



**Auditor of State
Betty Montgomery**

STREETSBORO CITY SCHOOL DISTRICT PERFORMANCE AUDIT

OCTOBER 17TH, 2006



Auditor of State Betty Montgomery

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

On March 30, 2005, Streetsboro City School District (Streetsboro CSD) was placed in fiscal caution because of the possibility of ending the 2006 fiscal year in a deficit, as well as the potential for deficits in future years. Pursuant to ORC § 3316.031 and ORC § 3316.042, a performance audit was initiated in Streetsboro CSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the fiscal caution declaration.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides a framework for the District's financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop alternatives independent of the performance audit. On June 22, 2006, the Ohio Department of Education released the District from fiscal caution.

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

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

Sincerely,

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

BETTY MONTGOMERY
Auditor of State

October 17, 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 within a school district. ORC § 3316.031(B)(1) further stipulates that the State superintendent may declare a school district in fiscal caution based upon a review of 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.

Effective March 30, 2005, the Ohio Department of Education (ODE) placed Streetsboro City School District (Streetsboro CSD or the District) in fiscal caution due to the possibility of ending FY 2005-06 with a deficit as well as the potential for deficits in future years. Pursuant to ORC § 3316.031 and ORC § 3316.042, AOS initiated a performance audit of Streetsboro CSD. Based on a review of Streetsboro CSD's information and discussions with the District, the following four functional areas were included in the performance audit:

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

On June 22, 2006, ODE released the District from fiscal caution.

District Overview

Streetsboro CSD is located in Portage County and is approximately 24 miles northeast of Akron and 32 miles southeast of Cleveland. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Streetsboro CSD operates 5 schools: 3 elementary schools, 1 middle school (grades 7-8), and 1 high school (grades 9-12). The District also operates an administration building and a garage/central services building separate from the other facilities. For the 2004-05 school year, Streetsboro CSD had an average daily student enrollment of 2,091 and was rated as "Effective"

by meeting 14 of the 23 State performance indicators. The District improved its performance in FY 2005-06 by meeting 22 of the 25 State performance indicators. Streetsboro CSD receives a majority of its revenues from real estate property taxes, which comprise approximately half of its total operating revenue.

According to ODE reports for 2005-06, the District's median family income is \$33,901. The percentage of the District's average daily membership that is considered in poverty is 1.5 percent. In addition, 24 percent of the District's population has a bachelor's degree or higher.

In FY 2004-05, the District's total General Fund expenditure per student of \$8,827 was 20 percent higher than the peer average of \$7,371. In addition, the District spent \$7,348 per student on compensation (wages and fringe benefits) in FY 2004-05, approximately 26 percent higher than the peer average of \$5,849. This is mainly due to higher staffing and compensation levels for certain job classifications in the District and lower employee contributions to health insurance. The voters in Streetsboro CSD passed a 3.5 mill five-year operating levy on August 2, 2005 that will generate approximately \$1.3 million annually.

Table 2-10 presents the AOS financial recovery plan for the District and incorporates the proceeds from the new operating levy, the impact of AOS revised assumptions, and the effect of the recommendations made in this performance audit. **Table 2-10** shows that implementation of the performance audit recommendations will allow the District to eliminate the projected deficits and achieve financial recovery. However, it will be necessary for the District to make difficult management decisions. The recovery plan includes reductions in regular teacher and educational service personnel (ESP) positions. However, these reductions could be minimized by closely monitoring revenue and expenditure activity, actively reviewing performance against budgeted and projected figures, and implementing other strategies to control and reduce costs. For example, if the District was able to effectively contain health care costs and, in turn, realize only 8 percent annual increases in health care costs rather than the 12 percent projected by AOS, the District would achieve positive fund balances during the forecast period without having to reduce the regular teaching and ESP positions included in **Table 2-10**.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was primarily conducted between September 2005 and July 2006. The goal of the performance audit process was to assist Streetsboro CSD in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declaration of fiscal caution. The ensuing recommendations comprise options that the District can consider in its continuing efforts to improve and stabilize its financial condition. This performance audit assessed the key operations of Streetsboro CSD 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 District personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made to three school districts: Lake Local School District (Lake LSD) in Wood County; Heath City School District (Heath CSD) in Licking County; and Field Local School District (Field LSD) in Portage County. These districts were selected as peers based on their identification as comparable districts by ODE, reviews of various demographic information, and input from Streetsboro CSD personnel. Criteria included in ODE's comparable district listings include geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. 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 Streetsboro CSD, including preliminary drafts of findings and proposed recommendations related to identified audit areas. 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 Streetsboro CSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was given an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

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

Noteworthy Accomplishments

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

- The Treasurer provides detailed information about the assumptions accompanying the five-year financial forecast. In addition to explaining the assumptions for each revenue and expenditure category, the forecast document contains the following sections: introduction and overview, economic and strategic analysis, public policy analysis, and disclaimers and notifications. Providing detailed information enables District stakeholders and other readers to understand the basis for the Treasurer's projections.
- Streetsboro CSD uses substitute employees to keep overtime use for custodial and maintenance operations to a minimum. Overtime in FY 2004-05 amounted to only 3 percent of salaries, which was lower than the peer average.
- Streetsboro CSD's supply and material costs per square foot are lower than the peers and the AS&U median for school districts of similar size.

Key Recommendations

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

Financial Systems

- Streetsboro CSD should analyze and use the financial recovery plan outlined in **Table 2-10** to evaluate the effect of recommendations presented in this performance audit and to determine the impact of the related cost savings on its financial condition. Streetsboro CSD should consider implementing the recommendations in this performance audit and other appropriate actions to enable it to further improve its financial condition and avoid future financial difficulties. In addition, the District should continue to update its financial recovery plan on an ongoing basis as critical financial issues change, closely monitor revenue and expenditure activity, and actively review its performance against budgeted and projected figures. Moreover, the District should ensure that its projection of 5 percent annual increases in personal service expenditures will cover the COLAs and step increases negotiated in the upcoming contracts.

- In developing future forecasts, the Treasurer should analyze and project health insurance costs separately from the other benefit expenditures. As health insurance costs represent more than 50 percent of total fringe benefit expenditures and are independent of salary increases, this would provide a more reasonable projection of future benefit costs.
- The Treasurer should update the projections for purchased services and other expenditures based on actual results in FY 2005-06. The Treasurer should also monitor expenditures throughout the year to ensure they meet projections or to identify appropriate changes to the forecast and supporting assumptions. Additionally, the Treasurer should ensure that the stated assumptions match the forecast methodology. In order to adequately plan ahead and assist in forecasting purchased service and capital outlay expenditures, the District should develop a formal bus replacement plan and capital improvement plan.
- Streetsboro CSD should diligently monitor those spending areas over which it can exercise more discretion. Various areas were noted in which Streetsboro CSD spent more per student than its peer districts. District management should closely review these expenditures to identify opportunities for reductions and savings.

Human Resources

- Streetsboro CSD should continually monitor student to regular teacher and ESP staffing ratios, and regularly evaluate the impact staffing changes have on the District, both financially and educationally. Based on the District's financial condition and peer comparisons, it should consider reducing 18.0 FTE regular education teaching positions and 2.0 FTE ESP positions. To aid in reducing teaching positions, the District should seek to reduce the planning time provided to teachers during future collective bargaining agreement negotiations, and review and potentially alter its scheduling of periods at the high school. Additionally, the District should weigh decisions to reduce regular teacher and ESP staffing levels against the impact the reductions may have on the District's education levels. Lastly, the District should consider its goals, enrollment, financial condition, and the collective bargaining agreement and State requirements for minimum class sizes when identifying potential teacher reductions.
- Streetsboro CSD should consider reducing 2.0 administrator FTEs: 1.0 central administrator FTE and 1.0 site-based administrator FTE. This should be done by consolidating positions, and reallocating and restructuring duties. As part of these reductions, the District should review any cross-training or prior experience of staff that might facilitate a reallocation of duties.

- Streetsboro CSD should consider reducing 1.4 library FTEs. If the District reduces librarian media specialists as a part of ESP reductions, it should review the corresponding impact on total staffing for its library function prior to further reducing library staff. For example, if the District reduces 1.0 librarian media specialist FTE, it should reduce 0.4 librarian aid FTEs. Furthermore, Streetsboro CSD should consider reducing 5.0 FTE clerical positions by pooling clerical staff in its buildings and consolidating duties.
- Streetsboro CSD should periodically review certificated and classified salaries to determine the appropriateness of the current salary schedules and make any necessary adjustments. During future salary negotiations, Streetsboro CSD should attempt to negotiate a new salary schedule for certificated employees, mechanics, food service staff and bus drivers. Additionally, the District should attempt to negotiate COLAs of no more than two percent annually for all employees during the next contract period.
- During future contract negotiations, Streetsboro CSD should negotiate to require all full-time employees, and all employees receiving full benefits, to pay at least 10 percent of the monthly health care premiums. Likewise, the District should consider increasing the employee contribution to 10 percent for the monthly dental premiums. Furthermore, any employee contributions that are negotiated should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care premiums.
- The District should negotiate multi-tier co-payments and mandatory use of mail order for prescription coverage. In order to be consistent with the rest of the classified staff, the District should consider negotiating to increase the minimum work hour requirement to 30 hours per week for all bus drivers and food service staff, and requiring the staff working less than 30 hours per week to pay 30 percent of the premium to obtain full coverage. Streetsboro CSD should also consider negotiating to reduce the maximum annual dental benefit and major restoration coverage, and increase its annual deductible for the family plan to be more in line with the peers.
- During future certificated and classified negotiations, Streetsboro CSD should seek to place a cap on the amount sick leave that can be paid out at retirement that is similar to the peers. The District should also consider reducing the percentage payout.
- Streetsboro CSD should consider establishing policies to discipline employees who abuse sick leave and including prohibitions against “pattern abuse.” The District should also begin actively monitoring sick leave usage and consider following the American Society for Public Administration’s (ASPA) suggestions for effectively managing sick leave use. Further, Streetsboro CSD should consult with its legal counsel to ensure that all required notices concerning the policy are given to employees, discipline procedures are fair and

appropriate, and a process is in place for employees to dispute sick leave abuse claims that is compliant with all applicable laws and/or collective bargaining agreements. Finally, the District should consider negotiating to eliminate or reduce its sick leave incentive.

Facilities

- The District should consider reducing custodial staffing by 4.0 FTEs. This would result in a square footage per FTE ratio that is more comparable to the peer average, AS&U median for similar-sized school districts, and the National Center for Education Statistics' (NCES) normal cleaning standard.
- Streetsboro CSD should continue to participate in the Ohio Schools Council consortium for natural gas and electricity. Furthermore, Streetsboro CSD should develop an energy management program that includes detailed energy policies, energy efficient practices, and guidelines that District staff should follow to help minimize energy costs. The energy management program should also define broad cost and performance objectives. The energy management program should be visible to the District's administration, the Board of Education, staff and students. Objectives and progress should be periodically reported and updated. Lastly, Streetsboro CSD should communicate with its staff, through a qualified consultant, about the energy management processes and provide relevant training.

Transportation

- If the District continues to encounter financial difficulties, it should review the transportation policy to determine if cost savings can be achieved by adopting standards that are closer to the State minimum requirements. However, prior to making any changes in the transportation policy, the District should work with ODE to determine any potential reductions in State reimbursement. Additionally, the District should update its policy to reflect actual transportation practices. It should also review the transportation policy annually and amend it as necessary to reflect changes to service levels based on its financial condition, hazards, enrollment and pupil residence. The transportation policy should identify specific safety hazards that exist within the District and communicate service levels set by the District.
- In order to bring ridership levels more in line with the peers, Streetsboro CSD should eliminate at least three of its older, higher-mileage active buses and three regular bus driver positions. This reduction can be accomplished by using its routing software to increase bus capacity parameters and identify other methods (e.g., routing changes) to optimize efficiency. The process should include a review of District practices to reduce

the number of buses shuttling students from Wait Elementary School (WES). The District should also consider further staggering its bell schedules and actively promoting payment-in-lieu of transportation agreements to aid in bus reductions. In order to maximize savings, the District should consider establishing payment-in-lieu of agreements for buses transporting a considerable number of non-public riders and reviewing its routing practices to make appropriate changes.

- Streetsboro CSD should explore strategies to reduce its special needs transportation costs, such as actively promoting the formation of parent/guardian contracts, revising its Individualized Education Program (IEP) development process to consistently include the transportation supervisor, and considering the use of smaller vehicles to transport special needs students. The District should also periodically solicit competitive bids for special needs transportation to determine whether it would be more cost effective to contract for transportation, while ensuring quality services and student safety. Lastly, the Transportation Supervisor should work with the Special Needs Coordinator to develop practical policies and procedures for special needs transportation.
- The District should eliminate one bus mechanic position. Doing so would reduce mechanic staffing and total maintenance expenditures to levels that are more comparable to the peers.
- The District should consider participating in fuel consortiums to obtain better fuel prices, such as the Ohio Department of Administrative Services (DAS) General Services Administrative (GSA) fuel purchase program or the Ohio Schools Council's cooperative purchasing program. Additionally, the District should periodically compare pricing from consortiums and other fuel vendors.

Additional Recommendations

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

Financial Systems

- In an effort to help regain financial stability, Streetsboro CSD should closely examine the spending patterns in **Tables 2-5** and **2-6**, and the cost reductions recommended in the human resources, facilities and transportation sections of this report. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education.

Human Resources

- Streetsboro CSD should seek competitive bids for life insurance to determine if the current premium costs could be reduced. During future contract negotiations, Streetsboro CSD should also consider reducing the level of life insurance coverage paid by the District for certificated employees.
- During future contract negotiations, Streetsboro CSD should attempt to eliminate the provision guaranteeing a minimum of two hours paid at time and a half for emergencies. The District should seek to base the payment for emergency call-in on the employees' regular hourly rate or reduce the minimum number of guaranteed hours paid.
- Streetsboro CSD should attempt to negotiate a lower number of holidays (i.e., seven holidays per year) for its classified employees working less than 12 months per year during future negotiated agreements.

Facilities

- Although the Building and Grounds Supervisor is tracking work orders and preventive maintenance electronically, he should strive to improve the effectiveness of the process by prioritizing the status of individual work orders when they are received. In addition, the Supervisor should begin tracking and monitoring the amount of supplies and materials used on a project, the cost of labor (including regular hours and overtime), and the productivity and performance of assigned personnel.
- Using the current facilities plan as a starting point, the District should work with a cross-section of school personnel, parents, students and community members to develop a comprehensive facilities master plan that includes updated enrollment projections as well as other essential components (e.g., capacity analysis, financial information, etc.). In carrying out this process, the preventative maintenance program and the capital improvement plan should be used as major pieces of the master plan. The master plan should serve as a roadmap for addressing the District's current and future facility needs, planned educational programs, and the demography of the District.
- Streetsboro CSD should develop a consistent and sound methodology for projecting student enrollment that considers the District's historical trend in student enrollment and any factors that may impact future enrollment. The District should then update its current enrollment projections, and review and update the new enrollment projections on a yearly basis.

- Streetsboro CSD should develop a formal five-year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed. The capital improvement plan should include a capital project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration.

Transportation

- Streetsboro CSD should establish formal policies and procedures to ensure accurate reports are prepared, reviewed, and reconciled before submission to ODE. In developing these policies, the District should involve the treasurer's office in the final review of the T-reports prior to submission to ODE. The treasurer's office should be responsible for reconciling the expenditures reported on the T-2 report to the 4502 financial statements.
- The District should establish a more comprehensive maintenance system to include the tracking of labor costs to better capture all costs associated with maintaining buses. This would, in turn, help determine the useful life of its vehicles and the appropriate time to replace them. Furthermore, the District should consider using its routing software maintenance package to track maintenance and repair data.
- Streetsboro CSD should develop a bus replacement plan that describes its strategy for bus procurement in future years. All bus and equipment replacement should be based upon economic modeling that allows for replacement at the most economically advantageous point in the equipment's life cycle. The plan should include a periodic review of bus information, such as mileage and maintenance records to determine the cost benefit for each bus. This plan should include the number of buses to be replaced each fiscal year based on the age, mileage, maintenance costs, and estimated cost at the time of replacement.
- The District should cease insuring inactive buses that are only used for parts. The District should also review its coverage levels according to its risk tolerance level, and discuss them with its insurance provider prior to making any plan changes.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the food service fund as an issue for further study.

The District's food service expenditures exceeded revenues by \$45,346, \$476, and \$82,644 in FY 2002-03, FY 2003-04, and FY 2004-05, respectively. As a result, the District's Food Service fund was subsidized with operational transfers-in from the General Fund of \$34,553 and \$100,000 in FY 2002-03 and FY 2004-05, respectively. There was no transfer in FY 2003-04. The District's five-year forecast projects \$10,000 in annual operational transfers-out from the General Fund to other funds in each year from FY 2005-06 through FY 2009-10.

The Board recently took steps to correct the situation by charging the new Food Service Director with the task of ensuring food service operations become self-sufficient. According to the Treasurer, the cash deficit has decreased to approximately \$40,000, which is nearly the amount that the District is owed for state and federal food service subsidies. However, the District does not charge food service operations for program-related utility and trash removal expenses as these charges are absorbed as part of the building operating costs. All utility related expenditures for food services are charged to the District's General Fund. Therefore, the actual operating deficit of for food services would be greater by including all applicable expenses. In addition, the District employs 7.1 food service FTEs per 1,000 students, which is much higher than two of the peers and the peer average (5.8).

The District should further review food service operations, including staffing levels, and identify ways to reduce costs and increase revenues. This would ensure that food services become self-sufficient and, in turn, avoid the need for the General Fund to support food service operations. In order to accurately gauge the operating deficit in food services, the District should charge all applicable expenses to the food services fund. Based on the District beginning to take action to address the food service deficits and the unknown amount of additional food service expenses being charged to the General Fund, AOS will not change the District's forecast of \$10,000 annual operating transfers-out from the General Fund.

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 Streetsboro City School District should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

	Estimated Annual Cost Savings
Financial Systems: Revised Assumptions ¹	
R2.1 Revise fringe benefits	(730,647)
R2.2 Revised purchased services	(417,349)
R2.2 Revise other expenditures	(\$148,581)
Total Impact of Revised Assumptions	(\$1,296,577)
Total Recommendations Not Subject to Negotiation	
R3.1 Reduce 18 FTE regular teaching positions and 2 FTE ESP positions	\$943,000
R3.2 Reduce 1.0 FTE central and 1.0 FTE site-based administrator positions	\$154,000
R3.3 Reduce 1.4 library FTEs	\$39,000
R3.4 Reduce 5.0 clerical FTEs	\$166,000
R4.1 Reduce 4.0 custodial FTEs	\$146,000
R4.3 Implement an energy management program	\$86,000
R5.3 Reduce three buses	\$41,500
R5.5 Explore strategies to reduce special needs transportation costs	\$40,000 ²
R5.6 Reduce one mechanic	\$58,000
R5.8 Participate in fuel purchasing consortium	\$1,300
R5.9 Cease insuring inactive buses	\$1,100
R5.10 Avoid replacing three buses eliminated from the fleet	\$36,000 ¹
Total Recommendations Not Subject to Negotiation	\$1,711,900
Recommendations Subject to Negotiation	
R3.6 Require full-time employee contributions equal to at least 10 percent of monthly health premium costs	\$109,000
R3.7 Alter prescription plan	\$49,000
R3.7 Require all classified staff to pay 30 percent of the premium if working less than 30 hours per week	\$15,600
R3.8 Reduce life insurance premium costs and decrease the amount of coverage for certificated employees	\$6,400
R3.9 Require full-time employee contributions equal to at least 10 percent of monthly dental premium costs	\$9,600
R3.9 Alter dental plan benefits	\$13,600
R3.12 Reduce two days of sick leave used by certificated staff	\$21,400
Total Recommendations Subject to Negotiation	\$224,600
Total Financial Implications (Excludes Revised Assumptions)	\$1,936,500

Source: AOS Recommendations

¹ Reflects annual average change of revised assumptions over the forecasted period.

² Excludes potential one-time costs of approximately \$45,000.

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 within the Streetsboro City School District (Streetsboro CSD or the District). The objective is to analyze the current financial condition of the District and develop recommendations for improvements and efficiencies. Comparisons are made throughout the report to the following peer school districts: Field Local School District (Field LSD), Heath City School District (Heath CSD) and Lake Local School District (Lake LSD).

Ohio Revised Code (ORC) §3316.03 establishes fiscal caution, watch and emergency designations for Ohio school districts. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

On March 30, 2005 the Ohio Department of Education (ODE) declared Streetsboro CSD to be in fiscal caution due to the possibility of ending the 2006 fiscal year in a deficit, as well as the potential for deficits in future years. According to ORC § 3316.031, a school district placed in fiscal caution is required to submit a fiscal caution proposal within 60 days of the declaration, proposing changes that would lead to the elimination of the potential deficits. If the State Superintendent finds that a district has not made reasonable proposals or taken action to correct the practices or conditions that led to the declaration, she may report to the Auditor of State that a declaration of fiscal watch is necessary to prevent further decline. In response to the fiscal caution declaration and in accordance with ORC § 3316.031(C), the District completed and submitted to ODE a five-year financial forecast that took into consideration, along with other financial impacts, the effects of the 3.5-mill five-year levy approved by voters on August 2, 2005 that will generate approximately \$1.3 million annually. The combination of the additional levy proceeds and cost reductions are projected to eliminate the District's potential deficit in Fiscal Year (FY) 2005-06 through Fiscal Year 2008-09. Only in FY 2009-10 does the District's forecast project a deficit of approximately \$196,384. On June 22, 2006, ODE released the District from fiscal caution.

Financial Forecast

Table 2-1 presents the District's five-year financial forecast submitted to ODE in October 2005. The District's five-year forecast was prepared by the treasurer, adopted by the Streetsboro CSD Board of Education (BOE) and is intended to assist Board members, administration and interested parties in assessing the fiscal ramifications and consequences of decision making for the District. AOS reviewed the assumptions that have a significant impact on the forecast, such as tax revenue, state funding, and salaries and benefits. Where appropriate, changes were made to the District's assumptions and/or methodology to present more reliable projections of future revenues and expenditures (see **Table 2-10**). The projections are accompanied by three years of comparative historical information, general assumptions and explanatory comments.

Table 2-1: Streetsboro CSD Forecast (in 000's) October, 2005 ¹

	Actual FY 2002-03	Actual FY 2003-04	Actual FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
Property Tax (Real Estate)	\$6,840	\$8,040	\$9,001	\$9,397	\$10,394	\$10,242	\$10,166	\$10,783
Tangible Personal Property	\$2,330	\$2,664	\$3,067	\$3,130	\$3,415	\$3,356	\$3,295	\$3,240
Unrestricted Grants In Aid	\$4,161	\$4,192	\$4,182	\$4,182	\$4,183	\$4,184	\$4,185	\$4,186
Restricted Grants In Aid	\$130	\$38	\$35	\$35	\$35	\$35	\$35	\$35
Property Tax Allocation	\$788	\$925	\$1,079	\$762	\$547	\$575	\$607	\$639
All Other Revenue	\$279	\$260	\$354	\$450	\$500	\$550	\$600	\$650
Total Revenue	\$14,527	\$16,120	\$17,719	\$17,956	\$19,074	\$18,942	\$18,887	\$19,533
Proceeds from Sale of Notes	\$0	\$900	\$200	\$0	\$0	\$0	\$0	\$0
Advances-In	\$0	\$1	\$0	\$10	\$10	\$10	\$10	\$10
All Other Financing Sources	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Sources	\$1	\$901	\$201	\$10	\$10	\$10	\$10	\$10
Total Revenues and Other Financing Sources	\$14,528	\$17,021	\$17,919	\$17,966	\$19,084	\$18,952	\$18,897	\$19,543
Personal Services	\$9,510	\$9,794	\$10,742	\$10,974	\$11,522	\$12,099	\$12,703	\$13,339
Employee Retirement & Insurance Benefits	\$3,137	\$3,694	\$3,925	\$4,019	\$4,220	\$4,431	\$4,653	\$4,885
Purchased Services	\$1,184	\$1,670	\$1,802	\$1,647	\$1,729	\$1,815	\$1,906	\$2,001
Supplies & Materials	\$393	\$388	\$520	\$497	\$522	\$548	\$575	\$604
Capital Outlay	\$104	\$29	\$57	\$40	\$48	\$58	\$69	\$83
Principal: Notes	\$0	\$900	\$200	\$0	\$0	\$0	\$0	\$0
Interest & Fiscal Charges	\$0	\$4	\$1	\$0	\$0	\$0	\$0	\$0
Other Objects	\$479	\$568	\$534	\$551	\$579	\$608	\$638	\$670
Total Expenditures	\$14,808	\$17,046	\$17,782	\$17,728	\$18,620	\$19,558	\$20,545	\$21,582
Operational Transfers-Out	\$35	\$0	\$100	\$10	\$10	\$10	\$10	\$10
Advances-Out	\$1	\$0	\$3	\$0	\$0	\$0	\$0	\$0
All Other Financing Uses	\$0	\$0	(\$1)	\$1	\$1	\$1	\$1	\$1
Total Other Financing Uses	\$36	\$0.424	\$103	\$11	\$11	\$11	\$11	\$11
Total Expenditures & Other Financing Uses	\$14,844	\$17,046	\$17,884	\$17,739	\$18,631	\$19,569	\$20,556	\$21,593
Excess of Revenue Over (Under) Expenditures	(\$316)	(\$25)	\$35	\$228	\$453	(\$618)	(\$1,658)	(\$2,050)
Beginning Cash Balance	\$355	\$39	\$14	\$49	\$277	\$730	\$112	(\$1,546)
Ending Cash Balance	\$39	\$14	\$49	\$277	\$730	\$112	(\$1,546)	(\$3,596)
Encumbrances	\$4	\$2	\$15	\$0	\$0	\$0	\$0	\$0
Fund Balance for Certification	\$35	\$12	\$34	\$277	\$730	\$112	(\$1,546)	(\$3,596)
Cumulative Balance: Renewal Levy	\$0	\$0	\$0	\$0	\$0	\$680	\$2,040	\$3,400
Unreserved Fund Balance	\$35	\$12	\$34	\$277	\$730	\$792	\$494	(\$196)

Source: Streetsboro CSD Treasurer

¹ Due to rounding, totals shown may vary from the totals reflected in the five-year forecast submitted to ODE

One of the primary objectives of this performance audit is to test the reasonableness of the District's methodology and assumptions in order to develop a reliable financial recovery plan. Accordingly, the methodology and the major assumptions used by the District in preparing the financial forecast are presented below. The Auditor of State's conclusions as to the reasonableness of the assumptions and methodology are also presented.

Revenues:***Real Estate Property Taxes***

Real estate property taxes are the District's largest source of revenue, historically comprising approximately half of its total operating revenue. Overall, the District's property tax collections have increased at an average annual rate of eleven percent during the last six years. During that time period, the District had incremental increases in real property taxes with significant increases in FY 2001-02 and FY 2003-04 of 13.9 and 17.6 percent, respectively. According to the Treasurer's Five-Year Financial Forecast Assumptions (Assumptions), these increases can be attributed to the increased in the number of dwellings built within the District from 2001 to 2004, when 760 residential dwelling units were built. Additionally, voters approved a new 5.25 mill levy on August 5, 2003, which also contributed to the increases in FY 2003-04 and FY 2004-05 real estate revenues. When excluding the estimated impact of the 5.25 levy, real estate revenues increased by approximately seven and three percent in FY 2003-04 and FY 2004-05, respectively, which results in an average annual increase of approximately 7.3 percent from 1999-00 to FY 2004-05. Furthermore, the Treasurer's Assumptions state "according to information reported by the City of Streetsboro Building Department to the Ohio Board of Building Standards, the value of construction in the City from 2001 to 2004 exceeded \$150 million and investors have communicated development concepts to city officials and other interested parties that could bring the total additional number of housing units to be built in the city to approximately 2,000 within the next 10 years."

The District's assumptions for projecting real estate property tax receipts are based on the following factors:

- Streetsboro CSD passed a 3.5-mill five-year current expense levy on August 2, 2005 for day-to-day operating purposes. The levy is forecasted to generate \$600,000 in FY 2005-06, \$1.2 million in FY 2006-07, \$1.3 million in FY 2007-08, \$1.3 million in FY 2008-09, and \$1.4 million in FY 2009-10. The levy approved on August 2, 2005 was in lieu of renewing a 2.07 mill emergency levy that generated \$784,000 per year.
- The forecast anticipates the renewal of an existing emergency levy that expires on December 31, 2007.

- The forecast assumes that current real estate effective tax rates will be greater than the 20-mill statutory minimum floor for the entire forecast period and that all levies for operating purposes currently in place will remain in place.

Real estate tax revenue increases are forecasted to decline from the six-year historical average increase of 11 percent annually to an average increase of approximately 6 percent per year over the five year forecast period. During the years not affected by the impact of the new levy and expiring emergency levy (FY 2007-08 to FY 2009-10), the District projects real estate revenues to increase approximately five percent annually. This is slightly lower than the historical increases of approximately seven percent annually after accounting for the estimated impact of new levies enacted during the last five years.

The Amended Official Certificate of Estimated Resources certified by the Portage County Budget Commission on February 28, 2006 projects the District will receive \$9.5 million in real estate property tax revenues in FY 2005-06, only about one percent higher than the District's projection. As of March 31, 2006, the District had received \$9.7 million in real estate property tax revenues, or approximately 103 percent of the forecasted amount with three months remaining in the fiscal year.

The methodology and assumptions used in projecting FY 2005-06 through FY 2009-10 real estate property tax revenue appear reasonable based on historical trends; current levies in place; and historical, current and projected economic growth within the District. Although the projected increases appear slightly lower than historical increases, they provide a conservative projection of future revenues.

Tangible Personal Property Taxes

Tangible personal property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machines, equipment, supplies and inventory used in conducting the business. The State legislature passed House Bill (HB) 66 on June 30, 2005, which impacts future tangible personal property and state funding (see ensuing discussion under **state funding**). Prior to HB 66, ORC § 5711.22 slowly phased out the tangible property tax by reducing the assessed property valuation rates by one percent in tax years 2002 through 2004. The phase-out then increased to two percent annually beginning in tax year 2005 and was scheduled to continue at that rate until the tax was eliminated. However, HB 66 accelerates the phase-out period. Under the new legislation, the tangible tax on general business and railroad property will be eliminated by Tax Year 2009, and the tax on telephone and telecommunication property will be eliminated by Tax Year 2011. At the same time, the legislation replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are fully reimbursed for lost revenue (accounted for as state funding); in the following seven years, the reimbursements are phased out.

Based on the Treasurer's five-year financial forecast and assumptions, the District projects the FY 2005-06 and FY 2006-07 tangible personal property tax revenues to increase by 2.0 and 9.0 percent, respectively. Conversely, the District projects the FY 2007-08, 2008-09, and 2009-10 tangible personal property tax revenues to decrease by 1.7, 1.8, and 1.7 percent, respectively, based on the legislation phasing out the tangible personal property taxes.

Overall, tangible personal property tax revenue increased an average of approximately 10 percent from FY 1999-00 to FY 2004-05, and increased each year, with the exception of FY 2002-03 when it decreased by approximately one percent.

The Amended Official Certificate of Estimated Resources certified by the Portage County Budget Commission projects the District will receive \$3.4 million in tangible personal property tax revenue in FY 2005-06, or approximately \$300,000 more than the District's projection of \$3.1 million in FY 2005-06.

The methodology and assumptions used in determining the FY 2005-06 tangible personal property tax revenue projection appear reasonable based on the certificate of estimated resources. Additionally, the methodology and assumptions used in determining the FY 2006-07 through FY 2009-10 tangible personal property tax revenue projections appear reasonable. The net impact of HB 66 on the District's total revenues should be minimal until FY 2010-11 when the hold harmless reimbursements cease.

State Funding (Unrestricted & Restricted Grants-in-Aid)

State funding represents restricted and unrestricted grants-in-aid, and property tax allocation revenues received from the State of Ohio. For Streetsboro CSD, unrestricted and restricted grants-in-aid represented approximately 24 percent of FY 2004-05 revenues. Combined, property tax allocation, restricted and unrestricted grants-in-aid represented approximately 30 percent of FY 2004-05 operating revenues.

The District projects unrestricted and restricted grants-in-aid (state foundation funding) to be relatively constant, based on FY 2004-05 actual revenues. The District's Assumptions state the following: "Based on current public policy in the State of Ohio, the School District anticipates NO material increase in State Foundation Basic Aid funding for the five-year forecast period." The District's Assumptions also indicate that State foundation funding includes increases of four percent per year in student enrollment and increases of 2.25 percent annually as provided by law to the State funding formula base per student. The increases in student enrollment appear to be due to the potential increases in new housing units (see **real estate** assumption). Although the District's enrollment increased by five percent from FY 2001-02 to FY 2002-03, its four year average annual increase was approximately two percent from FY 2001-02 to FY 2004-05 (see **facilities** section). At the same time, however, the District's Assumptions indicate that per pupil assessed property valuation for the School District is increasing at a faster rate than increases in

the State funding formula base per student. This appears to support the District's assumption of holding unrestricted and restricted grants-in-aid constant during the forecast period, considering that the District projects increases to student enrollment and the base funding formula per student. Furthermore, the District does not forecast the receipt of any parity aid funding as it has entered the top quintile of Ohio school districts in per pupil assessed property valuation and, as a result, became ineligible for these funds.

The District's state foundation revenues have experienced a six-year average increase of less than one percent. Therefore, along with the other factors identified in the District's Assumptions, holding restricted and unrestricted grants-in-aid constant during the forecast period appears reasonable. Furthermore, as of March 31, 2006, the District had received \$3.16 million in unrestricted and restricted grants-in-aid revenues, or approximately 75 percent of the forecasted amount. As a result, the year-to-date actual revenues are on pace with the District's projections for FY 2005-06.

State Funding (Property Tax Allocation)

The property tax allocation line-item represents reimbursements received from the State of Ohio for various real estate property tax credits granted to citizens of Ohio (primarily homestead and rollback). Because of this relationship, the growth in property tax allocations usually parallels the growth in real estate property taxes. For Streetsboro CSD, property tax allocations are projected to represent approximately 4 percent of the District's FY 2005-06 revenues, or \$761,951.

The District projects property tax allocations to decrease by approximately 29 and 28 percent in FY 2005-06 and FY 2006-07, respectively. In contrast, property tax allocations are forecasted to increase by approximately 5 percent annually from FY 2007-08 through FY 2009-10, similar to the projected increases in real estate revenues during this time frame. The decreases in FY 2005-06 and FY 2006-07 are due to the elimination of the 10 percent rollback granted to real property used in business, beginning in tax year 2005. As a result, the Treasurer reduced revenue from homestead and rollback taxes derived from commercial and industrial real estate from the property tax allocation and added it to the real estate property tax revenue category. The effect on total District operating revenue forecast is neutral.

As the Treasurer appears to have accounted for the elimination in the rollback for real property used in business, and future growth is in line with the real estate projections, the District's methodology and assumptions used in projecting property tax allocation revenues for FY 2005-06 through FY 2009-10 appear reasonable. Further, as of March 31, 2006, the District had received \$593,018 in property tax allocation revenues, or approximately 78 percent of the forecasted. Therefore, the year-to-date actual revenues are in line with the District's projection for FY 2005-06.

Other Revenues

According to the District's Assumptions, other revenues include interest earnings, revenue from tax incentive compensation agreements, and income tax sharing revenue with the City of Streetsboro from tax abated properties. The District forecasts other revenues to increase by approximately \$100,000 in FY 2005-06, and \$50,000 annually thereafter. According to the Assumptions, the District attempted to conservatively forecast other revenues due to recent volatility and fluctuations related to economic conditions. However, the District made a material adjustment to its assumption for other revenues during the course of this performance audit. The District reported actually collecting approximately \$573,000 in other revenues at the end of FY 2005-06, which is approximately 27 percent higher than the original projection of \$450,000. According to the Treasurer's revised assumptions, other revenues were re-forecasted to reflect additional earnings on investments due to increasing interest rates and improving receipts from city/school district income tax sharing from tax-abated properties. In the revised projections, the Treasurer forecasts other revenues to increase an average of approximately 12 percent annually from FY 2006-07 to FY 2009-10. Based on the average annual increase of approximately 16 percent from FY 1999-00 to FY 2005-06, the District's revised projections for other revenues appear reasonable. Furthermore, the revised projections appear somewhat conservative based on the increases of approximately 36 and 62 percent in FY 2004-05 and FY 2005-06, respectively. As a result, the proposed recovery plan (see **Table 2-10**) will replace the October 2005 projections with the revised projections.

Expenditures***Personal Services***

Personal services consist of employee salaries and wages, supplemental contracts, severance payments, and overtime. Historically (FY 1999-00 - FY 2004-05), personal services expenditures averaged approximately 61 percent of the District's operating budget annually, similar to the District's projections for FY 2005-06 through FY 2009-10. Personal services expenditures are projected to increase by approximately 2 percent in FY 2005-06 and 5 percent annually from FY 2006-07 through FY 2009-10.

As of March 31, 2006, the District had expended \$8.5 million in personal services expenditures, or approximately 78 percent of the forecasted amount. As a result, the District is on pace with the forecasted amount for FY 2005-06. From FY 1999-00 to FY 2004-05, personal services expenditures increased an average of approximately 7 percent annually, which is higher than the District's forecasted increases of 5 percent from FY 2006-07 to FY 2009-10. However, during the course of this performance audit and the development of the District's five-year forecast in October 2005, negotiations were ongoing with both employee bargaining units as the prior agreements had expired. This makes it somewhat difficult to reliably project future salary increases. Furthermore, in order to achieve financial solvency, the District may not be able to

afford increases in personal services similar to prior years. For instance, even with lower projected salary increases for personal services, and revenues from the new levy, the District is projecting a deficit in FY 2009-10.

Based on the year-to-date personal service expenditures, the District's projection for FY 2005-06 appears reasonable. In light of negotiations being in-process, the District's overall current and projected financial condition, and increases that are only slightly lower than historical increases, the District's projections from FY 2006-07 to FY 2009-10 appear reasonable. However, the District should ensure that its projection of 5 percent annual increases would cover the COLAs and step increases negotiated in the upcoming contracts.

Fringe Benefits

Employee fringe benefit (employee retirement and insurance benefits) expenditures accounted for 21, 22, and 22 percent of the District's operating budget in FY 2002-03, FY 2003-04 and FY 2004-05, respectively. The District's projections for employee retirement and insurance benefits (FY 2005-06 to FY 2009-10) comprise similar percentages. Employee retirement and insurance benefits expenditures are projected to increase by approximately 2 percent in FY 2005-06 and 5 percent annually from FY 2006-07 through FY 2009-10.

The District's assumption for projecting five percent increases in employee retirement and insurance benefits expenditures is based on the following:

- Insurance benefits costs are set annually in May by the trustees of the Portage County Health & Welfare trust. Until those rates are set, the District has no certainty as to what they will be for the coming year. Therefore, the District projects insurance benefits to increase at 5 percent annually at the same rate as other benefits and increases to salaries, with the understanding that this will be a major issue in negotiations.

As of March 31, 2006, the District had expended approximately \$3.2 million in employees' retirement and insurance benefits expenditures or approximately 79 percent of the forecasted amount, with three months remaining in the fiscal year. This is on pace to finish close to the projected amount. Therefore, the FY2005-06 projection appears reasonable. However, the District's projections thereafter appear significantly understated based on historical trends in health insurance costs. More specifically, health care costs increased by approximately 18 percent annually from FY 1999-00 to FY 2004-05, much higher than the District's projected increase of 5 percent annually. Further, the District's Assumptions note that the current forecast rate of increase is below the rate of recent actual increases, which increases the probability that health benefits will become an issue of serious financial consequence for the District in the foreseeable future. See **R2.1** for adjustments to health care projections.

Purchased Services

Purchased services expenditures are projected to decrease by approximately 9 percent in FY 2005-06 and increase by 5 percent annually from FY 2006-07 through FY 2009-10. As of March 31, 2006, the District had expended \$1.5 million in purchased services expenditures, or approximately 92 percent of the forecasted amount with three months remaining in the fiscal year. Therefore, the District is on pace to exceed the projections for FY 2005-06. See **R2.2** for adjustments to the District's purchased services expenditures projections.

Supplies and Materials

Supplies and materials expenditures accounted for approximately 3 percent of the District's operating budget from FY 2002-03 through FY 2004-05, which is similar to the District's projections for FY 2005-06 through FY 2009-10. Supplies and materials expenditures are projected to decrease by approximately 4 percent in FY 2005-06. As of March 31, 2006, the District had incurred \$378,996 in supplies and materials expenditures, or approximately 76 percent of the forecasted amount. Consequently, the District is on pace to finish close to the projected amount for FY 2005-06. From FY 2006-07 to FY 2009-10, the District projects expenditures for supplies and materials to increase by 5 percent per year during the forecast period to be consistent with inflationary and enrollment increases. In addition, the District's Assumptions indicate that Streetsboro CSD has made a major commitment to purchase textbooks and support materials in order to enhance the curriculum. However, the District's Assumptions note that bus fuel purchases included within supplies and materials have increased significantly during the first three months of the 2005-06 school. This could impact its ability to purchase instructional supplies and materials.

From FY 1999-00 to FY 2004-05, supply and material expenditures fluctuated significantly from year-to-year. While they increased by 21.8 and 34.1 percent in FY 2000-01 and FY 2004-05, respectively; they decreased by approximately 6.5, 2.9, and 1.4 percent in FY 2001-02, FY 2002-03, and FY 2003-04, respectively. The 34.1 percent increase in FY 2004-05 is primarily due to textbook purchases.

Based on the year-to-date expenditures, the projections for FY 2005-06 appear reasonable. Based on the District's commitment to purchase textbooks and support materials to enhance the curriculum, inflation, potential increases in enrollment, and the unpredictability of fuel pricing, the projection of five percent increases from FY 2006-07 to FY 2009-10 also appears reasonable (See the **transportation** section for a current fuel cost analysis). In addition, the District's projections should cover the set-aside requirements outlined in ORC Section 3315.17. Furthermore, the District had accumulated a set-aside surplus balance of approximately \$659,000 at the end of FY 2004-05, which could be used to offset future set-aside requirements.

Capital Outlay

According to the District's Assumptions, expenditures for capital outlay have been set at \$40,000 for FY 2005-06 and are increased by five percent annually thereafter. Contrary to the stated Assumptions, projections thereafter actually amount to increases of 20 percent annually (see **R2.2**). Based on the actual projected figures in capital outlay and projections in other applicable categories, the District should meet the capital set-aside requirements in ORC § 3315.18. While the actual projections for capital outlay appear reasonable based on the last three years of actual expenditures, the District lacks a formal bus replacement and capital improvement plan to better project future capital expenditures (see **R2.2**).

Other Expenditures

Other expenditures consist primarily of financial audit fees, County Auditor and County Treasurer fees, County Educational Service Center fees, and liability insurance costs. As of March 31, 2006, the District expended \$514,273 in other expenditures, or approximately 93 percent of the forecasted amount with three months remaining in the fiscal year. Therefore, the District is on pace to exceed the projections for FY 2005-06. See **R2.3** for adjustments to the District's other expenditures projections.

Debt Service

The District borrowed \$900,000 in FY 2003-04 and \$200,000 in FY 2004-05 through the sale of notes for the purpose of providing additional permanent improvements, primarily to Henry Defer Intermediate School, which opened for school year 2002-03. However, the principal and interest payments for this debt are excluded from the five-year forecast of the General Fund because repayment is accomplished through the Bond Retirement Fund. More specifically, the debt is expected to be repaid by use of inside tax mileage credited to the Bond Retirement Fund. This debt is scheduled to be retired in December 2006. The District's five-year General Fund forecast does not project any debt service obligations (principal or interest) over the forecast period, FY 2005-06 through FY 2009-10.

Transfers and Advances

Historically, the General Fund transfers and advances out averaged approximately \$45,000 over three years (FY 2002-03 through FY 2004-05). The District's assumptions for operating transfers, advances, and other financing sources/uses include the following:

- The District will not make any advances-out.
- The District will use an immaterial amount of funds, estimated for forecasting purposes at \$10,000 per year, to complete any necessary operational transfers-out.

- The District will use an immaterial amount of funds, estimated for forecasting purposes at \$1,000 per year, for all other financing uses.

In order for the District to minimize the transfers out from the General Fund as projected, it will need to stabilize the financial condition of the Food Services Fund (see Issue for Further Study).

Assessments Not Yielding Recommendations

The District's financial forecast methodology and assumptions in the following categories appeared reasonable and did not result in any changes or recommendations:

- Real estate property taxes;
- Tangible personal property taxes;
- State Funding (Property tax allocation, Unrestricted, and Restricted grants-in-aid);
- Personal services;
- Supplies and Materials;
- Capital Outlay; and
- Debt service costs.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following issue:

- **Food Services:** The District's food service expenditures exceeded revenues by \$45,346, \$476, and \$82,644 in FY 2002-03, FY 2003-04, and FY 2004-05, respectively. As a result, the District's Food Service fund was subsidized with operational transfers-in from the General Fund of \$34,553 and \$100,000 in FY 2002-03 and FY 2004-05, respectively. There was no transfer in FY 2003-04. The District's five-year forecast projects \$10,000 in annual operational transfers-out from the General Fund to other funds in each year from FY 2005-06 through FY 2009-10.

The Board recently took steps to correct the situation by charging the new Food Service Director with the task of ensuring food service operations become self-sufficient. According to the Treasurer, the cash deficit has decreased to approximately \$40,000, which is nearly the amount that the District is owed for state and federal food service subsidies. However, the District does not charge food service operations for program-related utility and trash removal expenses as these charges are absorbed as part of the building operating costs. All utility related expenditures for food services are charged to

the District's General Fund. Therefore, the actual operating deficit of for food services would be greater by including all applicable expenses. In addition, the District employs 7.1 food service FTEs per 1,000 students, which is much higher than two of the peers and the peer average (5.8).

The District should further review food service operations, including staffing levels, and identify ways to reduce costs and increase revenues. This would ensure that food services become self-sufficient and, in turn, avoid the need for the General Fund to support food service operations. In order to accurately gauge the operating deficit in food services, the District should charge all applicable expenses to the food services fund. Based on the District beginning to take action to address the food service deficits and the unknown amount of additional food service expenses being charged to the General Fund, AOS will not change the District's forecast of \$10,000 annual operating transfers-out from the General Fund.

Noteworthy Accomplishments

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

- **Forecast Document:** The Treasurer provides detailed information about the assumptions accompanying the five-year financial forecast. In addition to explaining the assumptions for each revenue and expenditure category, the forecast document contains the following sections: introduction and overview, economic and strategic analysis, public policy analysis, and disclaimers and notifications. Providing detailed information enables District stakeholders and other readers to understand the basis for the Treasurer's projections.

Recommendations

Financial Forecast & Planning

- R2.1 In developing future forecasts, the Treasurer should analyze and project health insurance costs separately from the other benefit expenditures. As health insurance costs represent more than 50 percent of total fringe benefit expenditures and are independent of salary increases, this would provide a more reasonable projection of future benefit costs.**

The Treasurer's projected fringe benefit expenditures for FY 2005-06 appear generally reasonable based on actual expenditures as of March 31, 2006. However, the projections thereafter appear significantly understated based on historical trends in health insurance costs. More specifically, health care costs increased by approximately 18 percent annually from FY 1999-00 to FY 2004-05, much more than the District's projected increase of 5 percent annually. In addition, the District's Assumptions note the current forecast rate of increase is below the rate of recent actual increases, which increases the probability that health benefits will become an issue of serious financial consequence for the District in the foreseeable future.

Unlike the other fringe benefit items (retirement, workers' compensation, Medicare), health care costs are not directly tied to salaries. Therefore, applying the same methodology for forecasting health insurance as other benefits is not reliable and could materially misstate the District's projected financial condition. In FY 2004-05, health insurance costs comprised 56 percent of the District's total fringe benefit expenditures.

Table 2-2 presents revised projections for fringe benefits, and compares them to the projections prepared by Streetsboro CSD. The revised projections include a 12 percent annual increase in health insurance costs, based on the State Employment Relations Board (SERB) reported weighted average increase in health insurance single and family premiums statewide of approximately 12 percent in 2005. By comparison, SERB reported that premiums increased a weighted average of approximately 15 percent from 2003 to 2004. Although a 12 percent increase is lower than the District's five-year historical average of 18 percent, some of the prior years' increases were due, in part, to adding more employees to the health plan. Since the 2000 school year, participation in the health plans has increased by 40 employees. For instance, health care costs increased by only 13, 10, 9 and 12 percent in FY 2000-01, FY 2001-02, FY 2004-05 and FY 2005-06. Furthermore, health care costs increased by approximately 4 percent in FY 2005-06, when excluding the extra payment made in FY 2005-06 that the Treasurer indicated was attributable to FY 2003-04. All other benefits will be increased by five percent annually, consistent with the District's assumption for personal services.

Table 2-2: Forecast Adjustment for Fringe Benefits (in 000's)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Streetsboro CSD Forecast	\$4,019	\$4,220	\$4,431	\$4,653	\$4,885
Adjusted Forecast	\$4,286	\$4,685	\$5,125	\$5,613	\$6,152
Net Impact on Forecast Year	(\$267)	(\$465)	(\$694)	(\$960)	(\$1,267)

Note: Adjusted projections are based on actual fringe benefit expenditures in FY 2004-05, due to unavailability of actual FY 2005-06 fringe benefits by type during the timing of this analysis. However, annualizing fringe benefits as of March 31, 2006 results in expenditures of approximately \$4.23 million, consistent with the adjusted projection for FY 2005-06.

R2.2 The Treasurer should update the projections for purchased service expenditures based on actual expenditures in FY 2005-06. The Treasurer should also monitor expenditures throughout the year to ensure they meet projections or to identify appropriate changes to the forecast and supporting assumptions. Additionally, the Treasurer should ensure that the stated assumptions match the forecast methodology. In order to adequately plan ahead and assist in forecasting purchased service and capital outlay expenditures, the District should develop a formal bus replacement plan and capital improvement plan (see the facilities section for capital improvement planning and the transportation section for bus replacement planning).

The District's assumptions for projecting purchased services and capital outlay expenditures include the following:

- Although the District's Assumptions state that purchased services increased by 5 percent during the forecast period, they are projected to decrease by approximately 9 percent in FY 2005-06. According to the Treasurer, this is due to using fewer County ESC services and purchasing electricity through the Ohio Schools Council consortium.
- The District is projecting expenditures for purchased services to rise by five percent per year during the remainder of the forecast period. According to the District's Assumptions, this is consistent with inflation, but slightly less than enrollment increases.
- According to the District's Assumptions, expenditures for capital outlay have been set at \$40,000 for FY 2005-06 and are increased five percent annually thereafter. Contrary to the District's Assumptions, projections thereafter actually amount to increases of 20 percent annually.

Historically, expenditures for purchased services have experienced an average increase of approximately 12 percent from FY 1999-00 to FY 2004-05. However, expenditures

fluctuated considerably over this time frame, ranging from a decrease of 10 percent in FY 2002-03 to an increase of 41 percent in FY 2003-04.

To prevent future fluctuations in purchased service expenditures, the District has in place long-term purchasing contracts for electricity and natural gas through the Ohio Schools Council, which are intended to provide a buffer against sudden price fluctuations in utility costs. Utility expenditures, which comprised 25 percent of total purchased service expenditures, decreased by approximately seven percent in FY 2004-05. In addition, the District has some degree of control over certain expenses (e.g., facility upkeep and repairs), while other expenses may be out of its control and difficult to precisely predict (e.g., tuition expenditures). In consideration of the recent decline in utility expenditures and the degree of control over expenses, forecasting a five percent annual increase to purchased services appears reasonable. Furthermore, developing a capital improvement plan that provides a breakdown of maintenance tasks and capital projects would help the District prioritize repair and maintenance activities, and help plan ahead to identify and secure financing sources for projects (see **facilities** for more information).

While a five percent increase appears reasonable from FY 2006-07 to FY 2009-10, the projected decrease of nine percent in FY 2005-06 appears unattainable. As of March 31, 2006, the District had expended approximately \$1.5 million in purchased services, or approximately 92 percent of the forecasted amount with three months remaining in the fiscal year. Because the District is on pace to exceed its projections in FY 2005-06, the purchased service expenditures will be adjusted by annualizing the actual expenditures as of March 31, 2006. Consequently, the FY 2006-07 through FY 2009-10 projections will also have to be adjusted to reflect the change in the FY 2005-06 base, although the percentage increase will remain at 5 percent.

Although the District's Assumptions contradict the actual forecast methodology, the actual capital outlay projections appear reasonable. From FY 1999-00 to FY 2004-05, capital outlay expenditures fluctuated significantly, ranging from \$824,000 in FY 2001-02 to \$29,000 in FY 2003-04. While the six year average annual capital outlay expenditures amounted to approximately \$416,000, the average from FY 2002-03 to FY 2004-05 amounted to approximately \$63,000 annually. This is similar to the average annual projections from FY 2005-06 to FY 2009-10. Although the District's Assumptions indicate that its projections are inadequate to meet its capital improvement needs, the absence of a formal bus replacement plan and capital improvement plan hinders it from developing another supportable assumption and determining the most cost-effective time to replace buses and other equipment (see **transportation** and **facilities**). Reducing the size of its fleet and taking other appropriate measures (e.g., rotating buses) can also help avoid bus replacements during the forecast period (see **transportation**). In addition, the average age and mileage of the buses (8 years and 88,000 miles) suggests the District's fleet is not particularly old. Furthermore, the

District’s Assumptions indicate that it is reviewing the possibility of using a portion of the inside millage dedicated to debt service to determine the viability of issuing debt for the purpose of acquiring school buses and other capital equipment. Based on these factors, the District’s capital outlay expenditures were not adjusted.

Table 2-3 shows the net impact of the purchased service adjustments on the forecast.

Table 2-3: Impact of Forecast Adjustments (in 000’s)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Streetsboro CSD Projections	\$1,647	\$1,729	\$1,815	\$1,906	\$2,001
Revised Projection	\$2,024	\$2,125	\$2,232	\$2,343	\$2,460
Net Impact on Forecast Year	(\$377)	(\$396)	(\$417)	(\$437)	(\$459)

Source: AOS adjustments and Streetsboro CSD Five-Year Financial Forecast

R2.3 The Treasurer should update the projections for other expenditures based on actual expenditures in FY 2005-06. The Treasurer should also monitor expenditures throughout the year to ensure they meet projections or to identify appropriate changes to the forecast and supporting assumptions. In developing future forecasts, the Treasurer should ensure that the stated assumptions match the forecast methodology.

The District’s Assumptions state that other expenditures will increase at 5 percent per year for each year of the forecast period. However, in FY 2005-06, other expenditures are actually projected to only increase by approximately 3 percent. In FY 2006-07 through FY 2009-10, other expenditures are projected according to the stated increase of 5 percent annually.

The largest expenditures in this forecast line item are for property tax collection charges imposed by the Portage County Auditor and Portage County Treasurer, and for services provided by the Portage County Educational Service Center. As a result, the District may not have much direct control over these expenses. This likely contributed to the large fluctuations in other expenditures from FY 1999-00 to FY 2004-05, which ranged from a reduction of 21 percent in FY 2001-02 to an increase of 24 percent in FY 2002-03. As of March 31, 2006, the District had expended \$514,273 in other expenditures, or approximately 93 percent of the forecasted amount with three months remaining in the fiscal year. Therefore, its projection appears to be understated for FY 2005-06. Based on the wide-ranging historical fluctuations, a forecasted increase of 5 percent annually appears reasonable.

Other expenditures for FY 2005-06 will be adjusted by annualizing actual expenditures as of March 31, 2006. The FY 2006-07 through FY 2009-10 projections will also have to

be adjusted to reflect the change in the FY 2005-06 base; however, the percentage increase will remain at 5 percent.

Table 2-4 shows the net impact of these adjustments to the forecast:

Table 2-4: Impact of Forecast Adjustments (in 000's)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Streetsboro CSD Projections	\$551	\$579	\$608	\$638	\$670
Revised Projection	\$686	\$720	\$756	\$794	\$833
Net Impact on Forecast Year	(\$135)	(\$141)	(\$148)	(\$156)	(\$163)

Source: AOS adjustments and Streetsboro CSD Five-Year Financial Forecast

Revenues and Expenditures

R2.4 In an effort to help regain financial stability, Streetsboro CSD should closely examine the spending patterns in Tables 2-5 and 2-6, and the cost reductions recommended in the human resources, facilities and transportation sections of this report. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education.

Table 2-5 compares Streetsboro CSD's General Fund revenues and expenditures per pupil for FY 2004-05 to those of the peer school districts.

Table 2-5: Revenues and Expenditures per Pupil, FY 2004-05

	Streetsboro	Field	Heath	Lake	Peer Average	% Difference
Property & Income Tax	\$5,926	\$3,323	\$4,436	\$3,632	\$3,797	56.1%
Intergovernmental Revenues	\$2,761	\$3,395	\$2,829	\$3,169	\$3,131	(11.8%)
Other Revenues ¹	\$158	\$842	\$352	\$381	\$525	(69.9%)
Total Revenue	\$8,845	\$7,560	\$7,617	\$7,182	\$7,453	18.7%
Wages	\$5,380	\$4,422	\$4,337	\$4,109	\$4,289	25.4%
Fringe Benefits	\$1,968	\$1,760	\$1,590	\$1,330	\$1,560	26.1%
Purchased Service	\$903	\$961	\$892	\$1,289	\$1,047	(13.7%)
Supplies & Materials	\$255	\$205	\$225	\$179	\$203	25.8%
Capital Outlays	\$26	\$23	\$16	\$5	\$15	74.2%
Debt Service	\$0	\$3	\$0	\$0	N/A	N/A
Miscellaneous (Other) ²	\$244	\$174	\$197	\$159	\$177	37.9%
Other Financing Uses	\$51	\$74	\$16	\$150	\$80	(35.4%)
Total Expenditures	\$8,827	\$7,622	\$7,273	\$7,221	\$7,371	19.7%

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

¹ Other revenues include interest earnings, revenue from tax incentive compensation agreements, and income tax sharing revenue from properties granted tax abatements on or after July 1, 1994, for the period of the abatement.

² Miscellaneous (Other) expenditures consist of dues and fees, insurance, judgments, taxes and assessments, awards and prizes, and miscellaneous.

As shown in **Table 2-5**, the District's total General Fund revenue in FY 2004-05 exceeded the peer average by \$1,393 per student, or approximately 19 percent. This is due to the District receiving 56 percent more local revenue (property taxes) per student when compared to the peer average. The District's significantly higher ratio of local revenues per student contributes to the intergovernmental revenues being 12 percent lower than the peer average. Based on the state funding formula (ORC §3317.02.2), the higher the assessed property valuation in a district, the lower the state funding. The lower other revenues per student can be attributed to Streetsboro CSD receiving less in tuition revenues and proceeds from the sale of notes.

In addition to having the highest revenue per student, Streetsboro CSD has the highest expenditures per student when compared to each peer district. In FY 2004-05, the District's total General Fund expenditures exceeded the peer average by \$1,456 per student, or approximately 20 percent.

The District's expenditures are higher than the peers' in the following areas:

- *Wages and Fringe Benefits* – The District spent approximately \$1,091 (25 percent) and \$408 more per student than the peer average on employee wages and fringe benefits, respectively. These higher ratios are due to higher staffing and compensation levels for certain job classifications in the District. Additionally, lower employee contributions to health care contribute to the higher fringe benefit expenditures per student. See the **human resources** section for further analysis of staffing, compensation, and health care benefits.
- *Supplies and Materials* – The District spent approximately \$52 (26 percent) more per student on supplies and materials than the peer average. In addition, supplies and materials increased 31 percent from FY 2003-04 to FY 2004-05, primarily due to textbook purchases. More specifically, textbook expenditures comprised 35 percent of total supplies and materials in FY 2004-05, and increased by approximately \$137,000 (350 percent) from FY 2003-04 to FY 2004-05.
- *Capital Outlays* – The District spent \$11 (74 percent) more per student than the peer average on capital outlay. The higher capital outlay expenditures per student are due, in part, to Streetsboro CSD not having a permanent improvement fund. Two of the three peers (Heath CSD and Lake LSD) have permanent improvement funds.
- *Miscellaneous* – The District spent approximately \$67 (38 percent) more per student than the peer average on miscellaneous expenditures. Miscellaneous expenditures primarily consist of dues and fees, insurance costs, and taxes and assessments. The District's higher miscellaneous expenditures may be attributed to the higher insurance costs and dues and fees it is paying as a result of a pending lawsuit.

Table 2-6 shows the amount and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Streetsboro CSD and the peer districts. Function codes report expenditures by their nature or purpose. **Table 2-6** shows operational expenditures per pupil and percentage of operational expenditures by function for all funds that are classified as governmental fund types.

Table 2-6: Governmental Funds Operational Expenditures FY 2004-05

	Streetsboro		Field		Heath		Lake		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures	\$5,419	58.0%	\$4,769	59.1%	\$4,682	59.6%	\$4,567	57.0%	\$4,683	58.6%
Regular Instruction	\$4,436	47.5%	\$3,840	47.6%	\$3,754	47.8%	\$3,510	43.8%	\$3,717	46.5%
Special Instruction	\$572	6.1%	\$774	9.6%	\$565	7.2%	\$915	11.4%	\$754	9.4%
Vocational Education	\$34	0.4%	\$69	0.9%	\$104	1.3%	\$142	1.8%	\$101	1.3%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$377	4.0%	\$86	1.1%	\$258	3.3%	\$0	0.0%	\$112	1.4%
Support Service Expenditures	\$3,701	39.6%	\$3,144	39.0%	\$2,936	37.4%	\$2,990	37.3%	\$3,037	38.0%
Pupil Support Services	\$758	8.1%	\$391	4.8%	\$480	6.1%	\$409	5.1%	\$423	5.3%
Instructional Support Services	\$430	4.6%	\$382	4.7%	\$258	3.3%	\$279	3.5%	\$315	3.9%
Board of Education	\$112	1.2%	\$6	0.1%	\$7	0.1%	\$41	0.5%	\$17	0.2%
Administration	\$741	7.9%	\$901	11.2%	\$717	9.1%	\$590	7.4%	\$754	9.4%
Fiscal Services	\$309	3.3%	\$214	2.7%	\$307	3.9%	\$293	3.7%	\$265	3.3%
Business Services	\$68	0.7%	\$8	0.1%	\$12	0.1%	\$0	0.0%	\$7	0.1%
Plant Operation & Maintenance	\$799	8.5%	\$748	9.3%	\$769	9.8%	\$875	10.9%	\$792	9.9%
Pupil Transportation	\$442	4.7%	\$478	5.9%	\$262	3.3%	\$416	5.2%	\$396	5.0%
Central Support Services	\$42	0.5%	\$16	0.2%	\$124	1.6%	\$87	1.1%	\$69	0.9%
Non-Instructional Services Expenditures	\$0	0.0%	\$3	0.0%	\$7	0.1%	\$81	1.0%	\$27	0.3%
Extracurricular Activity Expenditures	\$226	2.4%	\$152	1.9%	\$232	3.0%	\$374	4.7%	\$241	3.0%
Total Governmental Fund Operational Expenditures	\$9,346	100.0%	\$8,068	100.0%	\$7,857	100.0%	\$8,012	100.0%	\$7,989	100.0%
Total Governmental Fund Expenditures¹	\$10,342	N/A	\$20,412	N/A	\$8,949	N/A	\$8,980	N/A	\$13,636	N/A

Source: Streetsboro CSD and Peer 4502 reports

¹Total Governmental Fund Expenditures includes site acquisition, improvements, and construction; and debt service.

As shown in **Table 2-6**, the District's total governmental fund expenditures per pupil were higher than two of the three peers in FY 2004-05. In addition, Streetsboro CSD's total governmental fund operating expenditures per pupil in FY 2004-05 were \$1,357 (17 percent) higher than the peer average of \$7,989. From FY 2003-04 to FY 2004-05, Streetsboro CSD's total governmental fund operating expenditures per pupil increased by \$681 (8 percent).

Table 2-6 also shows that the District exceeded the peer average in per pupil spending in instruction by 16 percent, primarily due to regular instruction. The District spent approximately \$719 (19 percent) more per student than the peer average on regular instruction in FY 2004-05, which increased by \$360 per student (9 percent) from FY

2003-04 to FY 2004-05. The higher expenditures per student are due to higher teacher staffing and salary levels, and lower employee health care contributions (see the **human resources** section).

With the exception of central support services, the District either exceeded the peer average in per pupil spending or was the second-highest in per pupil spending when compared to the peers in every support service category. Staffing, salary, and benefit levels are likely contributing to the higher expenditures. For instance, the District has relatively high staffing levels in the following classifications: administrators, clerical and library aides (see **human resources**), custodians (see **facilities**), and bus drivers (see the **transportation**). Furthermore, the **facilities** (i.e., plant operation and maintenance) and **transportation** sections contain detailed assessments of associated expenditures.

Each school district in Ohio is required to receive a performance accountability rating based on State performance standards. ODE also compiles proficiency testing information into a performance index score, which is a weighted average of all tested subjects. As a result, it reflects the achievement of every tested student.

Table 2-7 and **Table 2-8** compare Streetsboro CSD’s academic performance indicators to the peers.

Table 2-7: ODE Performance Standards Comparison

	Streetsboro	Field	Heath	Lake	Peer Average
Number of 22 Performance Standards Met					
FY 2002-2003	14	16	18	15	16
Number of 18 Performance Standards Met					
FY 2003-2004	8	14	14	13	14
Number of 23 Performance Standards Met					
FY 2004-2005	14	19	21	16	19
Number of 25 Performance Standards Met					
FY 2005-2006	22	23	25	19	22

Source: ODE District Report Cards

Table 2-8: Comparison of District Performance Index Scores (0-120 points)

	Streetsboro	Field	Heath	Lake	Peer Average
FY 2002-03	82.3	88.2	93.5	90.8	90.8
FY 2003-04	87.2	94.4	97.5	90.2	94.0
FY 2004-05	91.2	96.5	100.7	93.3	96.8
FY 2005-06	97.0	100.3	102.3	92.6	98.4

Source: ODE District Report Cards

While Streetsboro CSD's General Fund and governmental operating fund expenditures per student were higher than each peer in FY 2004-05 (see **Table 2-5** and **Table 2-6**), it met the fewest educational performance standards and achieved the lowest performance index score when compared to the peers for all years from FY 2002-03 to FY 2004-05. However, the District met 22 of 25 performance standards and achieved a performance index score of 97.0 in FY 2005-06. Although two of the three peers met more standards and achieved a higher performance index score in FY 2005-06, Streetsboro CSD's significantly improved its performance in FY 2005-06 when compared to prior years. Nevertheless, given that at least two of the peers were able to meet more state performance standards and achieve higher performance index scores each year while spending less per student in FY 2004-05, there appears to be an opportunity for Streetsboro CSD to reduce operating expenditures without negatively impacting the academic achievement of its students.

Discretionary Expenditures

R2.5 Streetsboro CSD should diligently monitor those spending areas over which it can exercise more discretion. Various areas were noted in which Streetsboro CSD spent more per student than its peer districts. District management should closely review these expenditures to identify opportunities for reductions and savings.

Table 2-9 compares Streetsboro CSD's discretionary expenditures per student from the General Fund to those of the peer districts, and shows the trend in the District's discretionary spending from FY 2003-04 to FY 2004-05.

Table 2-9: Discretionary Expenditures per Student

	Streetsboro FY 2003-04	Streetsboro FY 2004-05	Field FY 2004-05	Heath FY 2004-05	Lake FY 2004-05	Peer Average
Prof. and Technical Service	\$178	\$213	\$34	\$120	\$377	\$177
Property Services	\$124	\$121	\$241	\$164	\$99	\$168
Mileage/Meeting Expense	\$13	\$13	\$12	\$8	\$6	\$9
Communications	\$35	\$32	\$34	\$31	\$22	\$29
Contract, Craft or Trade Service	\$2	\$5	\$1	\$1	\$0	\$1
Pupil Transportations	\$4	\$6	\$3	\$1	\$8	\$4
Other Purchased Service	\$0	\$0	\$2	\$0	\$1	\$1
General Supplies	\$79	\$64	\$44	\$52	\$87	\$61
Textbooks/Reference Materials	\$35	\$99	\$7	\$85	\$7	\$33
Plant Maintenance and Repair	\$28	\$32	\$51	\$55	\$31	\$46
Fleet Maintenance and Repair	\$55	\$60	\$103	\$34	\$54	\$64
Equipment	\$15	\$26	\$23	\$16	\$5	\$15
Dues and Fees	\$225	\$218	\$162	\$186	\$145	\$164
Insurance	\$19	\$21	\$13	\$11	\$13	\$12
Miscellaneous	\$1	\$1	\$0	\$0	\$0	N/A
Total	\$813	\$912	\$729	\$765	\$857	\$784

Source: Streetsboro CSD and Peer 4502 reports and SF-3 reports

As shown in the **Table 2-9**, the District's total discretionary spending per student was 16 percent higher than the peer average in FY 2004-05. In addition, the District's discretionary spending per student was higher than the peer average or at least higher than two of the three peers in 12 of the 15 categories. From FY 2003-04 to FY 2004-05, the District increased total discretionary spending by 12 percent, due primarily to increases in professional and technical services, and textbook expenditures. Furthermore, despite inflation, the District's total discretionary spending per student in FY 2003-04 was higher than the peer average in FY 2004-05.

While the passage of a new levy has enabled the District to project positive ending fund balances through FY 2008-09, it is projecting a negative ending fund balance in FY 2009-10 (see **Table 2-1**). Moreover, expenses are projected to exceed revenues beginning in FY 2007-08 and continuing through FY 2009-10. The District should review its discretionary spending to better control and potentially reduce spending, and to help ensure financial solvency in the future.

Lastly, the District accumulated a set-aside carry forward balance of approximately \$659,000 for textbooks and instructional materials at the end of FY 2004-05, due to exceeding set-aside requirements in prior years. This balance can be used to offset future set-aside requirements and subsequently enable the District to reduce textbook and other instructional material expenditures in future years. For example, the District could reduce future spending by approximately \$127,000 annually from FY 2005-06 to FY 2009-10, based on the set-aside balance at the end of FY 2004-05 and estimated future set-aside requirements. However, the District's Assumptions state that "The School District has made a major commitment to purchase textbooks and support materials in order to enhance the curriculum."

Financial Implication: If the Districted reduced discretionary spending per student to the peer average, it would save approximately \$102,000 annually. This amount excludes insurance and pupil transportation expenditures to avoid duplicating financial implications identified in other sections of this report. This also excludes textbook expenditures based on the District's stated commitment to purchase textbooks and support materials to enhance the curriculum.

Financial Recovery Plan

R2.6 Streetsboro CSD should analyze and use the financial recovery plan outlined in Table 2-10 to evaluate the effect of recommendations presented in this performance audit and to determine the impact of the related cost savings on its financial condition. Streetsboro CSD should consider implementing the recommendations in this performance audit and other appropriate actions to enable it to further improve its financial condition and avoid future financial difficulties. In addition, the District should continue to update its financial recovery plan on an ongoing basis as critical financial issues change, closely monitor revenue and expenditure activity, and actively review its performance against budgeted and projected figures. This is particularly important since the District's actual expenditures as of March 31, 2006 were on pace to significantly exceed projections in various categories (also see R2.2 and R2.3). Furthermore, this could help the District minimize reductions in regular teaching and ESP positions. For example, if healthcare costs increased only 8 percent annually rather than the 12 percent projected by AOS, the District would achieve positive fund balances during the forecast period without having to reduce the regular teaching and ESP positions included in Table 2-10. Lastly, the District should ensure that its projection of 5 percent annual increases in personal service expenditures will cover the COLAs and step increases negotiated in the upcoming contracts.

Table 2-10 presents a potential financial recovery plan for use as a planning tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. **Table 2-10** also includes the revised projections outlined in **R2.1**, **R2.2**, and **R2.3** to present a more reasonable forecast of these items, as well as the Treasurer's revised projections for other revenues (see page 2-8 for further discussion). Additionally, **Table 2-10** includes the cumulative effective of the audit recommendations.

Table 2-10: Proposed Recovery Plan (in 000's)

	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
Revenues					
General Property Tax (Real Estate)	\$9,397	\$10,394	\$10,242	\$10,166	\$10,783
Tangible Personal Property Tax	\$3,130	\$3,415	\$3,356	\$3,295	\$3,240
Unrestricted Grants-in-Aid	\$4,182	\$4,183	\$4,184	\$4,185	\$4,186
Restricted Grants-in-Aid	\$35	\$35	\$35	\$35	\$35
Property Tax Allocation	\$762	\$547	\$575	\$607	\$639
<i>Revised All Other Revenue¹</i>	\$450	\$600	\$700	\$800	\$900
Total Revenue	\$17,956	\$19,174	\$19,092	\$19,087	\$19,783
Total Other Financing Sources	\$10	\$10	\$10	\$10	\$10
Total Revenues and Other Financing Sources	\$17,966	\$19,184	\$19,102	\$19,097	\$19,793
Expenditures					
Personal Services	\$10,974	\$11,522	\$12,099	\$12,703	\$13,339
<i>Revised Employee Retirement & Insurance Benefits</i>	<i>\$4,286</i>	<i>\$4,685</i>	<i>\$5,125</i>	<i>\$5,613</i>	<i>\$6,152</i>
<i>Revised Purchased Services</i>	<i>\$2,024</i>	<i>\$2,125</i>	<i>\$2,232</i>	<i>\$2,343</i>	<i>\$2,460</i>
Supplies & Materials	\$497	\$522	\$548	\$575	\$604
Revised Capital Outlay	\$40	\$48	\$58	\$69	\$83
<i>Revised Other Objects</i>	<i>\$686</i>	<i>\$720</i>	<i>\$756</i>	<i>\$794</i>	<i>\$833</i>
Total Expenditures	\$18,507	\$19,622	\$20,817	\$22,098	\$23,472
Total Other Financing Uses	\$11	\$11	\$11	\$11	\$11
Total Expenditures & Other Financing Uses	\$18,518	\$19,633	\$20,828	\$22,109	\$23,483
Excess of Revenue & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(\$551)	(\$449)	(\$1,726)	(\$3,011)	(\$3,690)
Beginning Cash Balance	\$49	\$284	(\$165)	(\$1,892)	(\$4,903)
Ending Cash Balance	(\$502)	(\$165)	(\$1,892)	(\$4,903)	(\$8,593)
Cumulative Effect of Property Tax Renewal and Replacement Levies			\$680	\$2,040	\$3,400
Ending Fund Balance with Levy	\$284²	(\$165)	(\$1,212)	(\$2,863)	(\$5,193)
Cumulative Effect of Performance Audit Recommendations		\$975	\$3,169	\$5,533	\$8,084
Adjusted Ending Fund Balance	\$284²	\$810	\$1,958	\$2,670	\$2,892

Source: Streetsboro CSD Five-Year Financial and performance audit recommendations

Note: Numbers may vary due to rounding. Line items in italics were revised as noted in the audit.

¹ For FY 2006-07 to FY 2009-10, this reflects the Treasurer's revised assumptions for other revenues (see page 2-8 for further discussion).

² Adjustment made to reflect actual ending balances for FY 2005-06, which has been subsequently carried forward in future years.

This performance audit provides a series of recommendations Streetsboro CSD should consider implementing. However, this performance audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan by the District.

Table 2-11A presents the impact of the changes made to the District's forecast assumptions. **Table 2-11B** details those performance audit recommendations that yielded quantifiable financial implications from all sections of this report. Recommendations separated to indicate those that require negotiations with collective bargaining units and those that do not.

Table 2-11A: Net Impact of Changes to Forecast Assumptions

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
R2.1 Revise Benefits	(\$267,021)	(\$464,658)	(\$694,291)	(\$960,174)	(\$1,267,092)
R2.2 Revise Purchased Services	(\$377,648)	(\$396,530)	(\$416,357)	(\$437,174)	(\$459,034)
R2.3 Revise Other Expenditures	(\$134,447)	(\$141,169)	(\$148,228)	(\$155,639)	(\$163,421)
Total Impact of Revised Assumptions	(\$779,116)	(\$1,002,358)	(\$1,258,876)	(\$1,552,988)	(\$1,889,547)

Table 2-11B: Performance Audit Recommendations

Recommendations				
Recommendations Not Subject to Negotiation	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
R3.1 Reduce 18.0 FTE regular education teacher positions	\$915,404	\$978,611	\$1,047,483	\$1,122,899
R3.1 Reduce 2.0 FTE ESP positions	\$91,812	\$98,152	\$105,060	\$112,624
R3.2 Reduce 1.0 FTE central administrator and reduce 1.0 FTE site-based administrator	\$164,408	\$175,761	\$188,130	\$201,675
R3.3 Reduce 1.4 library FTEs	\$41,636	\$44,511	\$47,643	\$51,074
R3.4 Reduce 5.0 clerical FTEs	\$177,219	\$189,456	\$202,790	\$217,390
R4.1 Reduce 4.0 custodial FTEs	\$155,868	\$166,630	\$178,357	\$191,198
R4.3 Implement an energy management program	\$90,300	\$94,815	\$99,556	\$104,534
R5.3 Reduce three buses	\$44,305	\$47,364	\$50,697	\$54,347
R5.5 Explore strategies to reduce special needs costs	(\$25,000)	\$40,000	\$40,000	\$40,000
R5.6 Reduce one mechanic	\$61,920	\$66,196	\$70,854	\$75,956
R5.8 Participate in fuel purchasing consortium	\$1,365	\$1,433	\$1,505	\$1,580
R5.9 Cease insuring inactive buses	\$1,155	\$1,213	\$1,273	\$1,337
Total Recommendations Not Subject to Negotiation	\$1,720,392	\$1,904,141	\$2,033,349	\$2,174,614
Recommendations Subject to Negotiation				
R3.6 Require full-time employee contributions equal to at least 10 percent of monthly health premium costs	\$125,350	\$144,153	\$165,775	\$190,642
R3.7 Alter prescription plan	\$56,350	\$64,803	\$74,523	\$85,701
R3.7 Require all classified staff to pay 30 percent of the premium if working less than 30 hours per week	\$17,940	\$20,631	\$23,726	\$27,284
R3.8 Reduce life insurance premium costs and decrease the amount of coverage for certificated employees	\$7,360	\$8,464	\$9,734	\$11,194
R3.9 Require full-time employee contributions equal to at least 10 percent of monthly dental premium costs	\$11,040	\$12,696	\$14,600	\$16,790
R3.9 Alter dental plan benefits	\$15,640	\$17,986	\$20,684	\$23,786
R3.12 Reduce two days of sick leave used by certificated staff	\$21,400	\$21,400	\$21,400	\$21,400
Total Recommendations Subject to Negotiation	\$255,080	\$290,132	\$330,442	\$376,798
Total Recommendations	\$1,975,472	\$2,194,273	\$2,363,791	\$2,551,412

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

Note: Only applied half of annual impact for recommendations with savings in FY 2006-07, assuming that the earliest the District can implement is half-way through FY 2006-07.

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Human Resources

Background

This section of the performance audit focuses on human resource operations in the Streetsboro City School District. (Streetsboro CSD or the District) The objective is to analyze human resource operations and develop recommendations for improvements and reductions in District expenditures. Data from sources such as the Ohio Department of Education (ODE), the State Employee Relations Board (SERB), and peer school districts are used for comparisons throughout this section of the report. The peer districts include Field Local School District (Field LSD), Heath City School District (Heath CSD), and Lake Local School District (Lake LSD).

Organizational Structure and Function

Streetsboro CSD does not have a separate department dedicated to performing human resources functions. Instead, the primary responsibilities are completed by the Superintendent, Treasurer and their assistants. Human resource responsibilities of the Superintendent's Office include coordinating the activities and programs for recruitment and selection of employees; monitoring compliance with employment standards (criminal background checks and teaching certificates); facilitating employee performance evaluations; administering union contracts; conducting disciplinary hearings; maintaining personnel files; placing selected substitutes; and participating in new employee orientation. The Treasurer's Office is responsible for administering health insurance plans and processing payroll.

Staffing

Table 3-1 illustrates the actual staffing levels at Streetsboro CSD and the peer districts during FY 2004-05, as reported in the Educational Management Information System (EMIS). Adjustments were made to the respective EMIS reports based on interviews with appropriate district personnel to ensure comparability and consistency in reporting. All positions are shown as full-time equivalents (FTEs).

Table 3-1: FTE Staffing Levels for FY 2004-05

Category	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Administration Subtotal	15.0	14.0	12.3	10.3	12.2
Central Subtotal	8.0	6.3	7.3	5.3 ⁴	6.3
Site-Based Subtotal	7.0	7.7	5.0	5.0	5.9
Professional Education Subtotal	151.6	176.5	104.2	126.8	135.8
Counseling	4.0	4.0	3.3	4.0	3.8
Librarian / Media	2.0	3.0	2.1	1.0	2.0
Remedial Specialist	2.6	26.0	3.0	4.8	11.3
Regular Teaching	109.0	105.5	67.0	72.7	81.7
Special Education Teaching	16.0	16.0	12.8	16.4	15.1
Vocational Education Teaching	0.0	3.0	2.0	3.0	2.7
Tutor / Small Group Instructor	5.0	2.0	0.0	10.6	6.3
Educational Service Personnel Teacher	13.0	7.0	14.0	7.8	9.6
Supplemental Service Teacher	0.0	0.0	0.0	0.2	0.2
Teacher Mentor/Evaluator	0.0	4.0	0.0	2.0	3.0
Other Professional	0.0	6.0	0.0	4.3	5.2
Professional - Other Subtotal	3.0	5.7	3.0	4.4	4.4
Technical Subtotal	2.4	0.0	0.7	1.9	1.3
Library Aide	2.4	0.0	0.7	0.9	0.8
Instructional Paraprofessional	0.0	0.0	0.0	1.0	1.0
Office/Clerical Subtotal	29.6	24.3	13.2	16.7	18.1
Bookkeeping	3.0	1.0	0.0	3.0	2.0
Clerical	11.0	14.1	5.5	5.1	8.2
Records Managing	0.0	0.0	2.7	0.9	1.8
Teaching Aide	12.7	8.2	5.0	7.6	6.9
Other Office / Clerical	2.9	1.0	0.0	0.1	0.4
Crafts / Trades Subtotal¹	4.0	2.0	0.0	1.0	1.5
Transportation Subtotal²	11.4	18.1	7.2	14.0	13.1
Service Work / Laborer Subtotal	35.2	26.2	21.5	26.5	24.7
Attendance Officer	1.0	0.0	0.0	0.0	0.0
Custodian ¹	16.0	11.5	8.0	13.0	10.8
Food Service	14.9	10.8	12.5	10.3 ⁴	11.2
Monitoring	3.3	3.3	0.0 ⁵	2.2	2.8
Groundskeeping ¹	0.0	0.6	0.0	1.0	0.8
Other Service Worker / Laborer	0.0	0.0	1.0	0.0	1.0
DISTRICT GRAND TOTALS³	252.2	266.8	162.1	201.6	210.4

Source: FY 2004-05 EMIS Staff Summary Report, Staff Demographic reports, and School Enrollment from Streetsboro CSD and the peers, and interviews.

Note: Totals may vary slightly from actual due to rounding.

¹Crafts/Trades, custodial, and grounds keeping staffing will be analyzed in the **facilities** section.

²Transportation staffing will be analyzed in the **transportation** section.

³Supplemental positions are excluded as are all 800s for extracurricular/intracurricular activities.

⁴Lake LSD contracts for food service management and is contracting for additional food service staffing as its employs leave the District through attrition. It also combined the positions of special needs director and curriculum director.

⁵ According to the Heath CSD Superintendent, teachers monitor playgrounds and lunch.

Table 3-2 illustrates the staffing levels per 1,000 average daily membership (ADM) at Streetsboro CSD and the peer districts for FY 2004-05.

Table 3-2: FTE Staffing Levels for FY 2004-05 per 1,000 ADM

Category	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Administration Subtotal	7.2	6.0	7.4	5.9	6.4
Central Subtotal	3.9	2.6	4.4	3.1	3.3
Site-Based Subtotal	3.4	3.3	3.0	2.9	3.1
Professional Education Subtotal	72.5	75.3	62.8	66.9	70.8
Counseling	1.9	1.7	2.0	2.3	2.0
Librarian / Media	1.0	1.3	1.3	0.6	1.0
Remedial Specialist	1.2	11.1	1.8	2.7	5.9
Regular Teaching	52.1	44.9	40.4	41.6	42.1
Special Education Teaching	7.7	6.8	7.7	9.4	7.9
Vocational Education Teaching	0.0	1.3	1.2	1.7	1.4
Tutor / Small Group Instructor	2.4	0.9	0.0	6.1	3.3
Educational Service Personnel Teacher	6.2	3.0	8.4	4.5	5.0
Supplemental Service Teacher	0.0	0.0	0.0	0.1	0.1
Teacher Mentor/Evaluator	0.0	1.7	0.0	1.1	1.5
Other Professional	0.0	2.6	0.0	2.5	2.6
Professional - Other Subtotal	1.5	2.5	1.8	2.5	2.3
Technical Subtotal	1.1	0.0	0.4	1.1	0.9
Library Aide	1.1	0.0	0.4	0.5	0.4
Instructional Paraprofessional	0.0	0.0	0.0	0.6	0.5
Office / Clerical Subtotal	14.2	10.3	7.9	14.0	9.4
Bookkeeping	1.4	0.4	0.0	1.7	1.0
Clerical	5.3	6.0	3.3	2.9	4.3
Records Managing	0.0	0.0	1.6	0.5	1.1
Teaching Aide	6.1	3.5	3.0	4.3	3.6
Other Office / Clerical	1.4	0.4	0.0	0.1	0.3
Crafts / Trades Subtotal	2.0	0.9	0.0	0.6	0.8
Transportation Subtotal	5.5	7.7	4.3	12.5	6.8
Service Work / Laborer Subtotal	16.9	11.2	12.9	16.8	12.9
Attendance Officer	0.5	0.0	0.0	0.0	0.0
Custodian ¹	7.7	4.9	4.8	7.4	5.6
Food Service	7.1	4.6	7.5	5.9	5.8
Monitoring	1.6	1.4	0.0	1.3	1.4
Groundskeeping	0.0	0.3	0.0	0.6	0.4
Other Service Worker / Laborer	0.0	0.0	0.6	0.0	0.6
DISTRICT GRAND TOTALS	121.0	113.8	97.5	120.4	109.7

Source: FY 2004-05 EMIS Staff Summary Report and School Enrollment from Streetsboro CSD and the peers, and interviews.

Note: Totals may vary slightly from actual due to rounding.

As illustrated in **Table 3-2**, Streetsboro CSD has higher FTE staffing levels per 1,000 ADM when compared to the peer average in the following categories:

- **Central Administration:** The District employs the second highest number of central administrators per 1,000 ADM when compared to the peers (see **R3.2**).
- **Site-Based Administration:** Streetsboro CSD employs 9.6 percent more site-based administrators per 1,000 ADM than the peer average (see **R3.2**).
- **Regular Education:** Streetsboro CSD employs the highest number of regular education teachers per 1,000 ADM when compared to the peers (see **R3.1**).
- **Tutors/Small Group Instructors:** The District employs significantly more tutors/small group instructor FTEs per 1,000 ADM when compared to Field LSD and Heath CSD. However, when combining tutor/small group instructors and remedial specialists to account for potential coding differences in EMIS, the District's staffing levels of 3.6 FTEs per 1,000 ADM are much lower than two peers and the peer average of 8.1 FTEs per 1,000 ADM.
- **Educational Service Personnel (ESP) Teacher:** Streetsboro CSD employs 1.2 more ESP teacher FTEs when compared to the peer average (see **R3.1**).
- **Technical:** Although the District has more library aides per 1,000 ADM than the peers, Streetsboro CSD has fewer librarian FTEs per 1,000 ADM when compared to Field LSD and Heath CSD. However, when combining the librarian and librarian aide classifications, Streetsboro CSD employs 2.1 FTEs per 1,000 ADM, which is 62 percent higher than the peer average of 1.3 FTEs per 1,000 ADM (see **R3.1** and **R3.3**).
- **Office Clerical:** When combining similar clerical-type classifications (bookkeeping, clerical, records managing, and other office/clerical), Streetsboro CSD maintains 40 percent more FTEs (8.1) than the peer average FTEs per 1,000 ADM (5.8) (see **R3.4**).
- **Teaching Aides:** Streetsboro CSD employs 69 percent more teaching aide FTEs per 1,000 ADM when compared to the peer average. When excluding teaching aides required as a component of special needs students' Individual Education Plan (IEP) and including the instructional paraprofessional classification to account for potential coding differences, the District employs a similar number of aides per 1,000 ADM as Lake LSD and fewer aides per 1,000 ADM when compared to Heath CSD.
- **Crafts/Trades and Custodians:** See the **facilities section** for further staffing analyses of these employee classifications.

- **Food Service:** See the **financial systems** section for further staffing and expenditure analyses.

Collective Bargaining Agreements

Certificated personnel are governed by a negotiated agreement between the Streetsboro Board of Education and the Streetsboro Education Association. Classified employees are governed by a labor agreement between the Streetsboro Board of Education and the Streetsboro School Support Personnel Association. During the performance audit, certain contractual and employment issues were assessed and compared to the state minimum standards and to peer districts because they directly affect the District’s operating budget. Additionally, Streetsboro CSD’s negotiated agreements expired June 30, 2005 with the District providing an extension until August 2005. During the course of this performance audit, the District negotiated new collective bargaining agreements.

Table 3-3 and **Table 3-4** illustrate key contractual issues in the certificated and classified employee’s negotiated agreements for Streetsboro CSD and the peer school districts.

Table 3-3: Certificated Contractual Agreement Comparison

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD
RIF – Reduction in Force	In accordance with ORC 3319.17	In accordance with ORC 3319.17	In accordance with ORC 3319.17	In accordance with ORC 3319.17
Length of work day	7 hrs and 15 minutes with 30 min duty free lunch	7 hours 30 minutes with a 30 minute duty free lunch (elementary) and a 40 minute duty free lunch at the secondary school level and 15 minutes after the last bell for bus loading.	7 hrs and 30 minutes with 35 min duty free lunch	7 hours 15 minutes with 30 minute duty free lunch in accordance with ORC 3313.48
Teaching Time/ Planning Time	Elementary and secondary: 240 minutes a week; minimum of 40 minutes for 4 days and at least 30 minutes on the other day	Elementary: 200 planning minutes per week Secondary: 40 minute planning period per day.	Elementary and Secondary: Entitled to one planning period. Average period is approximately 43 to 45 minutes, planning time is assumed to be equal to 215 to 225 minutes per week.	Elementary and secondary: up to 200 planning minutes per week with the elementary having a minimum of 30 planning minutes daily
Maximum class size	K-1=25 2-3=26 4-6=28 7-12=28 Physical Ed.=35 Music=Not subject to maximum size	K-12=25 No more than 28 in grades K-2	K-12=25	K-3= 23 4-6= 25 7-12=25

Number of Contract Days	184	184	183	184
Instructional Days	178	178	180	180
Conference Days	2.0	2.0	None Stated	1.0
Teacher Days	2.5	3.5	None Stated	3.0
In-Service Days	1.5	0.5	None Stated	4 times a year there is compressed school day
Incentives: Sick Leave and Personal Leave	Perfect attendance-no sick or personal days: \$100 for quarters 1-3 and \$150 for the 4 th quarter Total incentive = \$450	None Stated	Can cash in 3 personal days for \$150, 2 for \$100 and \$65 for 1 day.	Perfect attendance no sick or personal days: \$125 first semester \$175 second semester. Total incentive = \$425
Maximum number of sick days accrued	15/Year with no maximum accumulation	15/Year with no maximum accumulation	15/Year and maximum accumulation is 330 days	15 days per year and maximum accumulation of 290 days
Sick Leave Accrual Rate	1.25 for each month	1.25 for each month	1.25 for each month	1.25 for each month
Maximum sick leave pay out at retirement	30% of the accumulated balance.	175 days with 1 day of credit being given for every 4 days of accrued. Days accrued in excess of 175 will be paid at 1 day of credit for 5 days of accrued up to 250 days. (Total maximum days paid would be 58.75)	¼ of the value of accrued sick leave with a maximum allowance limited to 56.75 days paid, plus one day for every 10 years of service.	¼ of accumulated sick leave up to a total of the 290 days accumulated (72.5 days maximum paid out)
Number of personal days	3 (1 unused day can carry forward)	3	3 (1 unused day can carry forward)	3
Notice required	3	3	3	3
Association business leave	9 days total	None Stated	45 days for 3 year term	None Stated
Sabbatical leave	After 6 consecutive years employees receive ½ pay for up to 1 yr (36 weeks)	After 5 consecutive years of service up to 2 semesters of leave provided	Requires 5 consecutive years before departure. Leave is for one or two semesters. Receive insurance benefits, but to be eligible for pay must return to the employment of the Board for at least one year	After 5 consecutive years of service in accordance with ORC 3319.131
Pick-up of employee's STRS contribution by district	None	None Stated	None	None

Retirement Incentive	None Stated	57% of the difference between the starting salary for a BA and the current MA+15 degree salary at Step 14 for teachers retiring with 25 years of service but less than 26 years of service; 68.55% of the difference for teachers retiring with 30 years of service but less than 31 years of service	None Stated	None Stated
Cost of living increases each year of the contract	2002-03: 3.10% 2003-04: 2.50% 2004-05: 4.75% (Average: 3.45%)	2003-04: 2.00% 2004-05: 3.50% 2005-06: 3.50% (Average: 3.0%)	2005-06: 3.25% 2006-07: 3.25%	2003-04: 4.00%

Source: Streetsboro and peer districts' certificated employees' negotiated agreements

Table 3-4: Classified Contractual Agreement Comparison

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD
Minimum call-in hours paid to employees for emergencies	Two hours at time and a half	2 hours at regular rate	None Stated	None Stated
Vacation Schedule	1-8 Years = 10 Days 9-17 Years = 15 Days 18-24 Years = 20 Days 25+ Years = 25 Days	1-7 Years = 10 days 8-13 Years = 15 days 14-20 Years = 20 days 21+ Years = 25 days	1-6 Years = 10 Days 7-15 Years = 15 Days 16+ Years = 20 Days	1-5 Years = 10 days 6 Years = 11 days 7 Years = 12 days 8 Years = 13 days 9 Years = 14 days 10-19 Years = 15 days 20-24 Years = 20 days 25+ Years = 25 days
Sick/personal Leave incentive	For perfect attendance: Employees who work fewer than 204 days: \$100 1 st three quarters and \$150 for fourth quarter. Total Possible Incentive per Year = \$450 Employees who work more than 204 days: 1 st Grading period = \$150 2 nd Grading period = \$100 3 rd Grading period = \$100 4 th Grading period = \$150 Total Possible = \$500	Employees working 2080 hours per year will receive \$400 for perfect attendance. Employees working less than 2080 hours per year will receive a prorated amount.	For employees working 12 months: Can cash in 3 personal days for \$150, 2 for \$100, and \$65 for 1 day. For employees working less than 12 months: Can cash in 3 days for \$120, 2 days for \$80 and \$55 for 1 day.	Any classified employee who is present for each of their contract days when school is in session shall receive a stipend of \$170 per semester for perfect attendance = \$340 total incentive per year.

Maximum number of sick days accrued	Provided 15 days per year which can accrue with no limit	Provided 15 days which can accrue unlimited	Provided 15 days per year and can accumulate up to 330 days. Also unused personal days can convert to sick leave days.	Provided 15 days per year and can accrue up to 270 days
Maximum number of sick days paid at retirement (percentage payout)	30% based on a per diem rate of employees' final annual salary divided by the number of contract days in a school year times days accumulated	175 days with 1 day of credit being given for every 4 days of accrued. Days accrued in excess of 175 will be paid at 1 day of credit for 5 days of accrued up to 300 days. (Total maximum days paid would be 68.75)	25% of balance or a maximum of 65 days plus 1 day per year for years of service after 10 years.	25% of up to 270 days accrued (67.5 days maximum).
Retirement incentive	None	After 25 years of service: 15% of the highest salary on an hourly basis times the employees number of hours worked. Less than 25 years of service: Prorated amount will be provided.	None	None
Number of years required for severance pay	Not Specified, but must have been accepted for receipt of benefits by SERS and be retiring from the District	Must have reached retirement within SERS and provide proof of retirement years of service.	Not Specified.	10 years
Number of personal days	3	3	3	3
Days Notice Required	3	3	3	3
Number of holidays paid for 12-month employees	10	11	10	11
Number of holidays paid for less than 12 month employees	8	7	7	7

Pick-up of Employee SERS portion by District	None	None	None	None
Cost of living increases each year of the contract	2002-03: 3.10% 2003-04: 2.5% 2004-05: 4.75% (Average: 3.45%)	2004-05: 2.0% 2005-06: 3.5% 2006-07: 3.5% (Average: 3.0%)	2004-05: 3.0% 2005-06: 3.0% 2006-07: 3.0%	2004-05: 3%

Source: Streetsboro and peer districts' classified employees' negotiated agreements

Assessments Not Yielding Recommendations

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

- Special Education:** Although Streetsboro CSD's special education student to special education teacher ratio (20.2) is lower than Field LSD (25.0), it is similar to Heath CSD (20.6) and higher than Lake LSD (17.6). Additionally, based on the student to teacher ratio guidelines within OAC 3301-51-09 (G), the minimum number of special needs teachers required by the District would be 21.0 FTEs, which is higher than the District's special education teacher FTEs (16.0). However, this may result from the District's commitment to the inclusion model, which, per OAC 3301-51-09 (A), requires that districts establish the least restrictive environment for children with special needs. Therefore, special needs children should be included within regular classes to the extent that their disability allows or as guided by the child's IEP. A review of the District's December Child Count report indicates that 201 of the 320 special education students spent between 40 to 80 percent of their time inside the regular classroom. In addition to employing 16.0 special education teacher FTEs, the District employs 10.9 special education teaching aide FTEs as required by IEPs. Based on the above, special education teacher reductions are not recommended. However, the District should consult with ODE to ensure its special education staffing levels comply with OAC requirements.
- Vocational Education:** As shown in **Table 3-1**, the District does not employ vocational education teachers because it does not operate a vocational education program. Instead, the Superintendent indicated that vocational education is offered to students through the Maplewood Career Center. Additionally, Streetsboro CSD's vocational education expenditures per pupil of \$34 are significantly lower than the peer average of \$101 in FY 2004-05.
- Tutors/Small Group Instructors, Remedial Specialists and Teaching Aides:** When combining tutor/small group instructors and remedial specialists to account for potential coding differences, the District's staffing levels of 3.6 FTEs per 1,000 ADM are much

lower than the peer average of 8.1 FTEs per 1,000 ADM. Likewise, when combining non-IEP teaching aides and the instructional paraprofessional classification, the District employs a number of aides per 1,000 ADM similar to Lake LSD and fewer aides per 1,000 ADM when compared to Heath CSD.

- **Administrative Salary Analysis:** When including the effect of the District and peers paying varying levels of the employees' retirement contribution for select administrative employees, Streetsboro CSD's average salary for administrators (\$68,428) is similar to the peer average (\$67,749). Additionally, while the District's average administrative salary is higher than Field LSD (\$63,147), it is slightly lower than both Heath CSD (\$70,386) and Lake LSD (\$69,714).
- **Extracurricular Costs and Supplemental Contracts:** Streetsboro CSD has a reasonable number of supplemental contracts, as indicated by its higher ratio of students per supplemental contract (15.8) when compared to Heath CSD (13.9) and Lake LSD (14.7). In addition, the District's extracurricular expenditures per supplemental contract (\$3,571) and per student (\$225.59) are lower than the respective peer averages (\$4,305 and \$252.57).

Recommendations

Staffing

R3.1 Streetsboro CSD should continually monitor student to regular teacher and ESP staffing ratios, and regularly evaluate the impact staffing changes have on the District, both financially and educationally. Based on the District's financial condition (see financial systems), it should consider reducing regular education and ESP staffing levels. Based on peer comparisons, the District could reduce 18.0 FTE regular education teaching positions and 2.0 FTE ESP positions. Based on the minimum staffing requirements in OAC § 3301-35-05, the District could reduce a total of 42 FTE regular education teaching positions and 11.7 ESP FTE positions. To aid in reducing teaching positions, the District should seek to lower the planning time provided to teachers during future collective bargaining agreement negotiations, and review and potentially alter its scheduling of periods at the high school.

The District should weigh decisions to reduce regular teacher and ESP staffing levels against the impact the reductions may have on the District's education levels. Lastly, the District should consider its goals, enrollment, financial condition, and the collective bargaining agreement and State requirements for minimum class sizes when identifying potential teacher reductions.

Streetsboro CSD currently employs 109.0 FTE regular education teachers. These staffing levels are impacted by minimum staffing requirements established in the collective bargaining agreement and maximum student to teacher ratios stipulated by OAC § 3301-35-05. The collective bargaining agreement stipulates maximum class sizes ranging from 25 to 28 students, depending on the grade level (see **Table 3-3**), while OAC § 3301-35-05 mandates a district-wide average of 25 students in the regular student population per full-time equivalent classroom teacher. Streetsboro CSD's current staffing levels exceed these standards.

Table 3-5 compares regular student to regular teacher ratios and report card performance scores for Streetsboro CSD and peer districts in FY 2004-05.

Table 3-5: Regular Education Student Ratios FY 2004-05

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Regular Teachers	109.0	105.5	64.0	72.7	80.7
Regular Student Population	1,665	1,853	1,340	1,317	1,503
Regular Students per Regular Teacher	15.3	17.6	20.9	18.1	18.6
Total ADM	2,091	2,348	1,657	1,749	1,918
ADM per Teacher	19.2	22.3	25.9	24.1	23.8
District Report Card Performance Standards Met	14	19	21	16	18.7
Performance Index Score	91.2	96.5	100.7	93.3	96.8

Source: EMIS Certificated Staff Demographics Reports, ODE Enrollment Reports, ODE Similar district, and ODE District Report Cards FY2004-05.

According to **Table 3-5**, Streetsboro CSD's regular student to teacher and total ADM per teacher ratios are 18 and 19 percent lower than the peer averages, respectively; yet it met fewer performance standards than each peer district and its performance index score was lower than each peer district. The lower student to teacher ratios are due, in part, to the District providing more planning time for its teachers, thereby reducing the amount of time each teacher spends directly instructing students in the classroom.

Table 3-6 compares the number of daily instructional minutes available at Streetsboro CSD to the peers, after excluding planning and lunch times as defined by the respective collective bargaining agreements.

Table 3-6: Available Daily Instructional Time

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Elementary	357	380	N/A ¹	365	373
Middle School	357	370	370	364	368
High School	325 ²	370	372	358	367

Source: Certificated Collective Bargaining Agreements

¹Heath CSD's collective bargaining agreement does not specify planning time for elementary.

² Instead of the planning time stipulated in the collective bargaining agreement, this accounts for the actual daily planning time for all high school teachers provided by the superintendent (80 minutes).

As shown in **Table 3-6**, Streetsboro CSD's available instructional time is the lowest at each school level. The District's certificated collective bargaining agreement stipulates a higher number of planning minutes when compared to the peers (see **Table 3-3**), which contributes to the lower number of available instructional minutes. In addition, **Table 3-6** illustrates that the disparity in available instructional minutes significantly increases at

the high school, primarily due to differences in scheduling practices. More specifically, Streetsboro CSD's high school operates with five, 80 minute periods, which includes three instructional periods, one planning period, and one lunch period. In contrast, high schools in Heath CSD and Lake LSD operate with a total of eight and six periods, respectively, with periods lasting approximately 43 and 47 minutes, respectively. Consequently, Streetsboro CSD high school teachers' daily planning time of 80 minutes is much higher than the peers (between 40 and 47 minutes), based on the planning time defined by the peers' collective bargaining agreements. Furthermore, the District's actual planning time for high school teachers is significantly higher than the planning time in its certificated collective bargaining agreement (see **Table 3-3**) and the minimum planning time of 200 minutes per week stipulated by OAC 3301-35-05. By providing more planning time, the District needs more teachers to provide daily instruction for its student population.

A reduction of 18.0 FTE regular education teachers would bring the regular student and total ADM to teacher ratios closer to the peer and state averages. The District could further reduce regular education teacher staffing levels by 24.0 FTEs for a regular student to teacher ratio of 25:1, and still comply with the minimum standard class size ratio outlined in OAC § 3301-35-05.

Educational service personnel (ESP), as outlined in the Ohio Administrative Code (OAC) §3301-35-05(A)(4), include art, music and physical education teachers; counselors; registered nurses; social workers; and library/media specialists. **Table 3-7** compares the FY 2004-05 staffing levels for all ESP positions at Streetsboro CSD and peer districts.

Table 3-7: Comparison of ESP Staffing Levels

Classification	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
ESP Teachers ¹	13.0	7.0	14.0	7.8	9.6
Counselors	4.0	4.0	3.3	4.0	3.8
Librarian Media Specialists	2.0	3.0	2.1	1.0	2.0
Registered Nurse	1.0	1.0	1.0	1.0	1.0
Social Worker	0.0	0.0	0.0	0.0	0.0
Totals FTE Staffing Levels	20.0	15.0	20.4	13.8	16.4
Total ADM	2,091	2,348	1,657	1,749	1,918
ESP FTE per 1,000 ADM	9.6	6.4	12.3	7.9	8.6
Regular Student Population	1,665	1,853	1,340	1,317	1,503
Staff per 1,000 Regular Students					
ESP Teachers	7.8	3.8	10.4	5.9	6.4
Counselors	2.4	2.2	2.5	3.0	2.5
Librarian Media Specialists	1.2	1.6	1.6	0.8	1.3
Registered Nurse	0.6	0.5	0.7	0.8	0.7
Social Worker	0.0	0.0	0.0	0.0	0.0
Total FTEs	12.0	8.1	15.2	10.5	10.9

Source: Interviews and EMIS reports from Streetsboro CSD and peers.

¹ Includes those individuals who teach art, music or physical education K-8.

As illustrated by **Table 3-7**, Streetsboro CSD has a total of 12.0 ESP staff per 1,000 regular students and 9.6 ESP staff per 1,000 ADM, which are both higher than the peer averages. If the District reduced 2.0 ESP FTEs, it would maintain ratios of ESP staff per 1,000 ADM and per 1,000 regular students that are similar the peer averages. Additionally, the District exceeds the minimum standard of five FTE's per 1,000 ADM identified in the Ohio Administrative Code (OAC §3301-35-05 (A)(4)). Based on current enrollment and the OAC requirements, the District is required to maintain approximately 8.3 ESP personnel, or 11.7 fewer employees than the current staffing level of 20.0. Approximately 65 percent of Streetsboro CSD's ESP staff members are art, music and physical education teachers who have direct instructional contact with the students throughout the day.

Financial Implication: If the District reduced 18 FTE regular teaching positions and 2 FTE ESP positions to be more comparable to the peers, it would save approximately \$943,000 annually. This is based on positions with the lowest salaries.

R3.2 Streetsboro CSD should consider reducing 2.0 administrator FTEs: 1.0 central administrator FTE and 1.0 site-based administrator FTE. This should be done by consolidating positions, and reallocating and restructuring duties. As part of these

reductions, the District should review any cross-training or prior experience of staff that might facilitate a reallocation of duties.

Table 3-8 compares Streetsboro CSD's administrative staffing levels to the peer districts.

Table 3-8: Administrators, FY 2004-05

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Central Administrator FTEs	8.0	6.3	7.3	5.3	6.3
Site-Based Administrator FTEs	7.0	7.7	5.0	5.0	5.9
• Principal FTEs	5.0	4.7	4.0	4.1	4.3
• Assistant Principal FTEs	2.0	3.0	1.0	0.9	1.6
Total Administrator FTEs	15.0	14.0	12.3	10.3	12.2
Total ADM	2,091	2,348	1,657	1,749	1,918
Central Administrators per 1,000 ADM	3.9	2.6	4.4	3.1	3.3
Site-Based Administrators per 1,000 ADM	3.4	3.3	3.0	2.9	3.1
• Principals per 1,000 ADM	2.4	2.0	2.4	2.3	2.2
• Assistant Principals per 1,000 ADM	1.0	1.3	0.6	0.5	0.8
Total Administrators per 1,000 ADM	7.2	6.0	7.4	5.9	6.4
Total District FTEs ¹	237.2	252.8	149.8	191.3	198.0
District Employees per Administrator	15.8	18.1	12.2	18.6	16.2
Number of School Buildings	5	5	4	4	4.3
Site-Based Administrators per Building	1.40	1.54	1.25	1.25	1.37
• Principals per Building	1.00	0.94	1.00	1.03	1.0
• Assistant Principals per Building	0.40	0.60	0.25	0.23	0.37

Source: EMIS Staff Summary Reports, Interviews with Streetsboro CSD and Peers

¹Excludes administrators

Table 3-8 shows that the District employs 12.5 percent more total administrators per 1,000 ADM, and its ratio of District employees per administrator is much lower than two of the three peers. More specifically, Streetsboro CSD has 18 percent more central administrators per 1,000 ADM when compared to the peer average, primarily due to the allocation of staff responsibilities in the District. Streetsboro CSD is the only district that has a separate supervisor for each of the following functions: special needs, curriculum, food service, building and grounds, transportation and technology. Field LSD and Heath CSD each employ an assistant superintendent who is responsible for two administrative functions, while Streetsboro CSD employs two administrators to perform the two related functions. Specifically, Field LSD's assistant superintendent functions as the supervisor of transportation and technology, while Heath CSD's assistant superintendent functions as the special needs director and curriculum director. In addition, Heath CSD has one administrator who is responsible for both buildings/grounds and transportation. Lake LSD contracts with its County ESC and a food service contractor for its special needs director and its food service supervisor, respectively. Additionally, for FY 2005-06, Lake

LSD eliminated the positions of curriculum director and supervisor of building and grounds by reassigning these duties among the remaining central and site-based administrators.

Table 3-8 also shows that Streetsboro CSD has the highest number of site-based administrators per 1,000 ADM, and the second-highest number of site-based administrators per building. This is due to the District employing one more assistant principal FTE when compared to Heath CSD and Lake LSD.

By consolidating administrative responsibilities and subsequently reallocating duties, the District could reduce 1.0 central administrator and 1.0 site-based administrator. These reductions would bring Streetsboro CSD central and site-based administrative FTEs per 1,000 ADM to 3.3 and 2.9, respectively, which are similar to the peer averages. Additionally, the number of District employees per administrator would increase to 18.2 while the number of site-based administrators per building would decrease to 1.2 – both of these ratios would be similar to two of the three peers.

Financial Implication: The financial implication for the reduction of one central and one site-based administrator FTE would depend on the specific positions eliminated. However, based on the positions with the lowest salaries, the District would at least save approximately \$154,000 annually in salaries and benefits by eliminating two administrative positions.

R3.3 Streetsboro CSD should consider reducing 1.4 library FTEs. If the District reduces librarian media specialists as a part of ESP reductions (see R3.1), it should review the corresponding impact on total staffing for its library function prior to further reducing library staff. For example, if the District reduces 1.0 librarian media specialist FTE, it should reduce 0.4 librarian aid FTEs.

Table 3-9 illustrates the FY 2004-05 librarian staffing levels on a per 1,000 ADM basis at Streetsboro CSD and the peers.

Table 3-9: Library Staffing Levels for FY 2004-05

Category	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Librarian Media Specialists	2.0	3.0	2.1	1.0	2.0
Library Aides	2.4	0.0	0.7	0.9	0.5
Total Library FTEs	4.4	3.0	3.0	1.9	2.6
ADM	2,091	2,348	1,657	1,749	1,918
Library FTEs per 1,000 ADM	2.10	1.28	1.81	1.09	1.36
Number of School Buildings	5	5	4	4	4.3
Library FTEs per Building	0.88	0.60	0.75	0.48	0.60

Source: Interviews and EMIS reports from Streetsboro CSD and peers

Table 3-9 shows that Streetsboro CSD employs 54 percent more library staff per 1,000 ADM and 47 percent more library staff per building when compared to the respective peer averages. This is due to the fact that the District employs significantly more librarian aides than the peers. By reducing 1.4 librarian aide FTEs, the District would have 0.6 library staff per building, which is equal to the peer average. However, the District would still employ more library staff per 1,000 ADM (1.63), when compared to the peer average. Furthermore, the District could achieve similar staffing reductions by reducing 1.0 librarian media specialist FTE and 0.4 librarian aide FTE. In order to maintain full-time status to be eligible for health benefits, the District would need to reduce each librarian aides’ work schedule by one hour to achieve a 0.4 FTE reduction. However, none of the librarian aides currently participate in the District’s health plans.

Financial Implication: Assuming the District reduces 1.4 librarian aide FTEs, it would save approximately \$39,000 in salaries and benefits annually. This could entail eliminating two librarian aide positions and reducing the hours worked by the two remaining positions by one hour each. This would allow the two remaining positions to maintain full-time status for health benefits as defined by the District’s classified collective bargaining agreement (see **Table 3-17**).

R3.4 Streetsboro CSD should consider reducing 5.0 FTE clerical positions by pooling clerical staff in its buildings and consolidating duties.

Table 3-10 compares the clerical staffing levels for Streetsboro CSD to the peer districts.

Table 3-10: Clerical Staffing Comparison

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Total Clerical Personnel	16.9	16.1	8.2	9.1	11.1
Total District Personnel ¹	235.3	250.7	153.9	192.5	199.0
Total District Personnel per Clerical FTE	13.9	15.6	18.8	21.2	17.9
Total ADM	2,091	2,348	1,657	1,749	1,918
Total Clerical Personnel per 1,000 ADM	8.1	6.9	4.9	5.2	5.7
Total Number of Buildings ²	6.0	5.0	5.0	5.0	5.0
Clerical Personnel per Building	2.8	3.2	1.6	1.8	2.2

Source: Streetsboro CSD EMIS Staffing Summary Report.

Note: Includes EMIS categories of bookkeeping, clerical, records managing and other office/clerical.

¹ Excludes clerical personnel

² Includes separate administrative buildings, in addition to school buildings

Table 3-10 illustrates that Streetsboro CSD’s clerical staffing levels per 1,000 ADM and per building are 42 and 27 percent higher than the peer averages, respectively.

Furthermore, Streetsboro CSD’s clerical staff is supporting 22 percent fewer District personnel when compared to the peer average.

Pooling and sharing clerical staff within all of the buildings could allow the District to reduce 5.0 FTE clerical personnel. Doing so would bring the clerical FTEs to 5.7 per 1,000 ADM and 2.0 per building, which are similar to the peer averages but still higher than Heath CSD and Lake LSD. It would also increase the number of District personnel per clerical FTE to 19.8. Although this is higher than Field LSD and Heath CSD, it is lower than Lake LSD. Additionally, the number of District personnel could be impacted by other staffing reductions (see **R3.1** through **R3.3**), which would lower the number of District personnel per clerical FTE.

Financial Implication: Based on the lower-salaried clerical staff, and accounting for staff not eligible for health benefits, the District would save approximately \$166,000 annually in salaries and benefits by reducing 5.0 clerical FTEs.

Salaries

R3.5 Streetsboro CSD should periodically review certificated and classified salaries to determine the appropriateness of the current salary schedules and make any necessary adjustments. During future salary negotiations, Streetsboro CSD should attempt to negotiate a new salary schedule for certificated employees, mechanics, food service staff and bus drivers. Additionally, the District should attempt to negotiate COLAs of no more than two percent annually for all employees during the next contract period (see financial systems for more information on COLA projections). Limiting COLAs to no more than two percent would temper the rate of compensation increases, generate cost avoidances and gradually bring the higher paid employee classifications in line with the peers.

Salaries for Streetsboro CSD certificated employees are stipulated in the collective bargaining agreement, which was effective through June 30, 2005 and renegotiated during the course of this performance audit. **Table 3-11** compares average salaries for the overall professional education classification and regular education teachers at Streetsboro CSD to the peers.

Table 3-11: Comparison of Professional Education Average Salaries

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Professional Education	\$43,473	\$35,659	\$44,930	\$42,040	\$40,876
• Regular Teaching	\$45,596	\$43,090	\$42,975	\$ 43,666	\$43,244

Source: Streetsboro CSD and Peer EMIS Salary Information FY 2004-05

Note: Average salaries were calculated by dividing the total adjusted salary amounts by the total number of employees. Salaries were adjusted for the respective districts’ cost of doing business factor to provide a more reliable comparison of salaries.

As illustrated by **Table 3-11**, Streetsboro CSD's average salary for staff in the professional education classification is 6.4 percent higher than the peer average. Considering that the District's regular education teachers comprise 72 percent of the total professional education staffing levels, this is mainly due to regular education teacher average salaries being 5.4 percent higher than the peer average. As indicated by **Table 3-3**, Streetsboro CSD has provided relatively generous cost of living adjustments, which have contributed to the higher average salaries in **Table 3-11**.

Table 3-12 illustrates the certificated step schedule for Streetsboro CSD (agreement effective through June 30, 2005) and its peers.

Table 3-12: Certificated Salary Step Schedule Comparison

Streetsboro CSD					
Years	Bachelors	150 Hours	Master	Masters+15	Masters +30
0	\$29,032	\$30,774	\$32,516	\$34,258	\$36,000
1	\$30,629	\$32,371	\$34,113	\$35,855	\$37,596
5	\$37,016	\$38,758	\$40,500	\$42,242	\$43,983
10	\$45,000	\$46,742	\$48,483	\$50,255	\$51,967
15	\$52,983	\$54,725	\$56,467	\$58,209	\$59,951
17	\$52,983	\$54,725	\$56,467	\$58,209	\$59,951
30	\$57,774	\$59,516	\$61,258	\$62,999	\$64,741
Field LSD					
Years	Bachelors	150 Hours	Master	Masters+15	Masters +30
0	\$27,673	\$29,328	\$32,438	\$33,523	\$34,696
1	\$29,328	\$30,252	\$33,523	\$34,647	\$35,875
5	\$33,202	\$34,245	\$38,244	\$39,525	\$41,011
10	\$38,770	\$39,993	\$45,096	\$46,607	\$48,472
17	\$44,374	\$45,829	\$52,349	\$54,139	\$56,445
29	\$46,311	\$48,043	\$55,947	\$58,014	\$60,596
Heath CSD					
Years	Bachelors	150 Hours	Master	Masters+15	Masters +30
0	\$29,244	\$30,414	\$32,168	\$32,900	\$33,631
1	\$30,414	\$31,584	\$33,631	\$34,508	\$35,093
5	\$35,093	\$36,263	\$39,479	\$40,357	\$40,942
10	\$40,942	\$42,111	\$46,790	\$47,668	\$48,253
15	\$47,083	\$48,253	\$54,101	\$54,979	\$55,564
27	\$54,394	\$55,564	\$61,412	\$62,290	\$62,875
Lake LSD ¹					
Years	Bachelors	150 Hours	Master	Masters+10	Masters +16
0	\$28,849	\$29,919	\$32,060	\$33,130	\$34,200
1	\$30,349	\$31,419	\$33,560	\$34,630	\$35,701
5	\$36,350	\$37,420	\$39,561	\$40,631	\$41,701
10	\$43,850	\$44,921	\$47,061	\$48,132	\$49,202
15	\$45,351	\$47,921	\$54,562	\$55,632	\$56,703
40	\$52,851	\$55,422	\$62,063	\$63,133	\$64,203
Peer Average					
Years	Bachelors	150 Hours	Master	Masters+15 ²	Masters +30 ²
0	\$28,589	\$29,887	\$32,222	\$33,212	\$34,164
1	\$30,030	\$32,456	\$33,571	\$33,864	\$35,484
5	\$34,882	\$37,805	\$39,095	\$39,387	\$40,977
10	\$41,187	\$44,758	\$46,316	\$46,608	\$48,363
15-17	\$45,603	\$50,760	\$53,671	\$53,664	\$56,005
27+	\$51,185	\$53,010	\$59,807	\$60,100	\$61,736
Percent Difference When Compared to the Peer Average					
Years	Bachelors	150 Hours	Master	Masters+15 ²	Masters +30 ²
0	1.6%	3.0%	0.9%	3.2%	5.4%
1	2.0%	(0.3%)	1.6%	5.9%	6.0%
5	6.1%	2.5%	3.6%	7.2%	7.3%
10	9.3%	4.4%	4.7%	7.8%	7.5%
15-17	16.2%	7.8%	5.2%	8.5%	7.0%
27+	12.9%	5.3%	2.4%	4.8%	4.9%

Source: Streetsboro CSD and peer certificated contract agreements.

¹ Lake LSD certificated step schedules are for FY 2003-04 due to them being in the last available contract.

² Lake LSD certificated step schedules for the advanced masters degrees are for masters plus 10 semester hours and masters plus 16 semester hours; therefore, they were excluded from the peer average for masters +15 and masters +30.

Table 3-12 shows that Streetsboro CSD salaries for the bachelors, bachelors plus 150 hours, masters, masters plus 15 and masters plus 30 categories are all higher than the peer average for each respective year, with the one exception being the bachelors plus 150 hours with 1 year of service. **Table 3-12** also shows that the District's starting and ending salaries are either the highest or second highest for each category when compared to the peers, with the one exception being the ending salary in the masters schedule. Therefore, in addition to the higher COLAs, the District's higher salary schedule for certificated employees contributes to the higher average salaries in **Table 3-11**.

Similar to the certificated staff, salaries for Streetsboro CSD classified employees are stipulated in the collective bargaining agreement, which was effective through June 30, 2005, and renegotiated during the course of this performance audit. Based on an analysis of all classified employees, Streetsboro CSD's average salaries were higher than the peer averages in the crafts and trades, food service and transportation classifications. **Table 3-13** presents the average salaries for these positions at Streetsboro CSD and the peers.

Table 3-13: Comparison of Select Classified Average Salaries

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Crafts and Trades	\$36,358	\$33,206	N/A	\$31,764	\$32,485
Food Service	\$13,746	\$14,142	\$9,356	\$16,816	\$13,438
Transportation	\$20,406	\$18,316	\$20,462	\$20,797	\$19,858

Source: Streetsboro CSD and peer EMIS salary information FY 2004-05

Note: Average salaries were calculated by dividing the total adjusted salary amounts by the total number of employees. Salaries were adjusted for the respective districts' cost of doing business factor to provide a more reliable comparison of salaries.

Table 3-13 shows that Streetsboro CSD's average salary in the crafts and trades classification is higher than Field LSD and Lake LSD. **Table 3-13** also shows that although the District's average salaries for food service and transportation staff are higher than the peer averages, the average food service salary is the second lowest when compared to each peer while the average transportation salary is similar to two of the three peers.

Table 3-14 illustrates the mechanic (in crafts and trades classification) bus driver and food service step schedules for Streetsboro CSD and its peers for FY 2004-05.

Table 3-14: FY 2004-2005 Salary Schedules for Select Classified Positions

Step	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Mechanics					
0	\$ 15.71	\$ 13.56	N/A ¹	N/A ¹	N/A ¹
5	\$ 18.07	\$ 15.33	N/A ¹	N/A ¹	N/A ¹
9	\$ 19.79	\$ 16.68	N/A ¹	N/A ¹	N/A ¹
15	\$ 21.37	\$ 17.52	N/A ¹	N/A ¹	N/A ¹
Final Step	\$ 23.57	\$ 18.12	N/A ¹	N/A ¹	N/A ¹
Years to Achieve Final Step	25	30	N/A ¹	N/A ¹	N/A ¹
Bus Drivers					
0	\$ 13.91	\$ 12.90	\$ 11.39	\$ 10.21	\$ 11.50
5	\$ 16.00	\$ 13.65	\$ 12.92	\$ 10.47	\$ 12.35
9	\$ 17.53	\$ 14.03	\$ 14.15	\$ 10.73	\$ 12.97
15	\$ 18.92	\$ 15.10	\$ 16.00	\$ 11.00	\$ 14.03
Final Step	\$ 20.87	\$ 16.39	\$ 17.23	\$ 11.72	\$ 15.11
Years of Service for Final Step	25	30	25	26	27
Food Service					
0	\$ 9.75	\$10.47	\$ 8.93	\$10.44	\$ 9.95
5	\$ 11.21	\$11.73	\$10.13	\$11.81	\$11.22
9	\$ 12.29	\$12.58	\$11.10	\$12.48	\$12.05
15	\$ 13.26	\$13.57	\$12.54	\$12.99	\$13.03
Final Step	\$ 14.63	\$14.52	\$13.51	\$13.84	\$13.96
Years to Achieve Final Step	25	30	25	25	27

Source: Streetsboro and Peer classified collective bargaining agreements

¹ Heath CSD's and Lake LSD's classified collective bargaining agreements do not have salary schedules for mechanics.

As illustrated in **Table 3-14**, the District's salary schedule for mechanics is significantly higher at each step when compared to Field LSD. Likewise, the salary schedule for bus drivers is significantly higher than each peer at each step, despite the actual average salary being similar to Heath CSD and Lake LSD. While the salary schedule for food service staff is lower than two of the three peers at steps 0, 5, and 9, the salaries at step 15 and the ending step are the second-highest and highest when compared to the peers. In addition, similar to the certificated bargaining agreement, the District's classified collective bargaining agreement provided relatively high COLAs (see **Table 3-4**). Based on **Table 3-14** and the relatively high historical COLAs, differences in employee years of service also contribute to the District's actual average salaries for bus drivers being similar to two of the three peers and for food service staff being lower than two of the three peers.

Financial Implication: If the District implemented this recommendation, the revised pay schedule would likely only impact new employees. As a result, the immediate impact of a revised salary schedule would depend on the number of existing employees who leave their positions and are replaced by new hires. The maximum of a two percent COLA has already been included in the forecast developed by the Treasurer (see **financial systems**).

Benefits Administration

R3.6 During future contract negotiations, Streetsboro CSD should negotiate to require all full-time employees, and all employees receiving full benefits, to pay at least 10 percent of the monthly health care premiums. Furthermore, any employee contributions that are negotiated should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care premiums.

Streetsboro CSD utilizes the Portage County Schools Health Insurance Consortium (the consortium) to administer health insurance through Medical Mutual of Ohio or Ohio Health Choice. The consortium is responsible for setting the monthly premiums for each member district.

Table 3-15 compares Streetsboro CSD's monthly premium costs and employee contribution levels to the peers and the State Employment Relations Board *2004 13th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* averages. SERB completes an annual report on the cost of health insurance in the Ohio Public Sector.

Table 3-15: Health Insurance Premium Comparison for FY 2005-06

	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Streetsboro CSD including Prescription	Medical Mutual or Ohio Health Choice PPO	\$393.02	Classified: \$15.00 Certificated: \$0	\$955.93	\$52.40
SERB State Average		\$349.22	\$27.17	\$913.18	\$82.59
SERB 1,000 to 2,499 students		\$372.13	\$33.11	\$922.53	\$99.61
SERB Average Akron/Canton		\$337.97	\$19.90	\$902.96	\$55.18
Field LSD	Medical Mutual PPO	\$456.35	\$10.00	\$1,106.18	\$20.00
Heath CSD	Anthem High Option PPO	\$360.95	\$28.88	\$912.83	\$73.03
	Anthem Buy Down Option PPO	\$332.09	\$26.56	\$839.87	\$67.19
Lake LSD	Medical Mutual	\$381.90	Classified \$24.00 Certificated \$32.00	\$1,017.84	Classified \$65.00 Certificated \$80.00
Peer Average		\$383.13	Classified \$21.61 Certificated \$24.36	\$969.18	Classified \$54.06 Certificated \$60.06

Source: Streetsboro CSD, peers, and SERB

Note: The peers could not separate prescription from medical premium costs. According to SERB, the premium information in Table 3-15 could include other items such as prescription, dental, optical and life insurance because the associated costs with these additional benefits cannot necessarily be calculated separately.

As illustrated in Table 3-15, Streetsboro CSD monthly premiums are higher than the averages reported by SERB for the State, similarly-sized school districts, and Akron/Canton region. However, this is due, in part, to the SERB report covering 2004 while Streetsboro CSD's premiums are for FY 2005-06. SERB reported that medical premiums increased by a weighted average of 14.7 percent from 2003 to 2004. Assuming a similar increase for 2005, the average premium for the Akron/Canton region, which had lower premiums when compared to the State and 1,000-2,499 ADM averages, would be \$388 for single and \$1,036 for family. As shown in Table 3-15, the District's premiums are lower than these estimates of SERB averages for 2005. SERB also reported that when employees pay a portion of the premium cost for medical coverage, their portion of the premium cost averaged 11.8 percent of the monthly premium cost for single and 12.3 percent of the monthly premium cost for family. In contrast, Streetsboro CSD's employee contributions represent only 3.8 and 5.5 percent of the premium costs for single and family plans, respectively. Furthermore, the District does not require any employee contribution for certificated staff on the single plan.

Streetsboro CSD’s monthly premiums for single coverage are higher than three of the four plans offered by the peers. Additionally, the monthly premiums for family coverage are higher than two of the four plans, although both of those plans are also offered by Heath CSD. The District’s family premiums are lower than Field LSD and Lake LSD. While the District’s employee contribution percentage is higher than Field LSD, it is lower than Heath CSD (8 percent for all plans) and Lake LSD’s (classified at 6.3 percent for single and 6.4 percent for family, and certificated at 8.4 percent for single and 7.9 percent for family).

Table 3-16 compares Streetsboro CSD’s general fund expenditures for employee fringe benefits to the peer school districts for FY 2004-05. The data is presented on a per student basis and on a per FTE basis to account for differences in the number of students and employees.

Table 3-16: Fringe Benefits per Student and FTE FY 2004-05

	Streetsboro	Field	Heath	Lake	Peer Average	% Difference
Per Student	\$1,968	\$1,760	\$1,590	\$1,330	\$1,560	26.1%
Per FTE	\$15,564	\$14,427	\$15,501	\$10,450	\$13,434	15.9%

Source: Streetsboro CSD and the peers

As illustrated in **Table 3-16**, Streetsboro CSD is spending more on employee fringe benefits than all of its peers, which is due to the higher health, life and dental premium costs. The lower employee contribution rates and plan benefits contribute to the District’s higher premium costs (see **R3.7**, **R3.8** and **R3.9**).

Financial Implication: If the District negotiated a 10 percent employee contribution to monthly healthcare premiums for medical and prescription coverage (\$39.30 for single coverage and \$95.59 for family coverage), the potential annual cost savings would be approximately \$109,000.

R3.7 The District should evaluate prescription benefits as a means to control health insurance premium costs. Specifically, Streetsboro CSD should negotiate multi-tier co-payments and mandatory use of mail order for prescription coverage. In addition, the District should negotiate to increase the minimum work hour requirement for all bus drivers and food service staff by eliminating the exemption that allows those staff employed prior to 1986 to receive full benefit coverage if they work only 20 hours per week. In order to be consistent with the rest of the classified staff, the District should consider increasing the minimum work hour requirement to 30 hours per week for all bus drivers and food service staff, and requiring the staff working less than 30 hours per week to pay 30 percent of the premium to obtain full coverage.

Table 3-17 compares the key medical insurance benefits at Streetsboro CSD to the peer districts for FY 2005-06.

Table 3-17: Key Medical Plan Benefits

Health Plan	Streetsboro CSD	Field LSD	Heath CSD		Lake LSD ¹
	Medical Mutual	Medical Mutual	Anthem Blue Cross		Medical Mutual
			High Option	Buy Down Option	
Hours Worked for Eligibility	<p>Classified employees hired after December 31, 1985 must work 30 hours or more to receive full coverage. Cafeteria and bus driver employees hired before 1986 must work 20 hours or more to receive full coverage. Employees working less than full time can purchase insurance by paying 30% of the insurance premiums.</p> <p>Certificated Employees: Employees who work 27 hours or more are eligible for full benefits. Employees hired after July 1, 1998 and working less than 27 hours per week can receive insurance on a prorated basis based on the percentage of hours worked plus an additional 10%.</p>	<p>Classified Employees: 30 hours or more</p> <p>Certificated Employees: All full-time employees shall receive benefits. Full-time is defined as working more than 21.5 hours per week</p>	<p>All Employees: hired after September 1, 1995: Employees working less than 12.5 hours – no insurance is provided. Employees working 12.5 hours but less than 20 hours ½ of the insurance benefit will be paid by the District</p> <p>Employees working 20 hours or more per week full insurance will be paid by the Board.</p>	<p>All Employees: hired after September 1, 1995: Employees working less than 12.5 hours – no insurance is provided. Employees working 12.5 hours but less than 20 hours ½ of the insurance benefit will be paid by the District</p> <p>Employees working 20 hours or more per week full insurance will be paid by the Board.</p>	<p>Classified Employees: Under 25 hours per week – 9 month contract, employee will contribute 7% of the monthly premium plus 50% of the balance. 25-34 hours per week – 9 month contract 7% of the monthly premium plus 40% of the balance</p> <p>35-40 hours per week – 9-12 month contract 7% of the monthly premium capped at \$24 single and \$65 family coverage.</p> <p>Certificated Employees: No minimum</p>
Office Visits	<p>90% (Network) 80% (Out of Network)</p>	<p>100% covered after the deductible and co-insurance amounts are applied</p>	<p>\$10 co-pay (network) 20% co-pay (out of network)</p>	<p>\$15 co-pay (network) 30% co-pay (out of network)</p>	<p>\$5 co-pay (network) 20% co-pay (non network)</p>

	Streetsboro CSD	Field LSD	Heath CSD		Lake LSD ¹
Prescription Plan	Yes	Yes	Yes	Yes	Yes
Cost	\$10.00 per prescription co-pay; employee is responsible for contributing 5% of the cost of the plan for family coverage but no contribution is required for single coverage.	\$5.00 per prescription co-pay	\$10.00 for generic/\$20 for brand name/\$30 non-formulary for 30 day	\$10.00 for generic/\$20 brand name formulary / \$30 non-formulary generic/brand	10% (in and out of network)
Mail Order	None required	None required	Yes, required \$20 generic/\$40 brand name/\$60 non-formulary for a 90 day supply	Yes, required \$20 generic/\$40 brand name/ \$60 non-formulary for a 90 day supply	None Required
Employee Annual Deductible	\$100 S/\$200 F (Network) \$100 S/\$200 F (Out of Network)	\$50 S/\$100 F plus co-insurance of 10% of the first \$1,000 (Network); 20% of the first \$2,000 (Non-network)	None – (Network) \$300 (S) / \$600 (F) (Non-network)	\$250 S / \$500 F (Network) \$500 S/\$1,000 F (Non-network)	\$50 S/\$100 F
Employee Out of Pocket Maximum	\$500 S (Network) \$900 S (Non-network) \$1,000 (Network)/ \$1,800 F: (Non-network)	\$150 S (Network)/ \$350 S (Non-network) \$300 F (Network)/ \$700 F(Non-network)	\$500 S / \$1,000(F)-(Network); \$1,000(S)/ \$2,000(F) (Non-network)	\$1,000 S / \$2,000 (Network) \$2,000 S / \$4,000 (Non-network)	\$200 per member (network and non-network)
Maternity	90% after deductible (Network) 80% after deductible (Non-network)	100% covered after the deductible and co-insurance amounts are applied.	Covered in full (Network); 20% co-pay (Non-network)	10% Co-pay Network 30% Co-pay Non-network	100% (Network); 20% co-pay (Non-network)
Well Child Care	100% covered up to \$500 per year for birth through 1 year \$150 per year from ages 1-9	100% covered after the deductible and co-insurance amounts are applied	\$10 co-pay (Network) 20% co-pay (Non-network)	\$15 co-pay (Network) 30% co-pay (Non-network)	\$5 co-pay (Network) 20% co-pay (Non-network)

	Streetsboro CSD	Field LSD	Heath CSD		Lake LSD ¹
Inpatient Hospital Care	90% after deductible (Network)	100% Covered after the deductible and co-insurance amounts are applied	Covered in full (Network);	10% Co-pay (Network)	100% Covered (Network)
	80% after deductible (Non-network)		20% co-pay (Non-network)	30% co-pay (Non-network)	20% after deductible (Non-network)

Source: Healthcare booklets and collective bargaining agreements for Streetsboro and peers

¹ Lake LSD reflects benefits through Oct. 31, 2005.

As indicated in **Table 3-17**, the levels of benefits offered at Streetsboro CSD are generally comparable to the peer districts in most areas. However, as shown by **Table 3-17**, Streetsboro CSD does not require mail order prescriptions while Heath CSD requires it for both plans. Streetsboro CSD also does not have a three tier prescription drug plan for over-the-counter prescriptions, in contrast to Heath CSD. According to Business and Legal Reports, nearly two-thirds of large employers now have three-tier member co-payments and some have additional tiers for discretionary or high-cost specialty drugs. Additionally, according to a 2004 Report published by the Kaiser Family Foundation, to combat rising costs, employers are increasingly providing employees with financial incentives to encourage the use of generic drugs and certain categories of preferred brand name drugs. Two of these methods include tiered drug plans, mandatory use of generic drugs (when available), and mail-order discount plans.

Altering the District’s prescription plan could help in reducing its overall premium costs. For example, Heath CSD has the lowest healthcare premiums when compared to the other peers and to Streetsboro CSD, and is the only district operating a three-tiered prescription plan and requiring mail order prescriptions. Furthermore, for Streetsboro CSD, prescription premium costs comprise approximately 26 percent of both the single and family premium costs.

Lastly, **Table 3-17** shows that the District’s classified bargaining agreement allows cafeteria staff and bus drivers employed prior to 1986 to obtain full benefits, if they work at least 20 hours per week. In contrast, all remaining classified employees need to work at least 30 hours per week to receive full benefits, while employees working less than 30 hours per week can purchase health insurance by paying 30 percent of the premium. Although Heath CSD provides full coverage for employees working more than 20 hours per week, Field LSD offers full coverage for classified employees working at least 30 hours per week. Additionally, for classified staff, Lake LSD has a higher graduated scale of payments based on hours worked and a higher hour threshold (35) to eliminate the graduated percentage payments in order to receive full benefits. During FY 2004-05, the District had 6 bus drivers and 2 food service staff working less than 20 hours per week and receiving full health insurance coverage.

Negotiating to require all classified staff to work at least 30 hours per week to obtain full health coverage, or pay 30 percent of the premiums if working less than 30 hours, would reduce the District’s health care costs and ensure equitable treatment. Moreover, the hour threshold would be similar to Field LSD, while the hour threshold and prorated payment would still be less than Lake LSD.

Financial Implication: The District’s single and family premiums are approximately \$32 and \$43 higher than Heath CSD’s High Option PPO. Assuming the District realized a 50 percent reduction in these differences by altering its prescription plan, it would save approximately \$49,000 in annual premium costs. This estimate accounts for the corresponding reduction in savings attributable to requiring all staff to contribute at least 10 percent of the monthly premium costs (see **R3.6**). In addition to the savings realized by requiring at least a 10 percent employee contribution, the District would realize additional savings of approximately \$15,600 annually by requiring all classified staff working less than 30 hours per week to pay 30 percent of the premium.

R3.8 Streetsboro CSD should seek competitive bids for life insurance to determine if the current premium costs could be reduced. During future contract negotiations, Streetsboro CSD should also consider reducing the level of life insurance coverage paid by the District for certificated employees.

Streetsboro CSD provides its classified employees with \$25,000 and its certificated employees with \$50,000 of life insurance coverage. In addition, the District provides its employees the option to purchase additional life insurance coverage at their own expense **Table 3-18** illustrates the life insurance coverage and costs per \$1,000 in coverage for Streetsboro CSD and the peer districts.

Table 3-18: Life Insurance Premiums and Coverages

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD ¹
Premiums and Amounts of Coverage	\$4.50 per \$25,000 and \$9.00 per \$50,000	\$9.75 for \$50,000	\$3.50 for \$25,000	\$4.50 per \$30,000
	\$0.18 per \$1,000	\$0.20 per \$1,000	\$0.14 per \$1,000	\$.15 per \$1,000

Source: Streetsboro CSD and peers

As seen in **Table 3-18**, Streetsboro CSD’s life insurance premiums are less expensive than Field LSD and more expensive than Heath CSD and Lake LSD. The District could attempt to lower its life insurance premiums through the competitive bidding process. Additionally, the amount of District paid coverage that is provided to certificated employees in Streetsboro CSD is more generous than its classified employees, and both Heath CSD and Lake LSD.

Financial Implication: If Streetsboro CSD could reduce its life insurance premium cost to the premiums offered by Lake LSD through competitive bidding, it would save approximately \$4,600 annually. Additionally, if the District were to lower the amount of coverage provided to certificated employees to 30,000, it could save approximately \$1,800 annually. These estimates are based on the number of employees receiving life insurance as of August 2005.

R3.9 Streetsboro CSD should consider negotiating to reduce the maximum annual dental benefit and major restoration coverage, and increase its annual deductible for the family plan to be more in line with the peers. Furthermore, the District should consider increasing the employee contribution to 10 percent for the monthly dental premiums, consistent with the employee contribution for health care premiums (see R3.6).

Table 3-19 illustrates the FY 2005-06 dental premiums for Streetsboro CSD and the peers.

Table 3-19: Dental Premiums

School District	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Streetsboro CSD	\$36.74	\$1.84	\$91.81	\$4.59
Field LSD	\$44.06	\$0.00	\$108.64	\$0.00
Heath CSD	\$27.07	\$2.17	\$75.80	\$6.06
Lake LSD	\$59.19	\$0.00	\$59.19	\$0.00
Peer Average	\$43.44	N/A	\$81.21	N/A
2004 SERB Average ¹	\$40.00	N/A	\$75.83	N/A

Source: Streetsboro CSD, peers and SERB

¹ To provide a more valid comparison, the 2004 SERB data was increased by 14.7 percent, which was the weighted average increase in single and family health insurance premiums from 2003 to 2004.

Table 3-19 illustrates that Streetsboro CSD’s monthly dental insurance premium for the single plan is lower than two peers and the adjusted SERB average. However, its monthly dental premium for the family plan is higher than two peers and the adjusted SERB average. Additionally, the weighted average of the single and family premium for Streetsboro is \$77.24, which is 30 percent higher than Lake LSD’s premium of \$59.19 for both single and family plans. Table 3-19 also illustrates that Streetsboro CSD employees pay 5 percent of the monthly premium costs. Heath CSD is the only peer that requires an employee contribution, which amounts to 8 percent of the premium.

Table 3-20 shows the FY 2005-06 dental plan provisions for Streetsboro CSD and the peers.

Table 3-20: Key Dental Plan Benefits

Description	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD ¹
Maximum Benefit each calendar year for class 1,2, and 3	\$2,000	\$2,500	\$1,000	\$1,500
Lifetime Maximum for Orthodontic services per person	\$1,000	\$1,250	\$1,000	\$1,000
Annual Deductible	\$25S/\$50F	\$25S/\$75F	\$25S/\$75F	None Listed
Percentages for Dental Procedures:				
Class 1- Preventative and Diagnostic	100%	100%	100%	100%
Class 2- Basic Restoration	80%	80%	80%	80%
Class 3- Major Restoration	80%	80%	50%	60%
Class 4- Orthodontia	50%	60%	60%	60%

Source: Streetsboro CSD and the peers

Table 3-20 shows that that the District's maximum benefit per calendar year is higher than Heath CSD and Lake LSD. Although the District's orthodontia coverage is less than each peer, its coverage for major restoration is much higher than Heath CSD and Lake LSD. In addition, the District's annual deductible for family coverage is lower than Heath CSD and Field LSD. The higher maximum benefit and major restoration coverage along with the lower annual deductible for the family plan contributes to the District's higher dental premiums, particularly when compared to premiums and benefits at Heath CSD and Lake LSD.

Financial Implication: Assuming that the District could reduce its dental premiums to Lake LSD's level by reducing the maximum benefit and coverage for major restoration, and increasing the annual deductible for the family plan, the potential annual cost savings would be approximately \$13,600. This is based on the straight average of the District's single and family premiums (\$64.28) rather than the weighted average to provide a conservative estimate of potential savings. Furthermore, if the District negotiated a 10 percent employee contribution to the reduced premium of \$31.65 for single and \$86.72 for family, it could realize additional cost savings of approximately \$9,600 annually.

Collective Bargaining Agreements

R3.10 During future certificated and classified negotiations, Streetsboro CSD should seek to place a cap on the amount sick leave that can be paid out at retirement that is similar to the peers. The District should also consider reducing the percentage payout.

Streetsboro CSD certificated and classified contracts provide a severance payment of 30 percent of the accumulated number of sick days at retirement, with no maximum limit. The District's payout amount could be significantly higher than the peers because the other districts place a cap on the amount of sick days provided as severance. In addition,

Streetsboro CSD's payout of 30 percent is higher than each peer. More specifically, Field LSD provides each certificated employee with 25 percent of accumulated balance up to 175 days accumulated and 20 percent from 176 days accumulated up to 250 days; Heath CSD provides 25 percent of accrued balance with payout being limited to 56.75 days plus 1 day for every 10 years of service; and Lake LSD pays 25 percent of up to 290 days accumulated. Although there are slight variations in the number of days when compared to the certificated agreements, the peers' classified collective bargaining agreements are based on a 25 percent payout of accumulated sick leave, with a maximum payout. Based on the peers' agreements, the maximum days paid out at retirement for certificated and classified staff are as follows: Field CSD – 58.75 and 68.75; Heath CSD – 56.75 and 65 (plus one day for every 10 years of service); and Lake LSD – 72.5 and 67.5. ORC 124.39 states that sick leave payout shall not exceed the value of 30 days of accrued sick leave. However, section (C) permits political divisions to compensate employees for more than 30 days. Furthermore, ORC 3319.141 states that for teaching and non-teaching staff, unused sick leave shall be accumulated up to 120 days unless otherwise approved by the school board.

Instituting a cap on the amount of sick leave paid out at retirement and decreasing the percentage paid out to Lake LSD's level would help Streetsboro CSD reduce its long-term liability costs while still providing a fair severance payout.

Financial Implication: Because future severance pay will depend upon which employees retire and their related sick leave balances at retirement, the financial implication resulting from the establishment of a cap on the severance payout could not be quantified.

R3.11 During future contract negotiations, Streetsboro CSD should attempt to eliminate the provision guaranteeing a minimum of two hours paid at time and a half for emergencies. The District should seek to base the payment for emergency call-in on the employees' regular hourly rate or reduce the minimum number of guaranteed hours paid.

As shown in **Table 3-4**, Streetsboro CSD's current negotiated agreement with the classified employees requires the Board to provide two hours at time and one-half for all emergency call-ins. In contrast, Field LSD provides employees 2 hours at regular time for emergency situations while Heath CSD and Lake LSD do not stipulate a minimum number of hours or the rate at which they are paid. Streetsboro CSD provides employees a minimum of two hours at an overtime rate even if the total hours worked are not greater than 40 per week. According to ORC 4111.03 and the Fair Labor Standards Act (FLSA), the only hours that the District is required to pay at time and a half are hours worked in excess of 40 per week. Streetsboro CSD's current classified contract exceeds ORC standards and its peers for compensation of minimum call-in hours. Providing generous benefits to classified employee places an additional financial burden on the District.

Financial Implication: Although not readily quantifiable because emergency situations do not occur on a predictable basis, renegotiating this provision would reduce overtime payments.

R3.12 Streetsboro CSD should attempt to negotiate a lower number of holidays for its classified employees working less than 12 months per year during future negotiated agreements. More specifically, the District should attempt to reduce the number of paid holidays to 7 per year. By reducing the number of holidays to a level similar to the peers, the District would increase productivity as staff would be working one additional day during the year.

As shown in **Table 3-4**, the District's current negotiated agreement with the classified staff provides 12 month employees with 10 paid holidays per year, while the less than 12 month employees receive 8 paid holidays per year. In contrast, each peer provides only 7 paid holidays for employees working less than 12 months. Providing employees with more holidays than the peers can reduce productivity since there are fewer work days devoted to District operations.

According to ORC §3319.08.7, the District is only required to provide 11 and 12 month employees with a minimum of seven paid holidays per year while the 9 and 10 month employees must be provided with a minimum of six paid holidays per year. Streetsboro CSD's current classified contract exceeds the ORC minimums by three holidays for 12 month employees, one holiday for 11 month employees, and two holidays for 9 and 10 month employees.

Sick Leave

R3.13 Streetsboro CSD should strive to reduce the amount of sick leave used by its employees by strengthening the policies to ensure its proper use. More specifically, the District should consider establishing policies to discipline employees who abuse sick leave and to include prohibitions against "pattern abuse." These prohibitions should indicate that if an employee engages in a "pattern abuse," he or she may be subject to discipline. The District should also begin actively monitoring sick leave usage. For example, the District could monitor sick leave usage by preparing payroll reports at month-end that show the amount of sick leave used by each employee during the prior month, the year-to-date leave usage by employee, and a comparison of the year-to-date sick leave totals by employee classification to the same time period from the prior year. In addition, the District should consider following the American Society for Public Administration's (ASPA's) suggestions for effectively managing sick leave use.

Streetsboro CSD should also consult with its legal counsel to ensure that all required notices concerning the policy are given to employees, discipline procedures are fair and appropriate, and a process is in place for employees to dispute sick leave abuse claims that is compliant with all applicable laws and/or collective bargaining agreements. Furthermore, the District should consider negotiating to eliminate its sick leave incentive as it has not been effective at minimizing sick leave usage. At a minimum, however, the District should reduce its sick leave incentive to be more comparable to the peers.

As shown in **Table 3-3** and **Table 3-4**, Streetsboro CSD’s sick leave incentive is more generous than its peers for both negotiated agreements. Streetsboro CSD’s current classified and certificated negotiated agreements provide sick leave incentives that total up to \$450 for not using any sick or personal days. For classified employees working more than 204 days, the collective bargaining agreement provides a maximum sick leave incentive of \$500 for perfect attendance. In contrast, Field LSD’s certificated collective bargaining agreement does not provide a sick leave incentive while the classified collective bargaining agreement provides a maximum sick leave incentive of \$400 for perfect attendance. While Heath CSD’s agreements do not contain a sick leave incentive, they provide a maximum payment of \$150 for cashing in 3 personal days. Lake LSD’s certificated collective bargaining agreement provides a maximum of \$425 for perfect attendance and the classified collective bargaining agreement provides a maximum of \$340 for any classified employee being present for each of their contract days.

As shown in **Table 3-21**, despite the generous sick leave incentive, the amount of sick leave used by Streetsboro CSD employees is higher than the peer average and ODAS average.

Table 3-21: Sick Leave Usage (FY 2004-05)

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Total Sick Hours Used	18,074.4	15,996.0	12,500.0	7,615.2	12,036.8
Total FTEs	252.2	266.8	162.1	201.6	210.2
Sick leave hours per FTE	71.7	60.0	77.1	37.8	57.3
DAS Average per Employee					53.7

Source: Streetsboro CSD and the peers

Streetsboro CSD’s certificated and classified staff averaged 71.7 hours of sick leave per employee in FY 2004-05, which is 25 and 18 percent higher than the peer and ODAS state averages, respectively. The ODAS sick leave average is comprised of 8 unions in the State.

A policy to identify and discipline employees suspected of abusing sick leave is absent from the District’s policies and collective bargaining agreements. This is contrary to the

State Council of Professional Educators, Ohio Education Association (SCOPE) and the Ohio Civil Service Employees Association (OCSEA), Local 11 collective bargaining agreements with the State of Ohio. **Table 3-21** includes sick leave use for employees represented by these two collective bargaining agreements. SCOPE represents teachers and librarians, and OCSEA Local 11 represents numerous classifications including account clerks, administrative assistants, computer operators, electricians, equipment operators, food service workers, and maintenance repair workers. Specifically, both of these collective bargaining agreements (2003-2006) with the State of Ohio contain provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

In the article “Sick Leave Abuse: A Chronic Workplace Ill?”, which has appeared in American Society for Public Administration and International Personnel Management Association, determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problem helps address core issues. This article also indicates that methods for monitoring sick leave abuse can vary from one organization to the next, but there are common guidelines all employers can follow. Some tips for controlling leave abuse cases include:

- Recognizing the problem and intervening early before it escalates. Managers need to enforce leave policies and take appropriate action;
- Finding out why the employee is abusing leave. If a manager finds that it stems from a personal problem, recommend counseling or refer them to an employee assistance program;
- Learning to say “no.” Employers should not let employees get away with abusing leave policies;

- Using procedures, regulations, practices, and knowledge so that all employees are aware of leave policies and how to use them; and
- Documenting everything to learn from past mistakes.

If the District successfully reduced sick leave usage by establishing policies to include prohibitions against “patterns of abuse” and active monitoring sick leave use, 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.

Financial Implication: Streetsboro CSD could realize a potential cost savings of approximately \$21,400 if each certificated staff member used two fewer sick leave days per year, to be similar to the ODAS average. A reduction in classified sick leave usage could not be readily quantified because substitutes are not consistently used to cover absences.

Financial Implications Summary

The following tables summarize the estimated annual cost savings identified in this section of the report. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiation requires agreement from the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Costs Savings
R3.1 Reduce 18 FTE regular teaching positions and 2 FTE ESP positions	\$943,000
R3.2 Reduce 1.0 FTE central and 1.0 FTE site-based administrator positions	\$154,000
R3.3 Reduce 1.4 library FTEs	\$39,000
R3.4 Reduce 5.0 clerical FTEs	\$166,000
Total	\$1,302,000

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Costs Savings
R3.6 Require full-time employee contributions equal to at least 10 percent of monthly health premium costs	\$109,000
R3.7 Alter prescription plan	\$49,000
R3.7 Require all classified staff to pay 30 percent of the premium if working less than 30 hours per week	\$15,600
R3.8 Reduce life insurance premium costs and decrease the amount of coverage for certificated employees	\$6,400
R3.9 Require full-time employee contributions equal to at least 10 percent of monthly dental premium costs	\$9,600
R3.9 Alter dental plan benefits	\$13,600
R3.12 Reduce two days of sick leave used by certificated staff	\$21,400
Total	\$224,600

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Facilities

Background

This section of the performance audit focuses on Streetsboro City School District's (Streetsboro CSD or the District) custodial, maintenance and building operations. The objective is to analyze these areas and develop recommendations for operational improvements and reductions in expenditures. The District's operations are evaluated against data and operational standards from the American Schools and University (AS&U) *Maintenance & Operations Cost Study*, and peer school districts. The peer districts include Field Local School District (Field LSD), Heath City School District (Heath CSD), and Lake Local School District (Lake LSD).

Organizational Structure and Function

During FY 2004-05, Streetsboro CSD consisted of 5 schools: 3 elementary schools, 1 middle school (grades 7-8), and 1 high school (grades 9-12). The District also operated an administration building and a garage/central services building separate from the other facilities. The custodial and maintenance departments are responsible for the operation and upkeep of these additional facilities. The Building and Grounds Supervisor is ultimately responsible for the oversight of the custodial and maintenance staff, and reports to the Superintendent.

Staffing

The goal of the custodial and maintenance staff is to perform work required for the routine care, maintenance, protection, and preservation of the assigned building, its contents and grounds. Accordingly, the custodial staff is responsible for opening and cleaning the buildings, snow removal and security. During days when school is in session and it is not possible to enter classrooms to clean, custodians maintain common areas; perform minor building maintenance; and perform other duties as assigned. The Building and Grounds Supervisor and building principals are responsible for the daily supervision of the custodial staff.

The maintenance staff is responsible for maintaining all exterior lighting, repairs, patching, paving, and general preventive maintenance tasks. The maintenance staff also performs lawn maintenance of athletic fields and is in charge of snow removal. The Building and Grounds Supervisor is responsible for the daily supervision of the maintenance staff.

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

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

Classification	Total Number of Positions	Number of Full-time Equivalents
Building and Grounds Supervisor	1	1.0
Maintenance Secretary ¹	1	0.3
Total Administration	2	1.3
Total Custodial	15	14.5
Total Maintenance²	2	1.1
Total Grounds³	N/A	1.4
Total	19	18.3

Source: Streetsboro CSD

¹ Maintenance secretary works 210 days a year: 3 hours a day as maintenance secretary and 5 hours a day at the copy center

² Maintenance FTEs include the time spent by five custodians on maintenance, which is approximately 10 percent of their time per day.

³ The two maintenance workers spend roughly 60 and 80 percent of their time, respectively, on grounds keeping.

Key Statistics

Key statistics related to the facility maintenance and operations (M&O) of Streetsboro CSD are presented in **Table 4-2**. Results from the 34th Annual AS&U *Maintenance and Operations Cost Study* (April 2005) and data from the National Center for Education Statistics' (NCES) *Planning Guide for Maintaining School Facilities* (2003) are also included in **Table 4-2** and throughout this section of the report. AS&U conducted a detailed survey of public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. This year's report provides the median number of each category on a national level and by district enrollment.

Table 4-2: Key Statistics and Indicators

Number of Buildings	7
- Elementary Schools	3
- Middle School	1
- High School	1
- Other	2
Total Square Feet Maintained	306,628
- Elementary Schools	150,113
- Middle School	49,680
- High School	98,835
- Other	8,000
Square Feet Per FTE Custodial Staff Member (14.5)	21,147
- Elementary Schools (6.7)	22,405
- Middle School (2.9)	17,131
- High School (4.5)	21,963
- Other (0.4)	20,000
NCES Standard Square Feet per FTE	29,500 ¹
AS&U 34th Annual Cost Survey (1,000 - 3,499) Students Median	29,805
AS&U 34th Annual Cost Survey National Median	25,444
Peer District Average Square Feet Per FTE Custodian	27,994
Square Feet Per FTE Maintenance Staff Member (1.1)	278,753
AS&U 34th Annual Cost Survey (1,000 - 3,499) Students Median	100,000
AS&U 34th Annual Cost Survey National Median	87,931
Peer District Average Square Feet Per FTE Maintenance ²	N/A
Acres per Groundskeeper FTE (1.4)	62
AS&U 34th Annual Cost Survey (1,000 - 3,499) Students Median	48
AS&U 34th Annual Cost Survey National Median	41
Peer District Average Acres per Groundskeeper ¹	N/A
FY 2004-05 Maintenance and Operations Expenditures Per Square Foot	\$5.19
- Custodial and Maintenance	\$3.73
- Utilities	\$1.46
AS&U 34th Annual Cost Survey (1,000 - 3,499) Students Median	\$3.94
AS&U 34th Annual Cost Survey National Median	\$3.84
Peer District Average	\$4.98

Source: Streetsboro CSD and peer districts; AS&U 34th Annual Maintenance and Operations Cost Survey

¹ Represents the average of NCES Level 3 cleaning standard (the normal standard that is acceptable for most school facilities) of 28,000 to 31,000 square feet per custodian.

² Heath contracts out the majority of its maintenance tasks, while Field LSD and Lake LSD have staff performing both maintenance and grounds functions.

As illustrated in **Table 4-2**, Streetsboro CSD's square footage per custodial FTE is lower than the AS&U national median by 41 percent, the median for similar sized districts by 20 percent, and the NCES benchmark by 28 percent (see **R4.1**).

Table 4-2 also shows that Streetsboro CSD's square footage per maintenance FTE is higher than the AS&U medians. However, this could be due, in part, to differences in the amount of contracted maintenance functions. For instance, Streetsboro CSD's FY 2004-05 purchased services expenditures per square foot of \$0.47 were close to three times the AS&U median for similar-sized school districts of \$0.17 (see **Table 4-5**). The District's Heating, Ventilation and Air Conditioning (HVAC) system is partially maintained by a private service provider (climate controls). The District also out-sources the service for its boilers. In addition, the Treasurer indicated that the increases in purchased services in recent years are due to the District outsourcing the majority of its equipment repairs (see **Table 4-3**).

Similar to the maintenance square footage ratios, **Table 4-2** shows that the District is maintaining more grounds area per FTE when compared to both AS&U medians. However, in addition to the District staff, Streetsboro CSD employs three students who work 40 hours per week during the summer to help maintain the grounds. When including the student FTEs, the District's ratio of acres per FTE decreases to 46, which is similar to the AS&U median for similar-sized districts.

Since a precise breakdown of time devoted separately to maintenance and grounds keeping could not be provided by the peers, **Table 4-2A** combines the maintenance and grounds keeping functions for the District and compares them to the peers.

Table 4-2A: Peer Comparison of Maintenance/Grounds Keeping

	Streetsboro CSD	Field LSD	Lake LSD	Peer Average
Maintenance/Grounds Keeping FTEs	2.5	1.6	1.0	1.3
Total Square Footage	306,628	293,730	284,511	289,121
Square Footage per FTE	122,651	183,581	284,511	142,256
Total Acreage	87	75	58	67
Acres per FTE	43.5 ¹	46.9	58.0	51.2

Source: Streetsboro CSD and peers

Note: Heath CSD contracts-out for the majority of its maintenance function.

¹ Excludes the five custodians because they perform minor maintenance. Also excludes student FTEs due to not knowing whether the peers use student helpers, and to what extent they are potentially used.

As indicated in **Table 4-2A**, Streetsboro CSD is maintaining fewer square feet and acres per FTE when compared to both Field LSD and Lake LSD. However, in FY 2004-05, the District's purchased service expenditures per square foot (\$0.47) were lower than both Field LSD (\$1.75) and Lake LSD (\$0.76).

Lastly, **Table 4-2** shows that the District's total facility related expenditures per square foot are higher than the AS&U national median and the median for similar sized districts, and the peer average. See **Tables 4-4** and **4-5** for detailed comparisons of expenditures per square foot.

Financial Data

Table 4-3 illustrates the general fund expenditures incurred to maintain and operate Streetsboro CSD's facilities for FY 2003-04 and FY 2004-05, and budgeted information for FY 2005-06. Aside from \$1,919 in non-general fund expenditures for purchased services, the District's maintenance and operations expenditures came entirely from the general fund in FY 2004-05.

Table 4-3: Maintenance and Operations Expenditures

	FY 2004 Expenditures	FY 2005 Expenditures	Percentage Change	FY 2006 Budget	Percentage Change
Salaries and Wages	\$580,378	\$637,519	9.8%	\$631,796	-0.9%
Benefits	\$266,878	\$266,670	-0.1%	\$268,838	0.8%
Utilities	\$480,798	\$447,275	-7.0%	\$433,000	-3.2%
Purchased Services	\$133,236	\$142,341	6.8%	\$154,021	8.2%
Supplies and Materials	\$57,290	\$67,250	17.4%	\$70,972	5.5%
Capital Outlay	\$16,461	\$23,358	41.9%	\$9,000	-61.5%
Other	\$14,926	\$7,347	-50.8%	\$15,250	107.6%
Total	\$1,549,967	\$1,591,760	2.7%	\$ 1,582,877	-0.6%

Source: Streetsboro CSD's Treasurer's Office

Explanations for significant variances in **Table 4-3** are as follows:

- **Salaries and Wages** – Salaries and wages increased 9.8 percent in FY 2004-05. This is due to the District operating with fewer custodians during a portion of FY 2003-04. Specifically, the District laid off custodians in the summer of 2003, and subsequently recalled them during FY 2003-04 (August, 2003). In addition to the recalls, the increase was also the result of step and COLA increases. The slight decrease projected in FY 2005-06 is due to employee turnover.
- **Benefits** – Despite the increase in salaries in FY 2004-05, benefits stayed constant at the FY 2003-04 level. The Treasurer attributed this to the two percent decrease the District received in its insurance premium.
- **Utilities** – Utilities declined 7.0 percent in FY 2004-05 and are budgeted to further decrease by 3.2 percent in FY 2005-06. This is due to the District joining the Ohio Electric Consortium. The District's prices are locked in and the Ohio School Council is anticipating a ten percent decrease to Streetsboro CSD's utilities. However, in an effort to be conservative, the Treasurer budgeted only a three percent decrease. In addition, the \$480,798 utility cost in FY 2003-04 includes payment of a few carry over bills from FY 2002-03.

- **Purchased Services** – Purchased services increased 6.8 percent in FY 2004-05 and are budgeted to increase 8.2 percent in FY 2005-06. The Treasurer indicated that the high costs are due to the District outsourcing the majority of its equipment repairs.
- **Supplies and Materials** – The District experienced a large increase in supplies and materials in FY 2004-05. The Treasurer attributed the increase to the District having to replenish its supplies after the cuts made to supplies and materials in FY 2002-03.
- **Capital Outlay** – In FY 2005-06, the District is anticipating a decline in capital outlay expenditures of 62 percent. The Treasurer indicated that the decreases in capital outlay are a result of budget constraints.
- **Other** – The District has experienced large fluctuations in this category over the last three years. The main expenditure that is accounted for in this category is assessments for the District’s water lines and electric lights. The Treasurer indicated that in FY 2004-05, the county auditor felt that the City of Streetsboro collected too much money from the District and reduced the assessment fee. This was a one-time occurrence and the Treasurer projected assessments to remain consistent with the FY 2003-04 level.

Table 4-4 compares Streetsboro CSD’s general fund custodial and maintenance-related expenditures on a per square footage basis to the peers and AS&U.

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

Cost Area	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average	AS&U Median for 1,000 – 3,499 Students
District Square Feet	306,628	293,730	296,668	284,511	291,636	N/A
Salaries & Benefits	\$904,189	\$657,802	\$519,650	\$742,404	\$639,952	
Per Square Foot	\$2.95	\$2.24	\$1.75	\$2.61	\$2.19	\$2.05
Purchased Services	\$142,341	\$512,964	\$182,445	\$118,362	\$271,257	
Per Square Foot	\$0.46	\$1.75	\$0.61	\$0.42	\$0.93	\$0.17
Utilities	\$447,275	\$339,064	\$329,682	\$341,803	\$336,850	
Per Square Foot	\$1.46	\$1.15	\$1.11	\$1.20	\$1.16	\$1.36
Supplies/Materials	\$67,250	\$110,786	\$78,899	\$48,823	\$79,503	
Per Square Foot	\$0.22	\$0.38	\$0.27	\$0.17	\$0.27	\$0.25
Capital Outlay	\$23,358	\$2,607	\$5,763	\$782	\$3,051	
Per Square Foot	\$0.08	\$0.01	\$0.02	\$0.00	\$0.01	N/A
Other	\$7,347	\$9,020	\$272	\$899	\$3,397	
Per Square Foot	\$0.02	\$0.03	\$0.00	\$0.00	\$0.01	\$0.11
Total Expenditures	\$1,591,760	\$1,632,243	\$1,116,711	\$1,253,073	\$1,334,009	
Per Square Foot	\$5.19	\$5.56	\$3.76	\$4.40	\$4.57	\$3.94

Source: Streetsboro CSD, the peers and AS&U

Table 4-4 shows that Streetsboro CSD's total general fund expenditures per square foot are approximately 14 percent higher than the peer average and 32 percent higher than the AS&U median. The District's expenditures for salaries and benefits per square foot are approximately 34 percent higher than the peer average and 44 percent higher than the AS&U median. This is primarily due to the District's higher custodial staffing levels (see **R4.1**). Streetsboro CSD's utility expenditures are also higher than the peer average and the AS&U median (see **R4.3**). In addition, Streetsboro CSD's capital expenditures from the General Fund are higher than the peer average but lower than the AS&U. This is due, in part, to Streetsboro CSD not having a permanent improvement fund. Two of the three peers (Heath CSD and Lake LSD) have permanent improvement funds. As previously mentioned, the District is restricting capital outlay expenditures for FY 2005-06 (see **Table 4-3**).

Table 4-5 compares Streetsboro CSD's FY 2004-05 all funds M&O expenditures per square foot to the peers and AS&U.

Table 4-5: FY 2004-05 All Expenditures per Square Foot

Cost Area	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Avg	AS&U Median for 1,000 – 3,499 Students
District Square Feet	306,628	293,730	296,668	284,511	291,636	N/A
Salaries & Benefits	\$904,189	\$657,802	\$519,650	\$742,404	\$639,952	
Per Square Foot	\$2.95	\$2.24	\$1.75	\$2.61	\$2.19	\$2.05
Purchased Services	\$144,260	\$513,082	\$185,595	\$215,103	\$304,593	
Per Square Foot	\$0.47	\$1.75	\$0.63	\$0.76	\$1.04	\$0.17
Utilities	\$447,275	\$339,064	\$329,682	\$341,803	\$336,850	
Per Square Foot	\$1.46	\$1.15	\$1.11	\$1.20	\$1.16	\$1.36
Supplies/Materials	\$67,250	\$114,228	\$88,696	\$48,823	\$83,916	
Per Square Foot	\$0.22	\$0.39	\$0.30	\$0.17	\$0.29	\$0.25
Capital Outlay	\$23,358	\$2,607	\$5,763	\$25,044	\$11,138	
Per Square Foot	\$0.08	\$0.01	\$0.02	\$0.09	\$0.04	N/A
Other	\$7,347	\$9,020	\$272	\$13,025	\$7,439	
Per Square Foot	\$0.02	\$0.03	\$0.00	\$0.05	\$0.03	\$0.11
Total Expenditures	\$1,593,679	\$1,635,803	\$1,129,658	\$1,386,202	\$1,383,888	
Per Square Foot	\$5.20	\$5.57	\$3.81	\$4.87	\$4.75	\$3.94

Source: Streetsboro CSD, the peers and AS&U

Similar to **Table 4-4**, **Table 4-5** illustrates that Streetsboro CSD's ratios are higher than the peer average and AS&U median in salaries and benefits, and utilities (see **R4.1** and **R4.3**). Overall, Streetsboro CSD's expenditures per square foot are higher than the peers by approximately nine percent.

Noteworthy Accomplishments

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

- **Overtime:** Streetsboro CSD uses substitute employees to keep overtime use to a minimum. Overtime in FY 2004-05 amounted to only 3 percent of salaries, which was lower than the peer average.
- **Supplies and Materials:** Streetsboro CSD's supply and material costs per square foot are lower than the peers and the AS&U median for school districts of similar size.

Assessments Not Yielding Recommendations

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

- **Maintenance/Grounds Staffing:** Based on the staffing and purchased service comparisons to AS&U and the peers (see **Tables 4-2, 4-2A, and 4-5**), the District's maintenance and grounds keeping staffing levels appear reasonable.
- **Purchased Services:** Although Streetsboro CSD's purchased service expenditures per square foot are higher than the AS&U median for school districts of similar size, they are lower than all of the peers.
- **Building Capacity and Utilization:** Using the suggested methodology for establishing capacity from *Defining Capacity* by DeJong and Associates, Streetsboro CSD's building utilization for the entire District is at 74 percent. The District's high school is operating at 90 percent capacity and the middle school is operating at a capacity of 77 percent. However, the District's three elementary schools are currently operating significantly below their respective capacity, operating at an average of 65 percent of capacity. Although various options were reviewed to close an elementary school to optimize capacity usage, at least one of the remaining elementary schools would be operating over 95 percent of capacity if the District closed an elementary school. Therefore, coupled with potential increases in future enrollment, closing an elementary school does not currently appear to be a feasible option. Although the District's enrollment decreased by 1.4 percent from 2004-05 to 2005-06, its enrollment increased by an average of 2.6 percent each year from 2001-02 to 2004-05.

Recommendations

Staffing

R4.1 The District should consider reducing custodial staffing by 4.0 FTEs. This would result in a square footage per FTE ratio that is more comparable to the peer average, AS&U median for similar-sized school districts and NCES’ normal cleaning standard.

Table 4-6 compares Streetsboro CSD’s square footage per custodian to the peers, the AS&U national medians, and the NCES standard.

Table 4-6: Square Footage per FTE Custodial Employee

	Square Footage
Streetsboro CSD	21,147
Peer Districts	
- Field	26,703
- Heath	32,963
- Lake	23,709
Peer District Average	27,792
AS&U 34th Annual Cost Survey National Median	25,444
AS&U 34th Annual Cost Survey Median (1,000 - 3,499 Students)	29,805
NCES Normal Cleaning Standard	28,000 – 31,000

Source: Streetsboro CSD, the peers, AS&U and NCES

As shown in Table 4-6, Streetsboro CSD’s custodial staff is maintaining fewer square feet per custodian than all of the peers, both AS&U medians, and the NCES normal cleaning standard. If the District eliminated 4.0 FTEs, it would maintain 29,203 square feet per custodian. While this would exceed the performance of Field LSD, Lake LSD and the AS&U national median, it would be lower than the AS&U median for similar-sized school districts and Heath CSD. It would also be in the lower range of NCES’ normal cleaning standard.

Financial Implication: The District would save approximately \$146,000 annually in salaries and benefits by reducing 4.0 FTE custodian positions, based on the entry level salary for custodians.

Work Order Process

R4.2 Although the Building and Grounds Supervisor is tracking work orders and preventive maintenance electronically, the Supervisor should strive to improve the effectiveness of the process by prioritizing the status of individual work orders when

they are received. In addition, the Supervisor should begin tracking and monitoring the amount of supplies and materials used on a project, the cost of labor (including regular hours and overtime), and the productivity and performance of assigned personnel.

Tracking labor and supply costs would help the Supervisor determine the costs of preventative maintenance activities, thereby making future preventive maintenance costs more predictable. This would also help the District anticipate needed facility and equipment repairs and replacements. Furthermore, tracking labor time and costs would help the Supervisor better quantify the amount of time spent by staff on maintenance activities, especially since the District does not have staff strictly devoted to maintenance tasks. This would, in turn, help the Supervisor ensure that the time spent is sufficient to adequately maintain the District's facilities.

Streetsboro CSD's current work order system is electronic and was designed to help keep track of preventive maintenance work. The Building and Grounds Supervisor indicated that the District does have a preventive maintenance schedule especially for the HVAC, and tracks preventative maintenance through the work order system. However, the District is not fully utilizing the work order system to ensure that the workload is distributed evenly; or to track project priority, cost of parts, labor hours needed to complete a repair, and the performance of the assigned personnel.

According to NCES' *Planning Guide for Maintaining School Facilities*, a work order system helps school districts register and acknowledge work requests, prioritize tasks, assign personnel, confirm progress, facilitate preventive maintenance, allow feedback from relevant stakeholders, and track the costs of parts and labor. At a minimum, a work order system should include the following:

- Date received;
- Date approved;
- Tracking number;
- Priority and location;
- Status (e.g. open or closed);
- Name of supervisor;
- Name(s) of assigned personnel;
- Supply and labor hours/costs; and
- Date completed.

Utilities

R4.3 Streetsboro CSD should continue to participate in the Ohio Schools Council consortium for natural gas and electricity. Furthermore, Streetsboro CSD should develop an energy management program that includes detailed energy policies, energy efficient practices, and guidelines that District staff should follow to help minimize energy costs. For example, maintaining cooling temperatures at 78 degrees and heating temperatures at 68 degrees could be included as an energy efficient practice. The energy management program should also define broad cost and performance objectives. The energy management program should be visible to the District's administration, the Board of Education, staff and students. Objectives and progress should be periodically reported and updated. Lastly, Streetsboro CSD should communicate with its staff, through a qualified consultant, about the energy management processes and provide relevant training.

In FY 2004-05, the District's utility expenditures per square foot were 26 percent higher than the peer average and seven percent higher than the AS&U median. However, the District has managed to reduce its utility expenditures over the last three years. The decrease is a result of the District controlling room temperatures and joining a consortium for the purchase of natural gas and electricity.

The U.S. Department of Energy's Energy Smart Schools website: <http://www.energysmartschools.gov/> offers numerous publications on energy conservation practices including the August 2004 document: *School Operations and Maintenance: Best Practices for Controlling Energy Costs – A Guidebook for K-12 School System Business Officers and Facilities Managers*, prepared by Princeton Energy Resources International, HPowell Energy Associates, and the Alliance to Save Energy. This 130 page guidebook provides detailed and practical guidance on how K-12 school districts can plan and implement enhancements to their current operations and maintenance (O&M) programs that can successfully maintain facilities while also reducing energy costs by up to 20 percent.

Most of the energy management strategies detailed in the Guidebook entail limited capital costs and in most cases, produce rapid paybacks of less than two years. Energy-efficient O&M program options include: energy tracking and accounting, voluntary energy awareness, performance contracting, and quick and low-cost strategies such as:

- Repairing window and door glass and using weather-stripping;
- Reducing excessive light levels by careful delamping;
- Cleaning and repairing chilled water plants or package units;
- Conducting combustion testing and boiler tune-ups;
- Repairing leaking steam traps;

- Repairing pipe and vessel insulation for steam and hot water distribution lines;
- Instituting night and weekend temperature setbacks;
- Eliminating 24/7 operation of exhaust fans and vending machines;
- Replacing all incandescent light bulbs with equivalent compact fluorescent bulbs;
- Establishing district-wide vacation shut down procedures; and
- Repairing malfunctioning dampers on unit ventilators.

The *School District Energy Manual*, published by the Association of School Business Officials in 1998, recommends that temperature settings be centrally controlled, and allow a variance of only one to two degrees for manual adjustments. Additionally, the manual recommends the following energy saving techniques:

- Adjusting thermostat settings to 78 degrees for cooling and 65 to 68 degrees for heating (70 to 72 degrees for kindergarten and special education rooms) as a conservation guideline.
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate.
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat.
- Encouraging staff, faculty and students to use blinds as a means of controlling temperature. Closing blinds on the south and west sides of buildings keeps them cooler in the summer, and opening blinds helps warm the buildings in the winter on sunny days.
- Developing policies that indicate water should not be kept running in the restrooms.

There are also numerous private companies that provide energy conservation consultation. For instance, Elyria CSD contracted with a vendor in July 2004 to provide training to school district employees about energy conservation. The training does not require additional funds since the fees are paid from guaranteed savings. If the savings are not sufficient to cover the fees, the company will reimburse the district for the difference. The estimated savings for Elyria CSD are \$2.3 million over the next seven years, and the estimated net savings for the first year should be \$141,000.

The District has taken steps to control costs through its enrollment in the Ohio Schools Council consortium for natural gas and electricity. The District also has system controls that allow for predetermined temperature settings. However, Streetsboro CSD keeps temperature settings at approximately 72 degrees for cooling, which is lower than the *School District Energy Manual's* recommended energy saving guideline of 78 degrees for cooling. Additionally, the absence of a district-wide energy conservation program and

policy limits Streetsboro CSD's ability to further contain utility costs. According to the *School Operations and Maintenance: Best Practices for Controlling Energy Costs* handbook, a district should be cognizant of the following factors when implementing a successful energy conservation program:

- The program and program managers must be visible to the Superintendent, School Boards, and other staff, and program objectives and progress should be reported periodically.
- Energy savings are not immediate, but develop over time.
- Distribution of school-specific information to building staff is essential.
- Problems must be recognized and improvements made to ensure success of the program.
- External support is vital.
- A detailed energy policy should provide guidelines for the program and define broad cost and performance objectives.

Financial Implication: The District's estimated utility costs for FY 2005-06 are approximately \$430,000, slightly lower than the actual expenditures of approximately \$447,000 in FY 2004-05. If the District implemented an energy management program and decreased energy costs by 20 percent based on the FY 2005-06 budget, it could expect annual cost savings of approximately \$86,000. This would decrease utility expenditures per square foot to \$1.12, which is more comparable to the peer average (\$1.16).

Facilities Planning

R4.4 Using the current facilities plan as a starting point, the District should work with a cross-section of school personnel, parents, students and community members to develop a comprehensive facilities master plan that includes updated enrollment projections (see R4.5) as well as other essential components (e.g., capacity analysis, financial information, etc.). In carrying out this process, the preventative maintenance program (see R4.2) and the capital improvement plan (see R4.7) should be used as major pieces of the master plan. The master plan should serve as a roadmap for addressing the District's current and future facility needs, planned educational programs, and the demography of the District.

Streetsboro CSD underwent a facilities master planning process as part of the Ohio Schools Facilities Commission (OSFC) project, which was completed in 2001. As a part of this process, enrollment projections were prepared for the District, and Streetsboro has since updated them (see **R4.5** for more information). In addition, the Building and Grounds Supervisor indicated that the District has a five-year buildings and grounds plan. The plan presents the major construction and renovation activities the District wishes to

accomplish during the five-year period for all buildings and grounds. However, the plan lacks other essential components of a facilities master plan, including financing estimates for the proposed activities.

DeJong & Associates, Inc., one of the nation’s leading experts in educational facility planning, identifies the following as essential components of a facilities master plan:

- 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;
- Educational programs;
- Academic achievement; and
- Financial and tax information.

The Neighborhood Capital Budget Group (NCBG) is a decade-old coalition of nearly 200 community based organizations and local economic development groups dedicated to improving neighborhoods through well planned, targeted public investment. Headquartered in Chicago, the NCBG provides research, policy analysis and organizing assistance to school districts who are concerned with the condition of their facilities. According to the NCBG, “... a facility master plan’s goal is to provide equal educational opportunities for all children by providing healthy, safe, high-performing, world class, educationally appropriate learning environments.” A facility master plan increases public confidence and accountability in schools and is guided by principles such as:

- Schools are hubs and anchors of the community;
- Stakeholders participate;
- Capital resources are distributed fairly;
- Planning is coordinated with the community; and
- Creative revenue streams are identified.

By not having an updated comprehensive master plan, the District may have difficulty identifying, budgeting for, and forecasting the needs of its facilities.

R4.5 Streetsboro CSD should develop a consistent and sound methodology for projecting student enrollment that considers the District’s historical trend in student enrollment and any factors that may impact future enrollment. The District should then update its current enrollment projections, and review and update the new enrollment projections on a yearly basis. By consistently using a sound methodology to project enrollment and periodically updating them based on changes in actual

enrollment, the District would be better able to estimate state funding and address building capacity needs, including the feasibility of closing buildings if enrollment decreases in the future.

In 2001, DeJong & Associates developed Streetsboro CSD's enrollment projection as part of the Ohio Schools Facilities Commission's (OSFC) Facilities Assessment Report. The projections were developed by analyzing live birth data, historical enrollment data, and housing information. However, the Superintendent indicated that the District felt the projections prepared by DeJong & Associates were outdated, and therefore, the District prepared its own enrollment projections based on three different scenarios: conservative, moderate and aggressive increases in enrollment. **Table 4-7** presents the District's conservative enrollment projections:

Table 4-7: Streetsboro CSD Enrollment Projections

School Year	Projected Enrollment	Percentage Change from Previous Year
2003-04	2,030	1.4%
2004-05	2,174	7.1%
2005-06	2,339	7.6%
2006-07	2,491	6.5%
2007-08	2,637	5.9%
2008-09	2,764	4.8%
2009-2010	2,931	6.0%
2010-2011	3,115	6.3%
2011-2012	3,326	6.7%
2012-2013	3,545	6.6%
2013-2014	3,831	8.1%
2014-2015	4,137	8.0%

Source: Streetsboro CSD

As a way of determining the reasonableness of Streetsboro CSD's projected enrollment, **Table 4-8** compares Streetsboro CSD's actual head count for the last four years to the enrollment projections.

Table 4-8: Actual Student Head Count vs. Projected Enrollment

School Year	Projected Enrollment	Student Head Count	Difference Between Actual and Projected	Percent Difference
2001-02 ¹	1,947	1,942	(5)	-0.26%
2002-03 ¹	2,002	2,048	46	2.30%
2003-04 ²	2,030	2,087	57	2.81%
2004-05 ²	2,174	2,091	(83)	-3.82%

Source: Streetsboro CSD and ODE

¹ Developed by DeJong & Associates, which projected enrollment for 2003-04 at 2,062; and for 2004-05 at 2,107.

² Developed by the District.

Table 4-8 shows that the District’s enrollment projections fluctuated between being approximately three percent higher in FY 2003-04 to four percent lower in FY 2004-05, when compared to the actual enrollment. Although the District’s enrollment increased by five percent from FY 2001-02 to FY 2002-03, its four year average annual increase was approximately two percent. By comparison, **Table 4-7** shows that the District projects enrollment to increase between five and eight percent annually. Furthermore, although the projections were developed in 2001, DeJong & Associates projected enrollment to increase by close to three percent annually from 2001-02 to 2004-05, and by approximately two percent annually from 2004-05 to 2010-11. Therefore, the District’s “conservative” enrollment projections seem high. In addition, the notes to the forecast indicate that student enrollment is projected to increase each year by four to five percent, which is inconsistent with the District’s other three sets of enrollment projections discussed above. Applying an inconsistent methodology that appears to over-project enrollment prevents the District from adequately estimating future state funding and planning appropriately for its building needs (e.g., capacity levels).

R4.6 Streetsboro CSD should develop a formal five-year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed. The capital improvement plan should include a capital project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration.

The development of a five-year capital improvement plan will help the District anticipate needed facility and equipment repairs and replacements. By planning ahead, project financing sources can be identified and secured before they are needed, helping to eliminate the significant effect of unforeseen capital costs on the District’s finances. In addition, having a comprehensive CIP will assist the District in demonstrating its facility needs to the public if the decision is made to seek a permanent improvement levy.

The District does not have a formal capital improvement plan (CIP) to address maintenance and capital needs. According to the Superintendent, the District used to have a facilities improvement and replacement plan; however, it has not used one in four years given the recent financial difficulties. While the District has another plan that presents the major construction and renovation activities the District wishes to accomplish during the five-year period, it lacks other essential components of a facilities master plan (see **R4.4**) and CIP, including financing estimates for the proposed activities.

According to the Government Finance Officers Association (GFOA), governments should develop capital improvement plans that identify priorities and time frames for undertaking capital projects, and provide a financing plan for those projects. A process should exist for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and should be fully integrated into the government's overall financial plan.

In developing a formal CIP, the Chicago Public Schools (CPS) used the following process:

- Set up a facilities committee because working alone can isolate the district from the community, thereby isolating a potential funding source for future improvement;
- Evaluate the condition of the school buildings to identify improvements needed;
- Involve the committee when possible;
- Measure how the current school buildings are affecting the learning environment by analyzing the heating, cooling, electricity and space to ensure that adequate facilities are provided for a productive learning environment;
- Develop a timeline for completion based on the priority of the repairs; and
- Determine the results of investigations into alternative funding sources including the development of capital improvement budget once these sources have been identified.

By failing to develop and use a five-year capital improvement plan, the District could have difficulty anticipating needed facility and equipment repairs and replacements, and may overlook the financing necessary to meet these needs.

Financial Implications Summary

The following table summarizes the estimated annual cost savings identified in recommendations presented in this section of the report. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings
R4.1 Eliminate 4.0 custodial FTEs	\$146,000
R4.3 Implement an energy management program	\$86,000
Total	\$232,000

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Transportation

Background

This section of the performance audit focuses on Streetsboro City School District (Streetsboro CSD or the District) transportation operations. The objective is to analyze this area, and develop recommendations for operational improvements and expenditure reductions. The District's operations are evaluated against peer school districts and other applicable sources. The peer districts include Field Local School District (Field LSD), Heath City School District (Heath CSD), and Lake Local School District (Lake LSD). In addition, other school districts are used in some of the assessments.

During FY 2004-05, Streetsboro CSD reported providing transportation to 1,810 students, including public, non-public and special needs students. **Table 5-1** compares regular and special needs riders transported by Streetsboro CSD to the peers.

Table 5-1: FY 2004-05 Total Regular and Special Needs Riders

	Streetsboro CSD ¹	Field LSD	Heath CSD ¹	Lake LSD ²	Peer Average
Public	1,701	2,191	1,245	1,579	1,672
Non-Public	84	68	18	104	63
Payment-in-Lieu Riders	10	24	0	20	22
Total Regular Needs Riders	1,795	2,283	1,263	1,703	1,750
Total Special Needs Riders	15	34	5	26	22
Total Riders	1,810	2,317	1,268	1,729	1,771

Source: Streetsboro CSD and peer T-1 reports.

Note: No community school riders were reported by Streetsboro CSD or the peers.

¹ Reflects adjustments from the original T-1 reports for Streetsboro CSD and Heath CSD in order to accurately present their ridership information (see **R5.2**).

² Lake LSD went to State minimums in March 2005.

Table 5-1 shows that the District transports almost three percent more regular needs students, but approximately 32 percent fewer special needs students when compared to the peer average.

Operating Statistics

Streetsboro CSD maintained a fleet of 23 active buses to transport regular (22 buses) and special needs students (1 bus) in FY 2004-05. **Table 5-2** summarizes key FY 2004-05 operating statistics and ratios for Streetsboro CSD and the peers.

Table 5-2: FY 2004-05 Basic Operating Statistics

	Streetsboro CSD ¹	Field LSD	Heath CSD ¹	Lake LSD	Peer Average
STUDENTS TRANSPORTED					
Regular Needs	1,795	2,283	1,263	1,703	1,750
Special Needs	15	34	5	26	22
Total	1,810	2,317	1,268	1,729	1,771
District Square Miles	25	49	9	36	31
ANNUAL MILES TRAVELED					
Regular Needs	199,260	293,040	109,800	230,400	211,080
Special Needs	20,160	50,400	N/A ²	86,040	68,220
Non-Routine	18,230	29,385	15,354	18,800	21,180
Total	237,650	372,825	125,154	335,240	277,740
SITES & BUS TYPES					
Public Sites	15	7	11	11	10
Non-Public Sites	4	4	6	2	4
Active Regular Needs Buses	22	27	11	19	19
Active Special Needs Buses	1	3	0	2	2
Spare Buses	5	3	3	4	3
PUPIL TRANSPORTATION EXPENDITURES					
Total Regular Needs	\$728,815	\$946,543	\$590,811	\$541,436	\$692,930
Total Special Needs	\$142,259	\$122,196	\$18,071	\$128,541	\$89,603
Total	\$871,074	\$ 1,068,739	\$608,882	\$669,977	\$782,533
STATE REIMBURSEMENTS					
Reimbursement as a % of Expenditures - Regular Needs	59.9%	55.5%	46.2%	72.3%	58.0%
Reimbursement as a % of expenditures - Special Needs	34.2%	30.4%	39.7%	34.9%	35.0%
Total % Reimbursed	55.7%	52.6%	46.0%	65.1%	54.6%
OPERATING RATIOS					
Regular Needs					
Cost per Mile	\$3.66	\$3.23	\$5.38	\$2.35	\$3.28
Cost per Active Bus	\$33,128	\$35,057	\$53,710	\$28,497	\$38,143
Cost per Student	\$406	\$415	\$468	\$318	\$396
Students per Active Bus	81	84	115	89	91
Bus Runs	2	2	2	2	2
Students per Bus Run	41	42	57.5	45	46
Special Needs					
Cost per Student	\$9,484	\$3,594	\$3,614	\$4,944	\$4,136
Cost per Mile	\$7.06	\$2.42	N/A ¹	\$1.49	\$1.31

Source: Streetsboro and peers' T-1 and T-2 reports.

N/A: Not available

¹ Reflects adjustments from the original T-1 reports for Streetsboro CSD and Heath CSD to improve data reliability (see R5.2).

² Privatized special needs transportation services

As shown in **Table 5-2**, the District's regular needs cost per student and per bus are lower than two peers; however, its regular needs cost per mile is higher than two of the three peers. The higher regular needs cost per mile is due to transporting fewer riders per bus (see **R5.3**). **Table 5-2** also shows that the District's special needs cost per student and per mile are significantly higher than the peers, due partially to employing more aides, using large buses to transport special needs students, lack of parent/guardian contracts, and inconsistently involving the Transportation Supervisor in IEP meetings (see **R5.5**). The higher regular needs cost per mile, and the higher special needs cost per student and per mile are also partially attributable to the following: employing more mechanics (see **R5.6**), a full-time supervisor while two of the peers supervisors perform other duties (see **human resources**), and a part-time secretary while two of the peers do not employ secretaries in the transportation departments (see **human resources**); high benefit costs; low hour threshold for part-time employees hired before 1986 to qualify for full benefits; and low employee healthcare contributions (see **human resources** for benefits).

Assessments not Yielding Recommendations

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

- **Spare Buses:** Spare buses comprise 18 percent of the District's total fleet, which is similar to two peers and the Ohio Department of Education (ODE) recommended standards.

Recommendations

Transportation Policy

R5.1 If the District continues to encounter financial difficulties, it should review the transportation policy to determine if cost savings can be achieved by adopting standards that are closer to the State minimum requirements. For example, the District could eliminate all high school transportation. This would provide some cost savings while allowing the District to continue transporting elementary and middle school students. However, prior to making any changes in the transportation policy, the District should work with ODE to determine any potential reductions in State reimbursement.

Additionally, the District should update its policy to reflect actual transportation practices. It should also review the transportation policy annually and amend it as necessary to reflect changes to service levels based on its financial condition, hazards, enrollment and pupil residence. The transportation policy should identify specific safety hazards that exist within the District and communicate service levels set by the District.

Streetsboro CSD indicated that due to a large number of hazards, such as high traffic volume roadways and an absence of sidewalks, the District transports most of its students (82 percent in FY 2004-05), which exceeds State minimum standards. However, this is inconsistent with the District's policy stating that it will "provide transportation for those students whose distance from their school makes this service necessary within the limitations established by State law." According to ORC Section 3327.01, school districts are required to transport students in grades kindergarten through eight who live more than two miles from the assigned school, while transportation for high school students is optional. In addition, the District has not formally defined hazards within its transportation policy. The following conditions are defined as "hazard" areas for bus routing in the Ohio Administrative Code (OAC) § 3301-83-20 (I):

- Overpasses and underpasses;
- Construction projects;
- On-street parking areas;
- Traffic counts (density);
- Areas without curbs and sidewalks; and
- Railroad crossings.

The National Association of State Directors of Pupil Transportation produced a report, *Identification and Evaluation of School Bus Route and Hazard Marking Systems* (June

1998), to assist districts in identifying hazards and developing policies and procedures to cope with them.

Data Reporting

R5.2 Streetsboro CSD should establish formal policies and procedures to ensure accurate reports are prepared, reviewed, and reconciled before submission to ODE. In developing these policies, the District should involve the treasurer's office in the final review of the T-reports prior to submission to ODE. The treasurer's office should be responsible for reconciling the expenditures reported on the T-2 report to the 4502 financial statements. The review process should be used as a means to ensure accurate reporting and that the District receives the appropriate amount of State reimbursement for transportation services.

The Transportation Supervisor is responsible for completing the T-reports and submitting them to ODE. However, the District does not have policies and procedures that provide detailed steps with levels of responsibility for completing the T-reports. The District omitted payment-in-lieu of transportation costs of approximately \$3,100, and 5 special needs and 7 regular needs riders from its T-1 report.

Since ODE has historically determined reimbursements based on expenditures, riders and miles, the District may not be receiving the appropriate level of funding due to inaccurate reporting. For example, based on the District's State reimbursements received per rider in FY 2004-05, the District could have received approximately \$26,000 in additional State reimbursement funds by reporting the 5 special needs riders and 7 regular needs riders. However, according to House Bill (HB) 66, regular needs transportation reimbursements for FY 2005-06 will be set at 102 percent of the amount paid in FY 2004-05, while special needs reimbursements will continue to be based on the existing formula for FY 2005-06. Nevertheless, inaccurate reporting misrepresents the District's transportation operations.

Operational Efficiency

R5.3 In order to bring ridership levels more in line with the peers, Streetsboro CSD should eliminate at least three of its older, higher-mileage active buses and three regular bus driver positions. This reduction can be accomplished by using its routing software to increase bus capacity parameters and identify other methods (e.g., routing changes) to optimize efficiency. The process should include a review of District practices to reduce the number of buses shuttling students from Wait Elementary School (WES). The District should also consider further staggering its bell schedules and actively promoting payment-in-lieu of transportation agreements (see R5.4 for payment-in-lieu of transportation) to aid in bus reductions.

Although the District uses software to establish bus routes and stops, it is transporting a low number of students per bus. Low ridership is illustrated in **Table 5-3**, which compares Streetsboro CSD’s riders per bus and per run to the peers.

Table 5-3: Bus Capacity Comparison

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Active Regular Buses	22	27	11	19	19
Students Riding Regular Buses	1,793	2,259	1,263	1,688	1,737
Students per Regular Active Bus	82	84	115	99	91
Regular Bus Runs	2	2	2	2	2
Students per bus per run	41	42	58	50	46

Source: Streetsboro and Peers Transportation Departments

Note: “Active regular buses” are those that transport at least 50 percent regular needs riders, and “students riding regular buses” includes all riders on these respective buses (regular and special needs riders).

As shown in **Table 5-3**, Streetsboro CSD transports approximately 10 percent fewer riders per active bus and per bus run, respectively. This is due, in part, to the parameters established in the routing software, shuttling practices, and one bus transporting only 17 riders (all non-public – see **R5.4**). The Transportation Supervisor sets the parameters within the routing software system at only 80 students per bus (40 riders per run), which establishes the bus capacity. In addition, the District shuttles 270 students from WES on 11 buses and then exchanges students at meeting places with other buses. These buses shuttle students from central drop off points since they are located more remotely from the other schools. WES is approximately 10 minutes from the other schools. However, the District is shuttling only 25 riders per bus from WES, although each bus has a capacity for 71 or 77 passengers (with the exception of two 59 passenger buses).

Because bell schedules can impact the number of runs and the ability to maximize riders per bus, **Table 5-4** compares the District’s bell schedules to the peers.

Table 5-4: Streetsboro CSD and Peers’ Bell Schedules

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD
Elementary Schools	Wait (K-1): 8:45-3:00 Campus (2-3): 8:30-3:15 Defer (4-6): 8:35-3:15	Brimfield (1-6): 9:00-3:30 Suffield (1-6): 9:00-3:30 Central (K): 9:00-3:10	K-2: 8:36-3:35 3-5: 8:40-3:25	K-1: 8:30-2:45 2-4: 8:45-3:00
Middle School	7:23-2:32	7:50-2:45	7:20-2:50	7:39-2:11
High School	7:20-2:28	7:50-2:45	7:20-2:50	7:39-2:11

Although the District transports fewer riders per bus and per run when compared to the peers, **Table 5-4** shows that Streetsboro CSD bell schedules are staggered in a manner that is similar to the peers. Based on its bell schedule, most of the District’s buses each complete two runs: one for elementary students, and one for middle and high school

students. Nevertheless, the District could consider further staggering bell schedules as an option to improve efficiency because it would enable each bus to complete more runs. This would, in turn, enable Streetsboro CSD to operate with fewer buses and increase the average number of riders transported per bus. Considering that Streetsboro CSD’s square mileage (25) is much lower than Field LSD (49) and Lake LSD (36), further staggering its bell schedules could be more feasible for the District than for these two peers. For instance, Boardman LSD, Plain LSD and Stow-Munroe Falls CSD, which were used as peers in the performance audit of Cuyahoga Falls CSD (April 4, 2006), each have square mileage (25, 30, 22) similar to Streetsboro CSD. However, they transported an average of 99.5 riders per regular bus in FY 2004-05, a much higher number than Streetsboro CSD. Additionally, they have bell schedules that are more staggered than Streetsboro CSD, as noted in **Table 5-5**. It should be noted that these peers transport significantly more riders (ranging from approximately 4,400 to 6,300) on significantly more buses (ranging from 49 to 58 regular needs buses), when compared to Streetsboro CSD.

Table 5-5: Bell Schedules for Other Peers

	Boardman LSD		Plain LSD		Stow-Munroe Falls CSD	
	Sites	Times	Sites	Times	Sites	Times
Elementary	2	7:45-2:10	3	8:30-2:30	6	9:00-3:30
	1	7:50-2:08	3	9:30-3:30		
	1	8:00-2:10				
Middle	1	8:40-3:33	2	8:50-3:50	1	8:00-3:00
	1	8:45-3:35				
High	1	7:49-3:00	1	8:00-3:00	1	7:30-2:30
Other			2 ¹	8:00-3:00	1 ³	8:15-2:45
			1 ²	9:30-3:30		

Source: Respective school districts

¹ Pleasant View School for the Arts, and Glen Oak Career Center

² Little Eagle Kindergarten Center

³ Lakeview Intermediate

At Streetsboro CSD, start and end times for each building are determined by the Superintendent and the certificated collective bargaining agreement states the workday for teachers is 7 hours and 15 minutes. As a result, this provides flexibility in changing the bell schedules to operate with fewer buses.

By using its routing software to increase the bus capacity parameters and to identify appropriate routing changes, including shuttling practices, the District could increase its riders per bus, thereby enabling it to reduce its fleet and save costs. Bus reductions could be further aided by appropriate changes to the District’s bell schedules, and actively promoting payment-in-lieu of transportation agreements (see **R5.4**). If Streetsboro CSD reduced three buses, it would increase the number of riders to 94 per bus or 47 per run. This would be slightly higher than the peer average, but still lower than Heath CSD and Lake LSD. It would also be lower than the average of the peers used in the Cuyahoga

Falls CSD performance audit, and much lower than the maximum capacity of its buses. More specifically, based on the majority of its buses having a capacity of 71 to 77 riders, Streetsboro CSD's buses would be transporting at an average of only 61 to 66 percent of total capacity with three fewer buses.

Financial implication: By reducing three buses, the District would be able to save approximately \$39,000 annually in salaries and benefits, based on the lower-salaried staff. The District would also save approximately \$2,500 annually in bus insurance costs, based on the current insurance cost per bus (see **R5.9**), for a total annual cost savings of approximately \$41,500.

R5.4 The District should actively promote and establish payment-in-lieu of transportation agreements to reduce regular needs transportation costs. In order to maximize savings, the District should consider establishing payment-in-lieu of agreements for buses transporting a considerable number of non-public riders and review its routing practices to make appropriate changes (see R5.3).

In FY 2004-05, Streetsboro CSD established payment-in-lieu agreements with 10 students. In comparison, Field LSD had 24 and Lake LSD had 20, while Heath CSD did not have any payment-in-lieu agreements. Similar to Streetsboro CSD, Field LSD and Lake LSD established payment-in-lieu agreements with non-public school students. Streetsboro CSD established payment-in-lieu of transportation agreements for 10.6 percent of its non-public riders, significantly lower than Field LSD (26.1 percent) and Lake LSD (16.1 percent)

According to ODE, transportation services must be provided to community (i.e., charter) school students and non-public school students on the same basis as that provided to public school students. However, as stipulated in Ohio Revised Code (ORC) § 3327.01, a district's board of education is not required to provide transportation where it is impractical to do so by school conveyance (i.e., district-owned yellow buses). In determining whether transportation is "impractical," a board must consider the following factors [ORC § 3327.02(A)]:

- Time and distance required to provide transportation (ODE recognizes 30 minutes as a maximum benchmark);
- Number of pupils to be transported;
- Cost of related equipment, maintenance, personnel, and administration;
- Similarity or equivalence of services provided to other pupils who are eligible to receive transportation;
- Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and

- Whether other reimbursable types of transportation are available (e.g., Type-IV or payment-in-lieu).

Once a determination of impracticality has been made, the board must offer payment-in-lieu of transportation to the pupil's parent/guardian [ORC § 3327.02(C)].

According to ODE, districts could offer up to \$553 per payment-in-lieu of transportation rider, with ODE reimbursing districts \$172 per rider. According to the Transportation Supervisor, the District pays \$172 per payment-in-lieu-of rider. As a result, the District recoups all of the costs related to payment in-lieu-of transportation riders. By comparison, Streetsboro CSD spent \$163 per regular needs rider after accounting for State reimbursements in FY 2004-05.

In FY 2004-05, the District transported 84 non-public school riders on four buses. In fact, one bus transported only non-public school riders (17 riders), while 39 percent of riders transported on another bus (24 riders) were non-public school riders. By actively promoting and establishing payment-in-lieu of transportation agreements for non-public school students, in conjunction with reviewing its routing practices (see **R5.3**), the District could reduce its regular needs transportation costs.

Financial Implication: In order to provide a conservative estimate, the cost savings by establishing payment-in-lieu of transportation agreements are assumed to be captured in **R5.3**.

Special Needs

R5.5 Streetsboro CSD should explore strategies to reduce its special needs transportation costs. More specifically, the District should actively promote the formation of parent/guardian contracts and revise its Individualized Education Program (IEP) development process to consistently include the transportation supervisor to help determine the most appropriate and cost-effective method for transporting special needs students. Other District representatives involved in the IEP conferences should be aware of the costs and constraints associated with providing transportation to students with special needs.

The District should also consider transporting special needs students in smaller vehicles, such as vans. If the District and community are concerned about the safety of using vans to transport students, they should consider using smaller school buses (10 to 30 passenger capacity). Using newer and smaller vehicles could help reduce vehicle operating, maintenance and repair costs. The District should base its decision to purchase smaller vehicles on a formal bus replacement plan and the cost-

benefit of purchasing newer vehicles compared to continually maintaining the older buses (see R5.10 for more information).

Prior to purchasing smaller vehicles dedicated to special needs transportation, Streetsboro CSD should actively promote parent/guardian contracts and determine the feasibility of including additional special needs riders on regular buses. Furthermore, the District should periodically solicit competitive bids for special needs transportation to determine whether it would be more cost effective to contract for transportation, while ensuring quality services and student safety. Lastly, the Transportation Supervisor should work with the Special Needs Coordinator to develop practical policies and procedures for special needs transportation.

The District’s special needs cost per student is more than double the peer average. **Table 5-6** shows the expenditures per student, per bus, and per mile for special needs students at Streetsboro CSD and the peers.

Table 5-6: Special Needs Costs

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Special Needs Students	15	34	5	26	22
Special Needs Students on Regular buses	8	N/A	N/A ¹	5	5
Percent Special Needs Students on Regular Buses	53%	N/A	N/A ¹	19%	6%
Annual Miles – Special Needs	20,160	50,400	N/A ¹	86,040	68,220
Special Needs Costs	\$142,259	\$122,196	\$18,071	\$128,541	\$89,603
Cost Per Student	\$9,484	\$3,594	\$3,614	\$4,944	\$4,051
Cost Per Mile	\$7.06	\$2.42	N/A ¹	\$1.49	\$1.96

Source: Streetsboro and peers’ T- reports

N/A= Not available

¹ Privatized

Table 5-6 indicates that Streetsboro CSD spends significantly more per student and mile for special needs transportation, when compared to each peer. This is partially due to the most senior staff driving special needs buses, and the fact that Heath CSD and Lake LSD do not employ aides. Streetsboro CSD and Field LSD employ 1.0 and 1.9 aide FTEs, respectively. The lack of parent/guardian contracts, infrequently including the transportation supervisor in IEP meetings, and using a large bus to transport few students also contributes to the District’s significantly higher special needs cost per student and per mile. Furthermore, Streetsboro CSD does not have formal policies and procedures to guide transportation services for special needs students, and does not periodically solicit competitive bids for special needs transportation.

Parent Guardian Contracts

The District does not promote parent/guardian contracts. Neither the transportation supervisor nor the special needs coordinator knew parent/guardian contracts were available for special needs transportation. School districts can negotiate parent/guardian contracts for special needs students by following the guidelines set forth in OAC § 3301-83-21. Based upon case history from the Office of Civil Rights (OCR), ODE advises setting the rate of reimbursement on the common market rate for like services available in the area. According to ODE, most parent/guardian contracts are established on a per mile basis. The District agrees to set a price per mile and then pays the parent/guardian based on the miles traveled to transport the student. Assuming that the District establishes the parent/guardian contract rates at levels lower than the cost of directly transporting the special needs student, actively promoting parent/guardian contracts could assist the District in reducing special needs transportation costs.

IEP Involvement

The Transportation Supervisor occasionally participates in the IEP process. Ohio Administrative Code (OAC) § 3301-51-10 states “School district transportation personnel shall be consulted in the preparation of the IEP program when transportation is required as a related service and when the child’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation.” As stipulated within OAC § 3301-51-07(A), “each school district shall adopt and implement written procedures...that ensure an IEP is developed and implemented for each child with a disability.” Furthermore, as stipulated in OAC § 3301-51-07(E), when forming an IEP team, districts should include the following as IEP team members:

- The child’s parents;
- The child, if appropriate;
- At least one regular education teacher of the child;
- At least one special education teacher of the child;
- A representative of the school district who is qualified to provide or supervise the provision of specially designed instruction;
- An individual who can interpret the instructional implications of evaluation results; and
- Other individuals who have knowledge or special expertise regarding the child, including *related services personnel*, as appropriate.

Use of Buses and Vans

Seven handicapped students are transported on a 59 passenger bus to areas outside the District in Aurora, Kent, and Ravenna; and another 59 passenger bus, added from the inactive fleet to active status in February, transports two severe behavioral handicapped students. In contrast, Lake LSD transports two handicapped students in a van without an aide, and each student has seat and shoulder harnesses. According to the Streetsboro CSD Superintendent, parents are concerned about the safety of students being transported in vans. Alternatively, smaller buses that seat 10 to 30 passengers could be used to transport special needs students. Furthermore, these two 59 passenger buses have the highest mileage of the District's fleet, and are projected to exceed 250,000 miles during the next five years (see **R5.10** and **Table 5-12**).

Privatization

Currently, the District does not contract out transportation for special students. According to the Transportation Supervisor, the District reviewed the feasibility of contracting out special needs transportation with the Portage County transport service. However, the Transportation Supervisor stated that it was impractical to contract with Portage County because the students would have to ride buses on established routes, making their ride too long (several hours in some cases). Heath CSD contracts out the transportation of special needs student at an average cost of \$3,600 per student, which is significantly lower than Streetsboro CSD.

Actively promoting parent guardian contracts, consistently involving the Transportation Supervisor in IEP meetings, using smaller vehicles to transport special needs students, and periodically soliciting bids for special needs transportation would help the District reduce its special needs transportation costs.

Financial Implication: If the District reduced its special needs costs per student to the peer average by implementing this recommendation, it would save approximately \$81,000 annually. However, due to its use of aides and the inherent complexity related to special needs transportation, the District may not be able to achieve all of those savings. Assuming that Streetsboro CSD is able to reduce the variance to the peer average by 50 percent, it would save approximately \$40,000 annually. According to a vendor participating in the Ohio Department of Administrative Services cooperative purchasing program, a 29 passenger bus costs approximately \$45,000 while a 15 passenger van costs approximately \$30,000. Only buses are included within the State's cooperative purchasing program.

Maintenance

R5.6 The District should eliminate one bus mechanic position. Doing so would reduce mechanic staffing and total maintenance expenditures to levels that are more comparable to the peers.

Streetsboro CSD employs two mechanics to maintain its fleet. **Table 5-7** compares Streetsboro CSD's mechanic staffing levels, and maintenance and repair expenditures to the peers.

Table 5-7: FY 2004-05 Maintenance, Repair and Supply Comparison

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Mechanic FTEs	2.0	2.0	0.5	1.0	1.2
Buses Maintained ¹	28	33	14	25	24
Per Mechanic FTE	14.0	16.5	28.0	25.0	20.6
Annual Miles ²	219,420	343,440	109,800	316,440	256,560
Per Mechanic FTE	109,710	171,720	219,600	316,440	213,800
Mechanic Salaries	\$ 81,149	\$ 95,349	\$ 11,737	\$ 53,423	\$ 53,503
Per Mechanic FTE	\$ 40,575	\$ 47,675	\$ 23,474	\$ 53,423	\$ 45,860
Per Mile	\$ 0.37	\$ 0.28	\$ 0.11	\$ 0.17	\$ 0.21
Maintenance, Repair and Supply Expenditures ³	\$ 37,458	\$116,844	\$ 17,599	\$ 45,125	\$ 59,856
Per Bus	\$1,338	\$3,541	\$1,257	\$1,805	\$2,494
Per Mile	\$ 0.17	\$ 0.34	\$ 0.16	\$ 0.14	\$ 0.23
Total Expenditures	\$118,607	\$212,193	\$ 29,336	\$ 98,548	\$113,359
Per Bus	\$ 4,236	\$ 6,430	\$ 2,095	\$ 3,942	\$ 4,723
Per Mile	\$ 0.54	\$ 0.62	\$ 0.27	\$ 0.31	\$ 0.44

Source: Ohio Department of Education

¹ Includes spare buses because these contribute to overall repair function.

² Excludes non-routine miles because non-routine expenditures should not be reported to ODE.

³ Includes tires and tubes

Table 5-7 illustrates that the Districts' total maintenance expenditures per bus and per mile are higher than two of the three peers, primarily due to the employment of 2.0 FTE mechanics. As shown in **Table 5-7**, Streetsboro CSD's mechanics maintain 32 percent fewer buses per FTE when compared to the peer average. Likewise, the ratio of annual miles per mechanic FTE is 49 percent lower than the peer average. Reducing 1.0 mechanic FTE would increase the buses per mechanic ratio to be comparable to Heath CSD and Lake LSD, while the ratio of annual miles per mechanic would still be lower than these two peers. In addition, the total expenditures per bus would decrease to \$2,787, which is higher than the average of Heath CSD and Lake LSD (\$3,279). The total expenditures per mile would decrease to \$0.36, which is still higher than both Heath CSD and Lake LSD. Furthermore, reducing the total fleet size by at least three buses (**R5.3**) would decrease the level of responsibility for the mechanics.

Financial implication: Reducing one mechanic would save approximately \$58,000 annually in wages and benefits.

- R5.7 The District should establish a more comprehensive maintenance system to include the tracking of labor costs to better capture all costs associated with maintaining buses. This would, in turn, help determine the useful life of its vehicles and the appropriate time to replace them (see R5.10 for replacement planning). Furthermore, the District should consider using its routing software maintenance package to track maintenance and repair data.**

The District tracks repair, equipment and supply costs via a spreadsheet rather than the maintenance component of its routing software. It does not track personnel costs used to maintain each bus. The maintenance tracking component of the routing software could allow the District to keep track of all associated costs. According to the Government Finance Officers Association (GFOA), “the full cost of a service encompasses all direct and indirect costs related to that service. Direct costs, include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service, as well as the materials and supplies, and other associated operating costs such as utilities and rent, training, and travel.” Incomplete service records prevent the District from determining the total cost of servicing each vehicle, the useful life of the vehicles, and the most economical time to replace them.

Fuel Costs

- R5.8 The District should consider participating in fuel consortiums to obtain better fuel prices, such as the Ohio Department of Administrative Services (DAS) General Services Administrative (GSA) fuel purchase program or the Ohio Schools Council’s cooperative purchasing program. Additionally, the District should periodically compare pricing from consortiums and other fuel vendors.**

Streetsboro CSD is not part of a cooperative purchasing program for fuel. According to the Transportation Supervisor, the District contacts different vendors several times a year to obtain the lowest price.

Table 5-8 compares fuel costs for FY 2004-05 at Streetsboro CSD to the peers.

Table 5-8: FY 2004-05 Vehicle Fuel Expenditure Comparison

	Streetsboro CSD	Field LSD	Heath CSD	Lake LSD	Peer Average
Buses Maintained ¹	23	30	11	21	21
Annual Miles ²	219,420	343,440	109,800	316,440	256,560
Fuel Expenditures	\$53,930	\$123,128	\$35,996	\$78,531	\$79,218
Per Mile	\$0.25	\$0.36	\$0.33	\$0.25	\$0.31

Source: ODE T-1 and T-2 reports

¹ Includes only active buses

² Includes only routine miles

Table 5-8 shows that Streetsboro CSD paid less for fuel per mile than the peer average in FY 2004-05. **Table 5-9** shows sample costs of fuel purchased by the District compared to the prices offered by DAS cooperative fuel purchasing program from January 2005 to August 2005.

Table 5-9: Streetsboro CSD Fuel Cost Compared to DAS

Date Purchased	SCSD	Total DAS Cost
1-14-05	\$1.71	\$1.53
2-22-05	\$1.78	\$1.74
3-30-05	\$1.96	\$1.96
4-27-05	\$1.95	\$1.96
5-23-05	\$1.82	\$1.81
8-29-05	\$2.34	\$2.25
Average	\$1.93	\$1.88

Source: Streetsboro CSD fuel receipts and DAS

Note: DAS price includes the \$0.26 State fuel tax and delivery charges.

As shown in **Table 5-9**, over the period sampled, the District paid an average of \$0.05 (2.7 percent) more per gallon than the DAS price. Because Streetsboro CSD is a “school” entity, the annual membership fee to join the DAS State Cooperative Purchasing program would be \$110. In addition, the Ohio Schools Council (OSC) can provide gasoline and diesel fuel through its cooperative purchasing program. Streetsboro CSD is a member of OSC, which comprises a total of 92 members.

Financial implication: By joining the State’s cooperative purchasing program for fuel purchases, the District could reduce its fuel costs by close to three percent and save approximately \$1,300 annually, after accounting for the annual membership fee.

Bus Insurance

R5.9 The District should cease insuring inactive buses that are only used for parts. The District should also review its coverage levels according to its risk tolerance level, and discuss them with its insurance provider prior to making any plan changes.

While making changes (e.g., increasing deductibles) would reduce premium costs, the District would expose itself to greater risk, liability and costs if it needed to file a claim.

The Treasurer indicated that the District currently purchases bus insurance through the Portage County Consortium, and issues requests for proposals (RFPs) annually for bus insurance. According to the current insurance policy, 31 buses are fully insured while the T-1 reports indicate ownership of only 28 active and spare buses. However, one additional bus was moved from inactive to active service in February 2005 to accommodate two special needs students. Two buses listed as inactive by the District are only used for parts (not drivable) but are fully insured.

Pursuant to ORC § 3327.09 and 3313.201, boards of education are required to obtain motor vehicle liability insurance for the benefit of board employees who operate a school bus, motor van, or other vehicle used in the transportation of school children. **Table 5-10** shows the difference between the ORC and the District for minimum insurance.

Table 5-10: District Bus Insurance Compared to ORC Regulations

Liability	ORC	Streetsboro CSD
Per person	\$100,000	N/A
Per Occurrence	\$300,000	\$1,000,000
Medical Payment	\$3,000	\$5,000

Source: ORC and Streetsboro’s insurance agent

Table 5-10 shows that the District’s coverage levels are higher than the minimums set by the ORC. However, the board of education (BOD) may, at its discretion, supplement such liability insurance with policies of insurance for collision, comprehensive, and uninsured motorist coverage. Under a more general statute, liability insurance may be purchased both for bus drivers and volunteer bus rider assistants in whatever amounts the board deems necessary. In addition, the District’s comprehensive and collision coverage deductibles for buses are \$250 and \$500, respectively.

Table 5-11 compares bus insurance costs at Streetsboro CSD to the peers, and compares the last two years of bus insurance costs for Streetsboro CSD.

Table 5-11: FY 2004-05 Bus Insurance Expenditure Comparison

	Streetsboro CSD FY 04-05	Streetsboro CSD FY 05-06	Field LSD FY 04-05	Heath CSD FY 04-05	Lake LSD FY 04-05	Peer Average
Bus Insurance	\$27,095	\$20,442	\$36,072	\$11,355	\$15,615	\$21,014
Per Bus	\$874 ¹	\$659 ¹	\$1,093	\$811	\$625	\$876
Per Mile	\$0.12	\$0.09	\$ 0.11	\$0.10	\$0.05	\$0.08
Per Student	\$15.15	\$11.36	\$15.73	\$9.03	\$9.16	\$11.99

Source: Streetsboro and peers' T-2 reports

¹ 31 buses are listed by the insurance company instead of 28 as listed on the T-1 report.

As shown in **Table 5-11**, Streetsboro paid more for bus insurance when compared to two peers on a per bus basis in FY 2004-05, and paid more per mile than each peer. However, it reduced its insurance cost per bus and per mile by 25 percent for FY 2005-06, resulting in a lower cost per bus and per mile when compared to Field LSD and Heath CSD's ratios in FY 2004-05.

Financial Implication: By not insuring the two inactive buses, the District would save approximately \$1,100 annually, based on the current premium charge for the two inactive buses.

Bus Replacement Planning

R5.10 Streetsboro CSD should develop a bus replacement plan that describes its strategy for bus procurement in future years. All bus and equipment replacement should be based upon economic modeling that allows for replacement at the most economically advantageous point in the equipment's life cycle. The plan should include a periodic review of bus information, such as mileage and maintenance records to determine the cost benefit for each bus (see R5.7). This plan should include the number of buses to be replaced each fiscal year based on the age, mileage, maintenance costs, and estimated cost at the time of replacement. By reviewing and updating the plan annually, Streetsboro CSD will be able to effectively plan and budget for future bus purchases while maintaining its fleet. Furthermore, reducing its fleet size (see R5.3) and rotating vehicles would help the District avoid bus replacements during the next five years.

The District does not have a formal bus replacement plan. As a result, it cannot effectively budget for future replacement needs. Currently, Streetsboro CSD cannot effectively plan for bus replacements due to its lack of tracking maintenance costs per bus, as previously stated in **R5.7**. This is especially important because nine of the Districts' buses (4 active and 5 spares) are over 15 years of age and may be costing more to maintain than to replace. According to the standards suggested by the National Association of State Directors of Pupil Transportation Services *Information Report on School Bus Replacement*, buses are to be replaced either after 250,000 miles or 15 years

of service. However, the climatic conditions in Northeast Ohio sometimes require earlier replacement when rust makes a bus unusable. According to ODE, the average mileage and age for buses replaced by school districts in Ohio in FY 2002-03 was 220,441 miles or 15 years. **Table 5-12** illustrates the District's current bus fleet inventory, as of June 2005, and the projected mileage through FY 2009-10.

Table 5-12: Bus Mileage Forecast

Bus #	Seating Capacity	Model Year	Mileage	Miles per Year ¹	2006	2007	2008	2009	2010
Active Buses									
1	71	1989	151,823	7,020	158,843	165,863	172,883	179,903	186,923
4	71	1990	175,835	5,760	181,595	187,355	193,115	198,875	204,635
6	77	1994	118,148	8,640	126,788	135,428	144,068	152,708	161,348
8	71	1988	157,068	9,540	166,608	176,148	185,688	195,228	204,768
9	71	1996	88,345	10,260	98,605	108,865	119,125	129,385	139,645
10	71	1995	98,450	8,460	106,910	115,370	123,830	132,290	140,750
11	77	1996	94,102	6,840	100,942	107,782	114,622	121,462	128,302
12	71	1993	129,488	7,560	137,048	144,608	152,168	159,728	167,288
13	71	1998	74,868	14,040	88,908	102,948	116,988	131,028	145,068
14	71	1998	73,968	11,700	85,668	97,368	109,068	120,768	132,468
18	77	2000	42,974	8,280	51,254	59,534	67,814	76,094	84,374
19	77	2003	38,842	9,180	48,022	57,202	66,382	75,562	84,742
20	77	2003	36,930	11,160	48,090	59,250	70,410	81,570	92,730
21	59	1994	175,291	15,120	190,411	205,531	220,651	235,771	250,891
22	59	1990	220,997	24,300	245,297	269,597	293,897	318,197	342,497
23	77	2000	57,902	6,480	64,382	70,862	77,342	83,822	90,302
24	77	1998	66,243	13,500	79,743	93,243	106,743	120,243	133,743
25	77	1998	78,042	11,520	89,562	101,082	112,602	124,122	135,642
26	77	2001	40,011	8,280	48,291	56,571	64,851	73,131	81,411
27	77	2001	42,036	9,180	51,216	60,396	69,576	78,756	87,936
28	77	2001	35,163	8,640	43,803	52,443	61,083	69,723	78,363
29	77	2001	36,851	7,740	44,491	52,331	60,071	67,811	75,551
30	77	2003	53,728	6,660	60,388	67,048	73,708	80,368	87,028
31	77	2003	30,598	7,560	38,158	45,718	53,278	60,838	68,398
Spare Buses									
2	71	1989	123,911	-	123,911	123,911	123,911	123,911	123,911
3	71	1989	152,055	-	152,055	152,055	152,055	152,055	152,055
7	71	1988	120,118	-	120,118	120,118	120,118	120,118	120,118
16	71	1988	141,074	-	141,074	141,074	141,074	141,074	141,074
17	71	1989	126,062	-	126,062	126,062	126,062	126,062	126,062

Source: Streetsboro CSD's bus inventory and T-1 FY 2004-05 report

Note: Bus 21 and 22 are used for handicapped students. In addition, the District moved an inactive bus to active service, which explains the one additional active bus reported in **Table 5-12** when compared to the T-reports..

¹ Based on miles reported in the FY 2004-05 T-1 report for each bus.

The average age and mileage of the Districts' active bus inventory is 7.8 years and 88,238 miles, respectively, which indicates a young fleet. However, two buses will have over 250,000 miles within the next five years, and half of its fleet will be at least 15 years old by FY 2009-10, which indicates a greater need for planning. Reducing three buses (**R5.3**) would enable the District to avoid replacing buses during the forecast period. In addition, rotating its older and higher mileage vehicles to shorter routes and making other appropriate routing changes would further help the District avoid bus replacements during the forecast period. In FY 2004-05, the District received \$14,871 in bus replacement subsidies, and in FY 2005-06, ODE projects \$14,724 in replacement subsidies.

Financial Implication: If the District reduces its fleet by three buses, it can avoid \$180,000 in total one-time replacement costs (see **R5.3**). Averaged over 5 years, this represents an annual cost avoidance of \$36,000. However, the Treasurer indicated that the District is not projecting bus replacements in its five-year forecast. See the **financial systems** section for more information.

Financial Implications Summary

The following table summarizes the estimated annual cost savings, accumulated cost avoidances, and one-time implementation costs identified in recommendations presented in this section of the report.

Summary of Financial Implications

Recommendation	Estimated Annual Cost Savings	Accumulated Cost Avoidance	One-Time Implementation Costs
R5.3 Reduce three buses	\$41,500		
R5.5 Explore strategies to reduce special needs transportation costs	\$40,000		\$45,000
R5.6 Reduce one mechanic	\$58,000		
R5.8 Participate in fuel purchasing consortium	\$1,300		
R5.9 Cease insuring inactive buses	\$1,100		
R5.10 Avoid replacing three buses eliminated from the fleet		\$180,000	
Total	\$141,900	\$180,000	\$45,000

**DISTRICT RESPONSE
LETTER**



STREETSBORO CITY SCHOOLS

9000 Kirby Lane, Streetsboro, OH 44241
330-626-4900 ☆ 330-626-8102 (fax)

October 6, 2006

Auditor of State
Betty D. Montgomery
88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Dear Auditor Montgomery:

The recently completed year-long Performance Audit of the Streetsboro City School District has provided insightful information to the Board of Education and administration concerning the economy and efficiency of the operations of our School District. The willingness of Senior Performance Audit Manager James B. Pyers and the audit team to share recommendations with the District while the audit progressed has permitted the prompt implementation of many worthwhile suggestions. We appreciate the efforts of Mr. Pyers and the Performance Audit Team.

As with any organization that spends more than eighty percent (80%) of its revenue on employee salaries and benefits, the most significant fiscal recommendations are related to personnel expenditures. In the past year, the District has reduced teaching positions by 7.0 FTE and administrative positions by 0.4 FTE. In some cases, the District has chosen to retain positions recommended for reduction because of the value of the programs provided. For example, the District decided to retain 4.0 FTE positions at the elementary level in order to continue to provide an all-day every-day kindergarten program for all children. The merit of this decision is reflected in the scores of benefiting children who have taken the third-grade reading proficiency test. As a direct result, Campus Elementary School, the building those children attend when they take the reading test, is rated "excellent" by the State of Ohio. Additionally, as the District has seen student enrollment increase by approximately 65 students, or three percent (3.0%), as of the start of the 2006-2007 school year, several of the positions identified for reduction no longer can be eliminated. Similarly, certain cost savings identified for facilities and transportation costs no longer can be achieved fully due to the added pupil enrollment. As noted in the Performance Audit, the City of Streetsboro has suggested to the School District that as many as 2,000 new housing units will be built in Streetsboro in the next decade or so. This will greatly challenge the School District and community. Finding ways to deal with the anticipated growth in housing units and, therefore, student enrollment in an economical manner is vital to the taxpayers of the School District. Yet, all must acknowledge that "economical" does not mean that the cost of growth is inexpensive.

The peer district financial comparison provides detailed information that the administration has studied carefully. As with all comparative data, some comparisons are more meaningful than others. The Board of Education and administration will take great care to ensure that Performance Audit recommendations are used in a way that benefits the instructional program of the District first. We will avoid approaching the implementation of any recommendation solely to follow a sterile statistical model.

The District has shared with the Performance Audit Team that the use of the term "discretionary expenditures" in the financial systems section of the report is somewhat misleading. This is because a number of these expenditures, some of which are identified below, are not always "discretionary." Rather, some are imposed upon the School District by County, State and even Federal authorities. We have shared these concerns with Mr. Pyers and the Performance Audit Team and they have been receptive to our comments and suggestions. The four points that we share for your consideration are identified on the next page:

Streetsboro City School Mission Statement:

"Streetsboro City Schools will educate, to the best of its abilities, all students to be successful life-long learners."

1. For Streetsboro, professional and technical services are \$36 per student greater than the peer average, though Streetsboro ranks second in the total. It is difficult to assess the validity of this average as Field is at \$34 and Lake is at \$377. Heath and Streetsboro appear somewhere at a midpoint. A year earlier, the District was \$1 away from the peer average. A city school district, due to its legal status, incurs certain expenditures in this area that a local school district does not. Therefore, this comparison should be used with caution.

2. For textbooks and reference materials, Streetsboro is \$66 per student above the peer average. This is due to a conscious decision of the administration, supported by the Board, to purchase new textbooks, especially reading and math books at the elementary level. We believe that the improved success of our students on proficiency tests in recent years is influenced significantly by these investments. This data is portrayed in Table 2-7 and Table 2-8. Therefore, a high level of financial investment in these areas appears reasonable for the foreseeable future.

3. Dues and fees are \$34 per student greater than the peer average. In discussing this item with the Performance Audit Team, it was learned that property tax collection fees imposed by the Portage County Auditor and Treasurer in accordance with Ohio law is the primary reason for this variance. We submit that these fees are not “discretionary” as the method of calculation is prescribed by State statute.

4. When you calculate the difference between the Streetsboro expenditures cited above and the peer average, Streetsboro’s “discretionary” expenditures would be \$756 per student compared to an unrevised average of \$784 per student.

Two critical pieces of comparative data not reported in the Performance Audit that merit attention in our view include the following:

1. The ratio of State-to-local funding for the State Foundation funding program as reported by the Ohio Department of Education for school year 2005-2006 and the State Foundation formula cost-of-doing business factor, which is calculated for the county in which a school district is located.
2. Recent voter support for local taxes levied to fund day-to-day operations for the Streetsboro City School District and peer districts.

This information is presented below:

<u>Data Point</u>	<u>Streetsboro</u>	<u>Field</u>	<u>Heath</u>	<u>Lake</u>	<u>Peer Average</u>
State-to-local Funding Share %	26.92%	39.85%	35.60%	38.32%	35.17%
State Funding County Cost Factor	3.147%	3.147%	2.540%	2.400%	2.696%
Tax Rate of Most Recent Levy	3.50 mills	6.00 mills	7.20 mills	8.75 mills	6.36 mills
Date of Most Recent Levy	Aug. 2005	Aug. 2006	Nov. 2006	Aug. 2006	All within 15 months
Outcome of Most Recent Levy	Passed	Passed	Pending	Passed	

Of the peer districts, Streetsboro’s assigned State funding contribution is almost nine (9) percentage points lower than the peer average and the district with the second lowest assigned State funding contribution. Along with Field, Streetsboro operates in a county with a cost-of-doing-business factor approximately twenty-five percent (25.0%) greater than Heath and Lake. With respect to the elections information, it is noteworthy that Streetsboro now has gone the longest of the peer districts without placing a levy on the ballot.

Based on our contacts with the peer districts and Mr. Giovagnoli’s personal knowledge of the Field district as a former teacher there, we have come to the belief that all four peer districts faced a significant disinvestment of financial resources during the past two decades. During the 2005-2006 school year, the *Toledo Blade* reported that the Lake Board of Education chose to reverse several cuts in educational programs and

transportation made during the 2004-2005 school year. A poignant photo published in the *Blade* in March 2005 showed a Lake Middle School student driving a farm tractor to school as a result of transportation cuts that District made and later rescinded. Local newspapers serving the Field and Heath communities also reported on the financial challenges faced by those School Districts. The purpose of bringing this information to your attention is that the peer districts as a group face serious fiscal challenges. Similarly, we believe that these Districts face a similar scope of deferred capital investment and educational program investment that Streetsboro has faced.

As helpful as identifying similar districts on a statewide basis has been, we believe that an important part of the story facing the Streetsboro City School District may be missing. That story is how the District compares to nearby districts. This is an inherent weakness in the design of the Performance Audit methodology, we believe. The Performance Audit report text notes the geographic proximity of the District to the two largest metropolitan centers of northeastern Ohio, Akron and Cleveland. Yet it does not necessarily account for the fact that operating in this marketplace probably is more expensive than in other areas of the State. This is reflected in the State Foundation funding formula cost of doing business factor, which is calculated on a county-by-county basis. Ohio Department of Education operating cost data for the 2004-2005 school year for all Districts show that the State average cost per pupil that year was \$9,052. Streetsboro's average cost per pupil was \$9,198, or just one and three-fifths percent (1.6%) greater than the State average. This is noteworthy because of Streetsboro's geographic position at the edge of the Cleveland and Akron economic areas. It is also noteworthy that Streetsboro is considered the second fastest growing suburb of Cleveland.

Of the seven school districts that touch Streetsboro geographically, only one has a lower base teacher salary. The highest base teacher salary in an adjacent school district is nearly twenty percent (20%) greater than the base salary offered by Streetsboro City Schools. The median variance in the 2006-2007 school year base salary level of the seven contiguous school districts is represented by the Kent City School District, which reported a base salary of \$33,602. This is ten and three-fifths percent (10.6%) greater than the \$30,390 base salary offered by the Streetsboro City School District. A table listing the neighboring district 2006-2007 school year teacher base salaries is below.

Rank	School District	Teacher 2006-2007 Base Salary	% Variance from Streetsboro Base
1	Aurora	\$36,225	+19.2%
2	Hudson	\$35,795	+17.8%
3	Twinsburg	\$35,141	+15.6%
4	Kent	\$33,602	+10.6%
5	Stow	\$32,673	+7.5%
6	Ravenna	\$31,340	+3.1%
7	Streetsboro	\$30,390	+0.0%
8	Crestwood	\$29,011	-4.5%

As a result of Streetsboro's competitive salary disadvantage to nearby school districts, the District loses talented teachers every year. Three teachers, representing more than two percent (2%) of the teaching staff, found employment in higher paying school districts between the 2005-2006 and 2006-2007 school years. All of those districts are within a ten-mile radius of Streetsboro. None of the departing teachers had to change residence as a result of the decision to change jobs. This pattern has been consistent for the District for many years. The Board of Education and administration have to weigh these facts during the negotiation of salary and benefit levels with employee bargaining units.

The Board of Education and administration have analyzed the transportation data diligently. We are able to report that the School District spent approximately twenty-five percent (25.0%) less than the State average for pupil transportation during the 2005-2006 school year. Ohio Department of Education data show that the average cost per pupil statewide is \$603 compared with \$455 for Streetsboro City Schools.

We wholeheartedly agree with the recommendation of the Performance Audit Team to implement a bus replacement schedule and a five-year rolling capital improvements plan. These are good ideas and are important to maintaining the physical plant investment of the taxpayers of the School District. The necessary ingredient now missing is a funding source for these improvements. Determining the appropriate funding source is a high priority for the Board and administration for this school year. We appreciate the attention that

the Performance Audit Team has focused on this need. We also appreciate the fact that the Performance Audit Team recognized that the District will need to retain all existing sources of revenue in order to maintain fiscal solvency as well as to avoid detrimental educational program cuts.

The Performance Audit Team has acknowledged that it is the community's responsibility, through the leadership of the Board and administration, to determine the appropriate level of educational programs and services to provide to the students of the School District. The School District has a keen commitment to listening to the community and using research-based information when making critical educational program decisions. For example, empirical research shows that an optimal student-teacher ratio is 18:1. This ratio is significantly lower than the State minimum standard. Unfortunately, almost all regular education classrooms in the District are staffed at levels that exceed this optimal ratio.

In order to sample community opinion about priorities for the Streetsboro City Schools in a statistically valid manner, the District surveyed a random sample of registered voters in July 2006. (The sample margin of error is seven percentage points.) The survey results show the following priorities for School District operating expenditures should additional funds become available:

<u>Rank</u>	<u>Priority</u>	<u>Agreement Percentage</u>
1	Purchase new textbooks and instructional equipment	84%
2	Hire additional teachers to reduce class size	71%
3	Purchase new computers and technology for students	67%

Eighty-five percent (85%) of the respondents agreed that all students should be computer literate upon graduation from Streetsboro High School. The Board of Education and administration consider the survey results the best available indication of community priorities for the use of limited school funds. We will use the information provided by the Performance Audit Team to help the District achieve the goals and objectives identified by the community.

Finally, we wish to acknowledge and thank all parties involved in helping the District earn release from Fiscal Caution status in just 15 months. We especially wish to recognize Mr. Pyers and Mrs. Doris Pearce, Ohio Department of Education Fiscal Consultant, for their time and assistance.

Respectfully submitted,



Thomas Giovangnoli, Superintendent



Todd Puster, Treasurer/CFO

Cc: Board of Education Members
Mr. James B. Pyers