the District adequately controls overtime costs within this operational area.

- **Permanent Improvement Levy:** Residents of SWLLSD approved the renewal of a 2.8 mill Permanent Improvement Levy (PIL) on November 2, 2004. According to District records for FY 2004-05, SWLLSD had \$121,894 in carryover funds from the previous year, and \$787,334 in revenue for a total of \$909,228 available for capital improvement projects. The District uses these funds for building renovations, building repairs, cleaning supply expenses, and textbooks. These expenditure categories appear to be reasonable based on Ohio Revised Code requirements (ORC) and Ohio Administrative Code (OAC) guidelines.
- **Grounds Keeping Staffing:** SWLLSD employs 3 FTE grounds keepers who maintain 148 total acres for an average of 49.33 acres per FTE. AS&U reports the national median to be 47 acres per FTE employee and a median of 102 acres per FTE for districts with more than 3,500 students, while the NCES suggested 20 acres per FTE. Due to the variations in figures, an average of 56.33 acres was used for comparisons. The 3 FTE grounds keepers are maintaining 49.33 acres each, which is consistent with national averages.

Recommendations

Custodial Staffing

R4.1 SWLLSD should consider reducing custodial staffing by three FTE employees and converting one custodial FTE to maintenance. The elimination of three custodial positions would bring the District more inline with NCES averages and reduce SWLLSD's high costs in salaries and benefits and allow the District to redirect expenditures toward instructional activities.

Table 4-1 shows the total square feet maintained per custodial employee in FY 2004-05 was lower than the NCES average of 28,000 square feet per FTE employee. **Table 4-4** shows the custodial staffing for by building and the square footage maintained per FTE custodian by building. The building level analysis shows that the District is well below the NCES average.

Table 4-4: SWLLSD Custodial Staffing by Building

Building Type	Total Sq. Ft. Cleaned & Maintained ¹	FTE Custodians	SWLLSD Sq. Ft. per FTE	Proposed Staffing Levels	Proposed Sq. Ft. per FTE	Total Number of Reductions
Etna Elem.	55,218	2.5	22,087	2.0	27,609	0.5
Pataskala Elem.	63,845	2.5	25,538	2.5	25,538	0.0
Kikersville Elem.	55,884	2.5	22,354	2.0	27,942	0.5
Watkins M.S.	99,076	5.0	19,815	3.5	28,307	1.5
Watkins H.S.	142,392	6.0 ²	23,732 ²	5.0	28,478	1.0
All Other Buildings	26,858	1.5	17,905	1.0	26,858	0.5
Total	443,273	20.0 ³	22,164 ²	16.0	27,705	4.0

Source: District staffing assignments.

¹ Does not include second floor of administrative building because the space is only used for storage.

² Includes additional high school custodian hired during the course of the audit.

³ Two FTE employees were removed from the number of custodians because the four head custodians split their time between custodial duties and grounds keeping.

Table 4-4 shows that staffing reductions are possible based on the NCES average of 28,000 square feet per custodial FTE. There are several available options for reducing custodial staffing levels, including taking steps to streamline the cleaning processes and training 1 FTE custodian for maintenance duties. Custodial staff members receive higher salaries than the peer average and by reducing the staffing levels, the District can reduce funds directed to support services (see the salary analysis in the **human resources**

section). The District could reduce 4 FTE custodians and remain within national averages.

Financial Implication: A net reduction of 3.0 FTE custodians would result in approximately \$113,000 in annual cost savings from salaries and benefits. Over the five year forecast period, the cost savings would be approximately \$470,000.

Long Range and Capital Improvement Planning

R4.2 SWLLSD should develop a facility master plan and a capital improvement plan. The plans should be linked to the District's educational programs and academic achievement through the District's continuous improvement plan (CIP). The facility master plan should also be linked to short-range capital improvement plans.

The facility master plan should clearly state the District's plans for its buildings, including which buildings are to be renovated, closed and constructed. The master plan should also include a 10-year enrollment history; enrollment projections and building capacity data (and the methodology used for their calculation); a list of the cost estimates for planned capital improvements; and a description of the District's educational plan.

The District has developed historical enrollment records, enrollment projections, and a methodology for completing enrollment projections and capacity analyses. While the District has plans for future growth and building needs, it has not combined all of the facility improvement information into a single document. Similarly, District administration has not yet worked with the community to use the data to link the facility plans with the educational plan. Undertaking these steps would enable the District to better communicate its capital needs to constituents.

DeJong & Associates, Inc., one of the nation's leading experts in educational facility planning, in *Creating a Successful Facility Master Plan* (School Planning and Management, July 2001), identifies several essential components, including:

- Historical and projected student enrollment figures;
- Demographic profile of the community/school district;
- Facility inventory;
- Facility assessment (condition and educational adequacy of buildings);
- Capacity analysis;
- Descriptions of educational programs;
- Academic achievement; and,
- Financial and tax information.

SWLLSD has all of the information needed to develop a master plan. Using this information, SWLLSD should work with a cross-section of school personnel, parents, students, and community members to develop a plan that clearly states the future intentions for each facility in the District. The document should specify planned projects, including timing and sequencing, and estimated costs. The plan should also include the condition of existing facilities; the District's planned educational programs; the demography of the District; and a description of the District's vision of its future facility needs.

Once the District has developed a facility master plan, it can create and implement a shorter-range capital improvement plan that works with the goals set forth in the facility master plan. The Governmental Financial Officers Association (GFOA) recommends developing a capital improvement plan in its *Recommended Budget Practices*. A capital improvement plan should identify the priorities, the timeframe, and the financing options available for capital projects. The plan should include both capital and operational costs and project into the future for a minimum of five years. The SWLLSD Board should approve the capital improvement plan. By developing these facility and capital plans, SWLLSD can better prepare for future costs and more clearly communicate its facility needs to constituents. This recommendation could be implemented with no additional cost to the District.

R4.3 SWLLSD should develop and implement a formal preventive maintenance program. Regular preventive maintenance ensures equipment reliability, reduces operating costs and increases the life expectancy of facilities and equipment.

The District does not currently have a formalized preventive maintenance program. The HVAC licensed Maintenance Supervisor lubricates the heating and cooling systems once every three months but this is not a formal task nor is it part of a larger preventive maintenance program.

The Office of the Legislative Auditor of the State of Minnesota published guidelines for preventive maintenance for government buildings. The guidelines suggest the following seven best practices:

- Inventory building components and assess their conditions;
- Build the capacity for ranking maintenance projects and evaluating their costs;
- Plan strategically for preventive maintenance in the long and short term;
- Structure a framework for operating a preventive maintenance program;
- Use tools to optimize preventive maintenance programs;
- Advance the competence of maintenance workers and managers; and
- Involve appropriate maintenance personnel in decision making and in communicating buildings' needs.

The District has taken some steps toward this goal through regular maintenance of the heating and cooling systems but there should be a more formal plan for all facility-related equipment. Implementing a formal preventive maintenance program will ensure that all preventive maintenance is completed which will extend the longevity of SWLLSD's major building systems. The District could integrate preventive maintenance tasks into its automated work order system so that preventive maintenance tasks would automatically generate work orders on a periodic basis. This recommendation could be implemented at no additional cost to the District.

R4.4 SWLLSD should implement an energy management and conservation program in order to help reduce utility costs. Although building controls are in place and utility costs are generally lower than the peers and national averages, an energy conservation program would help the District manage these costs as energy costs increase.

The District controls the classroom/building temperatures through a computer system in each building. Individuals can not change the temperature by more than 5 degrees. However, this practice has not been formalized and building temperature ranges for heating and cooling have not been established or enforced throughout the District. Further, the District has not implemented a conservation program or used an instructional setting to teach employees and students energy conservation measures. In 2004, the District received H.B. 264 funds for improving energy efficiency and made upgrades to all windows and doors, sealed air leaks (cracks) in the buildings, installed a solar panel at the middle school; and upgraded lighting fixtures and lavatory fixtures.

The U.S. Department of Energy (DOE) published energy design guidelines for high performance schools which suggest the following six goals for improving school energy efficiency:

- Reducing operating costs;
- Designing buildings that teach;
- Improving academic performance;
- Protecting the environment;
- Designing for health, safety and comfort; and
- Supporting community values.

The Ohio Department of Education (ODE) suggests several best practices/programs for controlling energy costs. The following is a list of programs that could be helpful to SWLLSD:

- **Energy Tracking and Accounting:** This includes collecting, recording and tracking monthly energy costs for analysis.

- **Voluntary Energy Awareness:** This includes educating the faculty, staff and students to be aware of energy costs and to do their part to control costs such as “turn off the lights” stickers in the bathrooms.
- **Performance Contracting:** This includes a contractual agreement with a performance contractor to provide energy services in exchange for a percentage of the savings.
- **Quick Fix and Low Cost:** This includes identifying and repairing simple building problems such as weather-stripping around doors and windows.

Once a District has decided which program(s) to use, they must define a district-wide energy policy and implement it. For the energy savings program to work, the district must be aware of the following critical factors:

- **Program Visibility and Progress Reporting,** which sustain interest by the local school board, staff and the community through communicating the energy savings and information; and
- **Detailed Procedure Manual,** which informs and reminds staff of the new procedures and tells them how to perform certain functions like lighting controls for shutdown.

Heating, cooling and lighting usually represent the largest opportunities for savings and, by tracking energy consumption, SWLLSD can help reduce those costs.

ODE suggests that at the initial implementation of energy saving programs, schools can save 1-3 percent on energy bills just because people are more aware of waste and means to prevent wasteful consumption. A successful operations and maintenance energy plan will save on average \$0.06-\$0.30 per square foot of annual utility costs. If the District were able to reduce energy costs by an average amount of \$0.18 per square foot, it could realize cost savings of up to \$80,000 annually.

Financial Implications: If the District could save \$0.18 per square foot, then the District would reduce their utility costs to \$0.95 per square foot, a cost saving of approximately \$80,000 annually. Over the life of the five-year forecast the cost savings would be approximately \$320,000.

R4.5 SWLLSD should, with input from the community, determine the long-term feasibility of its current facility capacity calculations as part of a long range facility plan. The District should develop a methodology for determining capacity that is approved by the Board of Education, and reviewed and updated annually.

SWLLSD should adjust its method of determining building capacity to include all available classroom space and regularly update enrollment projections.

A capacity review of the existing buildings performed on behalf of the District is represented in **Table 4-5**.

Table 4-5: District Capacity Analysis

	Class Room Capacity	2005 Enrollment	Over/(Under) Capacity	% Utilization	Square Footage	Acreage
Kindergarten center/Other	325	295	(30)	90.8%	26,858 ¹	29
Elementary						
Etna	460	506	46	110.0%	55,218	20
Kirkersville	347	336	(11)	96.8%	55,884	9
Pataskala	532	487	(45)	91.5%	63,845	7
Middle						
Watkins	708	839	131	118.5%	99,076	33
High						
Watkins Memorial	870	1,022	152	117.5%	142,392	50
Total	3,242	3,485	243	107.5%	443,273	148

Source: District capacity analysis and ODE enrollment figures for FY 2004-05.

¹ Includes administrative and transportation offices.

In FY 2004-05, SWLLSD identified its capacity as follows: the kindergarten center, Kirkersville Elementary, and Pataskala Elementary were under capacity; and Etna Elementary, Watkins Middle School, and Watkins High School were over capacity. For the FY 2005-06, the District has half day kindergarten all week. During the last school year, kindergarten was 2 full days and one half-day per week. **Table 4-6** shows the District's capacity as determined through AOS methodology. AOS uses an established industry methodology and OAC § 3301-51-09 guidelines for determining school building capacity. Capacity is affected by the fact that SWLLSD must make space available to accommodate additional classes resulting from the District's contractual obligations regarding student teacher ratios and the impact of special education students on the ratios. (See the **human resources** section for additional information on negotiated agreements).

Table 4-6: Capacity of Regular and Special Needs Classrooms

Building	# of Class Rooms (Excluding Special Education)	Regular Needs Student Capacity	AOS Special Needs Capacity	Self Contained Special Education Rooms	# Self Contained Students	Self Contained Student Capacity	Aggregate Capacity	Utilization Rate
Kindergarten Center	8	400	0	0	0	0	400	74%
Etna Elementary	24	600	56	2	17	20	620	82%
Kirkersville Elementary	17	425	60	0	0	0	425	79%
Pataskala Elementary	23	575	36	0	0	0	575	85%
Watkins M.S.	46	1150	138	3	35	42	1,192	70%
Watkins H.S.	48	1200	34	2	58	20	1,220	84%
Total	166	4350	324	7	110	82	4432	79%

Source: Interviews with each District principal about their special education rooms.

Using this methodology, the capacity is higher and utilization rates are lower for each building and the District overall than the District's projections⁴⁻¹. Based on the District's maximum capacity of 4,432 and an 85 percent utilization rate, the District will be at full capacity when 3,767 students are enrolled. According to the AOS projections, the District will have 3,767 students enrolled by FY 2008-09. The District will be at capacity in 2009 if enrollment continues to increase as it has in the previous six years. The projection assumes enrollment trends will continue as they have in the past. Given the uncertain nature of forecasting, the District should complete annual enrollment projections as it may reach full capacity earlier or later than expected.

The District has not updated its enrollment projections since 2002. Enrollment projections should be recalculated each year and should include future housing development plans. As shown in **Table 4-7**, SWLLSD enrollment has been increasing.

⁴⁻¹ In *Determining School Building Capacity* (DeJong, 1999), the criteria states that for Kindergarten capacity, one must count the regular classrooms and then multiply by 50. For elementary, junior high and high school capacity, one must count all the regular classrooms and then multiply by 25. For elementary schools, art, music, and computer labs are not counted as regular classrooms; these rooms are considered "set aside". In the junior and high schools, those rooms are considered regular classrooms and must be included in the count. For special education/special needs rooms, the capacity is dependent on the type of disability the students have and if the students need inclusion or self contained special education. For instance, if a district has a room for self contained autistic students, that room should have six students. For cognitive and specific learning disabilities, the room should have 12 students. To determine building utilization rates, the head count of enrolled students is divided by building capacity rates.

Table 4-7: ODE Historical Enrollment from 1995-2005

Year	K	1	2	3	4	5	6	7	8	9	10	11	12	K-12
1995	250	241	218	236	250	246	216	229	234	264	213	220	199	3,016
1996	290	215	234	219	233	249	253	227	227	258	246	195	231	3,077
1997	267	253	222	229	224	232	278	255	224	270	251	221	191	3,117
1998	254	250	261	214	233	217	247	270	255	242	231	210	221	3,105
1999	245	231	247	245	221	223	236	251	270	282	224	206	200	3,081
2000	283	247	221	250	249	231	227	244	246	289	250	202	203	3,142
2001	267	281	236	243	244	253	245	241	249	285	258	240	208	3,250
2002	275	255	266	240	255	243	266	247	238	281	247	256	245	3,314
2003	294	257	257	285	256	262	273	286	248	284	264	247	259	3,472
2004	249	282	252	267	283	251	286	297	296	280	257	247	251	3,498
2005	295	248	283	244	275	279	271	280	288	293	260	229	240	3,485

Source: ODE enrollment data.

Based on the historical enrollment, an enrollment projection was created for the school District using the cohort-survivor method. This method, shown in **Table 4-8** below, uses the previous six years' enrollment trend to predict future enrollments and accounts for grade failures and dropouts as well as migration trends.

Table 4-8: AOS Enrollment Projection

Actual Enrollments for a Period of Six Years														
Year	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2000	283	247	221	250	249	231	227	244	246	289	250	202	203	3,142
2001	267	281	236	243	244	253	245	241	249	285	258	240	208	3,250
2002	275	255	266	240	255	243	266	247	238	281	247	256	245	3,314
2003	294	257	257	285	256	262	273	286	248	284	264	247	259	3,472
2004	249	282	252	267	283	251	286	297	296	280	257	247	251	3,498
2005	295	248	283	244	275	279	271	280	288	293	260	229	240	3,485
Survival Ratios (Grade-Level for Kindergarten: Cohort for All Other Grades)														
2000	0.94	0.99	0.96	1.10	0.98	1.02	1.06	1.06	1.02	1.16	0.89	0.96	1.03	1.01
2001	1.03	0.96	0.95	1.02	1.05	1.00	1.05	1.01	0.99	1.13	0.87	0.99	1.02	1.00
2002	1.07	0.93	1.01	1.07	1.07	1.03	1.12	1.08	1.00	1.19	0.94	1.00	1.01	1.04
2003	0.85	0.96	0.98	1.04	0.99	0.98	1.09	1.09	1.03	1.13	0.90	0.94	1.02	1.00
2004	1.18	1.00	1.00	0.97	1.03	0.99	1.08	0.98	0.97	0.99	0.93	0.89	0.97	1.00
Mean	1.01	0.97	0.98	1.04	1.02	1.00	1.08	1.04	1.00	1.12	0.91	0.96	1.01	1.01
Projection (Trend Analysis for Kindergarten: Cohort for All Other Grades)														
2006	280	285	243	294	250	275	302	282	281	323	266	249	231	3,560
2007	280	271	279	252	301	250	298	314	283	315	292	254	251	3,641
2008	281	271	265	290	258	301	270	310	316	317	285	279	256	3,701
2009	282	272	266	275	297	258	326	282	311	353	288	273	282	3,764
2010	283	273	266	276	282	297	279	339	283	349	320	275	275	3,797
2011	283	273	267	277	282	282	321	291	341	316	316	306	278	3,834
2012	284	274	268	277	283	283	305	335	292	381	287	302	309	3,880
2013	285	275	268	278	284	283	306	318	336	327	346	274	305	3,884
2014	285	275	269	279	284	284	306	318	319	377	297	330	277	3,901
2015	286	276	270	279	285	285	307	319	320	357	341	283	334	3,942

Source: ODE historical enrollment and DeJong’s Cohort-Survivor Projection Method.

Based on the enrollment projections and capacity data, SWLLSD may need additional facility space in the future. However, if voters are not supportive of a building project, the District should critically examine its current facilities and available classroom space; and redistribute students to maximize the life of its buildings. SWLLSD can likely use renovations and additions to expand its current facilities and increase the space available for instructional activities.

Financial Implications Summary

The following table lists annual cost savings and cumulative savings over the remainder of the five-year forecast period assuming the recommendations are implemented for FY 2006-07. For the purpose of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings	Cumulative Savings
R4.1 Reduce 4.0 custodial FTEs	\$113,000	\$470,000
R4.3 Implement a formal energy management program	\$80,000	\$320,000
Total Annual Savings	\$193,000	\$790,000

Source: AOS Recommendations

Note: Annual cost savings based on FY 2006-07

Transportation

Background

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

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in kindergarten through eighth grade who live more than two miles from their assigned school. School districts are also required to provide transportation to community school and non-public students on the same basis as provided to their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance and to educable mentally retarded children in accordance with standards adopted by the State Board of Education. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

In previous years, SWLLSD provided transportation to high school students and students living less than two miles from their assigned school, which was above the State minimum requirement. Due to its financial situation, the SWLLSD Board of Education reduced transportation service in January 2004 to State minimums and operated through FY 2004-05 at this reduced service level. In contrast, all three peer school districts provided transportation service above the State minimums during FY 2004-05. In May of 2005, SWLLSD voters passed an emergency operating levy. During the course of the performance audit, SWLLSD made the decision to adjust its policy and once again offer bus service above the State minimum required level of service. However, to improve routing efficiency, students are now picked up at predetermined bus stops, called cluster stops. This requires students to walk a short distance to the bus stop but allows the bus to pick up several students at one time. Because the SWLLSD Board of Education has restored transportation service and because all three peer districts provide transportation above the State minimum, where applicable, SWLLSD transportation data is presented both before and after the reductions in service.

Like SWLLSD, two of the three peer district (Liberty Union-Thurston Local and Marysville Exempted Village School Districts) own and operate the buses on which students are transported. The third peer district, Lebanon City School District, (Lebanon CSD) contracts with a vendor for the transportation management function and does not own its buses. However, bus drivers and

bus aides are employees of the Lebanon CSD. Where appropriate, Lebanon CSD is not included in the peer averages shown in this report.

Students Transported

SWLLSD provided transportation to 2,279 students who attended 14 public and 15 non-public school sites during FY 2004-05. **Table 5-1** compares the number of students SWLLSD transported on yellow buses in FY 2004-05 and FY 2003-04 to the peer districts. Had the SWLLSD Board of Education not reduced service levels to State minimum standards, it is reasonable to assume that the number of riders in FY 2004-05 would have been similar to the number of riders in FY 2003-04, before reductions were made.

Table 5-1: FY 2004-05 Students Riding Yellow Buses

	SWLLSD at State Minimum Standards	SWLLSD FY 2003-04 (Before Reductions)	Lebanon CSD	Liberty Union - Thurston LSD	Marysville EVSD	Peer District Average
Regular Need Riders						
• Public	2,067	2,751	4,568	823	2,967	2,786
• Non-Public	165	204	440	10	144	198
• Total	2,232	2,955	5,008	833	3,111	2,984
Special Need Riders	47	48	34	10	54	33
Total Yellow Bus Riders	2,279	3,003	5,042	843	3,165	3,017
Non-public Students	7.1%	6.7%	8.6%	1.2%	4.5%	4.8%
Special Need Students	2.1%	1.6%	0.7%	1.2%	1.7%	1.2%
October Enrollment ¹	3,623	3,560	5,111	1,406	5,020	3,845
Regular Need Public Riders as % of Enrollment	57.1%	77.3%	89.4%	58.5%	59.1%	72.5%

Source: Ohio Department of Education T-1 and SF-3 reports.

¹ October Enrollment equals Total ADM on the SF-3 report.

As a result of SWLLSD’s reduced service levels, the total number of yellow bus riders dropped about 24 percent from FY 2003-04. In FY 2004-05, regular need public school riders represented 57.1 percent of SWLLSD’s October enrollment, compared to a peer average of 72.5 percent. Prior to reducing service levels, regular need public school riders represented 77.3 percent of SWLLSD’s October enrollment, which was 4.9 percentage points above the peer average.

Staffing

The Transportation Supervisor manages SWLLSD’s Transportation Department and has supervisory responsibilities for bus drivers, aides, mechanics, and support staff. The Transportation Supervisor reports to the Superintendent. The assistant to the supervisor carries

out the operational responsibilities in the absence of the supervisor and routes buses using automated routing software. Two clerical personnel handle the clerical and administrative needs of the Transportation Department and the Facilities Department. Start times for support personnel are staggered to ensure a person is in the office at all times while routes are being run which allows radio communication with the bus drivers during morning and afternoon routes.

Table 5-2 compares SWLLSD staffing levels, at minimum standards and before reducing service levels with the peer districts FY 2004-05 staffing levels.

Table 5-2: Transportation Staffing Levels

Positions	SWLLSD at State Minimum Standards		SWLLSD FY 2003-04 (Before Reductions)		Lebanon CSD		Liberty Union - Thurston LSD		Marysville EVSD		Peer District Average
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE	FTE
Supervisor/Manager	1.0	1.0	1.0	1.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0 ¹
Secretary/Clerical	3.0	2.0	3.0	2.0	0.0	0.0	1.0	1.0	2.0	2.0	1.5 ¹
Bus Drivers²	44.0	23.5	48.0	26.9	70.0	44.6	16.0	6.8	43.0	25.0	25.5
Mechanics	2.0	2.0	2.0	2.0	3.0	3.0	0.0	0.0	2.0	2.0	2.5 ³
Aides	2.0	1.4	2.0	1.4	4.0	2.8	1.0	0.6	4.0	2.9	2.1
Total Staffing	52.0	29.9	56.0	33.3	77.0	50.4	19.0	9.4	52.0	32.9	32.6⁴
Total Students Riding Yellow Buses (FY05)	2,279		3,003		5,042		843		3,165		3,017
Students Riders per Bus Driver FTE	97.0		111.6		113.0		124.0		126.6		121.2
Students Transported per Total FTE	76.2		90.2		100.0		89.7		96.2		95.3
Routine Miles⁵	544,320		651,780		704,520		176,400		583,380		488,100
Routine Miles per Bus Driver FTE	23,163		24,230		15,796		25,941		23,335		21,691
Routine Miles per Total FTE	18,205		19,573		13,979		18,766		17,732		16,826

Source: Ohio Department of Education district T-2 reports and interviews with district transportation supervisors.

¹ Lebanon CSD is not included in the peer average because it uses a private contractor for supervisory and clerical functions.

² The number of Bus Drivers includes substitute drivers.

³ Liberty Union Thurston LSD is not included in peer average because it uses a private contractor for bus maintenance and repairs.

⁴ Due to outsourced staff, Total Staffing is the sum of the averages for each position and not the average of the peer district Total Staffing numbers.

⁵ Routine Miles equal daily miles on ODE T-1 report times 180 days.

SWLLSD used approximately 29.9 full-time equivalent (FTE) employees to perform transportation related duties in FY 2004-05 while operating at the State required minimum standard. As mentioned previously, SWLLSD plans to offer high school transportation for the

FY 2005-06 which makes the District's FY 2003-04 staffing levels more reflective of future year staffing levels.

The number of students transported per FTE bus driver for SWLLSD was 20 percent below the peer average in FY 2004-05 when it operated at minimum standards but only 7.9 percent below the peer average in FY 2003-04 before service was reduced. In contrast, the number of routine miles per FTE bus driver for SWLLSD was 6.8 percent above the peer average during FY 2004-05 after reductions and 11.7 percent above the peer average before the reductions.

Operational Statistics and Cost Ratios

Table 5-3 shows key operating statistics and ratios based on FY 2004-05 data for the SWLLSD and each of the peer districts.

Table 5-3: Key Operating Statistics & Ratios

	SWLLDS at State Minimum Standards	SWLLSD FY 2003-04 (Before Reductions)	Lebanon CSD	Liberty Union - Thurston LSD	Marysville EVSD	Peer District Average
KEY OPERATING STATISTICS						
Total Students Served ²	2,315	3,048	5,092	848	3,189	3,043
Square Miles in District ³	76.9		80.9	47.0	132.2	86.7
Annual Routine Miles ⁴	544,320	651,780	704,520	176,400	583,380	488,100
Public & Non-Public Sites	29		18	7	14	13
Active Buses	35	39	65	11	34	36.7
OPERATING RATIOS						
Regular Riders per Bus	82.7	86.6	82.1	87.7	107.0	92.3
Special Need Riders per Bus	5.9	9.9	8.5	6.7	11.0	8.7
Miles per Regular Bus	14,927	16,745	10,750	15,025	17,498	14,425
Miles per Special Need Bus	17,663	16,481	12,195	22,440	15,152	16,596
Spare Buses to Active Buses	28.6%	15.4%	20.0%	36.4%	8.8%	21.7%
COST RATIOS ⁵						
Regular Cost per Student	\$529	\$499	\$690	\$434	\$489	\$538
Special Need Cost per Student	\$4,882	\$5,969	\$6,609	\$9,838	\$5,488	\$7,312
Total Cost per Student	\$619	\$587	\$730	\$545	\$574	\$616
Total Cost per Mile	\$2.59	\$2.70	\$5.22	\$2.61	\$3.12	\$3.65
Percent of Costs Reimbursed ⁶	55.4%		32.9%	54.7%	52.6%	46.7%

Sources: The Ohio Department of Education, SWLLSD, and peer districts.

¹ Based on FY 2003-04 data reported to the Ohio Department of Education.

² Includes students transported via contracts with other districts, on private or other vehicles, or those receiving payments in lieu of transportation.

³ From Ohio Department of Education "District Profiles".

⁴ Daily miles on T-1 reports times 180 days.

⁵ Reported costs may have been adjusted to account for items known to have been incorrectly excluded, categorized, or allocated.

⁶ Percent of FY 2003-04 costs reimbursed in FY 2004-05 by the State of Ohio.

The data in **Table 5-3** indicates that SWLLSD's transportation operation is more efficient when providing service that is above the State minimum requirements than when providing the minimum level of service required. While operating at minimum standards, SWLLSD transported on average 82.7 regular students per bus. In FY 2003-04, when SWLLSD operated above the State minimum standards, it transported 86.6 regular students per bus. In FY 2004-05, when SWLLSD operated at minimum standards, the District's cost per regular student was \$529. Had SWLLSD continued to transport all students, the District's cost per regular student was estimated at \$499.

Noteworthy Accomplishments

- **Operating Costs:** In FY 2004-05, when SWLLSD operated at minimum State standards, its total cost per student was only \$3 above the peer average and its total cost per mile was below the peer average. When SWLLSD provided transportation to high school students, its total cost per student and total cost per mile are projected to be well below the peer averages. SWLLSD's transportation costs compare favorably with the peers even though it transports students to more public and non-public sites than any of the peer districts. SWLLSD also transports a higher percentage of students to non-public schools and a higher percentage of students with special needs than the average of the peer districts. In addition, SWLLSD had a higher percentage of its transportation costs reimbursed by the State than any of the peer districts in FY 2004-05.
- **Bus Purchases:** The Transportation Supervisor writes specifications to acquire slightly used buses when the Board of Education appropriates money for bus purchases. This practice allows SWLLSD to purchase and replaced more buses than if it purchased all new buses. For example, in FY 2000-01 SWLLSD purchased two new buses and five used buses that were less than 10 years old. Had SWLLSD purchased all new buses, it would have been able to buy only four or five new buses. As a result the District is able to replace more of the older, high cost buses in its fleet than it otherwise could afford.

Assessments Not Yielding Recommendations

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

- **Transportation Policy:** The SWLLSD Board of Education's transportation policy is conspicuously posted on the District's website and available in hard copy format at the Transportation Office. The policy states that the SWLLSD will adhere to the State minimum transportation standards but gives the Superintendent the authority to change service levels when necessary and grant exceptions when student safety is a concern. The passage of a levy in May 2005 has allowed SWLLSD to once again provide service that is above State minimum standards starting with FY 2005-06.
- **Field Trips:** The District has a comprehensive field trip policy where the process for scheduling, requesting, and approving trips is effectively communicated throughout the District. SWLLSD is charging the actual costs associated with non-curriculum related field trips and has indicated that it will charge outside organizations the actual cost for non-routine services provided by the District's Transportation Office.

- **Routing Efficiency:** SWLLSD schools are on a multi-tiered bell schedule that allows most buses to complete multiple runs within its route design. In FY 2004-05, SWLLSD transported 82.7 regular students per bus which was about 10 percent fewer students per bus than the peer average. In FY 2003-04, when SWLLSD provided transportation to high school students, it transported about 86.6 regular students per bus which was only 6 percent below the peer average. (See **Table 5-3**) However, when SWLLSD offered transportation to high school students, its regular buses traveled about 16 percent more miles than the average peer district bus. In addition, SWLLSD transports students to a total of 29 public and non-public school sites which is more than any other peer district and more than twice the peer district average.
- **Routing Software:** The District uses automated routing software to optimize routes as needed. The program provides a real time fine tuning capability that can adjust for scale and scope considerations that arise. According to the assistant to the Transportation Supervisor, new students coming into the district are immediately entered into the system. SWLLSD reported that system-wide changes like the reduction of high school bus service were implemented smoothly with the help of the routing software.
- **Maintenance and Repairs:** SWLLSD maintenance and repair expenditures per bus are slightly lower than the peer average based on a cost per bus and a cost per mile comparison. In addition, the District reported that all buses have passed the Ohio State Patrol safety inspections.

Recommendations

R5.1 SWLLSD should develop policies and procedures for identifying, allocating, and verifying all transportation costs incurred by the District and charged to the Transportation Department. Once policies and procedures are in place, SWLLSD should ensure that transportation data are accurately reported to the Ohio Department of Education (ODE) on the Transportation Report Forms (T-Reports).

The amounts reported by SWLLSD on its FY 2004-05 T-2 Report did not include costs for bus insurance or utilities on lines 17 and 20 respectively. In addition, the salaries and benefits reported on the T-2 Report for the Transportation Supervisor and the clerical staff were not allocated to the cost of special education transportation. The District has not developed or implemented policies and procedures to guide cost allocation or the completion and review of T-forms prior to submission to ODE. ODE instructions for completing the T-2 Report states that, "In all cases when reporting costs, separate costs for special education and regular education". The instructions also indicate that it is acceptable to prorate staffing between regular education and special education assignments.

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. Both direct and indirect costs should be charged to the Transportation Department. The Treasurer should then develop a method for allocating costs between routine and non-routine use of buses. Once costs are identified for the routine use of buses, a method should be developed for allocating routine costs to regular need and special need student transportation. All methods for identifying and allocating costs should be approved by the Superintendent. The Treasurer's Office should verify adherence to SWLLSD procedures before approving the T-2 Report.

Without policies and procedures that identify the process for completing the T-Reports and for reviewing their accuracy and completeness, SWLLSD risks submitting incorrect information. The use of inaccurate information can lead to poor management decisions which may unnecessarily increase expenditures or cause SWLLSD to not fully recoup the cost of providing transportation services. If staff in the Treasurer's Office or the Transportation Department need assistance with completing the T-Reports or require clarification regarding ODE expectations, they should contact the ODE Pupil Transportation Office or attend one of the free training sessions offered by ODE.

R5.2 SWLLSD should develop a formal written preventive maintenance (PM) program for its bus fleet and consistently document maintenance performed on each bus. A formal PM program that is current will provide the Transportation Department with a management tool for monitoring and scheduling bus maintenance.

SWLLSD does not have a written preventive maintenance policy for its transportation fleet. It uses driver logs to track mileage and ensure that maintenance is completed in a timely manner. The District keeps maintenance records manually for each bus in a file cabinet. A review of those files revealed that many of the preventive maintenance activities had not been recorded. According to staff in the Transportation Department, the files are there but the process is very time consuming.

While a preventive maintenance program could be developed manually, it would be time consuming and somewhat inflexible. Computer software should be used to help SWLLSD develop a preventive maintenance program for its fleet which could help ensure that scheduled repairs and maintenance are performed in a timely manner. At a minimum, any automated PM system should provide the following operational functions:

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

Preventive maintenance software is available through several software vendors. VersaTrans Solutions, Inc., SWLLSD's routing software vendor, has developed a product called FleetVision, which complements the VersaTrans routing and planning software. The benefits of such a system would be more accurate and timely information for decision-making about fleet maintenance and replacement and could extend the useful life of the fleet (See **R5.4**).

Financial Implications: If SWLLSD elected to implement the VersaTrans Solutions, Inc. FleetVision Single User preventive maintenance software, which is compatible with its current routing system, it would incur a one-time cost of approximately \$2,295 and an annual fee of \$595.

R5.3 Even though the District's fuel costs in FY 2004-05 were below the average of the peer districts, the District should track the price it pays for diesel fuel to ensure it is competitive with the price available through the State of Ohio Department of Administrative Services (ODAS). If SWLLSD finds that the local supplier's price is

consistently above the ODAS bid price, it should consider competitively bidding fuel procurement or using the ODAS contract.

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

The State contract rate for diesel fuel fluctuates weekly based on the wholesale rate (rack rate) published by the *Oil Price Information Service*. The formula for fuel purchases stated in the contract is based on the weekly rate plus regional delivery cost differentials and applicable taxes. The contract for diesel fuel can be found on the procurement section of the ODAS website (procure.state.oh.us/) under current contracts in the *Automotive Products, Vehicles, and Related Services* category, under *Fuels: Gasoline, Ethanol and Diesel*.

By monitoring local fuel prices and comparing them to the ODAS contract price, SWLLSD can avoid significant increases in cost due to fuel pricing fluctuations and help the District ensure its method of fuel procurement remains cost effective. If the District chooses to use the State contract, there will be an additional cost of approximately \$300 annually to join the State cooperative. Because SWLLSD has an onsite storage tank, it should be able to meet the ODAS contract requirement for tank deliveries of 250 gallons and avoid shipping charges.

R5.4 SWLLSD should update its bus replacement plan to ensure that it is properly planning and budgeting for the purchase of new buses. Bus replacement is managed through the Transportation Supervisor and the Treasurer's Office. SWLLSD does not have a current bus replacement plan. By formalizing and updating its bus replacement plan, SWLLSD will be better able to plan for future expenditures while maintaining an adequate bus fleet.

There are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass the annual Highway Patrol inspection. As long as the bus can pass the inspection, a district may continue to use it for transportation, regardless of age or mileage. The Transportation Supervisor indicated that all of the District's buses passed the Highway Patrol safety inspections in FY 2004-05.

According to the National Association of State Directors of Pupil Transportation Services (NASDPTS), independent studies of annual school bus operating costs indicated that after 12 years of use, the annual operating costs of school buses begins to increase significantly

and continues to increase each year thereafter. NASDPTS recommends replacing diesel buses after 250,000 miles. In FY 2003, the State average age of bus replacements, reimbursed by ODE, was 16 years with an average mileage of 210,000 per bus. Bus replacements ranged in age from 12 to 25 years, and in mileage from 140,103 to 260,615.

SWLLSD’s bus fleet is relatively young, when compared to the NASDPTS criteria and bus replacement data from ODE. The average age of SWLLSD buses is 8.0 years with an average of 122,600 miles. **Table 5-4** shows the number and average mileage of SWLLSD buses by age group. As shown in the table, 5 of SWLLSD’s buses are 15 years old or older and a total of 22 buses (49 percent) are 10 years old or older.

Table 5-4: Southwest Licking Bus Fleet by Age

Age Group	# of Buses	% of Feet	Average Mileage
>15	5	11.1%	204,630
10 – 15	17	37.8%	164,480
<10	23	51.1%	68,745

Source: SWLLSD inventory report.

According to the Government Finance Officers Association’s, *Best Practices in Public Budgeting* (2000),

“A government should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement. Policies and plans for acquisition, maintenance, replacement, and retirement of capital assets help ensure that needed capital assets or improvements receive appropriate consideration in the budget process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance.”

SWLLSD should update its plan and formally dedicate funds to bus replacement so it will be able to replace its aging buses over the next several years. The replacement plan should consider once again supplementing new bus purchases with slightly used buses to help contain bus replacement expenditures. A formal bus replacement plan linked to a funding source, along with continued monitoring of operating costs, will help SWLLSD maintain a sufficient fleet of safe and cost efficient buses.

A replacement plan should establish criteria for bus replacements based on the age, mileage, and condition of the buses. SWLLSD should also monitor operating costs and safety inspections to determine when buses should be replaced. Finally, future bus purchases should take into consideration district enrollment projections (see the **facilities** section), new home construction, future bus ridership levels, the community’s desired level of service and the number of active and spare buses needed.

R5.5 SWLLSD should develop policies and procedures, within a purchasing manual, that outline standard language and the delegation of responsibility for the development and review of all specifications. In addition, the SWLLSD should develop policies and procedures that outline the process for competitive bids, requests for proposals (RFP), and requests for qualifications (RFQ) to ensure accountability, continuity, and the selection of quality vendors.

SWLLSD does not solicit RFP's for competitive pricing for tire replacement services or fuel. According to the Transportation Supervisor, the District has maintained a standing purchase order with a local fuel supplier for several years. Nonetheless, in the absence of purchasing policies and competitive pricing, SWLLSD may be purchasing products and services without regard to optimized sourcing arrangements which could lead to inappropriate or costly purchases.

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

Ohio University's Voinovich Center for Leadership has also identified several selection criteria which may be encompassed within bids, RFPs, and RFQs:

- Establish qualifications as the basis for selection (e.g. number of years experience, licensed and certified);
- Specify criteria for judgment of qualification (e.g. references that resulted in positive feedback, licensed, bonded and insured);
- Provide for the publication of available work;
- Develop procedures for screening proposals;
- Require that a comprehensive agreed-upon scope of services be the basis for vendor compensation and the contract;
- Identify departmental responsibility for administering the process;
- Specify who makes recommendations and who makes final decisions; and
- Assign responsibility for contract negotiations and present to the Board for final decision.

Although every bid, RFP or RFQ will differ depending on the product, service specifications, and/or scope of services, SWLLSD should work with its attorney to develop boilerplate language. The District should also develop policies that consider the

specific elements of the selection process as outlined by Ohio University. By establishing and documenting specific methods for vendor selection, the District will provide employees with a clearer understanding of their level of responsibility in determining the best purchased service, ensure proper accountability and internal controls, and will reduce the appearance of any improprieties.

SWLLSD should also check costs for goods (e.g. fuel and tires) sold through the Ohio Department of Administrative Services (DAS), as a regular practice (See **R5.3**). Finally, the District should provide periodic training for all department heads and supervisors, on the District's purchasing policies and procedures to ensure that each employee maintains the highest level of accountability for public funds.

Financial Implications Summary

The following table represents a summary of annual and one time costs for the recommendations within this section of the report. For the purposes of this table, only recommendations with quantifiable impacts are listed.

Summary of Financial Implications for Transportation

Recommendation	Annual Costs (Starting in Year Two)	One-time Costs
R5.2 Preventive Maintenance Software Implementation	\$595	\$2,892
Total	\$595	\$2,892



SOUTHWEST LICKING LOCAL SCHOOLS

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March 15, 2006

Lausche Building
615 Superior Ave.
NW/Twelfth Floor
Cleveland, Ohio 44113-1801

Dear [REDACTED]

There are a few items we desire to address in the "Performance Audit." One school in our peer group, Liberty-Union LSD, is ½ our size which greatly lowers our "peer average" in many areas. If you remove this one district from the average we are at or below the average for the remaining school districts in most areas.

R2.2 The enrollment projections are within the parameters of the study conducted four (4) years ago. It is extremely difficult to make more accurate projections due to the fact that there are many variables affecting this district. We have the potential during any one year to experience an increase of 150 or more students. The increase has lessened during the past two years due to the financial problems we were experiencing. However, with the passage of the levy we are once again seeing major housing construction projects which will increase the number of students. Also, our special education enrollment is growing significantly more in relation to our other enrollment thus requiring us to hire more teachers in this area.

R3.4. As noted during our discussion, the schools which compete with us are to the west, the outer belt of Columbus. As such we must maintain salaries/benefits somewhat competitive in order to attract and to keep administrative personnel. In a recent survey conducted by our personnel department it was found that most if not all schools in that area provide the same type of benefits as we do, employee's share for retirement benefits and pickup on the pickup. One of the problems in comparing our peer school districts is that they are not adjacent to a major suburban area as we are. It should also be noted that many teacher unions in northeast Ohio, as stated in a recent Ohio School Boards Association article, have been seeking and are being given this same type of benefit for their members. It is a cost savings for Boards of Education because it places more money in the pockets of employees while allowing the Board of Education to pay less than if a similar type of cash benefit were given as salary. This occurs because Boards of Education must pay benefits on the amount included in the salary versus paying the benefit. It is stated that this is not a standard industry practice. Our data tells us that this is an industry practice which is becoming much more common.

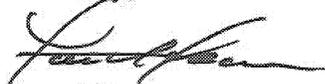
R4.1 It is recommended that we reduce the custodial staff by four and change one of the custodians to a maintenance position. We have studied this issue and are at a loss as to how to make the reductions and still have the cleaning done. We can't clean during the school day but we must have custodians on duty and available for emergencies. At the elementary levels we have staggered their work hours to better accommodate cleaning, however, there is an overlapping of time due to the eight (8) hour per day requirement. We have restructured cleaning responsibilities but are not able to lesson time. This is especially true in the high school which has many different activities going on at all times thus requiring the attendance of custodians. In our peer districts Lebanon has six (6) buildings, Marysville has eight (8) buildings, Liberty-Union has three (3) buildings and we have six (6) buildings. Perhaps this is why our numbers may be higher. Lebanon and Marysville have schools with significant larger populations than ours. Perhaps this allows them to be more efficient in their custodial personnel.

I trust that you have the concerns listed in the transportation area during our recent review. One area we are particularly concerned with is in the area of "bidding out" diesel purchases, R5.3. We spec diesel fuel for our busses which is better than the fuel received through the ODAS. As such, our maintenance costs are less thus offsetting the other "savings". It should be noted that we take quotes from a number of vendors before purchasing fuel for our busses.

R5.4 It should be noted that we have the "youngest" bus fleet in our county. The decrease of funding from the state for school busses makes it is extremely difficult to place into practice a replacement plan. With the financial concerns we are having it is difficult to spend dollars for new busses when we have so many other academic needs for our children.

In closing, we appreciate the time you have taken in providing us this audit and we are utilizing your findings in trying to become more efficient and cost effective.

Sincerely,



Forest Yocum
Superintendent

cc: R. Jones, Treasurer
SWL School Board Members